Evolution and Conceptual Development of Service Quality in Service Marketing and Customer Satisfaction

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Abstract
The conceptual origination of service quality and its evolution has developed to encompass the ideology of the customer as value co-creator in the core of service marketing as the key to success in business service management for sustainable competitive advantage with customer satisfaction and retention. In this literature review paper, the topic is approached via extensive searches of relevant service quality and customer satisfaction databases to ensure that all literature in the field of service quality and service marketing is examined. In order to generate sound strategy, it is essential to prioritise the importance of service quality concepts and the paradigm shift in service quality in which customers are placed as value co-creators to increase customer satisfaction with products/services offered.

Key Words: Service Marketing, Service Quality, Satisfaction, Value Creation.

Introduction
The origination of service marketing has contributed to the core importance of customer satisfaction through the delivery of service quality (Lee, 2013; Gummesson & Grönroos, 2012; Mosahab, Mahamad & Ramayah 2010). The concept of service quality has arguably developed the subject of marketing and service management for companies’ sustainable competitive advantage with customer satisfaction and retention (Lee, 2013; Freitas & Costa, 2012; Mosahab et al., 2010; Ismail, Alli, Abdullah & Parasuraman, 2009; Ruiz, Castro & Diaz, 2012; Skalen, 2009). Service quality is the primary factor for business success (Ismail et al., 2009; Mosahab, 2010). Business success and competition has shifted the paradigm of service quality to the customer as value co-creator through service dominant logic in the context of service marketing customer satisfaction, whereby the firm works out value proposals and the customers are the individuals who create value from the consumption of the products or services (Vazquez et al., 2013; Grönroos, 2008).

Service Marketing
Grönroos (2008) suggested that the service perspective on business marketing is merely an activity of value creation rather than market offering. The activity itself has an inbuilt ability to transform the potential...
value, generally referred to as utility for a particular customer, into actual value. The concept of service encompasses at least three different aspects: service as an activity; service as a standpoint of the customer’s value creation; and service as a viewpoint with provider’s activities (Gummesson & Grönroos, 2012; Grönroos, 2008). In business, the concept of service is more important as a perspective than as an activity. Business innovations, specifically the development of new and improved technology, have made a major contribution to the market economy, particularly in the development of service businesses with an integrative service paradigm as a service-dominant logic based on a stakeholder-centric definition (Vazquez et al., 2013; Gummesson & Grönroos 2012; Grönroos, 2008; Choy et al., 2012; Unissa, 2012; Skalen, 2009).

Lovelock and Wirtz (2007) mention that service is an economic activity between two parties, implying an exchange of value between seller and buyer in the marketplace. They describe services as performances that are most commonly time-based and believe that purchasers buy services because they are looking for desired results. The service component of today’s market economy is similar in importance to goods and there has been a noticeable increase in service quality (Eraghi & Atharinejad, 2012; Grönroos, 2008).

A similar view prevails in the education industry and institutions of higher education are now having to embrace this concept, as students’ satisfaction and education quality are viewed as a crucial point for their success and survival (Vatta & Bhatara, 2013). When customers purchase physical goods, they become the owners of these goods because ownership is transferred from the vendor to the customer: this is referred to as ownership utility (Ebert & Griffin, 2007).

Service differs, in that a customer receives the right to that service for only a specified amount of time (Ebert & Griffin, 2007) and it is commonly said that a service bought cannot be returned. This service element is further interpreted by Grönroos (1998) as a process of consumption where the consumer perceives the production process as part of the service consumption and not just the outcome, as in the traditional marketing of physical goods.

Further to the above, Grönroos (2001) claims that that the most important difference between goods and services is that service is indicated as an “act” which involves processes, whereas “goods” are “things” (Grönroos, 2001). In this context, a service is a process rather than a “thing” and businesses in the service sector can be regarded as having no products, but only interactive processes (Grönroos, 2001). In addition, it is also confirmed by Kotler and Keller (2009) that service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Kotler & Keller, 2009, 2012).

