Customer Expectations in The Service Industry: An Exploration

*Padmakali Banerjee **Prabuddha Banerjee

The paper seeks to provide a theoretical investigation of consumer expectations in services marketing. The practical implication of this study is that practitioners should seek to actively manage their customers' expectations since service quality and expectation of service quality has causal impacts on overall customer satisfaction. The study contributes to the literature by advising managers to extend their customer satisfaction tracking to overall customer satisfaction with its strategic implications. Today's customers expect sellers not only to respond effectively to their expressed needs but also to understand them sufficiently well to proactively address their latent and future needs. The implications on the ground are that companies benefit from more satisfied customers, increased positive word-of-mouth, stronger profitability, better communications and more effective planning. Firms may have to move from processing customers in groups to serving individual needs. Other changes include policies and procedures to improve the way in which customer needs are addressed. Human resource policies should focus on encouraging employees to build relationships. Employees should be encouraged to consider the long-term effects of how they treat customers, rather than viewing the customer as a one-time buyer. Salespeople, in particular, play a key role in developing customer service that leads to loyalty. Top management must be customer-focused and convey that attitude to employees. Quality cannot be defined by objective standards in the case of services, because of the intangibility of the product, the immediacy of production and consumption, time of the encounter and the dominant effect of the consumer's subjectivity. Moreover, satisfaction is a dynamic variable with a cumulative component – experience – that could influence perceptions of quality, and vice-versa. Satisfaction also has a social component since, for example, one's friends and family can influence one's own feeling of satisfaction. Satisfaction can therefore be seen as a higher-order construct, and perceptions of service quality affect feelings of satisfaction, which in turn influence future purchasing behavior. Service firms have long understood that getting the delivery process right matters to the customer. However, process is much more than lining people up in a queue, putting them through a delivery system and having them emerge from the system with a service experience. Moreover, how the customer feels he or she was treated during the process may be as important as what he or she actually experienced during it. When they focus on process, managers must examine closely virtually every aspect of service design and delivery, not only for individual customers, but also for customers as a whole.

Introduction

It is now widely accepted that exceeding customer expectations is key to customer satisfaction that escalates to delight and generates loyalty. The gap between customer expectations and subsequent experience represents the degree of customer's contribution to the business. Expectations are dynamic in nature and can also be shaped by market conditions, the competition, and the customer's personal situation. Even when it is the company's own brand that establishes expectations, the customer can be disappointed from one product variant to another.

Drawing common thread of expectations across service industry we have the five generic service-quality dimensions of Parshurman et al i.e. Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Of this Responsiveness, Assurance, and Empathy are more specific features of service industry. While all these five dimensions will be dealt in detail later there needs to be an awareness of services as opposed to goods as products.

Early marketing texts treated goods & services independently because services were seen as processes in which customer was a key element of production that happens during consumption whereas goods were produced away from customer. This led to the thought that marketers were deprived of observing and studding the intricacies & interactions of consumption process in goods. Since marketing knowledge should ideally focus on consumer and hence consumption this anomaly was treated as the black box in the goods domain.

*Pro V C & Dean Academics, Amity University Haryana, and Director, Amity Business School.
**Faculty, Amity Business School, Haryana

This then led to the recent 'service dominant logic' that proposes a shift of focus to interactions from exchange that was the traditional standpoint of marketing. This has led to interactive marketing and relationship marketing along with a host of other marketing concepts that for now lies outside the scope of this text.

Returning to the construct of customer satisfaction we find it requires delivering the service in accordance with or just above the expectations of the customers, for expectations is an integral part of the satisfaction formation process. To ensure this all service characteristic should be taken into account and should constantly be monitored. Another approach is to stress different positive sensation that can be experienced in the service delivery processes by actually communicating to customers on how good they feel as a result of the service. In any case being aware of customers' satisfaction is essential since the higher the satisfaction the greater the inelasticity of demand for products. Following figure presents schematic framework of present article.

