
SERVICE QUALITY AND COMPETITIVENESS: LESSONS FROM A FIELD STUDY AMONG USERS OF CELLULAR PHONES IN COCHIN

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The firms must take concrete measures to reduce the service quality gaps and thus improve their competitiveness. These gaps can be reduced either by improving the quality perception or by reducing the quality expectation. In the cellular industry, there is a problem of over promises. As part of the image building exercises, promises are made which are near impossible to live upto. This is where the advice of Tom Peters to under promise and over deliver become important.

INTRODUCTION

Competitiveness measures have attracted lot of interest in the recent years. The growing popularity of this area is seen in the plethora of research conducted in this domain and the importance given to the benchmarking studies made in global / national competency reports.

Competitiveness is studied at the country level, industry level, firm level and product level. Firm level competitiveness has attracted maximum attention as it is widely accepted that it is the competitive firm that lends competitiveness to a country. [Porter, 1998]. Research attributes most of the variation in competitiveness among countries to the characteristics of the firms operating in those countries [McGhan, 1999]

A firm's competitiveness depends on its ability to produce products and services of superior quality and lower costs than its domestic and international competitors. Prahalad and Hamel (1990) define competency of the firm as its ability to collectively learn and coordinate different skills and technologies to deliver value. A competitive firm is able to deliver greater value than the competitors on a range of attributes [D' Cruz, 1992].

Literature yields an array of theories on competitiveness. The neo classical economics (Ricardian theories) look at how factors of production can be sources of competitiveness to a firm. The resource based view of competitiveness [Barney, 2001] is an extension of the economic approach and studies how the unique capabilities and resources result in superior performance. The process based theories study how superior processes - both management and functional - result in superior performance.

The resource-based theories and the process-based theories are combined by many researchers to develop practical frame works for measuring and analyzing competitiveness.

Different measures of competitiveness have been put forward by different researchers. Market share, profitability factor, productivity, technology usage, reputation, brand equity, etc are used as measures of competitiveness. One major measure that is seen in most of these studies is Service Quality. This is especially true of the service industry where many international studies have shown that quality competitiveness is the key to success in this industry.

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SERVICE QUALITY: THEORETICAL FOUNDATION

Service quality is a measure of how well the service delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis (Lewis and Booms 1983). Parasuraman et al. (1988) defined perceived service quality as "global judgment, or attitude, relating to the superiority of the service" (Parasuraman, Zeithaml and Berry 1988). They define Service quality as the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received.

Service quality theory (Oliver, 1981) predicts that clients will rate quality as low if performance does not meet their expectations and quality rating increases as performance exceeds expectations. Hence, customers' expectations serve as the foundation on which service quality will be evaluated by them. In addition, as service quality increases, satisfaction with the service and intentions to re-use the service increase.

Parasuraman et al. states that service quality as such can be treated as a composite measure, the sub dimensions being Tangibles, Reliability, Responsiveness, Assurance and Empathy. These sub dimensions are explained as the following:

- Tangibles : The appearance of physical facilities, equipment, personnel and communication material
- Reliability : The ability to perform promised service dependably and accurately
- Responsiveness : The willingness to help customers and to provide prompt service
- Assurance : The knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy : The provision of caring, individualized attention to customers.

Service quality assessment is widely used in the industry, spanning very many areas of businesses. Although it was used mainly in service businesses earlier, it became a very widely used model, as it gained more acceptance among the academicians and in the industry. There are studies where it was used to assess levels of customer satisfaction in software industry, tourism, hospitals, local

bodies of governments, library services, electricity, water supply and other utilities supplies etc.

Parasuraman, Zeithaml and Berry developed an instrument, ServQual, to measure Service Quality as the difference of Actual Performance and Expected Performance score on the basis of 22 statements asked about a particular situation.

There are several arguments about the validity of the service quality assessment and its component dimensions. The universal applicability is the major point on which the critics of service quality assessment argue. To overcome this constraint, several modified scales have been developed to assess service quality in specific business settings. Libqual is a scale specifically developed for assessing the level of service quality of libraries (Parasuraman 1997). Another scale Railqual was developed for assessing the service quality levels of freight transportation in India (Shainesh and Mathur 2000).

Quality theory says that as you improve the service quality, customer satisfaction improves. And as you improve customer satisfaction, the customer's intention to come back to you to re-use the product increases. Infact Lebrowsky found there is a significant correlation between customer satisfaction and repeated buying and brand loyalty. Thus if customer satisfaction is more, the brand loyalty will be more.

RESEARCH DESIGN AND METHODOLOGY

Our study is on cellular industry in Kerala, which is one of the most prominent industries in Kerala today. The figures as of November 2004 reported by the Cellular Operators Association of India show a total of 23.23 lakhs mobile users in Kerala with Idea Mobile having 5.35 lakhs customers, BPL Cellular 3.66 lakhs, Airtel 3.32 lakhs, BSNL 6.12 lakhs and Reliance 4.8 lakhs. This industry was taken as an example to see how an Indian service industry generally performs on this very important measure of competitiveness.

