The relationship between service quality and customer satisfaction – a factor specific approach

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Abstract The relationship between service quality and customer satisfaction has received considerable academic attention in the past few years. But the nature of the exact relationship between service quality and customer satisfaction (especially in the way the two constructs have been operationalized) is still shrouded with uncertainty. Many researchers have operationalized customer satisfaction by using a single item scale and many others have used multiple item scales. The present study adopts a different approach and views customer satisfaction as a multi dimensional construct just as service quality, but argues that customer satisfaction should be operationalized along the same factors (and the corresponding items) on which service quality is operationalized. Based on this approach, the link between service quality and customer satisfaction has been investigated. The results have indicated that the two constructs are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

1. Introduction
Service quality and customer satisfaction are inarguably the two core concepts that are at the crux of the marketing theory and practice (Spreng and Mackoy, 1996). In today’s world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shemwell et al., 1998). The prominence of these two concepts is further manifested by the cornucopia of theoretical and empirical studies on the topic that have emanated over the past few years. Therefore, there is not even an iota of doubt concerning the importance of service quality and customer satisfaction as the ultimate goals of service providers.

Perceived service quality is one of the highly debated and researched topics in marketing theory, the prima facie evidence for which is exhibited by the considerable academic attention that it has got from researchers across the world (for a detailed discussion see Buttle, 1996; Asubonteng et al., 1996).
Economic success

Similarly, the need for striving for customer satisfaction lies in its ability to result in economic success. Customer satisfaction is considered a prerequisite for customer retention and loyalty, and obviously helps in realizing economic goals like profitability, market share, return on investment, etc. (Schueing, 1995; Reichheld, 1996; Hackl and Westlund, 2000).

Service quality has been described as a form of attitude – a long-run overall evaluation, and the two constructs (service quality and attitude) are viewed as similar (Parasuraman et al., 1988; Zeithaml, 1988; Bitner et al., 1990; Bolton and Drew, 1991a, b; Cronin and Taylor, 1992; Bitner and Hubert, 1994). Allport (1935) defined attitude as “a learned predisposition to respond to an object in a consistently favourable or unfavourable way”. As perceived service quality portrays a general, overall appraisal of service, i.e. a global value judgement on the superiority of the overall service, it is viewed as similar to attitude. Perceptions of service quality could occur at multiple levels in an organization – e.g. with the core service, physical environment, interaction with the service providers, etc. (Bitner and Hubert, 1994). On the other hand, the customer’s overall satisfaction with the services of the organization is based on (or a function of) all the encounters/experiences of the customers with that organization. Similar to service quality, customer satisfaction can occur at multiple levels in an organization, e.g. satisfaction with the contact person, satisfaction with the core service and satisfaction with the organization as a whole.

Closely related constructs

A basic agreement emanating from the wide range of literature on service quality and customer satisfaction is that service quality and customer satisfaction are conceptually distinct but closely related constructs (Parasuraman et al., 1994; Dabholkar, 1995; Shemwell et al., 1998). An attempt is being made in the current study to further accentuate the above-pronounced premise. The effort adopts a different approach (from the earlier works on service quality and customer satisfaction) to operationalize customer satisfaction. In order to investigate the link between service quality and customer satisfaction, operating elements of service quality and customer satisfaction are required. The subsequent sections briefly deal with the various factors of customer-perceived service quality and customer satisfaction that are used as the basis in the present study for examining the relationship between service quality and customer satisfaction.

2. Determinants of customer-perceived service quality

The research literature on service quality has identified numerous models by different researchers across the world. However, the SERVQUAL instrument (Parasuraman et al., 1988), a 22-item scale that measures service quality along five factors, namely reliability, responsiveness, assurance, empathy and tangibles, forms the foundation on which all other works have been built. Interestingly, the conceptualization, dimensionality, operationalization, measurement and applications of SERVQUAL have been subjected to some severe criticisms as well (see Buttle, 1996). In spite of such reprehension on the efficacy of SERVQUAL across different service settings, there is a general agreement that the 22 items are reasonably good predictors of service quality in its wholeness. But a careful scrutiny of the 22 items imply that the items at large deal with the element of human interaction/intervention in the service delivery and the rest on the tangible facets of service (such as the effect of atmospherics, design and décor elements, appearance of equipment, employee appearance, etc.). Therefore the SERVQUAL instrument seems to have overlooked some other important factors of service quality, namely the
service product or the core service, systematization/standardization of service delivery (the non-human element), and the social responsibility of the service organization.

