

# A Conceptual Study on Service Quality and its Relationship with Organizational Development

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**Abstract:** *Understanding the customers has become a significant role of marketing research with the pace of competition in search of competitive advantage as well as to achieve customer satisfaction. The purpose of this paper is to reveal the nature of the service quality concept and explain the relationship with those of customer satisfaction, market share and return on investment. Since customer expectations and their perceptions towards service performance decide upon their retention or defection, service quality should be imparted in every business process. SERVQUAL is one of the instruments which have been widely used to measure and evaluate service quality. This paper comprises of theoretical study to probe into the service quality concept and the model has been suggested to understand the relationship between customer satisfaction, market share and return on investment with respect to quality.*

**Keywords:** Service quality, Customer satisfaction, Market share, Return on investment, SERVQUAL

## 1. Introduction

Nowadays global marketing is becoming more competitive. Every company realizes the importance of customers and it has made its entire process to be customer- oriented since customers are considered one of the unique assets in every process of service. Services offered by the providers either similar or equivalent. Customers are engaged into a negotiation process with the service provider in order to gauge the quality of service delivered. In such a scenario, service quality provides a differentiator among these offerings allowing customers to select the most suitable service based on their experience at the point of purchase.

### Service

Service is distinguished from goods. Services are process, not a physical product and it requires better performance from the internal customers in order to improve its delivery process thereby to measure customer satisfaction. Gronroos defined service is — an activity or series of activities of more or less intangible nature than normal, but not necessarily, take place in the interaction between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”.

### Quality

Quality is the continuous process of sustaining relationships by anticipating, reviewing and satisfying the stated needs and wants of the customers. The degree to which customers expectations are fulfilled is considered as quality. American society for quality defines —quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy given needs”.

In case of service sector quality is considered as the customer's perception towards the service process which will enable them to compare their expectations with the actual results of service. So, as far as services are concerned quality is the expression of human excellence.

### Service Quality

Parasuraman et al. defined service quality —as the comparison between customer expectations and perceptions of service.” Service quality is an emerging trend in service sector since it has secured an important role among academicians with the continuous increase in competition. It is a contemporary concept in service marketing and it is considered one of the largest areas of research. It is also identified as a unique factor,

- To survive in the market for a long run
- To attain a competitive advantage
- To maintain cordial relationship with customers

## 2. SERVQUAL- Measurement

Parasuraman et al. sorted and condensed the ten dimensions into five. They are Tangibles, Reliability, Responsiveness, Assurance and Empathy.

- Tangibles- Physical facilities, appearance of employees
- Reliability- Performing the service correctly at first time and forever
- Responsiveness- Willingness of the employees to perform service
- Assurance- Knowledge of the personnel to inspire trust and confidence
- Empathy- Individual attention to the customers' needs

SERVQUAL consists of statements related to the expectations and perceptions of the five service quality dimensions. When customers' perceived service is lesser than their expectations service gap occurs in the service process. Customer satisfaction can be achieved when customers' perceived service is higher than the expectations and there is no gap exists in the service process.

Perceived service- Expected service= Service quality  
Perceived service > Expected service = Customer Satisfaction  
Perceived service< Expected service = Service gap occurs

The SERVQUAL questionnaire is useful to the service organizations for understanding the expectations and

