CHAPTER – II

REVIEW OF LITERATURE & THEORETICAL BACKGROUND

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Oliver,(1989);Goode & Moutinho, (1996) Customer satisfaction simply constitutes a mental stage in the mind of the consumer, where expectations regarding a service or product performance are fulfilled.

Oliver (1997), Fornell (1992),Anderson et al.,(1994) & Fornell et al.,(1996) A review of literature revealed that at least two different conceptualizations of customer satisfaction exists. The first is transaction specific, which conceptualizes customer satisfaction as, one time post purchase evaluation. on the other hand, cumulative satisfaction refers to overall evaluation after usage for a period of time. The nature of service is more relevant to the cumulative construct of satisfaction, especially in case of a continuous service providing organization like telecommunication.

Parasuraman et al.,(1991);& Cronin & Taylor,(1992) The SERVQUAL model dominates the literature on customer satisfaction in a service context. It suggests that the service quality is fundamentally a gap between the expectations in a customer's mind regarding a general class of a service provider, & their estimation of actual performance of a specific firm within that class.

Parasuraman et al.,(1988) & Buttle(1996) Initially, they identified ten dimensions of service quality which they collapsed to five in their later work-reliability, assurance, tangibles, empathy, and responsiveness.

Cronin & Taylor (1992) The fundamental criticism of SERVQUAL is the adaptation of expectation disconfirmation model, rather than simply measuring the attitude.

Sureshchandar et al.,(2001) The critics of SERVQUAL model argue that performance based measure is a more appropriate dimension for measuring service quality because it is consumer oriented by nature.

Patterson et al., (1997) & Sharma & Ojha,(2004) The intangible nature of service performance served as the key antecedent to customer satisfaction.

Parasuramanet al.,(1991) In service sector literature , major emphasis is on service quality, service quality is considered as a multidimensional construct, composed of enability, reliability, responsiveness, assurance, empathy.

McDougall & Levesque (1994) One can argue that these dimensions can be grouped into two; one relating to the delivery of core service & the other as augmented services, which help in smooth delivery of the core service & help failure recovery.

Bolton & Drew (1991) the relationship between service quality & customer satisfaction is somewhat reciprocal. Previous resea4rches on the relationship can be divided into two schools of thought: one considers that a satisfied customer perceives a high, about service quality.

Woo & Fock(1999);Sharma & Ohja,(2004);Aydin& Ozer,(2006) Despite the high growth of mobile communication, the research is still in its initial stages to develop a suitable scale for measuring satisfaction in this area. A survey of mobile cellular customers in Hong Kong revealed the transmission quality & network coverage are most important.

Woo & Fock(1999). Others have examined the link between loyalty, switching cost & switching behavior

Lee & Feick,2001;& Aydin & Ozer (2006).

An exploratory study of factors contributing to customer satisfaction of mobile user in India resulted in construction of three distinct constituents: network base service performance & network operator related performance **Sharma & Ohja,(2004).**

Brown & Gulycz (2001) Delivering a service performance which can satisfy customers is critical for retaining customers & a tool to protect organizations from customer churn.

Teas (1994) & Zeithaml et al., (1996) Marketing scholars & practitioners equally emphasize the issue of customer satisfaction for generating loyalty among customers which helps in maintaining existing cash flows & guaranteeing a stable future.

Anderson et al.,(1994) While the manufacturing sector is concerned with repurchase, the service sector depends on the continuity of service & thus focuses retention.

Muhammad Mohsin Butt & Ernest Cyril de Run (2008), "Measuring Pakistani Mobile Cellular Customer Satisfaction" conducted a study on 150 customers of five different service providers in four cities of Pakistan revealed that measuring customer satisfaction is one of the key steps in improving service quality & retaining customers on long term basis. The results demonstrate a four component model of customer satisfaction in Pakistan mobile industry. Price & network coverage are the two most important components contributing to customer satisfaction, customer ser vice & ease of usage are the two other components.

Sinha (2002) discussed the growing competition among cellular services providers in Delhi & Mumbai cities as well as defensive strategies taken by the operators to retain the customers. It was concluded that due to price war among the cellular operators, the ultimate beneficiary was the cellular operators.

