

Study of Quality of Service of Service Providers in Motorised Two - Wheeler Industry

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Two Wheeler Industry,
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Abstract: The contribution of the service sector to the economy of the developed and developing countries are significant. For instance, in India, the service sector contributing nearly more than 50 percent of GDP. To retain its role for contributing much for the economy and to enhance customer satisfaction, there is a need to study the underlying factors in the service sector. In this paper automobile two-wheeler service sector has been presented.

This paper has attempted to study service quality of two wheeler servicing centers with sample size of 30 respondents each (Authorised dealer, service agents and private garage).this paper has used SERVQUAL scale for data administration and conclude that significant Gap exists between expectation and perception of respondents on all 5 dimensions which are Reliability, Tangibles, Responsiveness, Assurance and Empathy.

Introduction:

In India, the need of basic local transportation of people is catered to in manifold ways. Three major types of transportation are the public transportation system (owned and run by the local governing bodies), the private transportation system (owned and run by private enterprise/ individuals) and the personal transportation system (self- owned vehicles). Many employers in public and private enterprises also offer organisation-owned cars to their selected employees or transportation of employees in organisation owned or hired buses for commuting between their residences and work place. This happens to be a negligibly small proportion of the transportation system as such. Public transport system comprises of local trains and buses. The private transport system consists of bicycle rickshaws, motorised rickshaws . (3 seater and 6 seater), buses and in big cities car taxis. Personal transportation consists of bicycles, motorised two-wheelers and cars. The public transport system is economical. However it suffers from limitations like low reliability, low frequency and low connectivity. Exceptions to these limitations do exist in certain cities like Mumbai, Chennai etc. Private transport system overcomes the limitations of a public system (albeit to a limited extent) but is very expensive. This makes the personal transport system the preferred choice as it offers independence and low cost. The climatic condition in India is conducive for the use of bicycles and motorised two-wheelers. The lower income level of vast majority of the population also contributes to the wide use of the same. The high-income group can afford use of cars. India as a market for motorised two-wheelers has grown significantly in the

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past few years. Today India is the second largest motorised two-wheeler market in the world. The global demand for motorised two-wheelers is about 31million units. World-renowned motorised two-wheeler manufacturers have developed interest in the Indian market and made their entry in India. Value wise the motorised two-wheeler business (all India figs.) exceeds Rs. Twenty thousand crores. Motorcycles, geared scooters, ungeared scooters, step-throughs, scooteretts and mopeds are the types of motorised two-wheelers that are being sold in India. All vehicles call for periodic servicing, supply of spares and repairs. The servicing and the after sales service is provided by three different agencies viz. the authorised dealers, service agents and private garages.

Pune, a city of learning in India, has also become a hub of engineering industry. The city continues to attract students from various parts of the country. It also attracts people with different professions to satisfy the manpower requirements of various businesses. This has resulted in a phenomenal population growth (today the population of the city is about 5 million). This coupled with poor public transport system and a very expensive private transport system, has transformed the city (known also in the past as a city of bicycles internationally) into the motorised two-wheeler city of India. All above-mentioned types of motorised two-wheelers are found abundantly in the city of Pune. Students (girls and boys), housewives, office goers, pensioners, small businessmen use them for commuting for functional as well as personal purpose. Further, from the Marketing standpoint, the results of test marketing in Pune for various products, especially two-wheelers, are found to be the trendsetters in rest of the Indian markets. Hence the geographical coverage of the study of the perceptions of the customers was restricted to Pune city. Since the author is also based in Pune, costs and time taken to complete

the study were also low.

Authorised dealers have a contractual understanding with the manufacturer for selling two-wheelers manufactured by the manufacturer and providing spare parts and service (including warranty servicing) to the customers. A service agent has a contractual agreement with the dealer to only service (including warranty servicing) and repair a two-wheeler of a brand that is represented by the authorised dealer. Private garage has no understanding with any of the above stated agencies. Since all the three types of service providers co-exist, it is important to study and compare them vis-à-vis perceptions of the customers as regards quality of service. The SERVQUAL model developed by

A. Parasuraman, Zeithaml and Berry, which provides the determinants of quality of service viz. Reliability, Responsiveness, Assurance, Tangibles and Empathy, was used in this study. This model was used to find out the service quality level of each of the service provider and also compare the service providers. There existed gaps between the expected service levels and the perceptions of service quality rendered by the service providers. authorised dealers scored high on reliability and tangibles. The private garages scored high on responsiveness, assurance and empathy. authorised dealers and service agents did not differ significantly on reliability. Service agents and private garages did not differ significantly on counts like responsiveness, assurance, empathy and tangibles.

