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## CONSUMER EVALUATION OF THE SERVICE QUALITY

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***Abstract:** The marketing concept of business operations involves the identification and satisfaction of consumer expectations, needs and desires, in a way that facilitates the growth in sales, profit and market share over the longest time period possible. For the marketing concept to be implemented, it is necessary for the company to understand consumers, i.e. how and why they behave, and create accordingly the range of its product and services that consumers will buy and use. A company's business performance depends on the extent to which consumers are satisfied with the offer. Quality is often considered to be one of the keys to success. The competitive advantage of a company is said to depend on the quality and value, of its products and services. In order to achieve market success, companies should pay significant attention to consumer evaluation of the service quality. When the service provider understands how services will be evaluated by the consumers, it will be possible to identify ways of managing these evaluations and influencing them in a desired direction.*

***Keywords:** Service, Quality, Consumers, SERVQUAL, Perceptions, Expectations, Service quality determinants*

### 1. Introduction

In today global economy, companies of all kinds acknowledge that their customers/consumers are extremely important, that customers/consumers are the company's most valuable asset, that the

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company survives only when it has customers/consumers and grows only when it can retain them and recruit new ones, and that the company therefore should be structured and managed around the customer/consumer. Customer/consumers focus was identified in many academic researches as the single most important differentiator between the best and the worst companies in an industry.

Quality is often considered to be one of the keys to success. The competitive advantage of a company is said to depend on the quality and value of its goods and services, but it has to be proven through ultimate test-consumer evaluation of quality.

## **2. A Customer/Consumer Perspective**

During the last two decades companies increasingly acknowledged the critical importance of becoming customer-oriented and market-driven, instead of product-technology-sales focused. Becoming customer-oriented and market-driven is the core of what marketing experts have called the marketing concept. In fact, marketers have even developed a formal measure of the degree to which companies live the marketing concept. It is called the marketing orientation scale and it consists of 20 items that companies can use to diagnose the degree to which they are customer and market focused. The scale includes three subcomponents that form the backbone of the marketing concept (1. pg 10):

- Intelligence generation – the collection of information about customer needs and competition through market research.
- Intelligence dissemination – the spreading of the collected information cross-functionally and organization wide.
- Responsiveness – acting on the collected information to satisfy customers – by incorporating customer intelligence into new product development.

It is the consumers who, by making decisions to buy certain products and services, most directly determine a company's sales and profit, i.e. its fate on the market. Daily life yields a large number of business failure, high death rate of new products on the market, and the disappearance of a large number of companies from the market. How well companies know their consumers will affect their business success or failure.

Consumer information is necessary if companies what to achieve their three main strategic tasks: ([1], p. 41)

- discovering new attractive market opportunities;

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- positioning products and services on the market;
- enhancing the efficiency and effectiveness of marketing strategies.

With the advent of information and communication technologies, the vision of perfect competition is becoming a reality. Consumers can now find out the prices offered by all vendors for any product. New markets have opened up, and prices have dropped. When businesses can deliver their products down a phone line anywhere in the world, twenty-four hours a day, the advantage goes to the firm that has the highest quality of products and services with greatest value-addition. In order to achieve this goal-advantage over competitors, companies must accept new business philosophy – consumers are in focus of all activities. Competition is fostered by the increasing size of the market opened up by new technologies based products. Products with a high knowledge component generate higher returns and a greater growth potential. Competition and innovation go hand in hand. Products and processes can be swiftly imitated and competitive advantage can be swiftly eroded. Knowledge spreads more quickly, but to compete a firm must be able to innovate more quickly than its competitors. Moreover, a company must accept the fact that today consumers are mostly comprehended as well educated consumers (3. pg 211). It is no longer how to reach competitive advantage – it is how to reach and retain consumers.