Kathuria (2004) reviewed the telecom industry's market structure from 1991 with special focus on the Asia-Pacific region. It was discussed that the Indian telecom sector has grown rapidly over the last 10 years but still lagged behind China & Asian countries in context to investments & tariff rates. The author had finally discussed the impact of WTO organizations on the Indian telecom industry & suggested the scope of future growth in this sector.

Kim et al.(2004) concluded that service providers must ficus on service quality & offer customer-oriented services to increase the customer satisfaction level. The authors had also traced certain other factors such as low cost, move-in-cost & interpersonal relationships affecting the switching barrier. It was suggested that the service providers must increase the switching cost in order to increase the customer life time value& customer retention.

Sudhakar & Raman (2004) discussed the importance of mobile & wireless solutions in today's business world as they enable the sales force to maintain closer contact with the customers. The authors focused on certain core benefits such as customer information, product information & product availability, which could be availed with the help of mobile & wireless solutions. They concluded that mobile & wireless solutions as a sales force automation tool represented a two-way flow of information between the salesman & the database.

Kumar & Priya(2006) measured the level of satisfaction derived by the Airtel subscribers in Coimbatore city. A sample of 200 subscribers, using both pre-paid & post-paid schemes of Airtel network had been taken for the purpose of the study. Chi-square test had been applied to determine the factors influencing the satisfaction level of the respondents. The study revealed that clarity of signals, availability of plan options, call charges & activation formalities were the factors influencing the satisfaction level of Airtel customers in Coimbatore.

Maddock (2006) stated the parameters of customer behaviour with respect to cellular phones, based on the report from J.D.Power & Associates. It had been observed that the call performance & reliability, customer service, service plan options, brand image, cost of services & billing procedures were the important factors affecting customer's behaviour. It was further stated that overall customer satisfaction in the American cell phone market had been increasing significantly since 2005 as most of the customers were reacting positively to the new services offered by the cellular companies.

Mittal & Sirohi (2006) identified the factors which young consumers in services & business class considered the most while selecting cellular services. A sample of 120 customers had been taken from Indore region. They had also stated the future implications of their study that would benefit both the consumers as well as service providers.

Fulbag Singh & Reema Sharma (2007) reviewed the Indian cellular services & consumer buying behavior with special focus on Amritsar City. A sample study of 85 service class users of mobile phones had been taken for the purpose of study. The study revealed that by reducing the cellular connection cost, operating cost, documentation cost the cellular services providers can attract new customers. New players can be benefited from the study as they can get insights of the consumer preferences & plan their service options accordingly. Cellular companies can include more information related services with major stress on bank related services, latest news & match scores. Further to increase the client base the companies must reduce the charges & introduce flexible plan schemes.

Anita Seth, K Momaya, & H M Gupta (2008), "Managing the Customer Perceived Service Quality for Cellular Mobile Telephony: An Empirical Investigation" conducted a study of 350 respondents all over India and opined that SERVQUAL is not a generic scale in case of cellular, mobile service quality & needs to measured using seven-dimensional structure (reliability, assurance, tangibles, empathy, responsiveness, convenience& customer perceived network.

2.1: THEORETICAL BACKGROUND:

Strategies have its origin from Greek word 'strategos' meaning "art of the general". **Alfred Chandler** has defined strategy as "The determination of the basic long term goals and objectives of an enterprise, and the adoption of the course of action and the allocation of resources necessary for carrying out these goals". The idea in Chandler's definition is that strategy follows rational planning. The organisation is depicted as choosing its goals, identifying the course of action (or strategies) that best enable to fulfill its goals and allocating resources accordingly. However planning based definitions of strategy have evoked criticism. As **Henry Mintzberg** has pointed out, the planning approach incorrectly assumes that an organisation strategy is always the outcome of rational planning.

