

# Managing Service Quality: A Differentiating Factor for Business Firm

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**Abstract**—Today's world economy is becoming more of service oriented. This situation can be attributed to the increased importance and significance being witnessed in the service industry by both the developed and the developing economies of the world. In fact, growth in the service sector is often used as an indicator to measure a country's economic growth. The service industry has since become the main stay of the economy of many nations. The service industry offers services to customers. These customers often expect value for their money. Customer satisfaction is of equal importance in the service industry just like in the product related business. Three forces dominate the prevailing marketing environment in the service sector increasing competition from private players, changing and improving technologies and continuous shifts in the regulatory environment, which has led to the growing customer sophistication. Customers have become more and more aware of their requirements and demand higher standards of services. Their perceptions and expectations are continually evolving, making it difficult for the service providers to measure and manage services effectively. The key lies in improving the service selectively, paying attention to more critical service attributes/dimensions as a part of customer service management. It is an imperative to understand how sensitive the customers are to various service attributes or dimensions. Allocating resources in the fashion that is consistent with customer priorities can enhance the effectiveness in the service operations. In addition, customer service attribute priorities need to be fully explored in service specific contexts. This paper is an attempt to explore relative importance of service quality dimensions across a 'select' service context.

**Keywords**—Customer Satisfaction, Economic Growth, Regulatory Environment, Service Industry, Service Marketing, Service Operation

**Abbreviations**—Catastrophe (CAT), Magnetic Ink Character Recognition (MICR)

## I. INTRODUCTION

**T**WO major factors that shape the practice of marketing in service organizations are (1) Environment, (2) How a particular business views and organizes its marketing efforts.

Both factors are equally important in creating and constraining managers' opportunities for effective action. For example, in the financial services industry the three major external forces that affect competition are: increasing internationalization of all financial products and players, the change in the regulatory environment (which is removing many barriers to open competition and to the types of companies allowed to compete), and the accelerating impact and pervasiveness of information technology [Taylor et al., 1993]. Which create long-lasting change, in such a scenario the companies that react more swiftly and that anticipate or even create the change that offer the opportunity are likely to be the winners. There are three major tasks that a market oriented manager in a financial service organization must accomplish in order to achieve success. The first of these is to

identify the key strategic success factors operating in the specific industry and to build the company's unique strategy around these factors. Secondly, the manager must be able to establish an organization and system capable of creating and implementing plans built around the company's strategy. Thirdly, the manager must be able to free market its departmental base and infuse and defuse it throughout the organization. It must however be kept in mind that the second and third tasks can only be performed after the first one is accomplished [Moriarty et al., 1990; Krohe Jr., James, 2006].

Customer satisfaction is a feat that every business that intends to be deemed successful must strive to meet. It is the measure of how services supplied to the customers meet or surpass their expectation [Bell, 1992]. Customer satisfaction is an important concept in service and is considered to be part of a balanced scorecard. Customer satisfaction informs the management that the line managers and the staff who are in direct contact with the customers are actually doing a good job. This report will seek to apply the various service marketing concepts and theories to an experience had with a service provider.

## II. LITERATURE REVIEW

Service marketers have experienced it for past few years that competition can be well managed by differentiating through quality, and of course there are exceptions where quality traditionally been an internal affair, e.g., health care. Importance of service lies in customer service management. Customer service is viewed as a part of marketing mix in services marketing. It is also viewed as logistic function of being subsumed within the customer service activity and as timeliness and reliability of delivering services to customers in accordance with their expectations.