Consumers do not buy goods or services, they buy the benefits goods and services provide them with. Consumers buy offerings consisting of goods and services, information, personal attention and other components. Such offerings render services to them, and it is this customer-perceived service of an offering that creates value for them (4. pg 3). Companies always offer a service to customers, regardless of what they produce. The value of goods and services to customers is not produced in factories or in the back offices. Instead, value is created in customers' value generating process, when individual consumers make use of the products and services they have purchased. Before that moment only resources, such as product and services, information, employees, technology, systems, know-how and the consumers themselves, exist and wait to be used. In service contexts consumers' value-generating processes and the process where the service is created, normally called the service production and delivery process, take place to a large extent simultaneously.

Consumers do not look for goods and services *per se*, they look for solutions that serve their own value-generating processes. To take this statement one step further, whatever consumers buy should function as a service for them. When companies choose a strategic perspective they should carefully analyze their customers' value-generating processes and

know what their customers want and how they evaluate quality of products and services offered by company.

Consumers' evaluation and perception of a service quality has huge impact on consumer satisfaction. Research suggests that customer satisfaction is influenced by both the level of effort expended by consumers and their level of expectations. Consumer satisfaction is an attitude formed toward a purchase (5. pg 306). The level of effort expended mediates product and service evaluation and the resulting degree of satisfaction. Effort is a flexible, highly unstable and individual yardstick. Equal amounts of effort extended by different individuals may be perceived by each as an investment or sacrifice of different magnitude and, as such, may yield different amounts of reward or satisfaction. Consumers' effort has been equated in literature with sacrifice, because every exchange in the market place can be viewed as a combination of some sacrifices. Almost always, some relinquish of financial resources, some loss of time in searching for the product and services and in consummating the purchase, and some commitment to spend time and effort necessary to learn the product or services use system, are required. In this sense, effort can be measured in financial, physical, or mental units. Satisfaction, on the other hand, could be described as mental state of feeling adequately or inadequately rewarded in a buying situation for the sacrifice a buyer has undergone. Consumer satisfaction is a postchoice evaluative judgment resulting from a specific purchase selection (6. pg 457). Thus, effort has been stressed as an important variable in the determination of consumer satisfaction with and evaluation of a product.

Consumer satisfaction is also an evaluative judgment related to the level of consumers expectation rather than to actual product or service performance. Satisfaction is a function of discrepancy or contrast between obtained and expected outcomes, between perception and expectation (7. pg 69). If expectations are high and performance falls below one's expectation, dissatisfaction arises. If actual performance meets or exceeds expectations, the consumer is delightfully pleased.

### **3. Service Quality**

A service is a complicated phenomenon. Services could be defined as activities benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods (8 pg. 11). Very colorful definition of services expose them as an action, procedure, and execution (7. pg 21). A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions

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between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solution to customer problems (4. pg 46). A whole range of characteristics of services has been suggested and discussed in the literature. The most frequently mentioned characteristic of services are (4. pg 47):

- intangible,
- simultaneous processes of production, distribution, and consumption,
- heterogeneous,
- no transfer of ownership,
- cannot be kept in stock

Intangibility of service refers to the fact that services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed.

Inseparability of production and consumption involves the simultaneous production and consumption which characterizes most services.

Heterogeneity refers to the potential for high variability in the performance of services. No transfer of ownership simply means that customer cannot own service that he paid such as the case when he pays for product which becomes his ownership.

Perishability means that services cannot be saved.

Due to the complexity of most services, consequently the quality of services has to be very complex too. The quality of goods is traditionally related to the technical specification of the goods, although, even in a goods context, a company using an image strategy, for example, tries to add value for their customers using, for example, fashion, status or lifestyle aspects. Concept of service quality is closely related to the concept of consumer satisfaction. Service quality is defined as the customers' assessment of the overall excellence or superiority of the service (6. pg 461). In order to develop and deliver superior service to consumers, as the way to achieve maximum level of consumer satisfaction, it is important that companies fully understand what customers are really looking for and what they evaluate. When the service provider understands how services will be evaluated by the users, it will be possible to identify ways of managing these evaluations and influencing them in a desired direction.

Interest in service quality emerged in the late 1970s. Ever since, the topic has attracted substantial attention among researchers and practitioners.