Sustenance & Growth

Business organizations who primarily subscribe to the marketing philosophy are driven by two major features. One is growth and other profit. Both these are complete subjects for elaborate discussion and we leave that for a separate and different discourse. However it is pertinent to note that profitability is

required to cycle the process of development and growth only if we are in tune with the changing expectations of users. The revenue emphasis shows in programs designed to introduce and modify products and services to exceed customer expectations, to retain consumers, and improve sales to already retained devoted customers.

Repeat purchase – retention – loyalty – relationship: have for some time been the buzz words in marketing. Relationship quality refers to a customer's perceptions of how well the entire association fulfils expectations, predictions, and goals and desires the customer has concerning the whole relationship. Measuring / estimating / mapping expectation is done indirectly through the construct of satisfaction. Also, it is worth noting that the measurement of satisfaction generally focuses on the product performance aspect rather than on expectations.

Services industry that provides food, lodging, transportation, and related travel and tourism services have learned many elements about how to meet or exceed their customers' expectations. Conventionally, these lessons were not written down, as the sector that we today know as services sector was driven by a trainee learning model that expected new entrants to learn by doing and watching. As discussed earlier the goal to create and sustain an enterprise should respond to the customer's needs and expectations and still make a profit. The last two decades has

Converting Custormer Expectations into Business Results
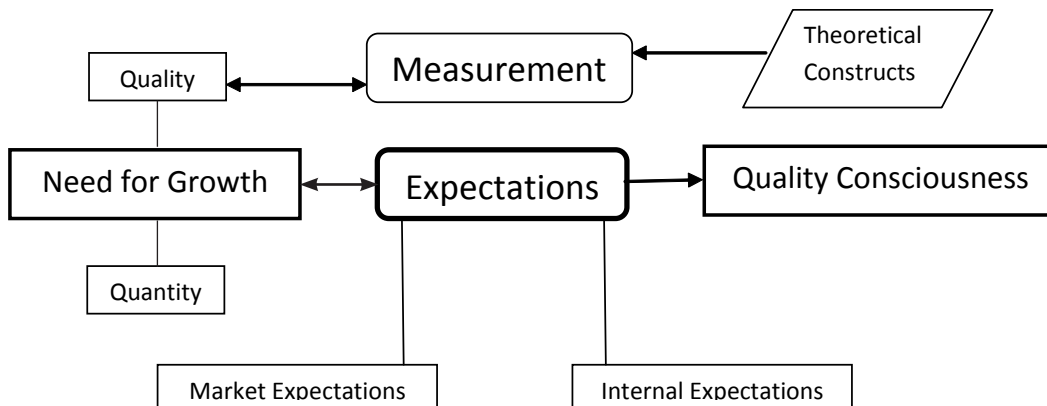
Customer Satisfaction and the Services Marketing Mix
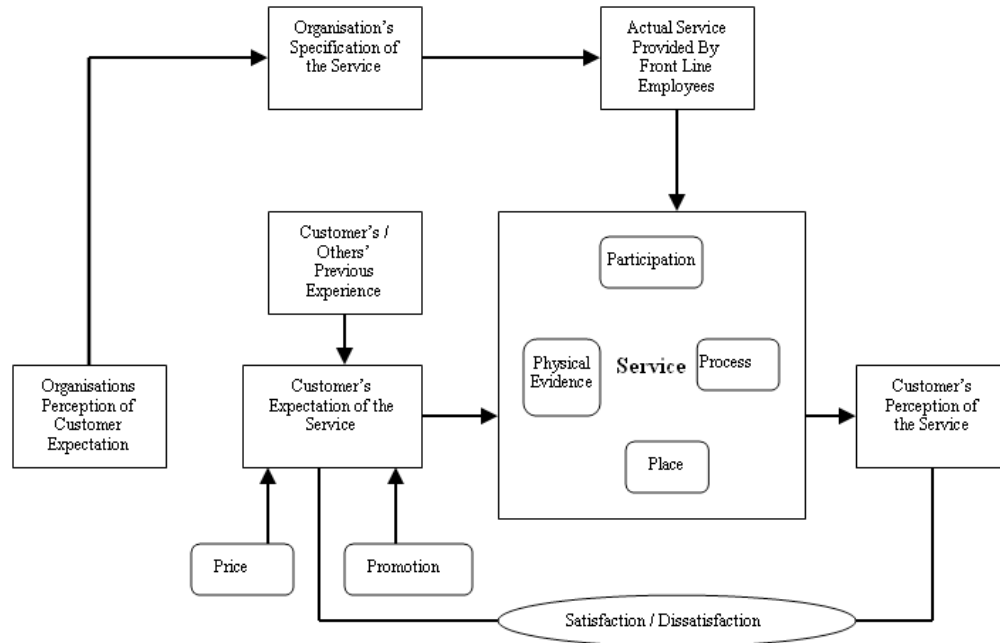
Ref: Rama Yalkun, Journal of Professional Services Marketing Vol 2, (1) 2000

