INTER-RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION: A LITERATURE REVIEW

Prof. RASHMI JAIN

Abstract

Customer satisfaction is a prized intangible asset each firm seeks to possess. In the era of service economy, can firms use service quality to attain customer satisfaction? This is the key question that this research attempts to answer. This study examines various literature across myriad industries and decades. The literature examined is from well-known journals and databases and are often cited in the domain of service marketing. The article presents key literature on service quality and customer satisfaction and analyzes the inter-relationship between these two constructs.

Keywords: service quality, customer satisfaction, SERVQUAL

1. Introduction:

Services are defined as "All economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in the forms that are essentially intangible concerns of its purchasers." (Zeithmal, Bitner, Gremler, & Pandit).

As per a report by Ministry of Finance India (Dr. Prasad, Sathish, & Singh, 2014), services sector is the highest contributor to global GDP with a share of 67.5 per cent in world GDP of US$70.2 trillion in 2011. In India, service sectors contributed 57% of GDP in 2012-2013. The services sector in India comprises a wide range of activities such as transportation, logistics, financial, telecommunication, business process outsourcing services, healthcare, trading, and consultancies, among many others.

In this era of service economy, enterprises are faced with increased competition and customers have many options to choose from, thereby making it even more critical for organizations to create and maintain loyal customers.

Loyalty is a popular marketing trend which is described as attracting and retaining customers by an organization. Various studies have established that loyalty leads to positive word of mouth recommendations and opportunities to cross-sell, thereby reduces the cost of customer acquisition.

Every organization needs loyal customers to prosper, but customers remain loyal to a firm only till the time they are satisfied with the quality of the service.

In research, pertaining to the service industry, service quality, customer satisfaction and customer loyalty has always been the focus.

Bitner and Hubbert (1994), have described service quality as customer's impression of the relative superiority or inferiority of a service provider and its services. Further, they have described that customer satisfaction is more transaction specific and focuses on the personal, emotional reaction to service.

Customer satisfaction is driver of customer loyalty and behaviour. Caruana, (2002) has studies that service quality is linked to customer loyalty via customer satisfaction.

This study summarizes the analysis of academic literatute on the aspects of service quality and customer satisfaction and the inter-relationship between them.

2. Need for present study

Today globalization and liberalization are affecting economies of not only developing but also developed countries. The focus areas for organizations are also changing from profit maximization to maximizing profits through increased customer satisfaction. The pressures of competition are forcing the organizations to not only look on the processes but also on the way they are delivered. During past two decades business scenario has changed drastically. Some of the key changes that have taken place in the business are:

- Greater sharing of information with all connected links and customers.
- Greater emphasis on organizational and process flexibility.
- Necessity to coordinate processes across many sites.
- Competitive pressure to introduce new service/products more quickly.
- Integrated customer driven processes.
- Quick response to customers needs.
- Worldwide relationships between various trade partners, suppliers etc.
- Easily accessible information through internet.
- Flexible and efficient service/product customization.

Owing to the factors like opening up of markets, increase in use of IT, increased customer knowledge and awareness etc., it becomes a must to deliver the services better than its competitor at agreed price. In this context, the subject of service quality and customer satisfaction needs a fresh understanding in the current business scenario.

3. Purpose of the Study

The purpose of this study is to examine the relationship between customer satisfaction and service quality in service sector.

A research like this is essential to assess and improve service delivery and design, because it will provide management with data that they can use in making inferences about the customers. The results of this study should be proved useful for academics; business in the field of marketing and management researchers of customer satisfaction and service quality especially in service sector organizations.

4. Research Methodology

4.1 Research Question

The question that this study aims to answer is:

- How is customer satisfaction and service quality related with each other in service industries?

4.2 Data Collection and Approach

The subject of Service Quality is very rich in terms of definitions, models and measurment issues which have evovled over decades and across varied types of service industry. Likewise there is a

wealth of information on Customer satisfaction, which many believe is the focal point for cusrtomer loyalty and profitability.

Hence, to wade through the sea of information, resources like EBSCO, Google Schoolar and N L Dalmia Institute of Management Studies and Research' library were used for their large collection. Academic networking sites like Research Gate and Academia were also consulted.

In the above sources, serach was carried out on parameters like service qualitry, customer satisfaction, antecedants of service quality and customer satisfaction. This was further funneled and literature which gave genesis of concepts, where popular deviations, related to newer industries were selected for this study.