The research design is survey and is descriptive in nature. For the purpose of the study, 200 customers were randomly selected from Cochin City, Kerala. All the five companies in the market accounted for more or less equal numbers (Airtel customers accounted for 22% of the respondents, BPL 18%, Idea 24%, BSNL 18% and Reliance 18%). Out of the total of 200 respondents selected, 61% were males and the remaining females. 45% of the

respondents were students, 36% were salaried and the remaining self-employed.

The tool that we use for data collection is ServQual which was modified to cater to the specific requirements of cellular industry. Seventeen statements were developed operationalizing the five dimensions of service quality. First the customers were asked to indicate the level of expectation they have about each of these attributes on a scale of one to seven. Then the respondents were asked to rate their perceptions about the service provided by their cellular service providers on those same seventeen attributes on a scale of one to seven.

Three statements reflected the Tangible dimension with a possible gap score range of -18 to +18. Reliability dimension included four statements with a score range of -24 to +24. Three statements studied Responsiveness dimension with a score range of -18 to +18. Assurance dimension included four statements (range -24 to +24) and Empathy dimension had three statements (range -18 to +18).

RESULTS

Mean score of service quality gap assessment made by the respondents were found to be -21.55 (standard deviation = 17.95, minimum score is -76 maximum score is 36, quartiles Q1 is -34.0; Q2 is -21.0 and Q3 is -8.25). Since the mean is less than the middle value of the scale 'zero', service quality assessment is found to be low when all the service providers are taken together. Skewness value was -0.179, which shows a slight negative skewness.

Assessment of service quality gap scores on the basis of gender and occupation gave the following figures. For males mean value was -21.61 and s.d. was 19.44 and for females mean value was -21.46 and s.d. was 15.46 ($p = 0.95$). Occupation wise analysis gave the mean score of -20.92 and s.d. of 16.57 for student category, mean of -20.04 and s.d. of 20.09 for self employed, -22.96 and 19.30 for salaried class ($p = 0.695$).

Assessment of service quality gap done for five cellular service providers has yielded the following results. Mean and s.d. values of -22.19 and 15.60 was obtained for Airtel, -21.93 and 18.9 for BSNL, -23.05 and 15.65 for BPL Mobile, -19.43 and 16.52 for IDEA and -22.0 and -28.71 for Reliance.

The five sub dimensions of service quality, viz tangibles, reliability, responsiveness, assurance and empathy were further analysed. The corresponding values are shown in the table below.

The range of possible scores for tangibility is -18 to 18. Mean value observed for the sample is -2.08. The possible range of scores for reliability is -24 to 24 and the sample mean is -6.82. For Responsiveness, the possible range is -18 to 18 and the observed value is -3.35. Possible range of scores for assurance is -24 to 24 and the observed is -5.19. For Empathy, the possible range of scores is -18 to 18 and the observed value is -4.10. This shows that the mean scores for all the dimensions for tangibility, reliability, responsiveness, assurance and empathy are less than their scale mid value zero.

The sub dimension scores were further analysed on the basis of the service providers, gender and occupation of the respondents

For tangibles, the lowest gap score was for Airtel -0.94 and the highest gap score was for BPL Mobile -3.57. For reliability the lowest gap is for BSNL with -5.80 and Airtel was the highest with -7.71. For responsiveness Idea was the lowest with -2.23 and BSNL was the highest with -4.48. For assurance the lowest gap was -4.21 for IDEA and the highest was for Airtel at -5.81 Empathy gap scores were lowest for Reliance at -3.72 and highest for BPL Mobile at -4.71.

Gender-wise analysis was also performed on the gaps of service quality dimensions. For gaps in reliability and assurance female respondents have perceived marginally bigger gaps than males and on tangibles, responsiveness and empathy males have perceived bigger gaps. But the difference observed was not statistically significant.

Occupation-wise analysis of the data gave the following results. No significant differences were found between the gaps of service quality dimensions among the different class of customers.

DISCUSSION AND PRACTICAL IMPLICATIONS

As seen from the findings above, the industry has negative gaps on all the dimensions of service quality. The gap is very visible in the case of reliability but not so prominent when it comes to tangibility. Also it is seen that that some companies are doing reasonably well on certain parameters but have poor gap scores on other parameters.

Reliability was found to be the most important factor as seen by the customer expectations score. The firms have maximum negative gaps on this factor.

The firms must take concrete measures to reduce the service quality gaps and thus improve their competitiveness. These gaps can be reduced either by improving the quality perception or by reducing the quality expectation. In the cellular industry, there is a problem of over promises. As part of the image building exercises, promises are made which are near impossible to live upto. This is where the advice of Tom Peters to under promise and over deliver become important.

Marketers need to be realistic about the offers made. They should check for the accuracy of the claims and promises in the advertisements and brochures. Regular

communication between the marketing team and customer-care groups is a must. Also consistency should be ensured in service delivery. Employee reward system should be linked to service quality. Employees should be trained to improve their product knowledge and behavioral patterns. They should be kept motivated. Regular customer satisfaction surveys should be done with the involvement of senior staff. Processes and process control systems should be well defined and proper control should be exercised over associates and franchises.

International researches have shown that high service quality leads to higher customer retention. By retaining 5% of the top customers, companies can improve profitability by 100% [Reichheld and Sasser]. Poor service quality leads to broken customer relationships and tarnishes the image of the firm [Edvardson & Gustavsson]