Because of the inseparability and intangibility features of services, customer service in service businesses is usually more important than in manufacturing companies [Henkoff, 1994]. In recent years thrust on efficient customer service has increased manifold in the services sector because of increased competition from private players, improved technologies, and growing customer sophistication. For example, in the insurance sector, the private players (Prudential & Standard Life of the UK, Sun Life of Canada and AIG, Met Life and New York Life of the US) are making strides in raising awareness levels, introducing innovative products and increasing the penetration of the market. Some insurance such as ICICI Pru Life, have fulfilled their mission to be a scale player in the mass market by introducing a range of thirteen products to meet the need of each customer in the effort to serve them better. Many others have taken a more focused approach, introducing select products that they believe hold potential and fill market gaps. And as technology has come to its aid, the reach and the ability to service each customer seamlessly has increased. Multiple touch points have emerged –contact centers, email, facsimile, websites and of course snail-mail- which enable the customer to get in touch with insurance companies quickly, easily and directly. As a result of which response time has come down dramatically and information availability has become immediate. Thus, in the context of increasing access to information and tougher competition, the customer will be more demanding for service. Technology will enable him to make comparisons quickly and accurately. High quality customer service will have to mean more than a customer service department and customer care will have to be a state of mind and be accepted by all levels of management and staff [Berry & Parasuraman, 1991; Sharma Shikha, 2002].

Other services have also witnesses the same developments, e.g., in the fast-food sector, there is stiff competition from private players. With the entry of McDonald- the world's best quick service restaurant, Pizza Hut, Sub Way, etc., customer expectations from Indian counterparts particularly Nirulas have increased. McDonald is constantly promoting its corporate mission of People Promise and People Vision. The People Promise is "how we remind our people what they can expect and how high our goal is: to be the best employer in each community around the world". And the People Vision is "we're not just a hamburger Co. serving people, we're a Co. serving

hamburger". It has the customer service department and web site to provide customer convenience, which most fast-foods in India don't have.

Thus, competition and technological up gradation, etc. have resulted Thus, competition and technological up gradation, etc., have resulted sophisticated in their requirements and are increasingly demanding higher standards of service. To them service means customer satisfaction, customer delight, service delivery, customer relationship, etc. Therefore interest in managing the services through customer service is considerably high. It requires setting customer service objective in terms of relative importance of customer service elements. In other words, while considering levels of performance in setting customer service objectives, service companies need to take into account the importance of service quality variables such as reliability, responsiveness, assurance, empathy, and tangibles Customer service initiatives are, thus, closely related to quality improvement initiatives [Grönroos, 1984]. It is the relationship marketing that brings quality, customer service, and marketing together. With this, the attainment of quality has become pivotal concern among the marketers. Considering the paramount importance of quality improvement and management in services, the present study has been undertaken with the objective of contributing a measure of clarity to the research on the issue of relative importance of different dimensions of service quality in the service businesses. This would have implications for customer service and resource management.

## III. OBJECTIVE OF THE STUDY

This paper aims to publish research in the field of service management that not only makes a theoretical contribution to the service literature, but also appeals to practitioners. Recognizing the importance of the service sector all over the globe.

This paper outlines some of the most common impediments to service quality management and explores the steps service providers need to take to help improve service quality, increase customer satisfaction and gain a competitive advantage.

Changing climates in the economy, social structures, and political as well as technological fields are creating sea-changes in the philosophy, aims and structure of many businesses. These changes are particularly relevant to the service sector, as public demand for high standards increases, and organizations fight for both market share and public credibility.

## IV. METHODOLOGY

### 4.1. Strategic Trends

Theodore Levitt (2008) in his article "Marketing Myopia," wrote that the railroad industry foundered because it considered itself in the railroad business rather than in the transportation business. This fundamental shift in business

definition would have dictated a very different approach to planning and growth. Services are faced with the same challenge to redefine their businesses as broader systems of services built on competitive core competencies. Progressive Corporation is an example of an organization that has redefined its business from a company that sells automobile insurance to a “mediator of human trauma”. Its CAT (catastrophe) team flies to the scene of major accidents, provides support, and handles claims quickly. Contact is made with 80 percent of accident victims within nine hours after learning of the crash. To be able to provide support effectively, progressively pays for training its agents not only in insurance matters but also in grief counseling (since part of the job involves dealing with relatives of accident victims). This approach has earned Progressive one of the highest margins in the property and casualty insurance industry, which has notoriously low margins.