5. Literature Review

5.1 Service Quality:

There is no single or universally accepted definition of service quality. It is one area that has been extensively researched and various scholars have developed their own opinions from different angles. This section will list out some of the key literature in this areaService quality is more difficult to measure as compared to measurement of quality of goods (Parasuraman, Berry, and Zeithaml, 1985). At the time of purchase in the case of goods, various tangible attributes like shape, size, colour, package etc. can be checked properly and quality can be assessed. But in the case of services, because of intangible nature, it is difficult to make assessment about their quality before their purchase. Therefore in case of services purchasing procedure various other tangible attributes like personnel of service providers, their equipments, and physical facilities etc. can be taken as measures of quality assessment.

Parasuraman, Zeithmal, & Berry L (1985) suggested that customer's perception of service quality is the gap or differenece between the expected level of service provider's performance and the performance experienecd by the customer, along various dimenssions. They developed a service quality model (Figure 1) based on gap analysis. The various gaps visualized in the model are:

- Gap 1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.

- Gap 2: Difference between management's perceptions of consumer's expectations and service quality specifications, i.e. improper service-quality standards.

- Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.

- Gap 4: Difference between service delivery and the communication to consumers about service delivery, i.e. whether promises match delivery?

- Gap 5: Difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.
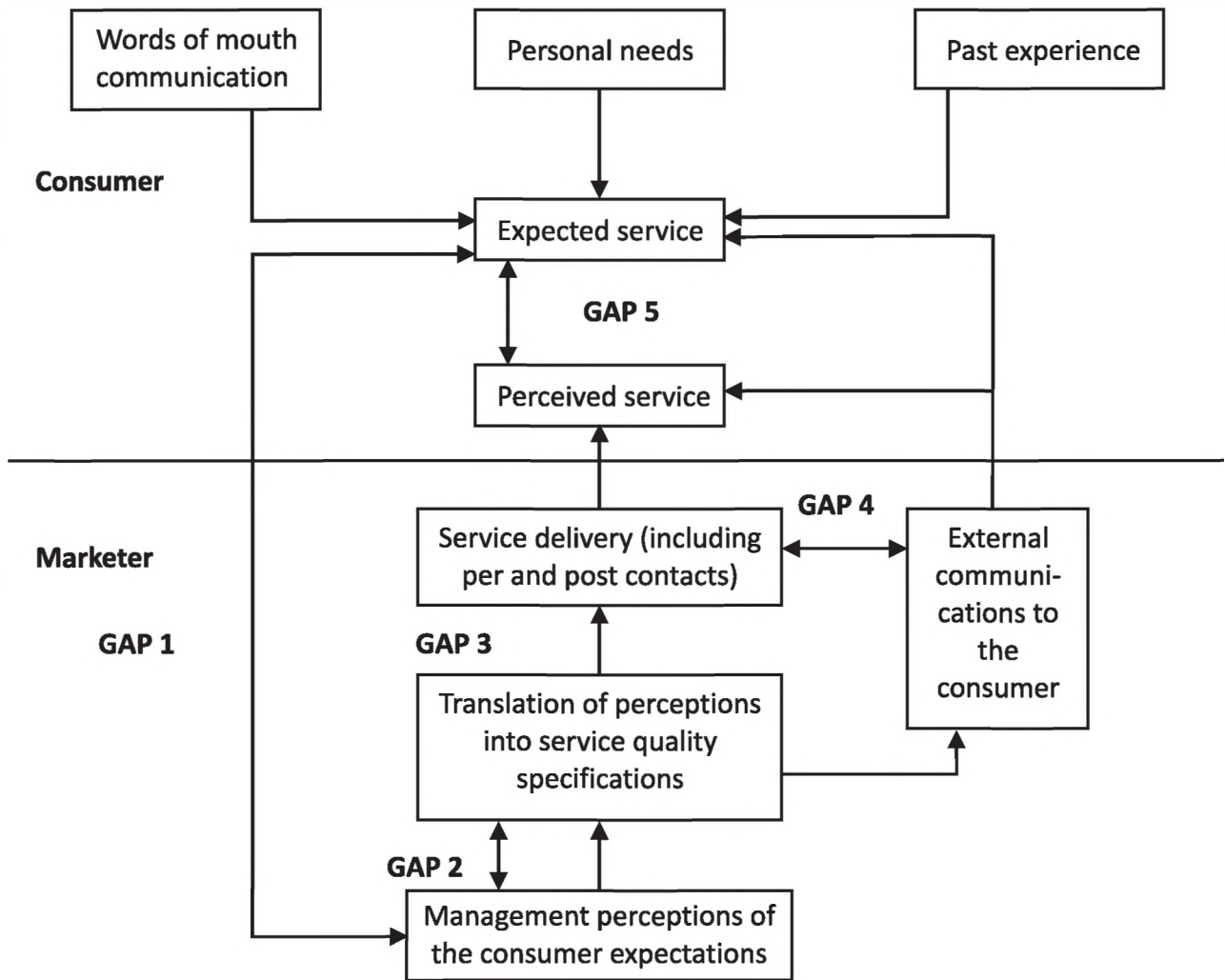
Figure: 1