Kotler and Keller (2009) identified four distinctive characteristics to explain a service for any marketing program. The first is intangibility, which refers to the fact that services cannot be seen, touched, felt or smelled before they are bought. The second is inseparability: services are produced and consumed simultaneously. The third is variability: the quality of a service depends on who provides it, and on where, when and to whom it is provided, so it is very variable. Finally, perishability refers to the fact that services cannot be stored or warehoused, so their perishability can be a problem in the event of fluctuating demand.

In light of the above, it is important to identify here that service marketing has become a legitimate sub-stream within the discipline of marketing, but the growth of service marketing in the business industry is exponential (Kayabasi, Celik & Buyukarslan, 2013). With the increasing identification of service marketing, scholars and researchers in the field have placed considerable focus on return on investment in business (Grönroos, 2008; Choy et al., 2012; Kotler & Keller, 2009).
The traditional marketing concept is defined as the task of finding and stimulating buyers for the firm’s output, which involves product, pricing, distribution and communication or promotion, but the concentration of service marketing is more complicated than the common four Ps or marketing mix approach (Ebert & Griffin, 2007; Kotler & Keller, 2009; Kotler & Armstrong, 2007). Service marketing requires a systematic approach by the respective company, whereby Kotler & Armstrong (2007) argue that service marketing requires more than just traditional external marketing using the marketing mix: internal and interactive marketing must also be addressed. Internal marketing means that the company must effectively train and motivate its customer support employees as well as other supporting service people to work as a team to achieve customer satisfaction (Kotler & Armstrong, 2007), whereas interactive marketing refers to the quality of the service provided in the process of buyer-seller interaction (Syed et al., 2011; Kotler & Armstrong, 2007).

This has been further emphasized by Grönroos (2001), who indicates that in traditional marketing models, a product will be the starting point for marketing mix decision-making, whereas in the service marketing model, the starting point for planning will be the service concept, which is basically an idea of how the quality-generating resources should function in order to achieve the desired result. Parasuraman et al. (1985) indicated that scholars and researchers in the area of service marketing emphasized that services are different from others and knowledge about goods’ or products’ quality is insufficient to understand service quality. According to Kotler and Keller (2009, 2012), an approach is needed, whereby service should be in the holistic marketing dimension for a successful company. This leads to the proposals put forward by the Nordic School in the current context of service marketing and marketing management, which refers to the concepts of service management and market-oriented management in business practice (Gummesson & Grönnroos, 2012).

**Evolution of Service Quality**

Generally, there are two different conceptualizations in the service quality literature. As interpreted by Brady and Cronin (2001), the first is from the Nordic perspective, which was developed by Grönroos (1984), who found that the dimensions of service quality in global terms consist of functional and technical quality.

Figure 1 below illustrates the Nordic Model, which applies the traditional concept of customer satisfaction/dissatisfaction in explaining service quality. Grönroos (1984, 1998) identified two service quality dimensions, namely technical quality and functional quality. Technical quality focuses on the outcome from the respective service through the interactions with the service provider in satisfying the customer’s basic needs, which indicates the ‘what’ factor (Grönroos, 1984, 1998). Whereas, the functional quality relates to the process dimension, which evaluates the manner of delivery of the respective service from the service provider and it refers to the ‘how’ factor (Grönroos, 1984, 1998). Later, the service quality model was modified to include a third dimension, namely image (Akhtar, 2011; Rahman, Khan & Haque, 2012).