According to Mintzberg, definitions of strategy that stress the role of planning ignore the fact that strategies can emerge from within an organisation without any formal plan. They can emerge from the grassroots of an organisation. Indeed strategies are often the emergent response to unforeseen circumstances. Mintzberg's point is that strategy is more than what a company intends or plans to do; it is also what it actually does. With this in mind **Mintzberg has defined strategy** as "a pattern in a stream of decisions or actions". He has pointed out that emergent strategies are often successful and may be more appropriate than intended strategies.

Strategies can take root in all kinds of strange places, virtually wherever people have the capacity to learn and the resources to support that capacity. In practice, the strategies of most organisations are probably a combination the intended and the emergent. The message for management is that it needs to recognize the process of emergence and to intervene when appropriate, killing off bad emergent strategies but nurturing potentially good ones. To make such decisions, however, managers must be able to judge worth of emergent strategies. They must be able to think strategically.

Marketing strategies refers to the marketing logic by which the business units hope to achieve its marketing objectives.

According to **Martin L Bell** marketing strategy is "a set of decision regarding controllable variables which a firm can manipulate to face the changes in uncontrollable variables in the external environment".

Philip Kotler says market oriented strategic planning, "is the managerial process of developing and maintaining a viable fit between the organisations objectives, skills and resources and its changing market opportunities". The aim of strategic planning is to shape and reshape the companies businesses and products so that they yield target profits and growth.

From the above definitions we come to know that marketing strategy means all efforts to maximize profit. Marketing strategy includes changes in product, changes in price, changes in the distribution channel, changes in advertisement and changes in work force. The ideal marketing strategy would be to achieve optimum utilization of all the resources of the firm. They are designed to guide managers in getting products to consumers and encouraging customers to buy. Marketing strategy is the changing variable which changes according to market environment.

Different Marketing strategies;

Competitors in a particular target market will differ in their objectives & resources. Hence the differences in strategies framed by them.

The following are the different marketing strategies:

1. Strategies at different stages of the product life cycle.
2. Strategies based on the share of firms in the target market.
3. Strategies during periods of shortages, inflation & recession.

1. Strategies at different stages of the product life cycle

The product life cycle is the distinct stages the product passes through in its sales history. According to Kotler "The product life cycle is an attempt to recognise distinct stages in the sales history of the products."

A product passes through 4 distinct stages during its life time: 1) The introductory stage 2) The growth stage 3) The maturity stage 4) The declining stage 5) withdrawal.

Knowledge about various stages in the product life cycle (PLC) will enable the marketer to formulate better marketing strategies.

(1) Introductory stage strategy

The first stage the introductory stage begins when the product is marketed for the first time. At this stage promotional expenses will be heavy, resulting in less profit. The firm can follow any one of the following strategies.

I) **Rapid-skimming strategies:** The features of this strategy are high price for the product & heavy promotional expenses. These expenses are intended to convince the public about the merits of the products.

II) **Slow- skimming strategies:** This strategy implies high product price with the firm not sending enough on promotion. This is applied when a) The size of the market is small, b) The consumers are aware of the product, c) The consumers are willing to pay high price & d) non-availability of substitutes.

III) **Rapid- penetration strategy:** The features of this strategy are low price of the product & heavy promotional expenses. The conditions favouring this strategy are a) The market is large b) The customers are unaware of the product c) The customers are price sensitive & d) there exists heavy competition.

IV) **Slow- penetration strategy:** The peculiarities of this strategy are low price & very little promotional expenses. This is possible when a) The market is large, b) The buyers are aware of the product, c) The customers are price sensitive & d) There are substitutes available in the market.

(2) Growth strategy

During this period the profits will increase due to fall in the cost of production & promotional expenses. Attracted by the profit earning capacity, new firms will enter the market. They may introduce products with additional features. For profit maximization the firm can implement one of the following strategies:

(I) **Product improvement:** By improving product quality more people can be attracted to the product. The present customers will also like the improved product. Improvement can be achieved by adding new colours, flavours etc.

(II) **Enter new market:** Here manufactures are forced to move to new areas in search of greater profits.

(III) **Modify the distribution channel:** There are mainly two types distribution strategies a) Open a number of retail outlets or b)By entrusting middlemen here the manufacturer has to bear all selling & distribution costs including fixed amount of overheads. By entrusting middlemen, the company can save lot of money.