In an effort to conceptualize service quality (by taking in to account all the aspects of customer perceived service quality, including those already addressed in the existing instruments and those that are left out in the empirical service quality literature), Sureshchandar et al. (2001) identified five factors of service quality as critical from the customers’ point of view. These factors are:

1. core service or service product;
2. human element of service delivery;
3. systematization of service delivery: non-human element;
4. tangibles of service – servicescapes;
5. social responsibility.

Table I summarizes the different factors of service quality. In another research work Sureshchandar (2000) empirically validated the proposed service quality factors by developing a survey instrument consisting of 41 items. A seven-point Likert scale, with 1 denoting very poor and 7 denoting very good, has been used to measure the levels of service quality with respect to the 41 items. Data have been collected from 277 customers belonging to 43 banks in India. The different operating elements of service quality with respect to the five factors are presented in the Appendix[1]. The

<table>
<thead>
<tr>
<th>Sl. no.</th>
<th>Critical factors</th>
<th>Explanation of the critical factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Core service or service product</td>
<td>The core service portrays the “content” of a service. It portrays the “what” of a service, i.e. the service product is whatever features that are offered in a service</td>
</tr>
<tr>
<td>2</td>
<td>Human element of service delivery</td>
<td>This factor refers to all aspects (reliability, responsiveness, assurance, empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery</td>
</tr>
<tr>
<td>3</td>
<td>Systematization of service delivery: non-human element</td>
<td>The processes, procedures, systems and technology that would make a service a seamless one. Customers would always like and expect the service delivery processes to be perfectly standardized, streamlined, and simplified so that they could receive the service without any hassle, hiccups or undesired/inordinate questioning by the service providers</td>
</tr>
<tr>
<td>4</td>
<td>Tangibles of service – servicescapes</td>
<td>The tangible facets of the service facility (equipment, machinery, signage, employee appearance, etc.) or the man-made physical environment, popularly known as the “servicescapes”</td>
</tr>
<tr>
<td>5</td>
<td>Social responsibility</td>
<td>Social responsibility helps an organization to lead as a corporate citizen in encouraging ethical behaviour in everything it does. These subtle, but nevertheless forceful, elements send strong signals towards improving the organization’s image and goodwill and consequently influence the customers’ overall evaluation of service quality and their loyalty to the organization</td>
</tr>
</tbody>
</table>

*Table I. The critical factors of customer-perceived service quality*
standardization of the instrument has been carried out by tests of unidimensionality, reliability, convergent validity, discriminant validity and criterion-related validities using a confirmatory factor analysis (CFA) approach. The service quality factors thus arrived at form the basis for the analysis reported in the present study.

3. Determinants of customer satisfaction

Although there is a general conformity on the distinctiveness of service quality and customer satisfaction from a conceptual point of view, the operationalization of customer satisfaction is somewhat hazy. For instance, Cronin and Taylor (1992) defined and measured customer satisfaction as a one-item scale that asks for the customers’ overall feeling towards an organization. By using a single item scale to measure customer satisfaction, Cronin and Taylor’s approach fails to do justice to the richness of the construct, as it has failed to acknowledge that, like service quality, customer satisfaction is also likely to be multidimensional in nature. Bitner and Hubert (1994) used four items to measure the customers’ overall satisfaction with the service provider. The authors introduced the concept of encounter satisfaction, and devised a nine-item scale to measure the same (i.e. the customers’ satisfaction with a discrete service encounter).

