Understanding, Measuring And Controlling Customer Service Quality Evaluation - An Extension Through Psychology And Empirical Study

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DECLARATION

I declare that the contents of this thesis have been composed by myself, that the work contained within is my own unless otherwise stated, and that all contributions from others have been clearly indicated and been given due reference.

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ABSTRACT

There is undoubtedly a psychological basis to the process of customer service quality evaluation (CSQE). Current understanding concerning the process by which customers evaluate the quality of service they receive from a service provider, fits in with fundamental psychology understanding stated by the psychology literature. By looking at the fundamental psychology framework as a whole, in the context of CSQE, it is possible to identify additional suggestions to the process of CSQE. The thesis reports the evaluation of the CSQE concept, empirical tests for its measurement and implications for the managerial measurement and control of CSQE.

This research suggests that the customer's service quality evaluation, for both a service experience and a service provider, is derived by that customer using one of at least 3 CSQE heuristics. These CSQE heuristics are achieved by the customer comparing her or his generic attitude for a service experience, or service provider, with her or his generic comparison attitudes. These comparison attitudes are comprised of attitudes for outstanding, normal, and appalling service, (top, average and worst service). The generic attitude for the service experience or service provider is also compared with four other intermediate levels of service, together with the customer believed incidence of occurrence of service experiences or service providers at each of those levels.

This use of expectations does not deny the existence of prediction expectations. On the contrary, prediction expectations are proposed both by the business and psychology literature. There is also no assumption that a customer necessarily evaluates the quality of a service experience or service provider after each service encounter.

These suggestions do not contradict the major previous theories of CSQE, as much as they build on them. In this way understanding has been extended in this area of research.

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INTRODUCTION

1 WHAT IS CUSTOMER SERVICE QUALITY EVALUATION (CSQE) ?

A customer of a given goods or service provider, is defined as a person, group of persons or organisation that is currently or potentially the purchaser of goods or service from that provider (Grönroos 1996). This is explained further in section 8 in this introduction.

The success of competitive organisations which provide services to customers (service providers) depends in part on the way their customers view the standard of their services. In contrast to 'goods' and 'products' (products are taken to be goods which are the result of some production process) which are tangible commodities, 'services' are taken to be defined as :

> **"any functions or tasks that are performed, for which there is a demand and hence a price determined in the relevant market. They are sometimes referred to as intangible goods; one of their characteristics being that in general they are 'consumed' at the point of production. They are usually non-transferable, thus preventing arbitrage, in the sense that the service cannot be purchased and then resold at a different price."** (Pearce 1986, p.385)

Exceptions to the non-transferability rule include the franchising and leasing of services. Further explanation of services, and the distinction between them and goods, is given later in this introduction.

Customers' evaluations of how good a service is will be referred to in this thesis as 'Customer Service Quality Evaluation' (CSQE). CSQE, or Customer Service Quality Perception as it has often been referred to, has been defined as:

> **"a global judgement, or attitude, relating to the superiority of the service."** (Zeithaml and Berry 1988, p.16)

> "a global consumer judgement or attitude relating to service, and results from comparisons by consumers of expectations of service with their perceptions of actual service performance." (Berry et al (1985, 1988) and Grönroos (1984), as summarised by Lewis (1993, p.4))

Quality has been defined as:

> "The word 'quality' itself has changed. It has come to mean more than the reliability and price / performance of a computer, however essential these requirements. Now it encompasses every aspect of customer satisfaction, including how fast a computer is delivered and installed, its useability, its networking capabilities, the availability of support, the efficiency of service, and even the simplicity of bills and prompt telephone response." (Akers 1991, p.26)

The above statements indicate that CSQE is the outcome of a process. *It is a customer's comparison, summarised in an attitude, of the believed goodness or badness of all dimensions of a particular service experience or service provider, in relation to expectations, including other services or service providers within a market.* Such evaluations are believed to have an impact upon behavioural intentions and actual behaviour (Engel, Kollat, and Blackwell 1978).

The nature of the process by which a customer decides how good or bad a service is, its determinants and how it changes over time, are as yet, unclear (Brown and Swartz 1989; Carman 1990; Crosby 1979; Garvin 1983; Parasuraman, Zeithaml and Berry 1985; 1988; Rathmell 1966). This piece of research aims to clarify some of this uncertainty.

