

CHAPTER 2

LITERATURE REVIEW AND THEORITICAL BACKGROUND

This chapter will explain about the literature review and theoritical background of service quality measurement.

2.1. Literature Review

There are literature review section of the previous research on service quality and service quality measurement.

2.1.1. Service Quality

Service quality is critically important in providing a competitive advantage to a company, as it is influential on various factors such as customer satisfaction (Amin *et al.*, 2013), loyalty (Kim *et al.*, 2013; Prentice, 2013), intentions (Hooper *et al.*, 2013; Srivastava and Sharma, 2013) and value perceptions (Wu, 2013).

Many researcher define different perception of service quality. (Berry *et al.*, 1988) identified service quality as the comparison of a customer's specific expectations or requests regarding service with the performance after use of that service. Parasuraman *et al.* (1994) identified service quality as the perception of the customer after the act of purchasing. (Zeithaml and Bitner, 2000) identified quality of service as the long-term cognitive evaluation of business service offerings by customers.

Previous research on service quality (Kyoou, 2007) show on how firm or company can enhance their service quality to increase customer satisfaction and also financial performance. He also develop factors (Employees, perceived service quality, customer, and financial performance) that critical success of service industry. He develop valid and reliable instruments to measure customer satisfaction and structural equation modeling to test hypotheses.

Quality service from (Demirer, 2015) explained that studies in service quality generally attempted to determine the service quality perception level of customer by mainly focusing on customer quality evaluations. He also realize that the nature and characteristics of differences in service quality perceptions among customers, managers and employees.

(Kang, 2006) explained service quality by empirically examining the conceptualisation of technical and functional quality. By using structural equation modeling utilised to examine empirically two component model of service quality.

From (Svensson, 2004) explained interactive service quality in service encounter between supplier and manufacture industry. In his research, the operationalisation of the construct of interactive service quality in service encounters considered four elements and multi-item measure of service quality (reliability, responsiveness, assurance, empathy, and tangibles).

2.1.2. Service Quality Measurement

Many researcher conducted service quality measurement in manufacture industry but some researcher also conduct in service industry. (Barr, 2015) identify an appropriate factor that may be utilized to effectively measure hotel service quality performance based on customer perceptions of service quality by using questionnaire.

(Lepmets, 2014) proposed IT service quality measurement framework in industry as well as the importance and feasibility of measuring and interlinking various IT service quality aspects.

(Qin, 2008) also develop model and associated metrics that measure service quality in fast-food restaurants. From his research, he also modified the classic servperf instrument to examine the relationships among service quality, food quality, price, customer satisfaction, and behavioral intentions.

(Johnson, 2012) determined the dimensions that used in judging the hospital service quality and also develop a tool for measuring perceived service quality for hospital to test validity and reliability of the new scale in order to use the result as suggestion to improve service quality.

(Smith, 2004) conducted service quality measurement in service of health-care. This research concern about health-care environment hospitals as point that need to be focused in service quality to improve their competitive position. he identified the service quality based from six dimentions and mapped on to P-C-P attributes model.

2.2. Theoretical Background

This section explains about theoretical background of service quality, service quality measurement method, customer satisfaction, customer expectation, customer perception, reliability test, validity test and fishbone diagram.

2.2.1. Service Quality

Service quality is an assessment of how well a delivered service conforms to the customer or consumer expectations. Services are increasingly becoming a larger portion of many organizations regionally, nationally, and globally and are considered as a tool for revenue streams. In business sectors, the organizations often assess the service quality provided to their customers in order to improve their service to quickly identify problems, and to better assess customer satisfaction. Service quality is considered a critical determinant of competitiveness. Service quality can help an organization to differentiate from other organizations and through it gain a lasting competitive advantage. High quality of service is considered an essential determinant of the long-term profitability not only of service organizations, but also of manufacturing organizations. In some manufacturing industries service quality is considered a more important order winner than product quality. Superior service quality is a key to improved profitability, and not the cost of doing business. Today's knowledge intensive services businesses require reliable methods of measurement, assessment, and improvement (Spohrer & Maglio, 2008). Service quality is determined by calculating the difference between two scores where better service quality results in a smaller gap (Landrum, et al., 2008)

2.2.2. Service Quality Measurement Method

Method that have been used many researcher on performing market research is Servqual Method was developed by Parasuraman, Zeithaml, and Berry (Tjiptono, 2014). Servqual model as the most often used approach for measuring service quality has been to compare customers expectations before a service encounter and their perceptions of the actual service delivered (Gronroos, 1982; Lewis and Booms, 1983; Parasuraman et al., 1985).