During the 1980s Christian Gronroos introduced concept of Perceived Service Quality, and the model of Total Perceived Service Quality (4. pg 62). This approach is based on research into consumer behavior and the effects of expectations concerning goods performance on post-consumption evaluations. The perceived service quality approach with its disconfirmation construct, 'cause it measures how well the experiences of the service process and its outcome meet the expectations, still forms the foundation of most ongoing service quality research.

Too often improving quality is mentioned as an company's internal goal without any explicit references to what it meant by service quality. To talk about better quality without defining it, how it is perceived by customers, and how it can be improved and enhanced, is of limited value. In service quality literature it is noted that the quality of a particular product or services is whatever the customer perceives it to be.

Services are more or less subjectively experienced processes where interactions-series of moments of truth between the customer and service provider, occur. What happens in these interactions so called service encounters or buyer-seller interactions, will obviously have a critical impact on the perceived service.

Basically, the quality of a service as it is perceived by consumers has two dimensions (9. pg 128):

- technical-outcome dimension,
- functional-process related dimension

What customers receive in their interactions with a company is clearly important to them and their quality evaluation. Internally, this is often thought of as the quality of the service delivered. However, this is merely one quality dimension called the technical quality of the outcome of the service production process. This-the outcome quality is what the customer is left with, when the service production process and its buyer-seller interactions are over. This dimension can be measured relatively objectively by customers, because of its characteristic as a technical solution to a problem.

But, the customers will be influenced as well by the way in which the technical quality-the outcome or end result of the process-is transferred to him. The customer is highly influenced by how he receives the service and how he experiences the simultaneous production and consumption process. This is another quality dimension which is closely related to how the moments of truth of the service encounters themselves are taken care of

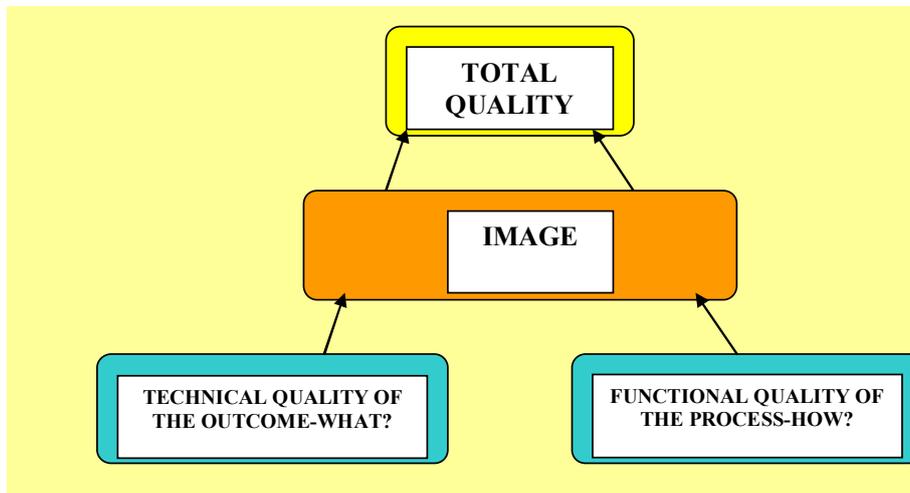
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and how the service providers functions. Therefore, this is called the functional quality of the process.

Usually the service provider cannot hide behind brand names or distributors. In most cases the customers will be able to see the firm, its resources, and its operating methods. Company and/or local image is therefore of high importance to most services, and it can affect the perception of quality in various ways, as illustrated in figure 1.