> "Despite the appreciation of the importance of service quality in strategic planning and for corporate success, there are no clear - cut definitions of quality or dimensions for setting quality standards and measuring subsequent quality delivered and received." (Lewis 1991, p.48)

It should be noted that in this research we talk about 'evaluation' rather than 'perception' of customer service quality as used by many researchers. This is to avoid confusing perception as used in psychology, with the use of the term in the service quality literature. It should also be noted that we are not defining what individuals (customers or employees) understand by the word 'Quality'. 'Quality' may mean different things to different people in different situations.

The above definition of CSQE is summarised by Diagram 1 below.

Diagram 1 : The Definition of CSQE

| Dimensions of CSQ input | | Customer's Evaluation of the superiority or inferiority of a service experience or service provider | CSQE (All services) | Customer's Behavioural intentions & actual Behaviour |

Dimensions of CSQ input → Overall CSQ Input (All services) → Customer's Evaluation of the superiority or inferiority of a service experience or service provider → CSQE (All services) → Customer's Behavioural intentions & actual Behaviour

2 IMPORTANCE OF CSQE

There are many possible benefits to be derived from positive levels of CSQE, and levels of CSQE which are above those of competitors. Sparks (1990/1991) argues that studies by Akehurst (1984) and Sparks (1990) show that non - price competition has been more important to retail firms in Britain than price competition since the early 1980's. The following quotations indicate the opinions of a large number of quality conscious and influential academics and business practitioners throughout the world.

"Service quality is a central issue in America today. In a recent Gallup survey, executives ranked the improvement of service and tangible product quality as the single most critical challenge facing US business." (Zeithaml, Parasuraman and Berry 1990, pg.1)

"If you take care of customers, the profits will take care of themselves," (Harris, CEO, Delta Airlines, taken from Denton 1990, p.62)

"We intend to be a trusted partner for .... individuals and .... financial institutions. The hallmarks of our efforts to meet client needs will be: superior personalised service, a customer driven focus, total commitment to quality, and outstanding products delivered globally by talented, dedicated people". (American Express Bank Mission Statement - see Oxman 1992, p.381)

"Total Quality Culture is our secret weapon, it drives continuous change and improvement." (Smith, as quoted by Vowler 1991, p.19)

"It is sad, but true that quality qualifies as one of the yawn words of all times. Its a property that is simultaneously nebulous and tedious. Trouble is, its also the factor that differentiates glowing success from embarrassing failure." (Vowler 1991, p.19)

"In today's fiercely competitive global business arena, quality is the bedrock requirement for survival." (Akers 1991, p.26)

According to a lifestyle report from Mintel (1994), as reported on by Marketing Magazine (May 12, 1994): "Tomorrow's consumers will fulfil John Major's back-to-basics dream as they place more value on quality, durability and reliability."

Reasons for the importance of CSQE include the following:

According to Albrecht and Zemke (1985), the business environment is ever more competitive due to factors such as more frequent economic troughs, deregulation, improved standards of education and training amongst managers, and the evolution of better informed customers. Albrecht and Zemke (1985) suggested that this increased competition leads to and combines with improved technology to result in

the continual development of the effectiveness of service delivery systems, for the purpose of, amongst other things, customer satisfaction improvement, an important form of competitive advantage in the market place. CSQE includes the extent to which customers are given what they want, quickly, and without mistakes. If this is the case then CSQE improvement can lead to increased productivity and reduced cost, since more service will be provided and at lower costs per unit of production (Smith and Lewis 1988). Consequently, profits may increase for the service provider if demand for the service at least remains constant. Increased productivity alone will only reduce costs and therefore increase profits if the increased productivity is not absorbed by existing customers' requirements without raising revenue. CSQE and productivity improvement without any positive consequence for the profit of the service provider is pointless. Increased productivity derived through means other than deliberate CSQE related strategies, such as efficiency strategies, can also benefit CSQE if that increased productivity can be used in part to serve the customer. Consequently, as argued by Gummesson (1991, p.6):

> **"quality and productivity, and profits are triplets, separating one from the other creates an unhappy family."**

CSQE improvement, however, may also require added process controls, measures and certification, and in that sense may actually increase the costs of a service provider (Pengelly 1993).

