Chapter – II

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2.1 Introduction

Based on the research problem presented in chapter one, theories about service quality will be presented in this chapter, which starts by presenting theories of service quality, then by e-service quality and then followed by quality of services in banking. Review of literature is taken from the past when it was known till today taking into consideration the recent changes and developments in the banking industry.

2.2 Service Quality

This part will provide better understanding of service quality covering both definitions of service quality and service quality dimensions.

Definitions of Service Quality

Zeithmal in 2000 told that with the continuous competition increase, service quality has become a popular area of academic investigation and has recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers.

Grönroos in 1982 described the total service quality as customer's perception of difference between the expected service and the perceived service. He then defined the concept of perceived service quality as the outcome an evaluation process, where the consumer compares his expectations with the service he perceives or has received.

Parasuraman in 1985 also defined service quality as the comparison between customer expectations and perceptions of service. In addition, he suggested three underlying themes after examination of the previous writing and literature on services:

(1) service quality is more difficult for the consumer to evaluate than goods quality,

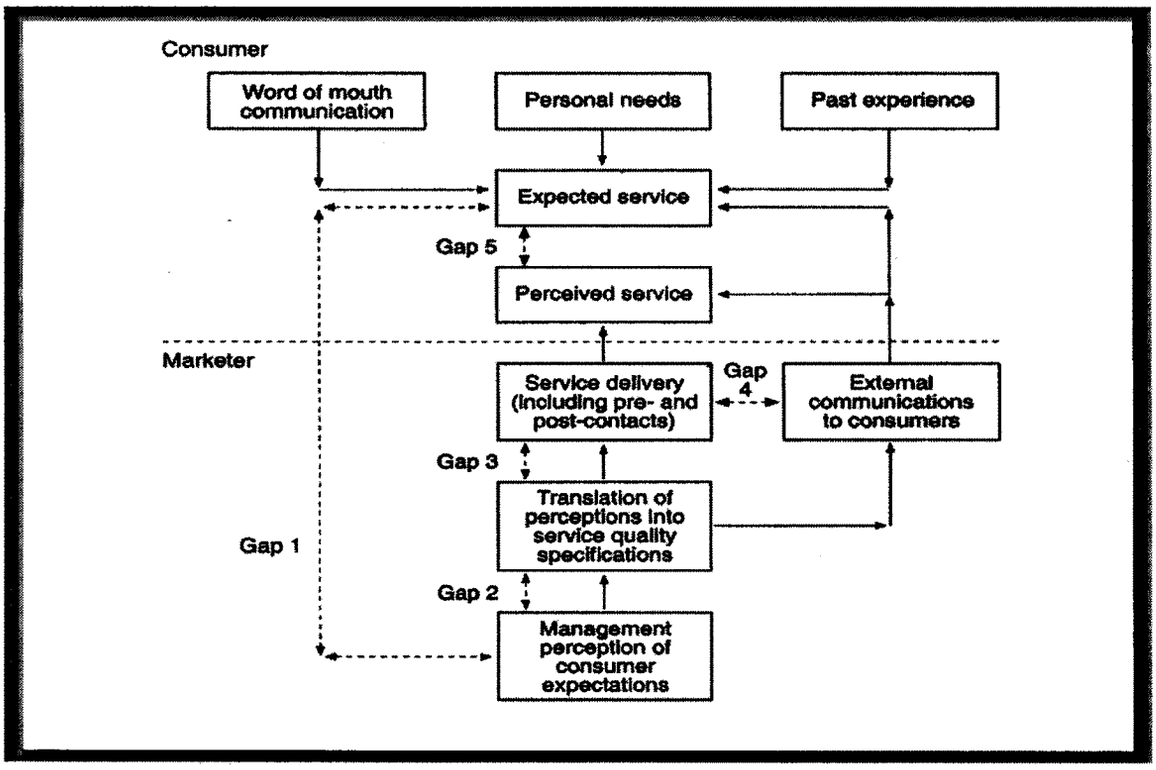
(2) service quality perceptions result from a comparison of consumer expectations with actual service performance , and

(3) quality evaluations are not made solely on the outcome of service; they also involve evaluations of the process of service process of service delivery.

Furthermore, Parasuraman in 1985 suggested the "Service Quality Model" in order

to serve as a framework for further research.

Following figure schematically illustrated this model.



Service Quality Model (*Sources: Parasuraman et al., 1985, p.44*)

Five gaps are as follows:

Gap 1, consumer expectation - management perception gap: Management may have inaccurate perceptions of what consumers actually expect. It requires the appropriate management processes, market analysis tools and attitude.