Other works have emphasized the multi-faceted nature of customer satisfaction and have used multiple item scales to measure customer satisfaction (Westbrook and Oliver, 1981; Crosby and Stephens, 1987; Suprenant and Solomon, 1987; Oliver and Swan, 1989; Oliva et al., 1992). In a recent effort, Shemwell et al. (1998) used a five-item scale to model customer satisfaction. Price et al. (1995) measured service satisfaction by using a six-item scale, while studying the structural model of the relationships among the service provider performance, affective response and service satisfaction. From the growing body of literature on customer satisfaction, one can easily observe that there has been some research works on specific encounters, known as transaction-specific/encounter-specific customer satisfaction. Researchers have also acknowledged the multi-dimensional nature of customer satisfaction and have come out with global measures (capturing the satisfaction at multiple levels in the organization), that view overall satisfaction as a function of satisfaction with multiple experiences or encounters with the service providers.

The present study takes a slightly different approach and views customer satisfaction as a multi-dimensional construct, but the underlying factors/items of customer satisfaction are the same as the ones by which service quality is measured. In other words, the current work argues that customer satisfaction should be operationalized along the same dimensions that constitute service quality and by the same items that span the different dimensions.

Such an approach was also pronounced by Bitner and Hubert (1994) who argued that although the SERVQUAL items of Parasuraman et al. (1988), when measured at the level of the firm’s services, appear to be good predictors of service quality, it is also possible that the 22 items of SERVQUAL, when measured as a function of multiple experiences with the firm, may be good predictors of overall service satisfaction.

By this factor/item specific approach, it is posited that a more meaningful comparison/relationships of the service quality and customer satisfaction constructs can be made. Therefore, it is postulated that customer satisfaction also comprises of the following five factors:
(1) core service or service product;
(2) human element of service delivery;
(3) systematization of service delivery: non-human element;
(4) tangibles of service – servicescapes;
(5) social responsibility.

In order to measure customer satisfaction the same 41 operating elements of service quality have been used. The respondents have been asked to give their responses regarding their level of satisfaction on a seven-point scale (ranging from \(-3\) (indicating very high dissatisfaction) to \(+3\) (indicating very high satisfaction)) for all the items. Data have been collected from the same customers (i.e. 277 customers) who responded to the survey on service quality.

4. The link between service quality and customer satisfaction

Methodology

As explained briefly in the preceding sections the data collected from customers of different banks in India have been used for analyzing the link between service quality and customer satisfaction. The sampling procedure used for the study was stratified random sampling. The stratification has been done based on the type of bank (e.g. public sector, private sector, and foreign bank). From each group of bank, about 150 customers were randomly selected. Data were collected using the "personal-contact" approach, i.e. the respondents were approached personally and explained in detail about the survey (including its purpose, the meaning of the items and what is expected of the respondents). Questionnaires were distributed to the customers and they were asked to give their perception of the level of service quality delivered by the banks on a seven-point Likert scale (ranging from 1 (indicating very poor) to 7 (indicating very good)). The customers were also asked to indicate their level of satisfaction with the banks on a seven-point Likert scale (ranging from \(-3\) (indicating very high dissatisfaction) to \(+3\) (indicating very high satisfaction)) with respect to all the 41 items. The respondents were asked to contact the researchers whenever they encountered any difficulty in responding to the questionnaire. A total of 452 customers from 51 different banks have been approached, from whom 277 correctly completed questionnaires from 43 banks have been obtained, thereby yielding a response rate of about 60 percent. Table II shows the number of banks in each sector and the corresponding number of respondents (customers) who have participated in the study. The high response rate is due to the personal-contact approach used followed by periodic follow-ups over telephone and personal visits.

Questions raised

While studying the relationships between service quality and customer satisfaction, the following two questions have to be answered.

(1) Are service quality and customer satisfaction two distinct constructs?
(2) If so, are they correlated or not?