(3) Maturity Stage strategy:

During this phase sales growth show a declining trend hence, the producers must try new markets, products & marketing mix.

(4) Declining Stage strategy:

In the long run new products will be marketed by the competitors as a result old products may be rejected by consumers. This indicates commencement of declining stage. Unless measures are being taken to overcome the situation the firm will be forced to wind up the business. Here technological improvements, steps to reduce cost of production, new markets, and new uses of the product must be found out.

(5) Abandonment Strategy:

Products at declining stage will cease to exist in the market for a long time. The marketers have to make them attractive by introducing new or improving them or finding new markets. When all these attempts become futile, the product can be withdrawn form the market.

2. Strategies based on the share of firms in the target market.

Firms may be classified on the basis of market share they enjoy. Accordingly they may be classified into 4 groups: (1) Leader, (2) Challenger, (3) Follower, (4) Nicher.

(1) Market Leader:

Market Leader is a firm that covers majority of the geographical area of the market or majority of the products are sold. Such a firm is big in financial capability & competitive strength. In other words market leader enjoys monopoly for its products. As it is a position very vulnerable market leader will always have to keep vigil. Rival firms under the leadership of the challenger will try to take advantage of even the slightest of the leader's weaknesses. The following are a few of the general problems faced by a market leader;

a) Expansion of the total market.
b) Protection of the existing market.
c) Expansion of market's share.
d) Finding new uses for the product.

It is the duty of the leader to find new uses from all groups of the population. In India where classification of income group runs into the urban rich, the urban middle class & the urban tertiary, the rural rich & the rural poor, a leader can choose any or whole for his target market. Consumer education becomes its responsibility that can be achieved through various advertisement techniques.

Leader strategies:

A leader can successfully apply the following strategies to protect existing market share.

1) **Innovation strategy:** consumers always prefer some changes in the product they buy. If the product does not undergo change they fail. Further it is not possible always to develop a product to replace an existing one. Hence innovation may be tried where new colour or flavour may be added to the existing product.

2) **Product flanking strategy:** when the products are marketed in different sizes & bottles, it is product flanking strategy. This strategy tries to satisfy varying consumer preferences & gives more shelf space.

3) **Multi-branding strategy:** A leader firm can produce one article in different colours. They may differ from one another slightly. This is done so to satisfy the requirements of different groups of people. When for such products different brand names are given it is called multi-branding strategy.

4) **Brand extension strategy:** This strategy is opposite to multi-branding strategy. In this case all the products of a particular concern will have one and the same brand.

5) **Exclusive dealership strategy:** Leader firms often choose the best dealers. This is because the firm can give its dealers full line of activity. The dealers need not go for other subsidiary activities for increasing the profits.

6) **Superior service:** After sales service offered by manufacturers helps a lot for the promotion of sales. While most manufacturers fail to offer this facility a leader can afford it.

7) **Confrontation strategy:** Is adopted by the leader when he is cornered by the challenger. The challenger tries to enter the leaders area through any new market or promotion strategy which will be countered by the leader by fortification strategies plus price war.

8) **Harassment strategy:** The leader adopts this strategy when he fails to contain the challenger & when challenger secures success in penetrating the leader's territory. All conceivable techniques of rivalry through product strategies, market strategies & price strategies have failed. The challenger is caught in many unexpected legal traps adroitly laid by the leader. The challenger will be exposed to a lot of govt. attacks through primitive taxation, patent law complaints, breach of trust etc.

(2) **Challenger:** A firm small in size but large enough to compete with the leader is known as challenger. A challenger may also attack firms of its own size as well as small local & regional firms.

Challenger Strategies:

- **Price discount strategy:** Offering goods to the public at a price lower than the prevailing market price is known as price discount strategy. Manufacturers offer such discounts generally during off seasons or festive seasons.
- **Cheaper goods strategy:** The practice of marketing inferior quality products at cheaper prices is called cheaper goods strategy.
- **Prestige goods strategy:** When superior quality products are offered at fairly high prices it is called prestige goods strategy. Here attempt is made to retain its lost image.
- **Product proliferation strategy:** It is a combination of innovation & fortification strategies. Here the product will be offered in different colours, flavours & sizes. Such a strategy gives the public more chances of selection.