Source: (Parasuraman, Zeithmal, & Berry L, 1985)

This exploratory research was further refined in 1988, where a scale named SERVQUAL was developed. This scale would measure the customers' service quality perception across 5 key dimensions (Parasuraman, Zeithmal, & Berry , SERVQUAL: a multiple item scale for measuring consumer perception of service quality, 1988), which are:

- Tangibles: which is the service place, facilities and the appearance of service staffs

- Reliability: The ability of providing promised service to customers reliably and correctly

- Responsiveness: The will of service staffs to help customers and to provide real-time service

- Assurance: Service staffs are professional, polite and reliable

- Empathy: Companies care for the customers and provide some other special attentions

Cronin and Taylor (1992) proposed an alternative model, i.e. SERVPERF, which is a performance-only based measure. They claimed that the SERVPERF measure explains more of the variance in an overall measure of service quality as well as obtains a better construct validity than SERVQUAL.

Rust and Oliver (1994) suggested a three-component model including the service product (i.e. technical quality), the service delivery (i.e. functional quality), and the service environment.

Service delivery represents how the service is delivered, i.e. customers' perceptions of the interactions that take place during service delivery, while service product reflects the outcome of the service act or what the customer receives in the service encounter. Service environment is the place where the service is rendered.
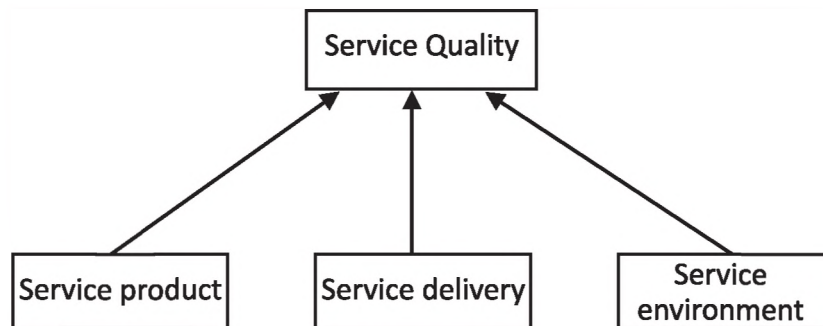

Figure: 2

Source : (Rust & Oliver, 1994)

Model of e- Service Quality (Santos, 2003) states that Service quality is one of the key factors in determining the success or failure of electronic commerce.