<table>
<thead>
<tr>
<th>Number of banks/respondents</th>
<th>Public sector</th>
<th>Private sector</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of banks</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td>43</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>98</td>
<td>86</td>
<td>93</td>
<td>277</td>
</tr>
</tbody>
</table>

Table II. Distribution of respondents (customers) among the three groups of banks
Hypotheses generated

To test for the distinctiveness of the two constructs the following hypotheses have been formulated.

First set of hypotheses

H1.1. There is no significant difference between service quality and customer satisfaction with respect to core service.

H1.2. There is no significant difference between service quality and customer satisfaction with respect to the human element of service delivery.

H1.3. There is no significant difference between service quality and customer satisfaction with respect to the systematization of service delivery.

H1.4. There is no significant difference between service quality and customer satisfaction with respect to tangibles of service.

H1.5. There is no significant difference between service quality and customer satisfaction with respect to social responsibility.

In order to test for the strength of the relationship between service quality and customer satisfaction the following hypotheses have been formulated.

Second set of hypotheses

H2.1. There is no significant correlation between service quality and customer satisfaction with respect to core service.

H2.2. There is no significant correlation between service quality and customer satisfaction with respect to the human element of service delivery.

H2.3. There is no significant correlation between service quality and customer satisfaction with respect to the systematization of service delivery.

H2.4. There is no significant correlation between service quality and customer satisfaction with respect to tangibles of service.

H2.5. There is no significant correlation between service quality and customer satisfaction with respect to social responsibility.

5. Results and discussion

In order to test the first set of hypotheses (H1.1 to H1.5), a paired “t” test has been carried out to check for differences between service quality and customer satisfaction with respect to the five factors. The results are summarized in Table III. The results indicate that service quality and customer satisfaction vary significantly with respect to all the five factors. This underscores that fact that service quality and customer satisfaction are two different constructs and are indeed distinguishable from the customers’ point of view.

In order to test the second set of hypotheses (H2.1 to H2.5), correlations between service quality and customer satisfaction with respect to the five factors have been computed. The results are tabulated in Table IV. All the above correlations are statistically significant at the 0.01 level. Moreover the correlations are also reasonably high, thereby demonstrating high relationships between service quality and customer satisfaction.
Paired differences

<table>
<thead>
<tr>
<th>Sl. no.</th>
<th>Factors</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>“i” value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Core service or service product</td>
<td>19.44</td>
<td>5.02</td>
<td>64.52*</td>
</tr>
<tr>
<td>2</td>
<td>Human element of service delivery</td>
<td>70.02</td>
<td>10.33</td>
<td>112.80*</td>
</tr>
<tr>
<td>3</td>
<td>Systematization of service delivery: non-human element</td>
<td>24.44</td>
<td>4.99</td>
<td>81.59*</td>
</tr>
<tr>
<td>4</td>
<td>Tangibles of service – servicescapes</td>
<td>23.21</td>
<td>5.47</td>
<td>70.60*</td>
</tr>
<tr>
<td>5</td>
<td>Social responsibility</td>
<td>28.18</td>
<td>10.53</td>
<td>45.36*</td>
</tr>
</tbody>
</table>

Note: * Statistically significant at the 0.01 level

Table III. Results of paired “i” tests to check for the difference in means between service quality and customer satisfaction

<table>
<thead>
<tr>
<th>Sl. no.</th>
<th>Core service or service product</th>
<th>0.626*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human element of service delivery</td>
<td>0.831*</td>
</tr>
<tr>
<td>2</td>
<td>Systematization of service delivery: non-human element</td>
<td>0.734*</td>
</tr>
<tr>
<td>3</td>
<td>Tangibles of service – servicescapes</td>
<td>0.697*</td>
</tr>
<tr>
<td>4</td>
<td>Social responsibility</td>
<td>0.534*</td>
</tr>
</tbody>
</table>

Note: * Statistically significant at the 0.01 level

Table IV. Correlation between service quality and customer satisfaction

In order to further illustrate the relationship between service quality and satisfaction a cross-tabulation procedure has been employed. The service quality data (originally in seven-point scale) have been collapsed into a three-point ordinal scale (low, medium and high). Similarly, customer satisfaction data (originally on a seven-point scale) have also been collapsed into a three-point ordinal scale (low, medium and high). The results of the cross-tabulation procedure are summarized in Tables V-IX. The entry in each cell indicates the number of respondents corresponding to that particular cell and the values in brackets are the corresponding percentages (of the total respondents).