Health care is another industry being forced to reexamine its direction. Hospitals emerged during the Industrial Revolution to treat long-term chronic diseases on an inpatient basis. Their facilities were designed to accomplish that strategic mission or goal. Today’s environment has shifted, and hospitals are challenged to deal with preventive medicine and outpatient services. A visible trend has been for hospitals to redesign their layout, policies, and signage to better “fit” the needs of the increasing number of outpatients. “Ambulatory services are the fastest growing part of the hospital,” with outpatient admissions exceeding inpatient admissions by ten to one. The costly service innovations mentioned earlier may imply that the service vision approach is only for “expensive” services. It is not, McDonald’s is not in the hamburger business but in the service business. Its slogans (“you deserve a break today” and “we do it all for you”) demonstrate its service-oriented positioning. Competitors use product –oriented positioning (“flame-broiled versus fried”) and are not as effective.

Taco Bell is another example frequently cited in the literature of a service company reorganizing to “fit” a broadened service vision. When the company changed the way it thought about itself –from preparing food to feeding hungry people—a change in structure became necessary. Taco Bell had moved from a product (manufacturing) orientation to a market (service) orientation. It reduced the size of its kitchens by outsourcing many of the operations. This freed up space and employees to serve customer better [Gummeson, 1998].

Part of the impetus for service organizations to change their missions has been the dramatic increase in competition. Competition has increased not only in number but also in form. Many segments of the retail industry are facing competition from “category killers” such as Whole Foods and Fresh Fields in natural foods; Wal-Mart in general merchandise; and Home Depot in do-it-yourself outlets. Hospitals are losing patients to walk-in clinics. Insurance companies are facing pressure from corporate clients who choose to self-insure. Telephone companies are waging competitive battles with cable companies. Universities are

finding corporations setting up their own on-site campuses. Libraries are facing competition from corporate libraries, electronic search and retrieval firms, and other suppliers of information services.

These shifts have altered the service/price/value/ equation. Because customers have been exposed to more and varied services, their expectations have escalated. They now demand more quality for a lower price. The business press refers to the 1990s as the “value decade.” Companies that provide more value for the dollar than the competition will be winners in this period. Southwest Airlines has been a consistently profitable airline, even though it has taken a “no-frills” approach to operation. It has been profitable for twenty-one consecutive years and was the most profitable airliner in the industry in 1992, demonstrating that a low price for solid consistent service is valued by customers. However, value does not necessarily mean low price. Progressive Corporation, as mentioned earlier, increased the perceived value by providing exceptional services with a high premium.

All of these changes force service providers to take a fresh look at their offerings in terms of the superior benefits they are providing their customers. In today’s world, customers have almost limitless options available in goods and services. A strong mission of service is a good starting point, but successful service companies have also been changing operational policies and organizational structures to achieve their marketing strategies [Ramesh Kumar, 2003].

#### **4.2. Tactical Marketing Trends**

When people think of marketing, they frequently think of advertising and/or selling. When excelling in marketing according to these definitions, a company may be effective in the short term but actually hurt its position in the long term. IBM had a “world class” sales force, but neglected innovative product development which resulted in a loss in competitive standing. Like many large companies, it became a market–share manipulator—its defense of existing markets took precedence over the creation of new ones.

Service providers run this same risk if they limit their “marketing” to advertise and selling. It is not uncommon for the majority of the effort to go toward protecting existing service products based on what they contributed in the past rather than what they are likely to contribute in the future. Service providers must continually challenge themselves to improve their products and develop new innovations as an active part of the marketing program.

Some new product ideas come from rethinking the difference between service products and customer service. Some services that are given away free are valuable to only certain segments of customers, who would pay for them rather than not have them available. Banks have redesigned some of their services as a consequence of this finding. Operating services, once viewed as fringe benefits given away to attract credit customers, are now becoming firmly established as profit centers at a growing number of larger banks. Cash management, wire transfer, securities processing,

letters of credit, bond services, and payroll processing are some of the items that have moved from unpaid customer services to service products. Today, many of the top fifty banks find noncredit services are providing 40 to 70 percent of the profits generated by their wholesale banking units.