Gap 2, service quality specification gap: There may be an inability on the part of the management to translate customer expectations into service quality specifications. This gap relates to aspects of service design.

Gap 3, service delivery gap: Guidelines for service delivery do not guarantee high-quality service delivery or performance. Reasons for this include lack of sufficient support for the frontline staff, process problems, or fontline/contact staff performance variability.

Gap 4, external communication gap: Consumer expectations are fashioned by the external communications of an organization.

Gap 5, expected service - perceived service gap: Perceived quality of service depends on the size and direction of Gap 5, which in turn depends on the nature

of the gaps associated with marketing, design and delivery of services (ibid).

Yang in 2004 told that this model is a diagnostic tool and externally focused. If used properly and correctly, it has the potential to assist the management to identify the relative service quality factors from customer perspective

In 1988, Parasuraman further explained that service quality is the overall evaluation of a firm's service by comparing the firm's performance with the customer's general expectations of how firms should perform. Then he stated the perceived service quality as global judgment or attitude relating to the superiority of the service.

Page and Spreng in 2002 argued that a performance-only measure is superior since it's more reliable and defensible. They further argued that performance is a much stronger indicator of service quality than expectation.

Cronin in 2000 told that although the conceptual discussion about service quality continues, it can be seen that service quality is a multi-level and multi-dimensional concept that might mean different things to different researchers in the literature.

2.3 Service Quality Dimensions

Numerous studies have sought to uncover the global attributes of services that contribute most significantly to relevant quality assessments in the traditional service environment as per the studies of Gronroos in 1982 and further more studies in 1984; Alongwith him Parasuraman also had similar recommendations in 1985 where furthermore research was made in 1988.

Gronroos in 1982 argued that service quality should include three dimensions:

(1) The technical quality of outcome. This is to say, the actual outcome of the service encounter. The service outcome can often be measured by the consumer in an objective manner.

(2) The functional quality of the service encounter. This element of quality is concerned with the interaction between the provider and recipient of a service and is often perceived in a subject manner.

(3) The corporate image. This is concerned with consumers' perceptions of the service organization. The image depends on: technical and functional quality; price; external communications; physical location; appearance of the site and the competence and behavior of service firms' employees.

Lehtinen and Lehtinen in 1982 also state that service quality has three dimensions, however the differences can be seen below:

(1) Physical quality. This includes items such as the condition of buildings and enabling equipment.

(2) Corporate quality. This refers to the organization's image and profile.

(3) Interactive quality. This derives from the interaction between service organizations' personnel and the customer as well as the interaction between customers.

In addition, they argue that in 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 the service.

Comparing the work between Gronroos (1982) and Lehtinen (1982), Swartz and Brown (1989) drew some distinctions concerning the dimensions of service quality. They sated that what the service delivers is evaluated after performance. This dimension is called technical quality by Gronroos (1983), physical quality by Lehtinen and Lehtinen (1982). They also stated that how the service is delivered is evaluated during delivery. This dimension is called functional quality by Gronroos (1983), interactive quality by Lehtinen and Lehtinen (1982).

According to Parasuraman in 1985, ten detailed dimensions of service quality through focus group studies are listed as: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, competence, understanding the customer and tangibles. Among these ten service quality determinants, reliability is identified as the most important.

Based on the determinants of service quality listed, Parasuraman in 1985 developed a model of Determinants of Perceived Service Quality. It indicated that perceived service quality is the result of the consumer's comparison of expected service with perceived service.

In their subsequent research Parasuraman in 1988, purified and distilled the ten dimensions to five: tangibles, reliability, responsiveness, assurance, and empathy, which constitute the base of a global measurement for service quality. Based on these five dimensions listed above, the researcher has developed 26 questions.

Moreover, Parasuraman state that there's a range of tolerance where customer perception on a service dimension, anchored by the minimum level consumers

would be willing to accept and the level that customers believe can and should be delivered. According to their study, reliability was the most critical dimension, followed by responsiveness, assurance and empathy. The tangibles were of least concern to the customers.

Another useful study is conducted by Johnston in 1995, in which he provides 18 service dimensions and their definitions: access, aesthetics, attentiveness, availability, care, cleanliness/tidiness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality, integrity, reliability, responsiveness, and security. In their study, reliability is considered as the most important.

Yang in 2004 concluded that both studies of Parasuraman in 1988 and Johnston in 1995 offer particularly robust service quality dimensions for measuring traditional services and could serve as a good starting point for further research.