Image was used as a filter of quality perception on the service company to show favourable, unfavourable or neutral (Grönroos, 1984, 1998). In the context of technical quality, there are five factors in focus: employees’ knowledge, technical solutions, employees’ technical ability, computerized systems and machine quality. Meanwhile, in the context of functional quality, there are seven factors in focus. They are: internal relationship, customer contact, appearance, accessibility, attitude, behaviour and service mindedness (Rahman, Khan & Haque, 2012; Akhtar, 2011; Grönroos, 1998, 2001; Woodall, 2001). As regards image, it has a direct and close relationship, which is focused on the service provider (Akhtar, 2011).
The second perspective on service quality was developed by Parasuraman, Zeithaml, and Berry (1988) and is called the American perspective (Sayed, 2013). Brady and Cronin (2001) highlighted that Parasuraman et al. (1988) has used terms that describe service encounter characteristics such as reliability, responsiveness, empathy, assurance, and tangibles (Brady & Cronin, 2001; Sayed, 2013). Parasuraman et al. (1988) developed the concept of expectation and perception of service quality by creating the Gaps Model of Service Quality. They defined the concept by explaining that the Gaps model focuses on the discrepancy between customers’ expectation and perception (Parasuraman et al., 1985). The initial model comprised ten dimensions of service quality. These ten dimensions were later reduced to five and the instrument became known as SERVQUAL measurement. Figure 2 below depicts the five dimensions of the SERVQUAL model.

Figure 2: SERVQUAL Model – The American perspective (Parasuraman, Berry, & Zeithaml, 1985).
Concepts of Service Quality

According to Lovelock & Wirtz (2007), the terms “quality” and “satisfaction” are used interchangeably and some researchers believe that perceived service quality is just one component of customer satisfaction, which also reflects an individual’s personal and situational factors. Sahney, Banwet and Karunes (2004) explain that the word quality originated from the Latin word “qualis”, which means “what kind of”, and the definition of quality is not conclusive, the reason being that the word implies different points to different individuals. Quality has been studied from different perspectives and orientations in reference to the person, the scale used and also the context of its consideration (Fararah & Al-Sawidi, 2013; Kayabasi et al., 2013; Sangaiah & Thangavelu, 2013; Hunt, Oneto & Varca, 2012; Choy et al., 2012; Kumar, Batista & Maull, 2011; Yuen & Chan, 2010).

As interpreted by Danjuma and Rasli (2012), service quality has been an issue of considerable debate and many researchers have agreed that it is an evasive concept (Parasuraman et al., 1985; Carman, 1990). Service quality is an attribute that is extrinsically perceived, based on the consumer’s experience of the service he/she has encountered (Parasuraman et al., 1991). In addition, for a better and more conclusive understanding of service quality, Danjuma and Rasli (2012) highlight the work of Grönroos (2007), which used the total perceived service model in comparison with customers’ expectations of service and their experience after obtaining the service. Grönroos (2007) conceived that customers look for two service quality dimensions to evaluate: (1) technical quality, which is what has been delivered by the service provider or what the customer actually obtained, and (2) functional quality, which is the manner in which the services are delivered. Both dimensions affect the image of the service provider. This is also confirmed by Rahman, Khan and Haque (2012) and Akhtar (2011).

According to Parasuraman, et al. (1985), there are three well-documented characteristics of services that need to be considered for a clear understanding of service quality, namely intangibility, heterogeneity, and inseparability. First, almost all services are intangible because they are performances rather than objects, and accurate manufacturing specifications concerning uniform quality cannot easily be set or determined. Most services are not quantifiable and cannot be measured or even tested, let alone verified, prior to any sale to assure quality. Due to this intangibility, marketers find it difficult to conclude how consumers perceive their services and evaluate their firm’s service quality (Kayabasi et al., 2013; Tuan, 2012; Zeithaml, 1981).

Second, services have high labour content and are heterogeneous. Performance often varies from one producer to another, from one customer to another, and from one day to another (Parasuraman et al., 1985). Consistency of behaviour from service personnel or providing uniform quality in their work delivery is difficult to ensure, because what the firm intends to deliver may be entirely different from what the consumer receives (Rodrigues, Barkur, Vambally & Motlagh, 2010; Mosahab, Mahamad, & Ramayah, 2010; Parasuraman et al., 1985).

Three, the production and consumption of many services are inseparable from each other, (Parasuraman et al., 1985). Basically, it is said that quality in services is not engineered or built into the product at the factory and then delivered intact to the consumer (Kayabasi et al., 2013; Tuan, 2012; Parasuraman et al., 1985). In the dynamics of business with the operation of labour-intensive services, quality occurs during service delivery through the interaction between the customer and the representative from the service company (Parasuraman et al., 1985).