This study proposes a conceptual model of e-service quality (Figure 3) with its determinants. It is proposed that e-service quality have incubative (proper design of a web site, how technology is used to provide consumers with easy access, understanding and attraction of a web site) and active dimensions (good support, fast speed, and attentive maintenance that a web site can provide to its customers) for increasing hit rates, stickiness, and customer retention.
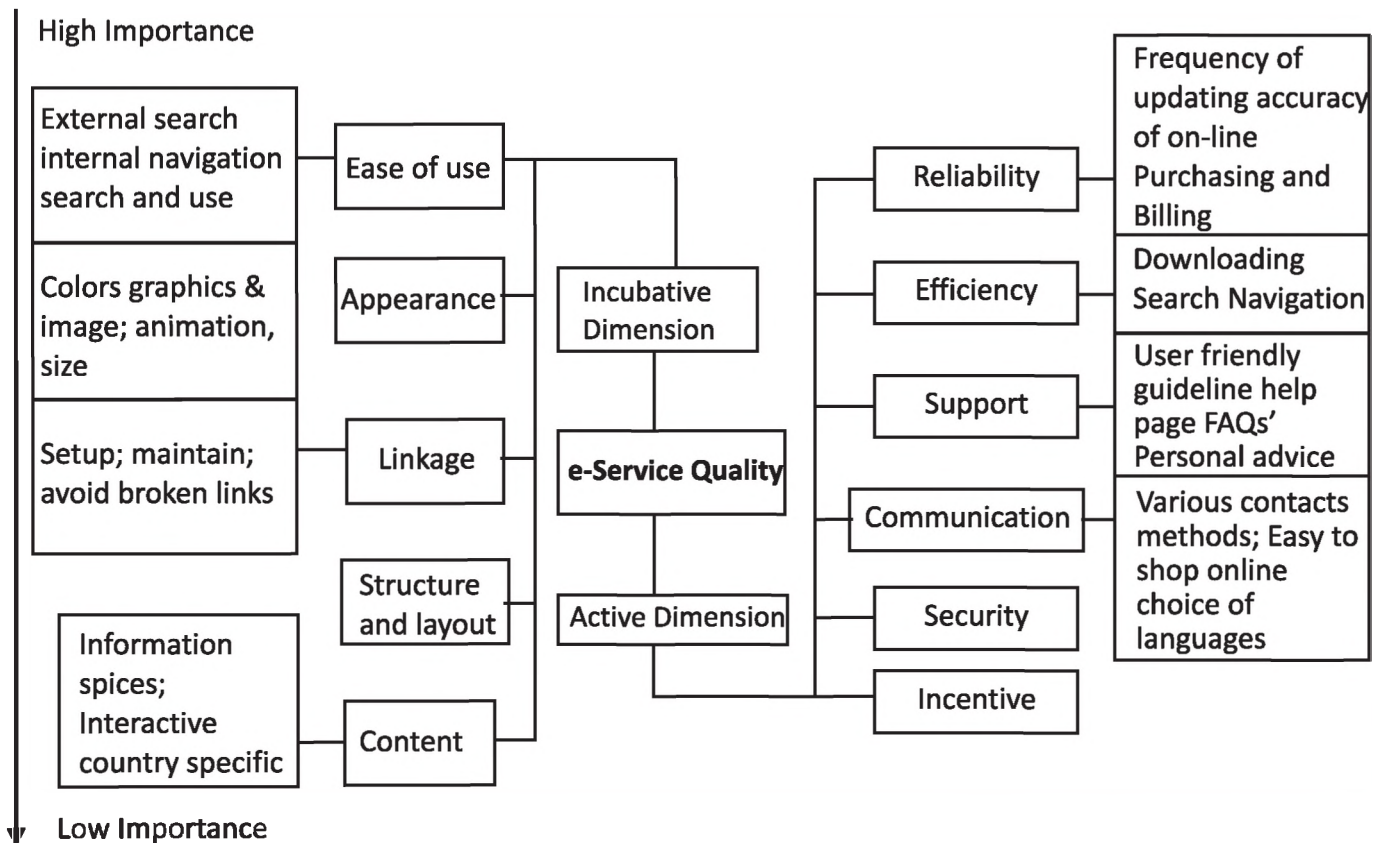

Figure: 3

Source: (Santos, 2003)

5.2   Customer satisfaction

Customer satisfaction has been considered as one of the main goals in marketing. Satisfaction plays a central role in marketing because it is a good predictor of purchase behaviour (repurchase, purchase intentions, brand choice and switching behaviour) (Oliver ,1993).

According to Oliver (1980), the customer satisfaction model explains that when the customers compare their perceptions of actual products/services performance with the expectations, then the feelings of satisfaction have arisen. Any discrepancies between the expectations and the performance create the disconfirmation. Oliver (1980) identified three types of disconfirmation. They are:

- Positive disconfirmation occurs when Product/service performance is greater than the expectations. In this case, the customers are highly satisfied.

- Negative disconfirmation occurs when Product/service performance is less than the expectations. In this case, the customers are highly dissatisfied.

- Zero disconfirmation occurs when Product/service performance = expectations.

This is very similar to service quality however the distinction should be made that satisfaction is post decision customer experience while quality is not.

Gyskens, Jan-Benedict E.M. Steenkamp, & Kumar,(1999) described customer satisfaction in the B2B context as a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm.

Khalifa & Liu (2002), posed that confirmation/disconfirmation of pre-adoption expectations and desires, upon adoption, could influence overall customer satisfaction. While the disconfirmation theory has been supported by many researchers, it is hard to operationalize the theory consistently for all product categories.

Two general conceptualizations of customer satisfaction exist in the literature: service encounter or transaction-specific satisfaction and overall or cumulative satisfaction (Shankar, Smith, & Rangaswamy, 2003). While transaction-specific satisfaction may provide specific diagnostic information about a particular product or service encounter, cumulative satisfaction (i.e., satisfaction that accumulates across a series of transactions or service encounters) is a more fundamental indicator of the firm's past, current, and future performance.