Scope of the Research:

Scope of the study was defined by two factors namely the service scope and the type of service provider.

1. Service Scope: Service is restricted to the after sales service – servicing, repairs and fitment of spares.

2. Type of Service Provider: All three types of service providers as explained below are included in the scope of study –

1. Authorised Dealers: These are institutional merchant intermediaries who deal in the product lines of a manufacturer under exclusive franchise agreements. They have a showroom and a workshop as per the requirements of the principals. As a part of practice, they sell motorised two-wheelers, as well as spares and provide after sales service to customers including warranty service.

2. Service Agents: Limited service merchant intermediaries who only provide after sales service, which includes sale of parts and servicing (including warranty servicing) and repairs. Contractual understanding with the authorised dealer exists. However they do not have a showroom. Requirements of workshop are not as stringent as in the case of authorised dealers. As a practice they do not sell motorised two-wheelers and in this sense they are limited service middlemen. The 'exclusivity' part of the contract is absent – they may service products manufactured by competing manufacturers also.

3. Private Garages: Free lancers who provide after sales service to any product of any make and have no contractual agreement with any manufacturer of two-wheelers and authorised dealers. Since they are not under a contractual

agreement, they are not authorised and hence they do not provide warranty services. Customer who avails of service of a private garage does so at his own risk and peril.

Need for the study:

In depth interviews with the authorised dealers revealed that the existence of private garages had an adverse effect on the business of two-wheeler manufacturers and service revenue of the authorised dealers. The author also learnt from the depth interviews with the dealers and an independent focus group discussion with the customers using various brands that private garages voluntarily do not fit genuine parts – parts manufactured or provided by the two-wheeler manufacturer. They buy parts from other sources. Parts provided by these other sources are look-alike parts and termed as spurious parts by motorised two-wheeler manufacturers. On the other hand, authorised dealers and service agents provide only genuine parts. There is also a mechanism by which manufacturers ensure that only parts manufactured or provided by them are stocked by these two service providers. This reflects the commercial aspect – two-wheeler manufacturers and authorised dealers loose revenue by way of sale of parts when customers approach private garages for their service requirements. Given the fact that profitability is very high on spares sales this issue becomes more important and serious. Thus this issue was of commercial significance. Secondly, customers who avail services from private garages may be losers (as claimed by motorised two-wheeler manufacturers and dealers) by way of early failure of parts, higher down time etc. This is concerned with customer interest. Since three types of service providers co-exist, it was necessary to understand attractive propositions/ features of the three service providers and compare them. This reflects an academic interest. Thus, the need had academic, customer interest as well as commercial dimensions.

Literature Review:

SERVQUAL model developed by Parasuraman et. al (1988) as a tool for measuring the quality of service providers is a very popular tool for measuring quality of service provided by service providers. The model includes the expectations and perceptions of service customers and suggests that the gap between the two reflects the quality of service. Many scholars have discussed SERVQUAL as an instrument. Some have very seriously criticised the model for a variety of reasons. Babakus and Boller (1992) and Cronin and Taylor (1992) have disputed the gap model and argued that perceived performance alone is a good measure of service quality. Brown et. al. (1993) have also argued that conceptualisation of service quality as the difference score lead to many problems. Its reliability was lower than that of the non-difference score measure of service quality. It also failed to achieve discriminant validity. SERVQUAL also exhibited variance restriction effects and distribution of SERVQUAL scores was non-normal. They further argued that the non-difference score measure displayed better discriminant and nomological validity. However many scholars have claimed that the SERVQUAL model is indeed useful for measuring service quality. Mangold and Babakus (1991) used the model for their study on the healthcare sector. Blanchard and Galloway (1994) used the model for studying the

service quality in retail banking. SERVQUAL is used by many scholars to assess the quality of different services such as hospitality, healthcare, education, real estate and construction services (Nelson and Nelson 1995, Foster and Thomas 2001). Mukherjee and Nath (2005) suggest that although SERVQUAL serves as a good starting point, contextual modifications are necessary and argue that approaches such as TOPSIS and service losses should be used together for providing a better picture of service quality. The current study uses the SERVQUAL model as a tool for measuring the quality of service providers and also to compare the quality of service of three service providers.