- **Improvised services strategy:** This strategy is applied by the challenger to ensure trouble free use of their products.

(3) Market follower: A market follower is also a runner up firm. It will not entertain confrontation with the leader or challenger out of fear. Such type of firm believes it can learn more without a conflict. The name follower is been give because its strategies are related with some type of following. Their strategies are:

1) **Following closely:** The firm will follow the leader in as many markets as possible. But, it will never block the leader or challenger so as to cause a conflict. They may be compared to jackals in the market which follow the lions.

2) **Following at a distance:** This type of firm will not follow the leader wherever it can. On the other hand it will follow the leader in terms of general price levels and new products. Such a follower protects the leader from charges of monopoly.

3) **Following selectively:** A small firm cannot follow the leader closely in all aspects. Hence such a firm will prepare a list of activities of the leader to be followed. As far as these activities are concerned, the follower will follow the leader closely. But, regarding all other activities the firm will have its own policy.

(4) Market Nicher: A market nicher is a small are of the market overlooked or leftover by major marketers. There are small firms in almost all industries which specialize in supplying the needs of this area. Those specialists are called as market nichers. They do not confront with the majors & wait for favourable opportunities which they never fail to take up. The key feature of nicher is specialization.

Among nichers the following type of specialists are important:

1. **End-use specialist:** Here specialization is aimed at serving one type of the end use customer.
2. **Vertical-level specialist:** Specialization takes place at some vertical level of the production-distribution cycle.
3. **Customer-size specialist:** Here sales are made to small, medium or large –size customers. Usually a nicher serves small customers.
4. **Specific-customer specialist:** The specialist sells to a small or few major customers.
5. **Geographic specialist:** Here a firm sells only in a certain locality or state.
6. **Product or product line specialist:** As the name indicates the firm may produce only one product or product line.
7. **Product-feature specialist:** The firm specializes in producing a certain type of product or product feature.
8. **Job-shop specialist:** The firm manufactures as per the order of the customer.
9. **Quality/Price specialist:** The firm takes advantage form the high or low end of the market.
10. **Service specialist:** service or services may be provided by the firm.

2.2: MARKETING STRATEGIES DURING SHORTAGES, INFLATION & RECESSION

Business firms must revise their strategies according to shortages, inflation & recession in the economy. A shortage economy exists when many industries cannot fully supply the requirements of the customers. **During shortages** a company may adopt the following strategies:

1. Re-examine the customer mix & decide which customers are more important ones to supply & how to allocate to each. The weak customers will be cut-off or reduced.
2. Channel the scarce raw materials into their more profitable products. Weak products are eliminated.
3. Increase the price or reduce the size of the product. The increased price will automatically bring down the demand to the level of supply.
4. Drop weak trade channels & concentrate on strongest distribution channels.
5. Reduce advertising, sales force & customer service.

Inflation is an economic climate in which general price level rises at fast rate. It is characterized by a higher rate of money supply compared to the rate of goods & services. The following strategies are adopted **during inflationary periods:**

1. Concentrate on customers who are willing & pay higher prices.
2. Concentrate on those producers which are more profitable.
3. Must decide how much to raise its price & in which form.
4. Increase the price of low priced distribution channels.
5. Increase advertising & explain company pricing policies to the buyers.

Recession is a period of slowed down economic growth. **During recession,** companies experience a decline in sales volume. The company has to develop a strategy to maintain its sales.

1. Review the market situation, withdraw from losing markets & redirect the resources to more profitable products.
2. Should search for new markets & should introduce economic models of their products.
3. Should review the pricing strategy. Price cutting or rebates may be adopted.
4. Sales promotion measures may be adopted.
5. The company may have to use low price distribution channels.

2.3: Marketing Strategies for service firms:

Once service firms lagged behind manufacturing firms in their use of marketing because they were small or professional businesses that did not use marketing, or faced large demand or little competition; but this has certainly changed.