5.3   Service Quality and Customer Satisfaction:

Service Quality and Customer satisfaction had commonly been conceptualized to be different, but interrelated constructs. The relationship between service quality and customer satisfaction is still an ambiguity, whether service quality is a predecessor of customer satisfaction or customer satisfaction is a predecessor of service quality.

Service quality is a global assessment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction (Parasuraman, Zeithmal, & Berry , SERVQUAL: a multiple item scale for measuring consumer perception of service quality, 1988). They conceptualized service quality as long-run overall evaluation and customer satisfaction as transaction specific evaluation. Bitner, Booms, & Tetreault, (1990) argued that customer satisfaction is an antecedent of service quality. Later, Bolton and Drew supported the argument that customer satisfaction is an antecedent of service quality. (Bolton & Drew, 1991).

In comparison to above arguments, some other researchers argued and empirically supported that perceived service quality is an antecedent of customer satisfaction. Cronin and Taylor, (1992) conducted an empirical study under the hypothesis that customer satisfaction would be an antecedent for perceived service quality. To test the causal relationship among customer satisfaction, service quality, and purchase intention, they used structural analysis approach. In the structural analysis results, path coefficients for Service Quality '! Customer Satisfaction '! Purchase Intention were found significant, whereas path coefficients for Customer Satisfaction '! Service Quality '! Purchase Intention were found insignificant. Based on the results of their study, authors concluded that perceived service quality is an antecedent of customer satisfaction (Cronin & Taylor, 1992). Spreng and Mackoy (1996) tested the hypothesis framed on the basis of the past study conducted by Oliver (1993) that service quality influences customer satisfaction. (Spreng, Gilbert, & Mackoy). The results of the study supported the arguments made by Oliver, (1993).

Fornell, Johnson, Anderson, Cha, & Bryant, 1996, developed ASCI as a new type of market based performance measure for firms, industries, economic sectors, and national economies. This measure consists of a set of equations that link perceived quality, customer expectations, perceived value to customer satisfaction. In the results, it was found that perceived quality had greater impact on customer satisfaction as compared to perceived value. The results were consistent across all the firms, industries, economic sectors, and national economies.
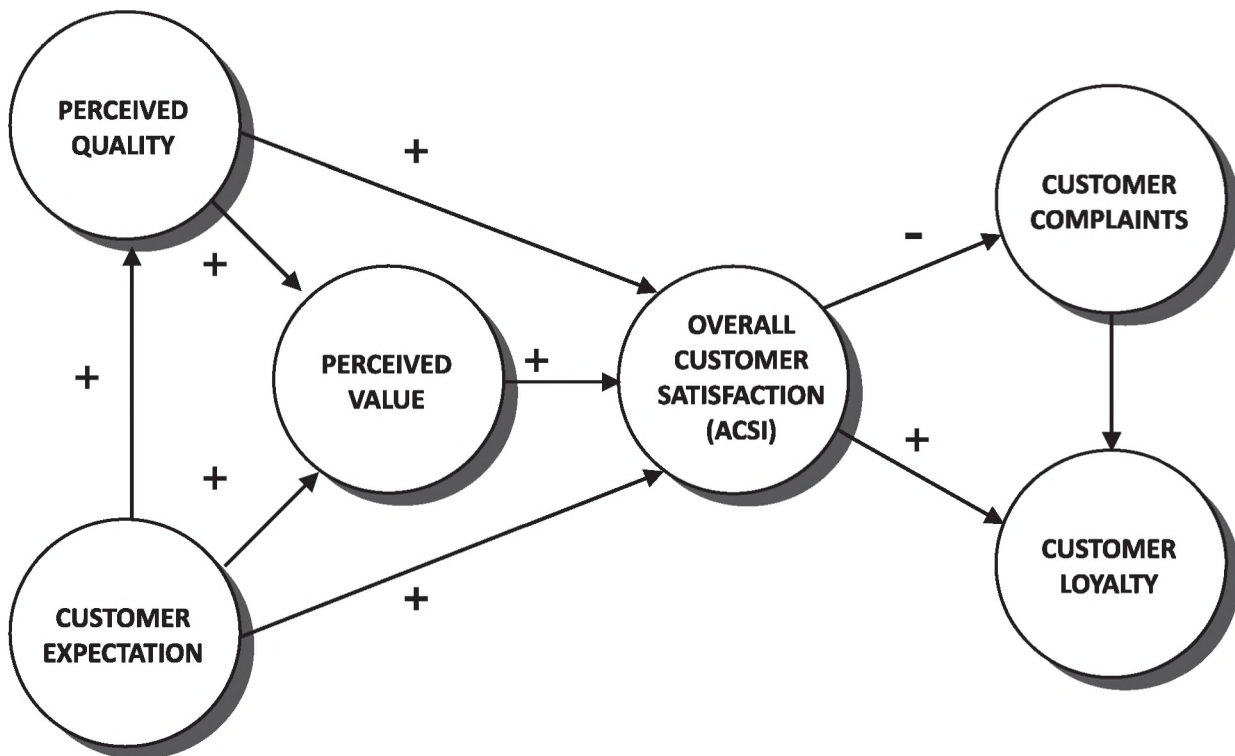