seen refinement of services marketing which is acquiring more importance than traditional goods marketing and it is in this context that expectations are examined here. Using the memorising tool of 4Ps as adapted to the services marketing mix that influence customer expectations we have place, physical evidence, participants, and process.

Physical evidence such as environmental design, decor, signage, and business cards/stationery send messages that help establish the firm's image and influence the customer's expectations. When a consumer attempts to judge a service, particularly before using or buying it, that service is recognized by the tangible clues that surround it. In product marketing, tangible confirmation is mainly the product itself. But for services, tangible evidence would encompass broader considerations in contrast to product marketing. The participants, who include primary customer along with service provider and very often other customers in the vicinity of the service environment also provide clues about what the customer should expect. Visual inspection of their dress and nonverbal cues as to the appearance of both the service firm personnel and other

customers in the service facility aid the customers in categorizing the firm and forming pre-experience expectations for the service encounter Because services are performances that cannot be stored, service businesses frequently find it difficult to synchronize supply and demand. It is in this context that services are significantly and substantially apart from traditional goods way of thinking.

Customer Expectations

Having made brief preamble on business, marketing & services marketing in particular we now attempt to see expectation in more detail. Expectation is a preconception while perception or experience as it is sometimes referred is an after effect of the encounter in a service marketing sequence of events. So we have basic conceptualizations focus on either of two aspects: (i) the buyers' initial expectations in relation to product attributes and (ii) the buyers' perceptions of the product performance in relation to these expectations. We will look at the first of these two namely the expectation construct in detail.

Purpose of examining expectation is to use it to

enhance customer satisfaction, which is by far the most researched topic of the past decade. Customer satisfaction is effectively the result of a series of customer experiences or, one could say, the net result of the good ones minus the bad ones. It occurs when the gap between customers' expectations and their subsequent experiences has been closed. Customer experience include every aspect of a company's offering – the quality of customer care, of course, but also advertising, packaging, product and service features, ease of use, and reliability. It is the task of the marketer to match the expectation to the experience. On the basis of level of reinforcement and degree of arousal the following end-states of satisfaction are possible: 'satisfaction-as-contentment', 'satisfaction-as-pleasure', 'satisfaction-as-relief', 'satisfaction-as-novelty' and 'satisfaction-as-surprise'. These levels are not defined to represent some distinct and discreet states but to develop a larger understanding of the dissimilar positions that may be felt by customer. Satisfaction is thus perceived to be a post consumption evaluation or "a pleasurable level of consumption-related fulfilment". Particularity in a service context the service delivery can be designed in such a way that it exceeds expectations in terms of affective aspects as end–states described above.

In order to have customer satisfaction 3 factors are considered antecedents : (1) an overall total evaluation, (2) a confirmation or disconfirmation of ones expectation and (3) a judgment of the benefits received compared with the perceptions of the ideal service level.