2.4 E-Service Quality

In this part, understanding of e-service quality will be gained both from definitions of e-service quality and e-service quality dimensions.

Definitions of E-Service Quality

According to Zeithaml in 2000 e-service quality is comprehended both from pre-and post- Web site service perspectives. It can be understood as the evaluation of the efficiency and effectiveness of online shopping, purchasing, and delivery products and services. Similarly, Santos in 2003 defined e-SQ as overall customer evaluations and judgments of excellence of e-service delivery in the virtual marketplace.

2.5 E-Service Quality Dimensions

Dina in 2004 observed that a majority of studies view the dimensions of e-service quality as antecedents of e-satisfaction.

Yang in 2001 told that high standard e-service quality is the means by which the potential benefits of the Internet can be realized.

Zeithaml in 2000 drawing upon the traditional service quality scale, have developed e-service quality dimensions for measuring e-service quality. In a series of focus group interviews, they have identified eleven dimensions of online service quality: access, ease of navigation, efficiency, flexibility, reliability,

personalization, security/privacy, responsiveness, trust/assurance, site aesthetics, and price knowledge. In their research, they found the core dimensions of regular service quality like efficiency, fulfillment, reliability and privacy were the same as online. At the same time, they stated that responsiveness, compensation and real time access to help as core dimensions of service recovery for online services. In addition, they noted that empathy was less important online unless there were service problems happened.

Wolfinbarger and Gilly in 2002, through focus group interviews and an online survey, reduced the scale of online service quality into four key dimensions: Web site design, reliability, privacy/security, and customer service. In their research they suggested that the most basic building of outstanding online service quality is reliability and web site design including good functionality in time savings, easy transactions, good selection, in-depth information and the right level of personalization.

Yang in 2004 have uncovered six key online service quality dimensions-reliability, access, ease of use, attentiveness, security, and credibility-employed by internet purchasers to evaluate e-tailers' service quality. Further more, they suggested that if online retailers want to achieve high level of customers' perceived service quality, four dimensions should be more focused on: reliability, attentiveness, ease of use and access.

Yang and Fang in 2004 have noted that traditional service quality dimensions such as competence, courtesy, cleanliness, comfort and friendliness are not relevant to online retailing; whereas other factors, such as reliability, responsiveness, assurance, and access are critical to both traditional service quality and e-service quality.

Similarly, Jun in 2004 compared traditional with online service quality dimensions and found that four of five traditional service quality dimensions stated by Parasuraman in 1988 were also considered important online. They are listed as: reliability, responsiveness, assurance and empathy.

Moreover, Yang in 2000 identified six key dimensions e.g., reliability, responsiveness, competence, eases of use, security and product portfolio.

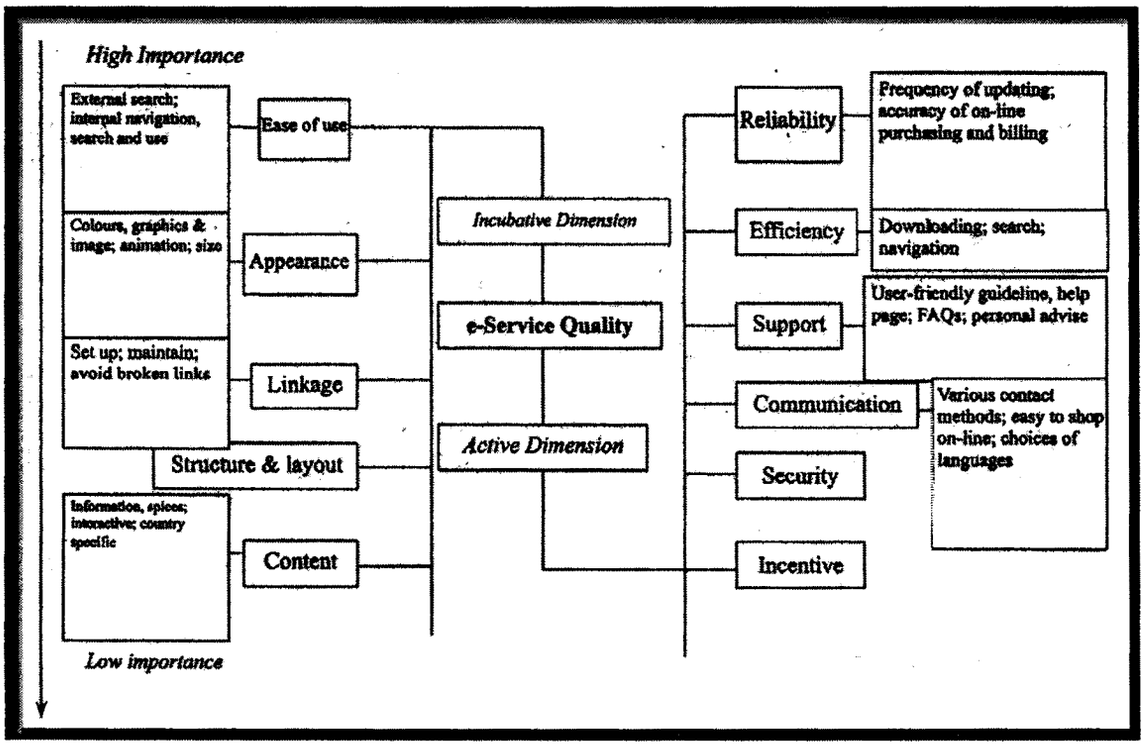
Madu in 2002 proposed the following 15 dimensions of online service quality: performance, features, structure, aesthetics, reliability, storage capacity,