Objectives of Study:

The research was conducted with the following objectives-

1. Study the customer's expected levels of quality of service of service providers on each of the five attributes of quality viz. Reliability, Responsiveness, Assurance, Tangibles and Empathy.
2. Study customers's rating of quality of service for the service providers on each of the five attributes and find out if the gap between expected levels and actual levels of quality exists.
3. Compare the ratings of the three service providers on each of the five attributes and see if the difference between the service providers is statistically significant.

Research Methodology:

The following paragraphs describe the research methodology adopted for the study –

Type of Research: Looking at the objectives it was evident that the author wanted to conduct fact-finding enquiries and describe the state of affairs as it exists at present. In the present study, author attempted to relate facts about quality of service of service providers. This involved collection of data and creation of a distribution of the number of times the researcher observes an event. Hence the research was descriptive research.

Universe: Consisted of the motorised two-wheeler users and all service providers within the city of Pune. This was motivated by factors like the importance of Pune – high population of motorised two-wheelers and past experience of city based results becoming trendsetters in other parts of the country. convenience (author is based in Pune) and savings in time, energy and money.

Data Collection: Primary data was collected by personally administering the SERVQUAL instrument.

Sampling Technique: Systematic random sampling was used to collect primary data. The author approached one authorised dealer, one service agent and one private garage. Every fifth service customer who left the service point after having his vehicle serviced was approached with the instrument.

Sample: The sample included students, employees, pensioners, self-employed in each gender and housewives additionally in female gender using two-wheelers.

Sample Size: The sample size for each of the three service providers was taken to be 30.

Hypothesis Formulation: By method of observation (by visiting

the three service providers) and depth interviewing the representatives of motorised two-wheeler manufacturers and authorised dealers, it was learnt that all the three service providers are crowded with customers. It was also learnt that customers are generally loyal to the service provider. Zeithaml and Bitner (2002) state that this is a typical characteristic of buyer behaviour in case of services. Further, a focus group discussion was conducted in which 20 people were invited. The group included respondents from both genders, various age groups and people from various professions. Some representative statements about the service providers are as under:

1. Authorised dealer is more reliable as two-wheeler manufacturer supports it.
2. Private garages are more flexible in their approach.
3. Private garages accept and deliver vehicles at a time convenient to customers.
4. Service agents are also reliable.
5. Authorised dealers have a good workshop, space to sit and a TV set/ audio system / newspapers to kill time.

A close look at the above statements guided the author to think in terms of the above concept of quality of service. Statements 1 and 4 reflect reliability. Statements 2 and 3 reflect responsiveness. Statement 5 reflects tangibles dimensions of quality of service. It was further felt that each service provider provides a unique offer in terms of service quality that appeals to customers. This led to the formulation of hypothesis as under:

Each service provider category viz. authorised dealer, service agent and private garage differs significantly from one another on either of the five dimensions of service quality i.e. reliability, responsiveness, assurance, empathy and tangibles.

Statistical Tool Used for Analysis:

Exploratory factor analysis was used as a statistical tool using SPSS package. T tests were used to see if the gaps between the service providers on each of the five dimensions of service quality were statistically significant or not.

Findings:

A scale is said to be reliable if the Cronbach alpha exceeds 0.7 (Cronbach 1951). The same was found to be 0.8. Thus the scale passed the test of reliability. However the convergent and discriminant validity was rather poor. Many variables demonstrated cross-loading and thus the scale did not strictly pass the test of validity (Nunnally 1978).

From table 1, it is clear that the expectations in each of the five dimensions of quality exceeded the perceptions and hence quality gap existed.

Reliability : The gap between the authorised dealer and private garage was statistically significant with the former being rated high. However the same between authorised dealers and service agents was insignificant. The gap between service agents and private garages is also statistically significant with the former being rated high. This finding perhaps is logical as it is expected

Table 1 : Mean Value of Gaps of Service Providers

Quality dimensions	Authorised Dealer	Service Agent	Private Garage
Factor	Mean gap	Mean Gap	Mean Gap
Reliability	2.83	3.03	5.23
Responsiveness	14.76	10.5	10.4
Assurance	4.43	5.8	5.8
Tangibles	3.6	6.5	6.4
Empathy	11.14	5.8	5.6

that the gap between the authorised dealers and service agents should be minimal.