Using the disconfirmation paradigm, which will be explained later, the difference between expectation and performance to some extent drives customer (dis)satisfaction. Zeithaml et al. and others argue that customers have expectations on two levels: an adequate service expectation and a desired service expectation. If a service is provided within this range, customers are satisfied. In popular services marketing literature this range is the 'zone of tolerance', indicating that within this zone, satisfaction remains relatively stable. If the adequate expectations are not met, however, customers are dissatisfied. Conversely, if the desired levels are exceeded, customers are more than satisfied; they are delighted.

Disconfirmation Paradigm

To understand disconfirmation terminology as expressed in scholarly journals it is necessary here to see it in some detail. This disconfirmation paradigm is available in research examinations and findings in literature. (for example, Andreassen 2001; Churchill and Surprenant 1982; Szymanski and Henard 2001; Smith et al. 1999; and Oliver 1980). As stated earlier consumers form expectations to which they compare the service performance. A comparison of expectations and perceptions will result in either confirmation or disconfirmation. Customers' expectations are confirmed when product or service perceptions exactly meet expectations. Disconfirmation will be the result of a discrepancy between expectations and perceptions. Two types of disconfirmation can be identified: positive disconfirmation occurs when product performance exceeds prior expectations and negative disconfirmation occurs when expectations exceed performance. Confirmation and positive disconfirmation will be likely to result in satisfaction, whereas negative disconfirmation leads to dissatisfaction.

As discussed earlier customer interaction is influenced by many uncontrollable factors that marketer has no way to directly influence. As a consequence, service failures appear to be inevitable. A service failure is said to occur when the service encounter falls short of the customer's expectations. Disconfirmation of service expectations caused by service failures leads to customer dissatisfaction, customer defection and negative word-of-mouth.

Unlike goods most services rely mainly on prior experience and availability of credence information to form a perception of quality. Consumer perceptions of quality usually rest on an expectancy–disconfirmation judgment. Within such a context, it is logical to believe that if performance

is below the expected level, then quality judgments will be inferior and satisfaction lower than if performance is above or in line with expectations.

Accordingly, it is critical for marketers to find out about their customers' expectations in advance because a failure to meet or exceed these expectations could lead to dissatisfaction and defection. Evaluations of satisfaction with the firm's past performance are likely to provide the basis for expectations about its future performance. The industry needs proof in terms of data, analysis, findings. The problem for the marketing professional with these constructs is that research also indicates that customers who are forewarned on a service encounter that they will be asked subsequently to evaluate, provide more negative post-experience evaluations than customers who are unaware of an upcoming service evaluation task. There is conclusive empirical evidence that the evaluation processes triggered by stating expectations, indicates that the measurement of expectations causes customers to pay more attention to negative aspects and to encode performance characteristics more negatively.

To counteract this anomaly some studies suggest an option. To make customers more conscious about the experience of positive emotions, customer questionnaires about the service delivery process may be used. Additionally, the level of involvement of the customer with the service can be increased by making the service important to the consumer, linking it with important values of the consumer's, personal situations, by drawing attention to personalized services and customer-oriented lay-out and design. These can all be considered as elements of a relationship marketing orientation which eventually is needed in order to survive in today's competitive environment.

Service Quality Consciousness

To increase the depth of this narrative it is now necessary to dwell on technicalities. Different customers have different needs, wants and expectations so often the services are standardized to remove quality variations. Service quality consciousness has been described as a form of attitude that results from comparisons of expectations with performance. Quality concept is based on a comparison of the service received in relation to what was initially expected. As such, an evaluation of what is received, but also a consideration of own expectations, is necessary to arrive at a clear perception of service quality. Quality of service is an indicator of customer satisfaction. Measuring service quality involves objective feedback from existing customers with respect to their expectations and services offered. Performance may be evaluated with regard to a set of satisfaction parameters that indicate the strengths and weaknesses of an organization. Service quality can thus be conceptualised as the so-called gap between what consumers feel that a service firm should offer (that is, their expectations) and their perceptions of the actual performance of the service. This conceptualisation was the basis for the SERVQUAL scale, which was developed by Parasuraman et al, and later refined by the same authors. Parasuraman et al contended that consumers evaluate service quality by comparing their expectations and their perceptions on 10 dimensions:

tangibles

reliability

responsiveness

communication

credibility

security

competence

courtesy

understanding / knowing customers

access

These 10 dimensions were subsequently collapsed into five generic service-quality dimensions:

Tangibles (measured by 4 items) the appearance of physical facilities, equipment and personnel

Reliability (5 items): the ability to perform the promised service dependably and accurately

Responsiveness (4 items): the willingness to help customers and provide prompt service

Assurance (5 items): the knowledge and courtesy of employees and their ability to inspire trust and confidence;

Empathy (4 items): the level of caring and individualised attention the firm provides to its customers.

These five dimensions are thus assessed by a total of 22 items. SERVQUAL consists of two sections: (i) 22 statements measuring expectations of service quality within a specific service sector; and (ii) 22 corresponding statements measuring perceptions of service quality of a particular company in that sector.

Another scale that measures service quality is the SERVPERF that assesses only 'performance' items using a seven-point semantic differential scale with answers ranging from 'very poor' to 'excellent'. According to some the SERVPERF model is more efficient because it reduces the number of items that must be measured from 44 to 22. Cronin and Taylor developed the SERVPERF model, claiming that customers' attitudes to a specific service depend initially on the level of their expectations. After using the said service for the first time, however, their modified attitude depends on both their prior expectations and the level of satisfaction they experienced, which may be congruent or incongruent with their expectations. Such attitude transformations pertaining to quality tend to differentiate their intentions for future repeat purchases of the said service. Cronin and Taylor also argue that customers do not always buy the products with the highest quality. Non-quality elements like convenience, price and product accessibility may modify their level of satisfaction and their buying pattern.

A comparative study by Delhi School of Economics professor Sanjay K Jain found that because of its psychometric soundness and shorter instrument, one should employ the SERVPERF scale for assessing overall service quality of a firm. On the other hand,

when the research objective is to identify areas relating to service quality shortfalls for possible intervention by the managers, the SERVQUAL scale needs to be preferred because of its superior diagnostic power.

In services marketing there are two more models namely "SERVUCTION" that deals with the production process of services & "SERVCON" that deals with service convenience, time, effort, decision convenience, access convenience, transaction convenience. These are seen as lying outside the scope of this article and readers are requested to refer to them separately.

Revealing the other side of the dyad

The story of expectation is never completely done if the reflections of the other side of the dyad are not revealed. On the flip side we have the lesser researched area of expectation from service personnel in an organization explicitly those who attend to expectations of customers. Craig C. Julian titled Emotional Dissonance and Customer Service: An Exploratory Study in the journal Services Marketing Quarterly 2008 has opened another window on expectations in services marketing arena.

Service marketers generally agree that the manner in which interactions between employees and customers unfold constitute a principal component of a customer's expectations and experience of service quality. Hence, it is considered a key source of customer satisfaction and dissatisfaction (Gronroos, 2002; Lovelock, 2004). Service marketers further recognize that it is the emotion displayed by service workers when interacting with customers as a key factor in determining customer evaluations of service quality. When the employee is faking emotions in order to fulfil job expectations this is a recognized form of person/role conflict that arises when an employee does not identify with the job role. This in turn may result in emotional dissonance, role stress, negative impacts on employee satisfaction, low levels of employee commitment and job performance amongst front-line employees.