In addition, research has also revealed that service firms often have less managerial control over quality in the company’s services, particularly in situations where consumer participation is highly intense. This is because the customer affects the process (Parasuraman et al., 1985; Grönroos, 2009). For example, in the
case of a patient as customer visiting a doctor in the clinic or a doctor visiting a patient in the hospital ward, the input of the description of the symptoms by the patient is critical to the quality of the service performance. Similarly, when a customer visits a hairdressing salon, his/her preference for how his/her haircut should look will have great impact on the service quality performance. Economists refer to service quality as economics of services, because the service sector in the current business environment plays a crucial role in wealth creation, measured by indicators like GDP and added value (Urban, 2010). The service sector has significant meaning in economics and in business at large because it employs vast numbers of people (Tuan, 2012). This has led to the growth of the service sector through its positive impact on the economic system. Research and scientific work has mentioned that service quality has its growth factors from many differentiated points of view and it has direction oriented potential (Kayabasi et al., 2013; Rodrigues et al, 2010; Akhta 2011). This clearly identifies that by improving service quality, companies might achieve many competitive advantages (Urban, 2010).

In clarifying the development of service quality, Urban (2010) made use of the classic explanation of the fundamental question: “how is service quality formed?” According to Urban (2010), there are five key contributors to the customer service quality gap in the model developed by Parasuraman et al., (1985). These are: (1) word-of-mouth communications, (2) individual needs, (3) previous experiences, (4) service product content, and (5) external communications of a marketer to its customers. The first three and the fifth factor influence customers’ expectations, whereas the fourth takes shape on the quality perception (Urban, 2010). The customer quality gap can best be presented as shown in Figure 3. Similarly, in the context of the education industry, quality is a character of an arrangement of attributes in the input process as well as the output of the entire system delivered to completely satisfy both internal and external stakeholders by meeting their explicit and implicit expectations (Ling, Piew & Chai, 2010).

In business technology development and competition, the most important means of service quality is to stay in business and achieve goals with continuity. It is crucial in the technologically advanced industry to differentiate e-services from traditional services, creating loyal customers and sustaining market-share and
profitability (Kayabasi et al., 2013; Wu, 2011). It is very difficult and expensive to maintain and increase new customers in the virtual market as well as the traditional market (Kayabasi et al., 2013; Sangaiah & Thangavelu, 2013; Choy et al., 2012; Hjort, Lantz, Ericsson & Gattorna, 2013). This is because it is relatively cheap and easy for customers to source, evaluate and select a substitute. However, it is important in increasing the perceived value of the service and projection of additional value for the customers, which will contribute to repurchase and retention of customers (Vazquez, 2013). This will greatly increase the return on investment of the business provider and customer loyalty (Freitas & Costa, 2012; Kumar, Batista & Maull, 2011).

What is important is for service providers to create received value by working out value proposals for customers through service dominant logic (Vazquez, 2013; Gummesson & Grönroos, 2012). Here customers are placed as co-creators of their own value (Vazquez, 2013; Grönroos, 2008). This new development in service quality, which emphasizes customers’ participation in the experience of the service, is indispensable for a particular value creation and for the strategic role of any business, and also, importantly, the firm should include the customer’s value creation process in its overall activities (Vazquez, 2013; Yoshida, James & Cronin, 2013; Ruiz, Castro & Diaz, 2012: Wu, 2011).

Conclusion

Service quality has advanced from technical, functional and image dimensions to service as an economic activity and developed in focus, with customers’ participation as co-creators of their own value becoming a dominant factor in firms’ business success. This advancement is indeed a remarkable contribution to the literature of service management and service quality dimensions in product, process and manufacturing as well as in the service industry. The identification of this current paradigm in service quality clarifies the proposition of market or business offering and value creation in a wider view of the consumer consumption process. The review presented in this paper and its identification of service marketing with service quality development contributes to the existing knowledge of value creation. Since service is characterised by intangibility, heterogeneity and inseparability, it is essential for firms to focus on the new paradigm of service quality – that is, customers as co-creators in value creation of their service – in order to increase satisfaction, retention and long run return on investment.

References