Figure: 4

Source: (Fornell, Johnson, Anderson, Cha, & Bryant, 1996)

Lee, Lee, & Yoo, (2000), conducted an empirical study across three service settings (Entertainment Park; Investment Consulting firm; Aerobic School). In their study, they modelled service quality as an antecedent to customer satisfaction based on the fact that customers can evaluate the object only after they interpret the object. These results provided empirical evidence to the fact the service quality leads to customer satisfaction. The findings of this study are consistent with results of past studies conducted by Cronin and Taylor, (1992); Oliver, (1993); Spreng and Mackoy, (1996).

Fehl (2006) investigated the subject of service quality and its relationship to customer satisfaction in the context of industrial business-to-business technical field service. A modified SERVQUAL scale was utilized to ascertain the functional dimensions of service quality specific to the industry and service context under study. Factor analysis was employed to determine the relevant functional quality dimensions as well as to establish the applicability of the outcome quality construct in field service. Structural equation modelling was utilized to evaluate the suitability of two alternative field service quality models. The results suggest that the outcome quality dimension should be included along with functional quality as factors of the higher order latent construct "Field Service Quality". The study also examined the overall service quality and customer satisfaction relationship as part of a larger field service quality model. Statistical analysis confirmed that these two variables are distinct, though highly correlated constructs. Nominal variables such as service market segment, and service payment type were examined for their influence on levels of overall service quality and customer satisfaction.

Jeon (2008) found six attributes of mobile internet service were identified; ubiquity, localization, personalization, reachability, convenience, and instant connectivity. Based on the results of this study, among attributes of mobile internet service, three attributes — ubiquity, reachability, and instant connectivity — were found to have significant effects on mobile internet service quality. In addition, mobile internet service quality also had a direct effect on continuance intention. Mobile internet risk did not affect mobile internet service quality, and also did not affect mobile internet service satisfaction and continuance intention, respectively.

6. Conclusion:

The objective of this study was to examine the relationship between customer satisfaction and service quality. The research question was "How are customer satisfaction and service quality related with each other in service industries?" To answer this question, this study attempted to review various literature on Service Quality and Customer Satisfaction. The study tried to review select literature across 3 decades to cover various industries like the e-commerce industry which became popular with the customers at the start of the millennium and is till date.

It is observed that over the years and across industries, the dimensions of service quality have increased from the key five dimensions – Reliability, Empathy, Tangibility, Responsiveness and Assurance, to additional dimensions like incubative dimension (proper design of a web site, how technology is used to provide consumers with easy access, understanding and attractions of a web site) and active dimensions (good support, fast speed, and attentive maintenance that a web site can provide to its customers) in electronic commerce industry.

The literature review established a definitive relation between customer satisfaction and service quality, however there is no consensus on the nature of relationship. In some studies it is found that customer satisfaction is an antecedent of service quality. However the major criticism to this school of theory is the inability of customer's evaluation of the difference between the expected and actual outcomes of the service, without actually consuming the service.

Many other studies have found quite the opposite, i.e. service quality is the antecedent of customer satisfaction. Studies have proved that in various industries like amusement parks, consulting, schools etc. it is the service quality that leads to customer satisfaction. The American Customer Satisfaction Index (ASCI) developed by Fornell in 1996, has service quality as one of the key dimension that leads to customer satisfaction.

Further, it is noted that firms can control the service quality and not customer satisfaction, as satisfaction arises of the positive disconfirmation for which the customer should have experience the product. Hence, based upon the argument propounded by Lee et al., (2000), in which consumers can evaluate an object only after they interpret the object, it can be concluded that service quality serves as antecedent of customer satisfaction.

7. Acknowledgements

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