The results of cross-tabulation provide valuable information on the degree of complete agreement, i.e. the percentage of respondents whose perception of service quality and satisfaction levels are either 1 and 1 (low and low), 2 and 2 (medium and medium) or 3 and 3 (high and high), and complete disagreement, i.e. service quality and satisfaction levels are 1 and 3 (low-high) or vice-versa. The degree of complete agreement and complete disagreement for the five factors are shown in Table X. The percentage of complete agreement and complete disagreement between service quality and

<table>
<thead>
<tr>
<th>Service quality</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>n</td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
</tr>
<tr>
<td>Medium</td>
<td>46</td>
</tr>
<tr>
<td>High</td>
<td>NIL</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
</tr>
</tbody>
</table>

Table V. Cross-tabulation results between service quality and customer satisfaction with respect to core service
<table>
<thead>
<tr>
<th>Service quality</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>(%)</td>
<td>n</td>
<td>(%)</td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>4.3</td>
<td>5</td>
<td>1.8</td>
</tr>
<tr>
<td>Medium</td>
<td>24</td>
<td>8.6</td>
<td>132</td>
<td>47.7</td>
</tr>
<tr>
<td>High</td>
<td>NIL</td>
<td></td>
<td>30</td>
<td>10.8</td>
</tr>
<tr>
<td>Column total</td>
<td>36</td>
<td>13.0</td>
<td>167</td>
<td>60.3</td>
</tr>
</tbody>
</table>

*Table VI. Cross-tabulation results between service quality and customer satisfaction with respect to the human element of service delivery*

<table>
<thead>
<tr>
<th>Service quality</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>(%)</td>
<td>n</td>
<td>(%)</td>
</tr>
<tr>
<td>Low</td>
<td>11</td>
<td>4.0</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>Medium</td>
<td>45</td>
<td>16.2</td>
<td>165</td>
<td>59.6</td>
</tr>
<tr>
<td>High</td>
<td>NIL</td>
<td></td>
<td>11</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>20.2</td>
<td>178</td>
<td>64.3</td>
</tr>
</tbody>
</table>

*Table VII. Cross-tabulation results between service quality and customer satisfaction with respect to the systematization of service delivery*

<table>
<thead>
<tr>
<th>Service quality</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>(%)</td>
<td>n</td>
<td>(%)</td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
<td>3.2</td>
<td>22</td>
<td>7.9</td>
</tr>
<tr>
<td>Medium</td>
<td>30</td>
<td>10.8</td>
<td>120</td>
<td>43.3</td>
</tr>
<tr>
<td>High</td>
<td>3</td>
<td>1.1</td>
<td>23</td>
<td>8.3</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>15.5</td>
<td>165</td>
<td>59.6</td>
</tr>
</tbody>
</table>

*Table VIII. Cross-tabulation results between service quality and customer satisfaction with respect to tangibles of service*

<table>
<thead>
<tr>
<th>Service quality</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>(%)</td>
<td>n</td>
<td>(%)</td>
</tr>
<tr>
<td>Low</td>
<td>6</td>
<td>2.2</td>
<td>5</td>
<td>1.8</td>
</tr>
<tr>
<td>Medium</td>
<td>53</td>
<td>19.1</td>
<td>121</td>
<td>43.7</td>
</tr>
<tr>
<td>High</td>
<td>NIL</td>
<td></td>
<td>5</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>21.3</td>
<td>131</td>
<td>47.3</td>
</tr>
</tbody>
</table>

*Table IX. Cross-tabulation results between service quality and customer satisfaction with respect to social responsibility*