**Figure 1. Service Quality Dimensions**



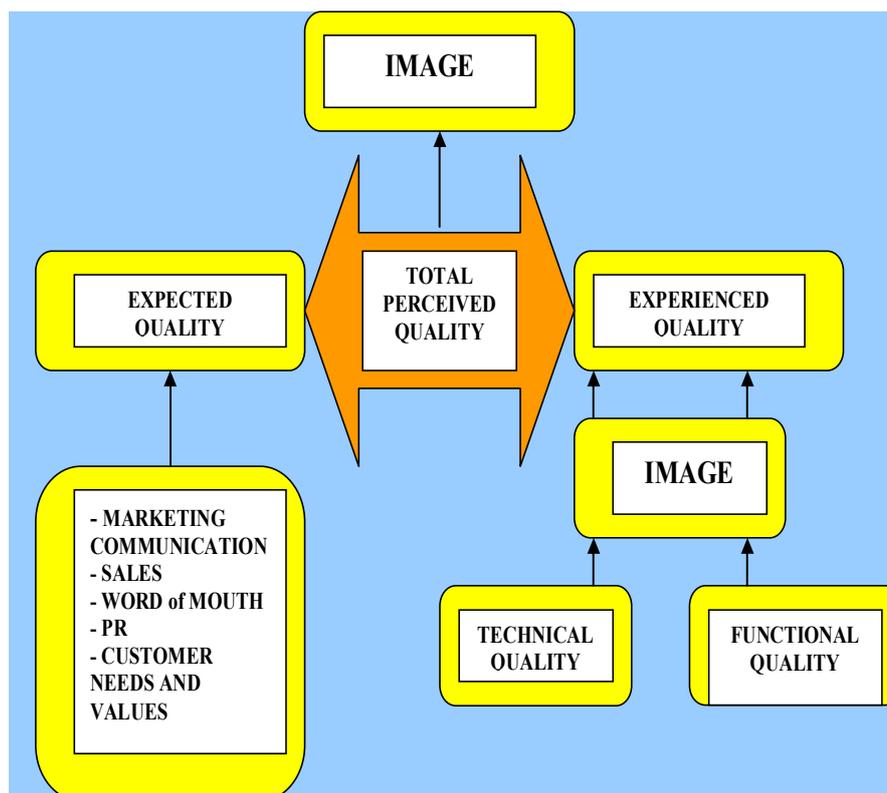
Source: Christian Gronroos, „Service Management and Marketing-a Customer Relationship Management Approach“, John Wiley & Sons Ltd, 2004, pg 65

The technical quality of the outcome of a service process is normally a prerequisite for good quality. It has to be at an acceptable level. The definition of an acceptable level depends on the company's strategy and the needs and expectations of its customers. Good technical quality alone does not mean that customer perceive that the service quality is good. If customers are to consider total service quality good, functional quality has to be good as well. In a situation where a number of companies are competing with similar outcomes or technical quality, it is the functional quality impact of the service process that counts. Companies compete with their service processes and the functional quality impact created by them, but, if technical quality fails total perceived quality fails as well.

Quality is to a large extent perceived and evaluated subjectively by consumers. However, the quality perception process is more complicated. It is not just the experiences of the quality dimensions that determine whether

quality is perceived as good, neutral or bad. Perceived Service Quality model exposes how quality experiences are connected to traditional marketing activities.

Figure 2. Total Perceived Quality



Source: Čedomir Ljubojević, „Marketing Usluga“, Stylos, 2002, pg 134

When we consider service quality issues it is more appropriate to use Total Perceived Quality concept shown in figure 2. Good perceived quality is obtained when the experienced quality meets the expectations of the customer-that is the expected quality. If expectations are unrealistic, the total perceived quality will be low, even if the experienced quality measured in an objective way is good. The expected quality is a function of a number of factors, such as marketing communication under control of the company-advertising, direct mail, sales promotion, web sites, sales campaign etc., word of mouth and company/local image-indirectly controlled by the company, price, customer needs and values. External impact on these factors may also occur but they are basically a function of the previous performance

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of the company, supported by, for example, advertising. The needs of the customer as well as the values that determine the choice of customers also have an impact on his expectations.

The level of total perceived quality is not determined simply by the level of technical and functional quality dimensions but rather by the gap between the expected and experienced quality. Consequently, every quality program should involve not only those involved in operations, but those responsible for external marketing and market communication as well.

As the Perceived Service Quality model shows, customer expectations have a decisive impact on customers' quality evaluation and perception. If a service provider over-promises, it raises customers' expectations too high and, consequently, customers will perceive that they get low quality. The level of quality may very well still be high, objectively measured, but as customers' expectations were not in balance with his experiences, the perceived quality is nevertheless low.

From marketing point of view it is better to under-promise in order to be sure that the organization can fulfill the promise that has been given. It is even better to under-promise and over-deliver.