Responsiveness : The gap between the authorised dealer and private garage was statistically significant with the latter being rated high. Similarly, the gap between the authorised dealer and service agent is also statistically significant with the latter being rated high. The gap between the service agent and private garages is however statistically insignificant.

Assurance : The gap between authorised dealer and private garage is statistically significant with the authorised dealer being rated high. Also the gap between authorised dealer and service agent is significant with the authorised dealer being rated high. The gap between the service agent and the private garage is statistically insignificant.

Tangibles : The gap between the authorised dealer and the private garage is statistically significant with the former being rated high. Similarly, that between authorised dealer and service garage is also statistically significant with the former being rated high. The gap between the service agent and private garage is statistically insignificant.

Empathy : The gap between authorised dealer and private garage is statistically significant with the latter being rated high. Similarly, the gap between authorised dealer and service agent is also statistically significant with the latter being rated high. However that between service agent and private garage is statistically insignificant.

Hypothesis Testing:

It was concluded that the hypothesis - 'Each service provider viz. authorised dealer, service agent and private garage differs significantly from one another on either of the five dimensions of service quality i.e. reliability, responsiveness, assurance, empathy and tangibles' was acceptable.

Recommendations:

Following recommendations were made on the basis of the above:

1. Improving empathy skills is a training need identified for personnel at the authorised dealers. They must be trained on the empathy skills enhancement. This is especially so because the gap between expected level and the rating for empathy dimension in case of authorised dealers is the highest.
2. All marketing communication strategy of authorised dealers

should focus on reliability and tangibles dimensions of quality. After the service agents improve upon tangibles dimensions, possibility of cooperative advertising between principals, authorised dealers and service agents for reducing costs may also be explored.

Conclusion:

There exists a gap in each dimension of service provided by service providers. The expectations exceed perceptions on all the five dimensions in case of all the service providers. Thus all the three types of service providers need to improve their quality of service along the dimensions of service quality. Considering the fact that authorised dealers and service agents are rated at par by customers on reliability and that the private garages and service agents are rated on par on responsiveness, empathy and assurance, service agents as a type of service provider is a logical addition by the principles and dealers to attract and retain customers for servicing of two-wheelers. Service agents are positioned such that they have the advantages of the private garages as well as that of the authorised dealers. However the overall service quality of all service providers need to be improved substantially.

Limitations of Research:

The study is subject to following limitations:

1. The geographical coverage of the study was restricted to Pune city. However Pune – a fairly big city is a home to people from all parts of the country with various professions. Secondly, Pune is a city in the vicinity of which various automobiles manufacturers like Bajaj Auto Limited, Tata Motors Limited, Bajaj Tempo Limited, Kinetic Engineering Limited, Skoda India Limited and a large ancillary is situated. Thus it is only natural that Pune would be the focal point of all automotive action – be it marketing, product development and testing etc. Further, from the Marketing standpoint, the results of test marketing in Pune for various products, especially two-wheelers, are found to be the trendsetters in rest of the Indian markets. Also as the author is located in Pune, it was convenient and less expensive to conduct research in Pune. The methodology used in this study can be used for a similar study on an all-India basis or in some other parts of the country subject to homogeneity of all authorised dealers, that of all service agents and that of all private garages.
2. The convergent and discriminant validity of the scale was rather

poor. Thus the findings may be affected to an extent and the reality may be slightly different.

Scope for Further Research:

Following is the scope for further research in the area:

1. Similar study may be conducted in other parts of the country or on an all-India basis on the framework of the present methodology subject to homogeneity of all authorised dealers, that of all service agents and that of all private garages.
2. Stratification of the universe and conducting above analysis in each stratum may be made on the basis of profession, age, gender, geography etc. This will enable to locate various segments patronising various types of service providers and these may be reached with a fine tuned marketing programme.
3. A number of other factors like nearness, references, past relations etc. should be explored to see if they have an impact on customers availing services of a particular type of service provider.

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