<table>
<thead>
<tr>
<th>Sl. no. Factors</th>
<th>Complete agreement (%)</th>
<th>Complete disagreement (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Human element of service delivery</td>
<td>4.3 + 47.7 + 22.4 = 74.4</td>
<td>NIL</td>
</tr>
<tr>
<td>2 Tangibles of service – servicescapes</td>
<td>3.2 + 43.3 + 21.3 = 67.8</td>
<td>3</td>
</tr>
<tr>
<td>3 Core service or service product</td>
<td>3.2 + 38.3 + 15.2 = 56.7</td>
<td>NIL</td>
</tr>
<tr>
<td>4 Systematization of service delivery:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-human element</td>
<td>4 + 59.6 + 12.3 = 75.9</td>
<td>NIL</td>
</tr>
<tr>
<td>5 Social responsibility</td>
<td>2.2 + 43.7 + 19.5 = 65.4</td>
<td>NIL</td>
</tr>
</tbody>
</table>

*Table X. Degree of complete agreement and complete disagreement between service quality and customer satisfaction*
customer satisfaction with respect to the five factors have also been shown by means of pie charts (Figures 1 to 5). In these figures, the label “others” refers to all other combinations except complete agreement and complete disagreement.

It can be seen from Table X that the values for complete agreement between service quality and customer satisfaction range from 56.7 percent to 75.9 percent for the five factors. The value for complete disagreement is zero for four of the five factors and just 3 percent for the other factor (tangibles of service).

These results have indicated that people whose perception of service quality is poor have poor satisfaction levels, people whose perception of service quality is medium have medium satisfaction levels, and those who have ranked the service quality as high are highly satisfied with the services of the
Service quality is more abstract

The investigation of the relationship between service quality and customer satisfaction has showed that although there is a strong correlation between service quality and customer satisfaction, the two constructs are indeed different which means that it becomes imperative for the service providers to view the two constructs separately. Previous research has shown that while customer satisfaction reflects the customer’s feelings about multiple encounters and experiences with the service organization, service quality may be tempered by perceptions of value or by the experiences of others that may not be as good. Service quality is more abstract than customer satisfaction and is likely to be influenced by variables such as advertising, other forms of communication and the experience of others (Bitner and Hubert, 1994).

Management initiatives

Therefore, quality-improvement initiatives by the management should not just focus on improving customer satisfaction but also target on improving...
the customer perceptions of overall service quality by taking the above variables into consideration. In other words the service providers should try to continuously improve both service quality and customer satisfaction. In this era of intense competition, satisfying customers may not be sufficient. The veritable gains of a quality revolution come only from customer delight, which again to a very great extent depends on the customer’s perceptions of overall service quality.

6. Limitations of the research work

- Although the theme of the instruments (to measure service quality and customer satisfaction) are generic to the service sector as a whole, they have been so designed to specifically address the issues of the banking industry.
- Responses (with respect to service quality and customer satisfaction) have been solicited from the customers of banks in a developing economy, i.e. India. The expectations of people in a developing economy may vary from those of a developed economy and hence there is a possibility of cultural bias playing a role in the outcome of the study.

7. Leads for future research

- The relationships between service quality and customer satisfaction can be investigated in other sectors of the service industry.
- Transnational studies across different economies (particularly developed ones) are required to further enrich the subject researched.

Only then would a comprehensive picture on the exact nature of relationship between service quality and customer satisfaction across multiple service settings and different cultures emanate.

8. Summary

Over the past few years there has been a heightened accentuation on service quality and customer satisfaction in business and academia alike. Superior
service quality and high levels of customer satisfaction are seen as two major goals by service providers in order to enhance their business performance. But the relationship between the two constructs has been a subject of major controversy, with several researchers proclaiming different theories on the same.