serviceability, security and system integrity, trust, responsiveness, service, differentiation and customization, Web store policies, reputation, assurance and empathy.

According to Dina in 2004, five dimensions are commonly used: ease of use, web site design, customization, responsiveness and assurance.

In order to clarify the detailed determinants of e-service quality, Lee and Lin in 2005 proposed website design, reliability, responsiveness, trust and personalization as e-service quality dimensions. According to their research, trust is the most significant determinant to overall service quality and customer satisfaction, then reliability and responsiveness. The less one is website design. To their surprise, personalization is the least significant.

Based on the focus interviews and the insights of previous research, Santos in 2003 develop a conceptual model of e-service quality. This model proposed that e-service quality consists of incubative and active dimensions, and each dimension composed by five or six determinants, as illustrated in the below figure.



Conceptual Model of e-Service Quality (*Sources: Santos, 2003, p.239)*

Santos in 2003 further explains that e-service quality consists of incubative and active dimensions, and each dimension composed by five or six determinants, as

illustrated in above figure. Before the launching of a Web site, the incubative dimension needs to be considered and to ensure that:

- the Web site is easy to use, search and navigate;
- it has an appealing appearance to its target customers;
- links are set up and maintained, and the broken links are avoided;
- the site has a well-organized structure and layout; and
- there is an attractive presentation of factual contents.

When a Web site has been established, the active dimension needs to be maintained throughout the entire period of active e-commerce on the Web site. The determinants of active dimensions are reliability, efficiency, support, communications, security and incentive.

According to Santos in 2003, the Conceptual Model of e-Service Quality can be of assistance to all companies that engage e-commerce, or plan to do so. The model can assist companies to understand e-service quality and to gain customer satisfaction, therefore, profitability.

2.6 Service Quality in Banking

Cowling and Newman in 1995 in their studies observed that the service quality has been widely used to assess the service performance of various service organizations including banks.

Johnston in 1995 states 18 service quality attributes *in banking*. They are: access, aesthetics, attentiveness, availability, care, tidiness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality, integrity, reliability, responsiveness and security.

According to Johnston in 1997, security and reliability were considered most important by customers; responsiveness communication and competence were important. He also stated that the areas, such as comfort, cleanliness and aesthetic were not worth much attention.

Additionally, Nantel in 2000 propose six underlying key dimensions in retail banking. These dimensions are: effectiveness and assurance, access, price, tangibles, service portfolio and reliability.

2.7 Evaluation of Reviewed Literature

Joseph in 1999, as for internet banking, investigated the influence of Internet on the delivery of banking service. Their study identifies six underlying dimensions of electronic banking service quality. They are convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization which play a very important role in delivering e-banking services of an exceptional quality.

Jun and Cai in 2001 identified to seventeen service quality dimensions of Internet banking service quality which make a large impact on customer satisfaction.

2.8 Conclusion

The service quality dimensions such as reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration and continuous improvement, content, accuracy, ease of use, timeliness, aesthetics, security and divers features were carefully studied. After studying the dimensions of E-banking services the relationship between quality of services and customer satisfaction was studied by the researcher and on the basis of this study the questionnaire was framed. The answers to the most important dimensions of service quality in E-banking such as responsiveness, reliability and access were obtained and analysed in the forthcoming chapter.