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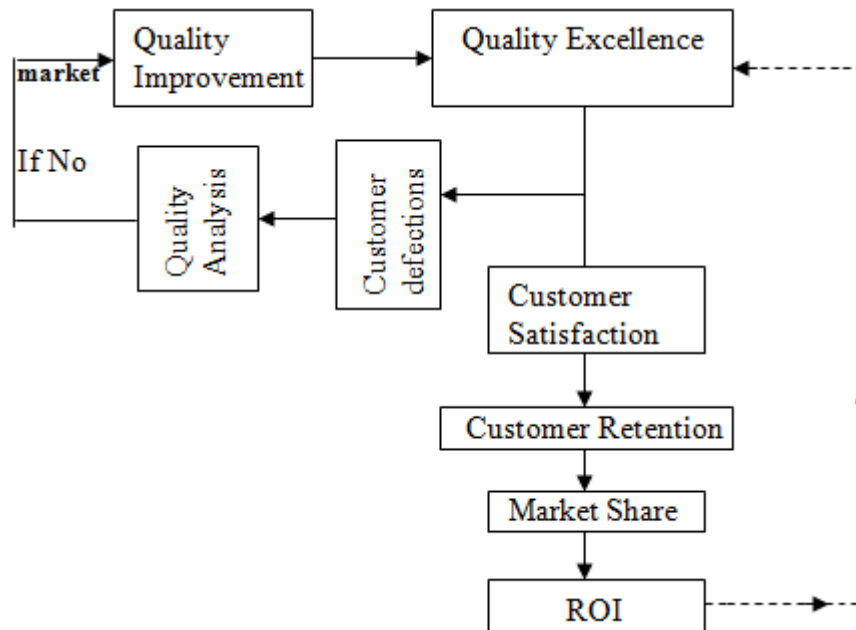
perceptions of their customers and it measures the service quality gap along with five dimensions. Each service dimension is represented by group of questions. Each question is framed with the help of Likert scale ranging from strongly agree to strongly disagree / very high to very low and customers are asked to mark the response based on their expectations and experience.

To measure the service quality first individual difference score for each question should be found out. Then the average for each dimension is calculated to find the SERVQUAL score for that dimension. Based on the score, customers' perceived and expected level of service will be

determined. The negative SERVQUAL score indicates the customers' perception on service dimension is not up to their level of expectation. The positive SERVQUAL score indicates higher level of customers' perception on service dimension compared to its level of expectation.

#### **Relationship between customer satisfactions, market share and ROI with reference to quality**

As per the definitions of quality, it is a continuous process which has to be adopted by every company in recent scenario to compete with the foreign entrants and to sustain the current market share by satisfying customer expectations.



**Figure 1:** Shows the relationship between customer satisfaction, market share and ROI with reference to quality

#### **Quality Excellence**

Quality is considered as a basis for every business activity. It can be seen from each process of service. It is difficult to achieve customer satisfaction without quality in service. If quality is achieved then obviously customer satisfaction can be achieved by fulfilling their expectations. Absence of quality leads to customer defections since their stated needs are not met by the service provider. If the perceived performance is less than expected, customers will be dissatisfied whereas, if the perceived performance is higher than expected, customers will be satisfied. So, quality excellence has secured a significant role either to achieve customer satisfaction or dissatisfaction. Quality excellence could be achieved by analyzing and implementing quality strategy in every business process.

#### **Customer satisfaction**

Customer satisfaction has become a serious issue in the success of every business process since it increases the long term profitability of a concern. There is a close relationship between customer satisfaction and service quality. Satisfaction is an attitude or comparing the pre-purchase expectations of customers with their post-purchase perceptions of service performance. If customers experienced with positive service performance will enable them to be satisfied with that particular service. Many financial institutions have undertaken a survey on customer

satisfaction in order to establish and sustain long-term client relationships. It can be achieved through quality excellence in service process which will enable them to retain the customers for a long run.

#### **Customer Retention**

Customer retention is a critical task for every business concern due to heavy competition in global market. Every organization wants to maintain high retention rate and it is possible only through high standard of customer service. To satisfy and retain them, every company has to invest in more and more innovative practices in all the processes which will enable them to meet out customers' expectations. Once customers are satisfied they will become loyal to that particular service and retaining them is also possible throughout the entire life time of a relationship. Cost to retain a customer is less expensive than to attract one prospect for the business. When cost of retention is less obviously which will help the organization to invest in other marketing activities and which will open a path to acquire more market share.

#### **Market Share**

Consumers may be affected by the purchase behavior of other customers when judging service quality since market share is considered one of the indicators which will affect the purchase behavior of others. Once customers are

satisfied and retained with the service performance, acquiring or increasing market share is not a difficult task. It can be done by investing in market expansion activities and other marketing programmes with the help of retained customers through viral marketing.