People frequently think they are doing good marketing when they react to what their customers want. However, the most effective service marketers anticipate customer demands and satisfy them before competitors do. When Fred Smith came up with the idea of overnight delivery of packages, freight forwarders rejected the idea because no one had asked for it. Yet Federal Express became a successful company by anticipating customer needs and proactively creating the services to address them [Theodore Levitt, 1980].

Coming up with new service products requires creativity and a certain level of risk. However, there are some things that can be done to minimize risk. Manipulating the new service portfolio is a key action step. Successful companies tend to balance their new product portfolio. They go after the higher big-hit new-to-the-world opportunities along with lower risk line extensions, cost reductions, and product improvements. It is no different from investing in the stock market by mixing high-risk/high-return stocks with lower-risk/low-return stocks. Combining different levels of risk into the new service plan makes the overall risk of the program lower than it would be for any single new service product.

Service-sector companies have become increasingly aware of the concept of marketing channels, the logistical aspect of marketing. Changing customer needs, for example, has encouraged financial institutions to provide more transactional convenience. Customer wants to do their banking anytime, anyplace. Although automated tellers provide part of this function, the personal interaction is missing. Therefore, banks of all sizes have begun to open up branches in supermarkets, frequently with extended hours. This provides the time/place convenience customer want and also provides a selling platform for the bank. Since many of the store shoppers are not customer of the bank, in-store branches can reach a significant number of prospects each week without spending money on advertising [Understanding Marketing Channels, 1976].

Credit unions have also been active in providing time/place utility. IBM's credit union branches, for example, strive for "high touch/high tech with a human equation". Their self-service machines can read the MICR (Magnetic Ink Character Recognition) encoding on the checks deposited and cash checks to the penny. In fact, they are designed to perform 90 percent of the functions handled by live tellers including deposit splitting and advances on home-equity loans.

On the surface it might seem that these technologies and inconsistent with the stated importance of personal contact in service purchases, and that satisfaction would decline with their introduction. When customers are punching number into the ATM or using interactive videos, they are personally involved with the transaction. This control makes them more tolerant of potential difficulties. On the other hand, customers

waiting in line are less involved and less in control, causing them to become more resentful.

In term of advertising, many nontraditional companies have become active players. Professional service, such as legal, and accounting as well as health care, which were reticent in the past to advertise their services, have begun to reach out to new markets. Much of the initial "stigma" regarding advertising has lessened; however, the effectiveness may not be what was planned. The existence of these new advertisers has added more clutter to an already saturated industry. Advertising effectiveness will depend on developing a differentiated identity, reaching the "best" market segments, and making promises regarding only what is attainable on a continual basis.

Another critical consideration in advertising services is controlling the "promise" made. Several companies have realized, to their dismay, that positive press about their firm's extraordinary service performance raised customers' expectations to a level beyond that which they could routinely fulfill.

Customer satisfaction depends more on the size of the gap than on the actual level of service. If customers' expectations are met or exceeded, they are satisfied. If their expectations are not met, they are dissatisfied. As competition escalates, companies try to promise more and more to get business away from their competitors. Customers begin to expect more and more due to the "promise war" that exists. Eventually, customers become dissatisfied when their expectations are not met.

Advertising plays a role in managing the expectations of customers. Service marketers should be especially careful not to over-promise in their brochures, ads, and television commercials and to ensure that sales people are not making unrealistic claims [Adrian Palmer, 2000].

## V. CONCLUSION

The Service marketing differs from product marketing due to the fact that services are intangible and typically require personal interaction with the customer. As a result, the quality of this service interaction becomes an important subset of marketing strategy. Marketers are challenged to define their businesses as broad system of customer benefits; to create a market-driven culture through selection, education and motivation of employees, as well as development of appropriate business procedures and technologies; and to design marketing programs which continually create new benefits and value for the customer, make the offerings more tangible, and control the level of promises so that customers are not led to expect more than can be delivered on a continual basis.

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