The present study is an attempt to throw some more light on the distinctiveness of the constructs of service quality and customer satisfaction, and the relationships between them. The study adopts a different approach by operationalizing customer satisfaction on the same grounds (factors and their corresponding items) as done for service quality. The results reveal that service quality and customer satisfaction do exhibit independence and are indeed different constructs from the customer’s point of view. It is also observed that these two are closely related as can be seen from the high correlations between them with respect to the five factors. This is also re-emphasized by the cross-tabulation analysis. The study is just a small step in unearthing and understanding the two constructs of service quality and customer satisfaction and their implications on competitive fruitition. The causal relationships between the two have not been investigated as it is outside the purview of the present research work. Continued study of research models that portray the causal link between service quality and customer satisfaction and their effect on such desired later outcomes such as purchase intentions, fewer complaints, emotional bonding, word of mouth, etc. would help to further illuminate the subject.

Note

1. For a detailed discussion on the methodology adopted to standardize the service quality factors see Sureshchandar (2000).

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Appendix. Instrument for measuring customer perceptions of service quality

The service quality instrument has asked for the respondents’ perception of the actual level of service quality delivered by the bank with respect to the 41 items on a seven-point Likert scale as shown below.

1 = Very poor, 2 = Poor, 3 = Slightly poor, 4 = Average, 5 = Slightly good, 6 = Good, and 7 = Very good.

As explained earlier, the same set of items have been used to measure the level of customers' satisfaction with the bank. The customers’ satisfaction with respect to the 41 items has been measured by means of a seven-point Likert scale as shown below.

−3 = Very high dissatisfaction, −2 = High dissatisfaction, −1 = Slight dissatisfaction, 0 = Neither dissatisfied nor satisfied, 1 = Slight satisfaction, 2 = High satisfaction, and 3 = Very high satisfaction.

The items have been jumbled and arranged in a random order (in both the sets) in the original instrument. The items corresponding to the five factors of service quality and customer satisfaction are given below:

1. Core service or service product

(1) Diversity and range of services (having a wider range of financial services from the bank, e.g. deposits, retirement accounts, loans for purchases of cars, houses, foreign exchange, traveller’s cheques, safe deposit lockers, etc.).

(2) Intensity and depth of service (having a greater number of options in every service/transaction, e.g. various fixed deposit or recurring deposit schemes with different interest rates, quick cheque clearing facility with a higher service charge, etc.).
(3) Service innovation (providing information/details on a regular basis through post; telephonic banking; ATM; room service facility; cards to defence personnel, etc.).

(4) Availability of most service operations in every branch/department of the bank.

(5) Convenient operating hours and days (e.g. working on Saturdays and Sundays, extended service hours during evenings, weekdays, etc.).

2. Human element of service delivery

(1) Providing services as promised.

(2) Effectiveness of the employees’ skills and ability for actions whenever a critical incident takes place (i.e. when a problem arises).

(3) Whenever a critical incident takes place (i.e. when a problem arises), the degree to which the organization succeeds in bringing the condition back to normalcy by satisfying the customer.

(4) Providing services right the first time.

(5) Providing services as per the promised schedule.

(6) Apprising the customers of the nature and schedule of services available in the bank.

(7) Prompt service to customers.

(8) Willingness to help customers and the readiness to respond to customers’ requests.

(9) Extent to which the feedback from customers is used to improve service standards.

(10) Regularly apprising the customers about information on service quality and actual service performance versus targets in the organization.

(11) Employees who instill confidence in customers by proper behaviour.

(12) Making customers feel safe and secure in their transactions.

(13) Employees who are consistently pleasing and courteous.

(14) Employees who have the knowledge and competence to answer customers’ specific queries and requests.

(15) Effectiveness of customer grievance procedures and processes.

(16) Giving caring and individual attention to customers by having the customers’ best interests at heart.

(17) Employees who understand the needs of their customers.

3. Systematization of service delivery: non-human element

(1) Having a highly standardized and simplified delivery process so that services are delivered without any hassles or excessive bureaucracy.

(2) Having a highly simplified and structured delivery process so that the service delivery times are minimum.

(3) Enhancement of technological capability (e.g. computerization, networking of operations, etc.) to serve customers more effectively.