3 P's for service marketing firms

The traditional four Ps marketing approach work well for goods. But additional elements require attention in service businesses. Booms & Bitner suggested three additional Ps for services marketing: People, Physical evidence & Process.

5) People: Because most services are provided by people, the selection, training & motivation of employees can make a huge difference in customer satisfaction. Ideally employees should exhibit competence, a caring attitude, responsiveness, initiative, problem- solving ability & goodwill.

6) Physical Evidence: Companies try to demonstrate their service quality through physical evidence & presentation. A hotel will develop a look & style of dealing with customers that realizes its intended customer value proposition, whether it is cleanliness, speed or some other benefits.

7) Process: service companies can choose among different processes to deliver that service. service encounters are affected by several elements, consider a customer visiting a bank to get loan. The customer also sees other customers waiting for this & other services. The customer also sees a physical environment consisting of a building, interior, equipment, & furniture. He also sees the bank personnel & deals with a loan officer. Not visible is the whole "backroom" production process & organizational system that supports the visible business. Thus, the service outcome & whether or not people will remain loyal to the service provider, is influenced by a host of variables.

In view of this complexity, Christian Gronroos has argued that service marketing not only requires external marketing, but also internal & interactive marketing.

External marketing: describes the normal work to prepare, price, distribute & promote the service to customers.

Internal marketing: describes the work to train & motivate employees to serve customers well. Berry has argued that the most important contribution the marketing department can make is to be "exceptionally clever in getting everyone else in the organisation to practice marketing."

Interactive marketing: describes the employee's skill in serving the client. Because the client judges service not only on its technical quality but also by its functional quality. Service providers must deliver "high touch" as well as "high tech."

Because services are generally high in experience & credence qualities, there is more risk in purchase. This has several consequences. First, service consumers generally rely on word of mouth rather than advertising. Second, they rely heavily on price, personnel & physical cues to judge quality. Third, they are highly loyal to service providers who satisfy them. Service companies face ***three tasks*- increasing *competitive differentiation, service quality & productivity.***

1. Managing competitive differentiation:

Service marketers frequently complain about the difficulty of differentiating their services. The deregulation of several major service industries-communications, transportation, energy, banking precipitated intense price competition. The success of the budget-priced airlines has shown many fliers care about cost than service. To the extent that customers view service fairly as homogenous, they care less about the provider than the price.

However, services can be differentiated. The alternative to price competition is to develop a differentiated ***offering, delivery, or image.***

(1) Offering: The offering can include innovative features. What the customer expects is called *the primary service package*. To this the service providers can add secondary service features. The major challenge is that most service offerings & innovations are easily copied. still, the company that regularly introduces innovations will gain a succession of temporary advantage over competitors.

(2) Faster & better delivery: A service company can differentiate itself by designing a better & faster delivery system. There are three levels of differentiation:

- **(a) Reliability:** Some suppliers are more reliable in their on-time delivery, order completeness & order-cycle time.
- **(b) Resilience:** Some services are better at handling emergencies, product calls & answering inquiries.

(c) Innovativeness: Some suppliers create better information systems, bar coding & mixed pallets & in many ways help the customers.

Many distribution experts say that a company's money would be better spent on improving delivery performance than on advertising. They say that superior service performance is more effective differentiator than image expenditures. Furthermore it is harder for a competitor to duplicate a superior distribution system than to copy a competitor's campaign.

(3) **Image:** Service companies can also differentiate through symbols & branding. The Harris bank of Chicago adopted the lion as its symbol & uses it on stationery, advertising & even in stuffed animals it offers to its depositors. The Harris lion confers image of strength.

2. Managing service quality:

The service quality of a firm is tested at each service encounter. If retail clerks are bored, cannot answer simple questions, or are visiting with each other while customers are waiting, customers will think twice about doing business again with that seller.

Customers form service expectations from past experience, word of mouth & advertising, customers compare the ***perceived service*** with the ***expected service***. If the perceived service falls below the expected service, customers are disappointed. If the perceived service meets or exceeds their expectations, they are apt to use the provider again.

Pursuraman, Zeithaml, & Berry formulated a service quality model that highlights the main requirements for delivering high service quality. The model shown identifies five gaps that cause unsuccessful delivery.