Benchmark organizations know this only too well. They counter this and act upon the key drivers of customer satisfaction. Their studies let them know weather their core competencies are properly aligned with customer value and satisfaction. "It all starts with the customer" is not just an inspirational slogan for these organizations. If the business goal is to provide an exceptional customer experience, then the organization must completely understand why its customers seek to do business with them, how customers behave in their purchase relationship with the organization, what they expect from both the product and the experience, and how to meet the customers' expectations. Traditional wisdom used to be that running an automobile company was relatively simple: build a good car and the customers will arrive at the showroom door to buy it. Today, however, customers buy automobiles for a variety of reasons other than the looks and performance. Increasingly, auto companies are learning that the factors defining the customer's total automobile experience are more complex than merely producing a quality automobile. Repair, maintenance, financing, and insurance are also part of the customers' experience and are highly influential in creating customer loyalty. They do whatever they can to make sure that each customer's expectations are met or exceeded. They survey their customers constantly, use mystery shoppers to evaluate the quality of the customer experience, and train their employees to solicit both verbal and nonverbal feedback regarding customer satisfaction levels and assessment of quality. These organizations know that a happy customer typically tells five or six other potential customers about a happy experience, and an unhappy customer tells ten to fifteen others. They also know that modern communication with the proliferation of micro bogging and consumer web sites allow truly unhappy customers to share their unhappiness with countless potential customers all over the world. Organizations must work tirelessly to identify problems and find satisfactory solutions for them quickly.

References

1. Adel Al-Wugayan et al, (2008), '*An investigation of the relationships among consumer satisfaction, loyalty, and market share in Kuwaiti loan services* ' Journal of F 96 Financial Services Marketing Vol. 13, 2

2. Antje Cockrill et al, (2009), '*The Critical Role of Perceived Risk and Trust in Determining Customer Satisfaction with Automated Banking Channels*' Services Marketing Quarterly, 30:174–193

3. Babakus E S, Eroglu and U Yavas (2004), '*Modeling Consumers*' Choice Behavior An Application in Banking', Journal of Services Marketing, (No 6), 462-470.

4. Brady M K and Cronin J J (2001), '*Some New Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach*', Journal of Marketing, Vol 65, No 3, pp 34-49

5. Chezy Ofir and Itamar Simonson, February (2007), '*The Effect of Stating Expectations on Customer Satisfaction and Shopping Experience*' Journal of Marketing Research Vol XLIV

6. Christian Grönroos, (2006), '*Adopting a service logic for marketing*' *Marketing Theory*, SAGE Publications

7. Christopher Meyer and Andre Schwager, (2007), '*Understanding Customer Experience*' Harvard Business Review

8. Dabholkar P A and Overby J W (2005), '*Linking process and outcome to service quality and customer satisfaction evaluations: an investigation of real estate agent service*', International Journal of Service Industry Management, Vol 16, No 1, pp 10-27.

9. Dawar N and Pillutla M M (2000), '*Impact of product harm crises on brand equity: the moderating role of consumer expectations*', Journal of Marketing Research, Vol 37, pp 215-26.

10. Ferrell A M, Souchon A L and Durden G R (2001), '*Service encounter conceptualization: employees*' service behaviors and customers' service quality perceptions', Journal of Marketing Management, Vol 17, pp 577-93.

11. Gary J Salegna & Stephen A Goodwin, (2005), '*Consumer Loyalty to Service Providers: An Integrated Conceptual Model*' Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, 18

12. Harvir S Bansal et al, (2004), '*Effects of contact employee supports on critical employee responses and customer service evaluation*', Journal of Services Marketing, Volume: 5

13. Håvard Hansen et al, (2008), '*Antecedents to customer satisfaction with financial services*', Journal of Financial Services Marketing Vol 13

14. Hean Tat Keh & Jin Sun (2008), '*The Complexities of Perceived Risk in Cross-Cultural Services Marketing*, Journal of International Marketing, Vol 16, No 1

15. Johnson MD, Herrmann, A and Gustafsson A (2002), '*Comparing customer satisfaction across industries and countries*', Journal of Economic Psychology, Vol 2002 No 23, pp 747-69.