(4) Degree to which the procedures and processes are perfectly fool-proof.

(5) Adequate and necessary personnel for good customer service.

(6) Adequate and necessary facilities for good customer service.

4. Tangibles of service (servicescapes)

(1) The ambient conditions such as temperature, ventilation, noise and odour prevailing in the bank’s premises.

(2) Extent of the physical layout of equipment and other furnishings being comfortable for customers to interact with employees.

(3) Having house keeping as a priority and of the highest order in the organization.
(4) Visually appealing signs, symbols, advertisement boards, pamphlets and other artifacts in the bank.

(5) Employees who have a neat and professional appearance.

(6) Visually appealing materials and facilities associated with the service.

5. Social responsibility

(1) Equal treatment stemming from the belief that every one, big or small, should be treated alike.

(2) “Service transcendence” – making customers realize their unexpressed needs by giving more than what they expect.

(3) Giving good service at a reasonable cost, but not at the expense of quality.

(4) Having branch locations in most places convenient to all sections of society (e.g. villages, down town areas, etc.)

(5) A social responsibility characterized by “deserving service” to people belonging to all strata of society (e.g. giving loans to economically and socially downtrodden people, needy ones, entrepreneurs, etc. with less rigid loan conditions associated with security, flexible repayment modality, and easy credit terms).

(6) A sense of public responsibility among employees (in terms of being punctual, regular, sincere and without going on strikes).

(7) Extent to which the organization leads as a corporate citizen, and the level to which it promotes ethical conduct in everything it does.
Executive summary and implications for managers and executives

Relationship between service quality and customer satisfaction.

In the modern, highly competitive business world, the key to sustainable competitive advantage lies in delivering high quality service that will, in turn, lead to satisfied customers. Customer satisfaction is considered a prerequisite of customer retention and loyalty, and can help to boost profitability, market share and return on investment. Sureshchandar et al. examine in detail the relationship between service quality and customer satisfaction.

Five factors of service quality
The authors identify five factors of service quality as critical from a customer point of view:

1. Core service or service product – the content of a service;
2. Human element of service delivery aspects such as reliability, responsiveness, assurance, empathy and service recovery, that are part of the human element in service delivery;
3. Systematization of service delivery – the processes, procedures, systems and technology that make a service seamless;
4. Tangibles of service – the equipment, signage, appearance of employees, and the man-made physical environment surrounding the service, which is commonly known as the “servicescape”;
5. Social responsibility – the ethical behaviour of the service provider.

The five factors cover a total of 41 items, from convenient operating hours and days to equal treatment of all customers and from providing service right first time to having effective customer grievance procedures.

Assessing customer satisfaction
The authors point out that customer satisfaction cannot be assessed by simply asking for the customer’s overall feeling towards the service provider. Customer satisfaction, like service quality, is likely to be multidimensional in nature. The authors argue that customer satisfaction should be operationalized along the same five factors and 41 items as service quality.

Service quality and customer satisfaction are different constructs
By analysing information collected from customers of different banks in India, Sureshchandar et al. are able to show that service quality and customer satisfaction are two different constructs, which customers are capable of distinguishing. Drawing on previous research, they argue that, while customer satisfaction reflects the customer’s feelings about multiple encounters and experiences with the service organization, service quality may be tempered by perceptions of value or by the experiences of others that may not be as good. Service quality is more abstract than customer satisfaction and likely to be influenced by variables such as advertising and other forms of communication. Service providers must therefore view service quality and customer satisfaction separately. Managers should not simply focus on improving customer satisfaction, but also seek to improve customer perceptions of overall service quality.
Service quality and customer satisfaction are closely related
The research by Sureshchandar et al. also shows, however, that service quality and customer satisfaction are closely related, and that an increase in one is likely to lead to a rise in the other. Satisfying customers may not be sufficient to remain ahead of the competition. The true gains of a quality revolution come only from delighting the customer. This, to a great extent, depends on his or her perceptions of overall service quality.

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