(i) **Gap between consumer expectation & management perception:** management does not always correctly perceive what customers want.

Hospital administration may think customers want better food, but patient may be more concerned about nurse responsiveness.

(ii) **Gap between management perception & service quality specification:** management might correctly perceive customers wants but not set performance standards. Hospital administration may tell the nurses to give 'fast' service without specifying it in minutes.

(iii) **Gap between service quality specifications & service delivery:** personnel might be poorly trained, or incapable or unwilling to meet the standard; or they may be held to conflicting standards, such as taking time to listen to customers & serving them fast.

(iv) **Gap between service delivery & external communications** consumer expectations are affected by statements made by company representatives & ads. If a hospital brochure shows a beautiful room, but the patient arrives & finds the room cheap & tacky looking, external communications have distorted the customer's expectations.

(v) **Gap between perceived service & expected service:** this gap occurs when the consumer misperceives the service quality. The physician might keep visiting the patient to show care, but the patient may interpret this as something really is wrong.

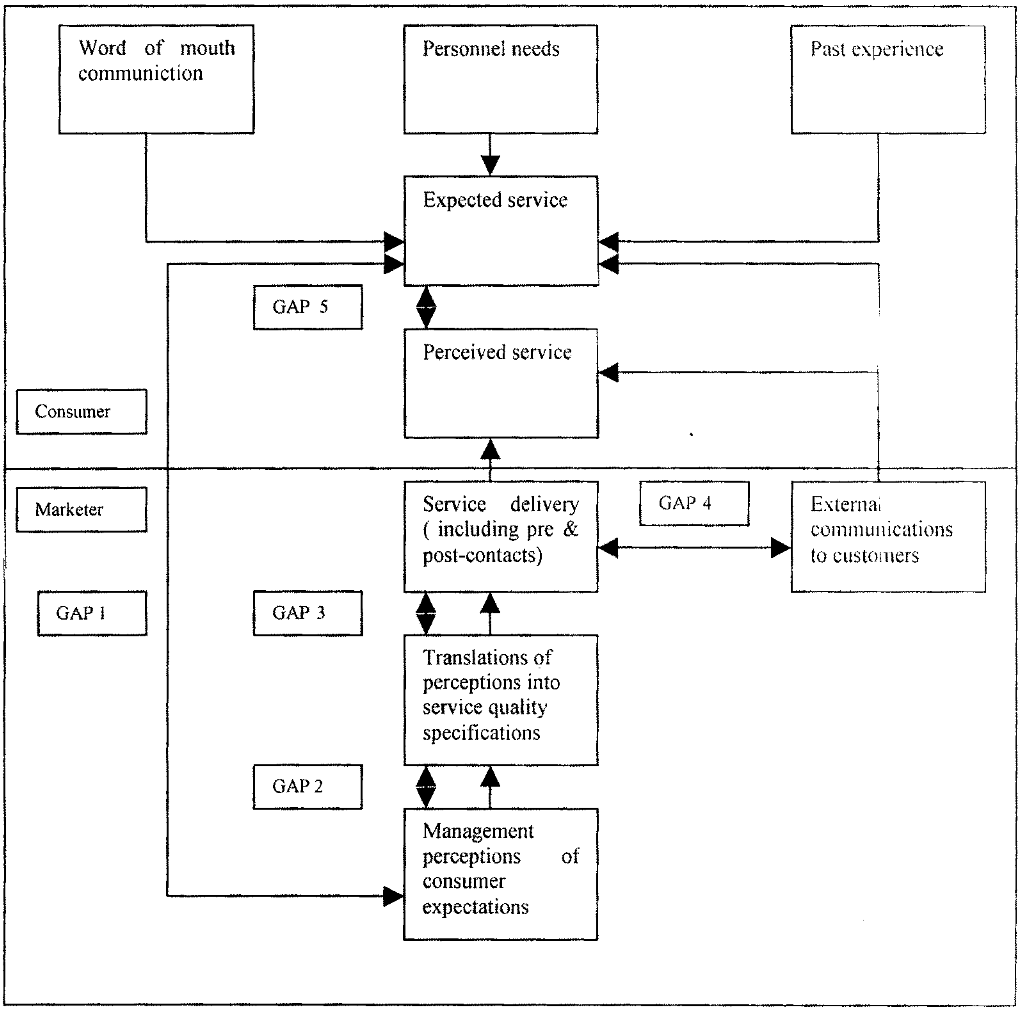
The same researchers have found 5 determinants of service quality. These are presented in the order of importance.