Servqual model identifies five gaps concept that occurring in the service delivery process:

- a. GAP1: it is gap between customer expectation and management perception (Knowledge Gap). Management may have inaccurate perceptions of what customer needs. The presence of marketing department does not automatically guarantee market focus.
- b. GAP 2 : it is gap between management perception of customer expectation and service quality (Standard 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.
- c. GAP3: it is gap between service quality specifications and service delivery (Delivery Gap). Guidelines for service delivery do not guarantee high quality service delivery or performance. There are several reason, such as lack of sufficient support for the frontline staff, process problems, of staff performance variability.
- d. GAP4: it is gap between service delivery and external communications to customers about service delivery (Communications Gap). Customer expectations will normally promote more positive perception of service quality. A service organization must ensure that the marketing and promotion material accurately describes the service offering and the way it is delivered.
- e. GAP5: it is between customer expectations and their perceptions on service quality (Service Gap). This gap is developed from four initial gaps. Parasuraman *et.al* defined this difference as **Service Quality** (Figure 2.1).

Perceived quality of service depends on the size and direction of Gap 5, which in turn depends on the nature of gaps (knowledge, standard, communication, delivery). Parasuman *et.al* stated following proposition:

$$Gap5 = f(Gap1, Gap2, Gap3, Gap4) \quad (2.1)$$

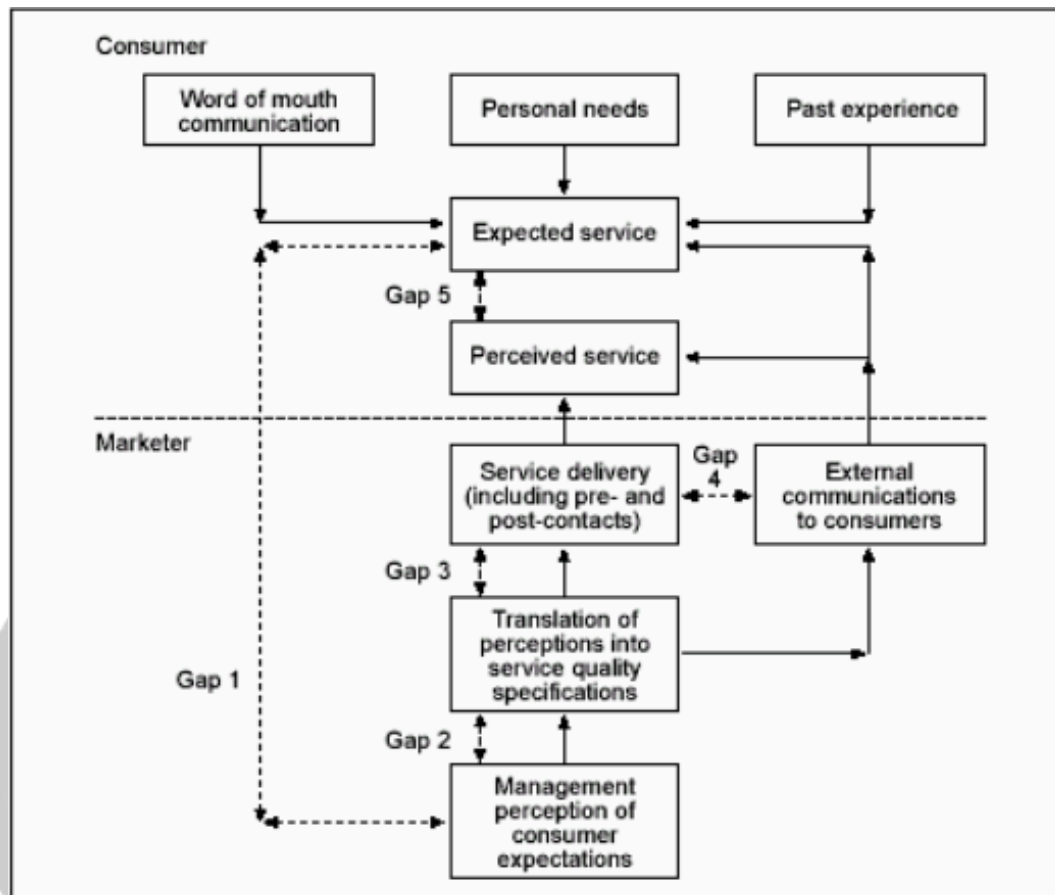


Figure 2.1. Service Quality Gap

The SERVQUAL instrument has been the predominant method used to measure customer perceptions of service quality. In his researched, Parasuman *et.al*/ revealed 10 dimensions type of service that customer use forming expectations about and perceptions of service received: Realibility, Responsiveness, Competence, Access, Courtesy, Communication, Credibility, Security, Understanding/knowning the customer and Tangibles. in 1988, Parasuman *et.al*/ were collapsed from ten dimentions into five dimentions. The five dimentions or factors and are stated as follows:

- a. Tangibles. Physical facilities, equipment and appearance of personnel.
- b. Reliability. Ability to perform the promised service dependably and accurately.
- c. Responsiveness. Willingness to help customers and provide prompt service.
- d. Assurance (including competence, courtesy, credibility and security). Knowledge and courtesy of employees and their ability to inspire trust and

confidence.

- e. Empathy (including access, communication, understanding the customer).
Caring and individualized attention that the firm provides to its customers.

In measuring service quality, Parasuman *et.al*/ developed the formula from the difference value of perceived and expected based on the customer experience. The following formula are stated as:

$$Q = P - E \quad (2.2)$$

Where:

Q = Service quality to customer

P = Customer Perceived

E = Customer Expected

2.2.3. Customer Satisfaction

Customer satisfaction is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Management and marketing theorists underscore the importance of customer satisfaction for a business's success (McColl-Kennedy & Schneider, 2000; Reichheld & Sasser, 1990). Satisfaction dimensions are developed from the previously identified requirements. These are the specific components that make up the requirements. For example, if a customer and organizational requirement is for customer service, the satisfaction dimensions may include interactions, timeliness, and responsiveness. These are the clusters that define the requirements (Hayes, 1998).

2.2.4. Customer Expectation

Customer expectations refers to the perceived value or benefits that the customers seek when purchasing a good or availing a service. They are the result of the 'learning' process and can be formed very quickly because even first impressions matter a lot. Once established, these expectations can hold significant influence in decision-making processes and can be very hard to change.

2.2.5. Customer Perception

Consumer perception applies the concept of sensory perception to marketing and advertising (Schiffman & Kanuk, 2009). Just as sensory perception relates to how humans perceive and process sensory stimuli through their five senses, consumer

perception pertains to how individuals form opinions about companies and the merchandise they offer through the purchases they make. Merchants apply consumer perception theory to determine how their customers perceive them. They also use consumer perception theory to develop marketing and advertising strategies intended to retain current customers and attract new ones.

2.2.6. Reability Test

Realibility is the degree to which an assessment tool produces stable and consistent results. The instrument or questionnaire will be stated as reliable and stable if the result of all answer of a respondent is consistent and there is no significant fluctuations in completing the questionnaire. The consistence of the test is stated with the value of 0 and 1 (Tavakol and Dennick, 2011). If Alpha Coefficient value is greater than 0.6 then the instrument or the questionnaire is reliable.

2.2.7. Validity Test

Validity test refers to how well a test measures what it is purported to measure. Validity has meaning that how far the accuracy and precision of the questionnaire in conducted data collection. The questionnaire can be stated has high of validity if the instrument could performing well in delivery measure function or given expected result as well as that been expected. If the validity test that proved the validity of the instrument is low, it will leads to the result of the data is not relevant with the purposed of the research. Validity test are conducted through comparison of value tValue from tTable. If $tValue > tTable$, then the instrument or questionnaire with stated as valid.

2.2.8. Fishbone Diagram

Fishbone diagram or cause-effect diagram or ishikawa diagram is a visualization tool for categorizing the potential causes of a problem in order to identify the root causes. The fishbone diagram shown the relationship between problems with all of the factor that caused the related problem (Ariani, 2008).

There are 6 steps of how construct fishbone diagram:

- a. Indentify and define the specific caused of the problem or main problem that will be analyzed
- b. Draw the curve to make picture of fishbone and in the end of the line write the root of problem that will be analyzed.

- c. Identify the main caused or main label/categorize that affect cause of the main problem.
- d. Identify all of factors that affect all of the main caused
- e. Identify more specifically each of the factors in each main caused and make it more related in order to shown the root cause.
- f. Analyze the fishbone diagram.

Generally, the causes of certain problem can be classified into some group according to their common nature. Based on how construct fishbone diagram cause-effect usually used common factors that contained of several main caused. Such as 6M (Man, Machine, Method, Material, Measurement, Mother Nature), 8P (People, Process, Productivity, Physical Evidence, Price, Promotion, Place/Plant, Product), 5S (Surroundings, Suppliers, System, Skills, Safety), or 4P (Product, Price, Place, and Promotion).