#### **Return on Investment**

Return on investment is the process of getting back the amount, which has been invested in business. When market share for a business is increasing automatically return will also increase due to market expansion and other marketing campaigns. ROI calculations for marketing campaigns can be intricate since, it has many variables on profit as well as investment side. But if a company understands the variables they can produce better results on ROI with their marketing investments for which organization has to improve quality in all variables which will affect ROI. Market campaigns which deliver highest possible returns will enable the management to invest more on further marketing activities.

### **3. ROI vs. Quality Excellence**

ROI is a measurement of profit earned from each investment. When return increases company can invest more in personnel and marketing activities thereby quality standard could be enhanced than current standard. They can spend more on research activities regarding customer expectations, survey on customer satisfaction, and customer perception towards service process which will aid for further improvement in service performance. Ultimately company can achieve long term profitability as well as long term relationship with customers.

#### **Customer defections**

As far as service sector is concerned customer defection can be occurred due to many factors like physical evidence, pricing strategies, complexity in service delivery process, heavy competition and so on. Quality is one of the attributes will help to tackle all the above factors to reduce customer defections. All the above factors can be overcome by providing quality customer service and which will enable to achieve customer satisfaction and customer retention. Every organization should analyze and understand the reasons behind customer defections and which will help to have better improvements in business operations. The key success factor for companies to succeed in today's competitive market is delivering quality service in every process of business.

#### **Quality Analysis**

Quality is an important aspect that should be implemented in every business process right from top to bottom. Organization should analyze quality standard from customer perspectives as well as internal perspectives. It will give clear picture about the quality standard that could be implemented by the company. After analyzing the quality level based on that organization can set a quality strategy which should be a realistic one to implement as well as to achieve customer satisfaction. For every business activity it is necessary to identify customer needs and translate these needs to service specification and choose the measurement criteria to analyze the quality standard of every process is essential before implementing quality strategy. Since quality

is an emerging concept quality strategy and analyzing its implementation should be an evolutionary process that grows with the business.

#### **Quality improvement**

Quality improvement is the systematic approach of reducing or eliminating the wastages, revision of activities and losses in service process. There are numerous techniques available for quality improvement like Six sigma, PDCA, TQM, Quality circle, 5S etc., to measure the performance and to improve the internal as well as external quality standard. The objective of quality improvement is to understand the progress of organization with respect to quality level and finding out ways to make things better.

#### **Quality Improvement vs. Quality Excellence**

Quality improvement activities will help the organization to achieve quality excellence which will aid to increase efficiency and reducing re-work. Once quality is achieved it will assist to meet out customer expectations since, customer perspectives is also taken into consideration while analyzing quality standard obviously which will lead to achieve customer satisfaction. This enable the firms to increase or acquire more market share. Higher market share will act as a positive indication for the future consumers and will tend to increase future demand as well as profitability of the firm.

### **4. Future Scope for Further Research**

In recent years every company is concentrating on quality concept with the pace of competition in order to survive in the market for long run and to attain competitive advantage thereby to become a market leader in their respective field. Since, quality is considered as an integral part of both manufacturing and service sector it is essential for every company to analyze the quality specifications at all levels. In case of service sector quality is concerned about the process through which service is delivered. Research has also shown high service quality contributes significantly to profitability.

There is a wider scope for the service sector to take up research on service quality for the following reasons. They are,

- To identify the factors which will affect customers' expectations and their perceptions
- To evaluate and assess the customer satisfaction
- To measure the quality specifications
- To enhance the service delivery process.

### **5. Conclusion**

Every service organization needs to analyze the importance of quality in their service process not only to sustain their potential customers or to gain competitive advantage and also to tackle the competition from growing concerns as well as from foreign entrants. While examining the determinants of quality, it is necessary to differentiate between the quality associated with the process of service delivery and the quality associated with the outcome of service. The focus on service quality has been increased in the last decade and many service organizations trying to adopt service quality as one of their strategy to improve their relationship with

customers in connection to organizational development. Since service is intangible in nature and customers are considered asset of the company every company should concentrate on quality in their service in order to satisfy, retain the customers and to make them more loyal towards the organization is vital in recent competitive world. Organizational development in service sector depends on not only by rendering services, but also making the customers to feel as a partner of an organization by bringing quality excellence in every process of services will also assist the company to become a market leader for a particular service segment in terms of maximizing profit as well as wealth of an organization.

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