1. **Reliability:** The ability to perform the promised service dependably & accurately.
2. **Responsiveness:** The willingness to help customers & to provide prompt service

3. **Assurance:** The knowledge & courtesy of employees & their ability to convey trust & confidence.

4. **Empathy:** The provision of individualized attention to customers.

5. **Tangibles:** The appearance of physical facilities, equipment & communication materials.



A.Parasuraman, Valarie Zeithaml & Leonard L Berry, "A conceptual model of service quality & its implication for future research"

Various studies have shown that well managed service companies share the following common practices: a strategic concept, a history of management commitment to quality, high standards, self service technologies, systems for monitoring service performance & customer complaints & an emphasis on employee satisfaction.

Strategic concept: service companies are "customer obsessed." They have a clear sense of their target customers & their needs. They have developed a distinctive strategy for satisfying their needs.

1. **Management commitment:** companies not only look at financial performance on a monthly basis but also at service performance. Ray kroc of McDonald's insisted on its conformance to QSVC: quality, service, value & cleanliness. Some companies insert a reminder along with employee's paychecks: BROUGHT TO YOU BY THE CUSTOMER.

2. **High Standards:** The best service providers set high service-quality standards. Citibank aims to answer phone calls within 10 seconds & customer letters within 2 days. The standards must be set appropriately high. One can distinguish between those companies offering " merely good" service & those offering "breakthrough" services aimed at being 100 percent defect free.

3. **Self-Service Technologies (SSTS):** Many person to person service interactions are being replaced by self-service technologies. To the traditional vending machines we can add Automatic teller machines (ATMs). Not SSTS improve service quality, but they have the potential of making service transactions more accurate, convenient & faster. Every company needs to think about how it might improve its service using

SSTS. Companies would be smart to enable customers to call the company when they need more information than the SSTS provides.

4. **Monitoring Systems:** firms audit service performance, both their own & competitors on a regular basis. They collect *voice of the customer (VOC)* measurements to probe customer satisfiers & dissatisfiers. They use comparison shopping, ghost shopping, customer surveys, suggestion & complaint forms, service audit teams & letters to the president. When designing customer feedback mechanisms, marketers need to ask the right questions. Services can be judged on *customer importance* & *company performance*. Importance performance analysis is used to rate the various elements of the service bundle & identity what actions are required.

5. **Satisfying Customer complaints:** Studies on customer dissatisfaction show that customers are dissatisfied with their purchases about 25 % of the time but that only 5 % complain. The other 95% either feel complaining is not worth the effort, or they do not know how or to whom to complain. Of the 5% who complain, only 50% report a satisfactory problem resolution. Yet the need to resolve a customer problem in a satisfactory manner is critical. On the average, a satisfied tells 3 people about a good product experience, but the average dissatisfied customer gripes to 11 people. If each of them tells still other people, the number of people exposed to bad worth of mouth may grow exponentially. Customers whose complaints are satisfactorily resolved often become more company loyal than customers who were never dissatisfied. Every complaint is a gift handled well. Tax & Brown have found that companies that encourage disappointed customers to complain & also empower employees to remedy the situation on the spot-achieve higher revenues & greater profits than companies that do not have systematic approach for

addressing service failures. Tax & Brown found that companies that are effective at resolving complaints :

- Develop hiring criteria & training programs that take into account employees service recovery role.
- Develop guidelines for service recovery that focus on achieving fairness & customer satisfaction.
- Remove barriers that make it difficult for customers to complain, while developing effective responses, which may include empowering employees to provide compensation for the failure.
- Maintain customer & product databases that let the company analyze types & sources of complaints & adjusts its policies.