#### **4. Service Quality Determinants and the Servqual Instrument**

How service quality is perceived has been studied extensively during the past three decades. Most of these studies are based on the disconfirmation notion-quality is perceived through a comparison between customer expectations and experiences over a number of quality attributes.

The problem which is still not adequately addressed is how to measure the extent of one's service quality objectively, and apply remedial procedures quicker and better than the competitors. The gap concept has clear implications for the measurement of service quality, implying that both perceptions and expectations need to be explicitly measured in order to quantify service quality gaps,

SERVQUAL is a service quality measurement model based on the Perceived Service Quality, that has been extensively applied. The SERVQUAL model was developed by Parasuraman, Zeithaml and Berry in the mid-1980s on the study of how customers evaluate the quality of services through quality determinants (4. pg 74). With minor modification, SERVQUAL can be adapted to any service organization, and information on service quality gaps can help managers diagnose where performance improvement can best be targeted.

However, certain authors are critical of SERVQUAL in that, although it made great contribution to the field of service quality and was popular among service quality researchers for many years, it is thought to be insufficient because of its conceptual weaknesses caused by the disconfirmatory paradigm, and its empirical inappropriateness. The SERVQUAL satisfaction survey instrument is one of the most widely used techniques for obtaining quantitative measures of customer satisfaction. The survey instrument allows consumers to indicate the extent to which they agree with a series of statements designed to measure the elements of a service that consumers would expect as ideal (the expectations score) and then those elements of service that they have recently experienced (the perceptions score). The difference between the customer perceptions and expectations is referred as the satisfaction gap.

“The Servqual instrument was specifically designed to measure service quality using both the gap concept and service quality dimensions, and was designed to be transportable, with minor adaptation, to organizations in any service sector. The SERVQUAL ten dimensions model for service quality measurement should be tailor mad to ones business and they characterize customers’ perception of the service.

The original 10 determinants of service quality (4. pg 75):

- reliability,
- responsiveness,
- competence,
- access,
- courtesy,
- communication,
- credibility,
- security,
- understanding/knowing the customer,
- tangibles.

Once the dimensions have been identified, the next step is to determine the extent of the impact the dimensions have in the customers’ perception of service quality. This step will be followed by implementation of various service improvement programmes.

As a result of later study the 10 determinants of service quality were decreased to the following 5 (7. pg 130):

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- tangibles-this determinant is related to the appeal of facilities, equipment and material used by a service company as well as to the appearance of service employees,
- reliability-means that the service company provides its customers with accurate service the first time without making any mistakes and delivers what it has promised to do by the time that has been agreed upon,
- responsiveness-means that the employees of a service company are willing to help customers and respond to their requests as well as to inform customers when service will be provided, and then give prompt service,
- assurance-means that employees' behavior will give customers confidence in the company and that the company makes customers feel safe, as well as that the employees are always courteous and have the necessary knowledge to respond to customers' questions,
- empathy-means that the company understands customers' problems and performs in their best interests as well as giving customers individual personal attention and having convenient operating hours.

Usually 22 attributes are used to describe the 5 determinants and respondents are asked to state on a 7 or 5 point scale from 'strongly disagree' to 'strongly agree', what they expected from the service, and how they perceived the service (4. pg 76). Based on the discrepancies between expectations and experience over a defined number of attributes an overall quality score can be calculated. The more this score shows that experiences are below expectations, the lower is the perceived quality. However, more important than calculating the overall score may be the scores on the individual attribute scales, perhaps summarized over determinants.

SERVQUAL provides top management and key players with feedback about the organization's ability :

- to provide quality service,
- to identify service strengths and weaknesses – GAPS,
- to establish ongoing "listening systems" to develop continuous insight about customer service needs.  
(<http://www.workinfo.com/Renres/register/9.htm>, 2005).

The SERVQUAL scale should be applied carefully, and the determinants and attributes of the instruments should always be reassessed in any situation before the instrument is used. Services, as well as markets and cultural environments, are different, so it may be necessary to add new aspects of the service to be studied to the original set of determinants and