16. Josee Bloemer et al, (1999), '*Customer Loyalty in High and Low Involvement Service Settings: The Moderating Impact of Positive Emotions*', Joumal of Mariieting Management 1999, 15, 315-330

17. Kotler Philip (2000), '*Marketing Management: Analysis, Planning*, Implementation, and Control', 10th ed Prentice Hall.

18. Levitt T (1986) ' *The Marketing Imagination*', The Free Press, New York, NY

19. Megha Trivedi and Nirmit Agrawal, (2009), '*A Study to Find the Gaps in Services Offered by ICICI Bank with Regard to Customer Expectations and Deliverables*' The Icfai University Journal of Services Marketing, Vol VII, No 1,

20. Ndubisi N O (2003), '*Service quality: Understanding customer perception and reaction, and its impact on business*' , International Journal of Business , Vol 5, No 2,pp 207 – 219

21. Nelson Oly Ndubisi, (2006), '*A structural equation modelling of the antecedents of relationship quality in the Malaysia banking sector*' Journal of Financial Services Marketing Vol 11, 2

22. Oliver R L (1997), '*Satisfaction: A Behavioral Perspective on the Consumer*', McGraw-Hill, Boston, MA

23. Parasuraman A, Zeithaml V A and Berry L L (1988), '*SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality*', Journal of Retailing, Vol 64 No 1, pp 12-37

24. Parasuraman A, Zeithaml V A and Berry L L (1991), '*Refinement and reassessment of the SERVQUAL scale*', Journal of Retailing, Vol 67, Winter, pp 420-50

25. Parasuraman A, Zeithaml V A and Berry L L (1994), '*Reassessment of expectations as a comparison standard in measuring service quality:* implications for future research'

26. Rama Yelkur (2000), '*Customer Satisfaction and the Services Marketing Mix*', Journal of Professional Services Marketing, Vol 21(1)

27. Robert C Ford et al, FALL (2001), '*Delivering Excellent Service*', California Management Review, VOL 44, NO I

28. Roderick J Brodie, (2009), '*From goods to service branding*' Marketing Theory, SAGE Publications

29. Steven A Taylor et al, (2006), '*Testing An Expanded Attitude Model Of Goal-Directed Behavior In A Loyalty Contex*', Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, 19

30. Vinh Sum Chau & Liqing W L C Ngai (2010), ' *The youth market for internet banking services: perceptions*, attitude and behaviour' Journal of Services Marketing, Volume: 24 Number: 1 Year pp 42-60

31. Zeithaml V A, Berry L L and Parasuraman A (1993), '*The nature and determinants of customer expectations of service*', Journal of the Academy of Marketing Science, Vol 21, Winter, pp 1-12.

32. Zeithaml V A, Parasuraman A and Berry L L (1990), '*Delivering Quality Service: Balancing Customer Perceptions and Expectations*', The Free Press, New York, NY.

33. Andreassen Tor Wallin (2001), "*From Disgust to Delight: Do Customers Hold a Grudge,*" Journal of Service Research, 4, 39-49.

34. Churchill Gilbert A and Carol Surprenant (1982), "*An Investigation Into the Determinants of Customer Satisfaction,*" Journal of Marketing Research, 19, 491-504.

35. Szymanski David M. and David H Henard (2001), "*Customer Satisfaction: A Meta- Analysis of the Empirical Evidence,*" Journal of the Academy of Marketing Science, 29 (1), 16-35.

36. Smith Ruth N Bolton, and Janet Wagner (1999), "*A Model of Customer Satisfaction With Service Encounters Involving Failure and Recovery,*" Journal of Marketing Research, 36 (3), 356-372.

37. Oliver, Richard L (1999), "*Whence Consumer Loyalty?,*" Journal of Marketing, 63, 33-44.

38. Lovelock C and Wirtz J (2004), *Services Marketing* —People, Technology, Strategy, 5th edn, Pearson Prentice Hall, USA .

39. Christian Grönroos (2002), Quo Vadis, Marketing? *Toward a Relationship Marketing Paradigm*, The Marketing Review 2002, 3, 129-146a