Another reason for the importance of CSQE is, according to Buzzel, Bradley and Gale (1987); Porter (1980); and Boaden and Dale (1993); that quality service is one way of achieving differentiation. This means that by giving its service better quality than its competitors, a firm can promote this fact to customers as an advantage over its competitors, thus influencing consumer behaviour decisions. This is supported by Hill (1996, p.71) who claims, with reference to his experience as head of customer relations at British Airways:

"By offering an exceptional level of service you've a way of distinguishing yourself from everyone else and stories about the way we've fixed problems have been a substantial pillar of our reputation"

Buzzel, Bradley and Gale (1987), and Clow and Vorhies (1993) argue that competing through quality service is important because it can lead to increased customer loyalty. However, according to Fay (1994), it is not certain that 'loyalty' exists as opposed to a more objective satisfaction driven behaviour.

"Loyalty's a fickle thing." Fay (1994, p.47)

Quality service is also at the centre of relationship marketing (Crosby, Evans and Cowles 1990). Berry and Parasuraman (1991) argue that for customers who have an 'ongoing' or 'periodic' desire for a service, and can use more than one source to obtain the service, as is the case with most services, relationship marketing is required. Relationship marketing, they argue, is the building of trust between a customer and the service provider. This, they claim, will achieve the primary marketing objectives, (the attraction of new customers and the increase of business with existing customers), since it attracts new customers and turns them into 'True Customers',

> **"customers who are glad they selected a firm, who perceive they are receiving value and feel valued, who are likely to buy additional services from the firm, and who are unlikely to defect to a competitor .... true customers are the most profitable of all customers."** (Berry and Parasuraman 1991, p.133)

> **"The underlying proposition is that retailers must not simply differentiate themselves from their competitors, but they must also be engaged in activities which bind their customers to them, through the creation of a differential advantage."** (Hummel and Savitt 1990, p.6)

CSQE is also important because, as argued by Sparks (1991), price-competitiveness is easier to copy than quality customer service. This is supported by Savitt (1987)

who argues that retailers are now identical in all but customer service. Competing on price is often a pointless way for a service provider to achieve competitive advantage, competing on CSQE is not.

CSQE is also important (Lovelock 1969; Shostack 1977) because it can lead to positive word of mouth advertising according to Buzzel, Bradley and Gale (1987). CSQE can also lead to negative word of mouth advertising.

> **"Word-of-mouth research conducted in the US by Tarp has found that bad product or service experience is relayed to twice as many people as good."** (Williams 1993, p.23)

In other words, people like to advise friends about quality problems or positive points concerning what they purchase. As will be explained in chapter 1 (section 1.5.3.6), word of mouth is an important determinant of CSQE. It is also a major determinant of consumer behaviour relating to services (Rich 1963) and products (Fisk 1959; Bell 1963; Udell 1966). It is therefore important for service providers to prevent negative word of mouth advertising, as well as using it to promote an improved image amongst customers both potential and present. An unsatisfied customer is a serious danger to a service provider's reputation. An unsatisfied customer is an individual who will express knowledge and feelings concerning a service to other potential customers, in person, or perhaps through complaints made to a consumer magazine or some other form of media. Those potential customers in turn may decide not to use the service in question and may tell others about what they have been told. The consequence is that an unsatisfied customer may equal many lost customers, and depending on the significance of the service and the degree of dissatisfaction, the consequences could be extremely serious to any service provider. Simpson (1996, p.69) states that airline industry research shows that:

> **"Customers who've had a bad travel experience will tell their story to ten different people, yet they'll tell nine more about a good recovery".**

The importance of word of mouth for any service provider is supported by Berry and Parasuraman (1991).

CSQE is also important if promotions aimed at gaining new customers are more expensive, per customer, than service quality required to keep existing customers. (Clow and Vorhies 1993). The cost of advertising and other forms of promoting a service, is often very expensive. Keeping a customer 'loyal' requires good service at the right price. If the difference in the cost of service between providing a service which just meets the conditions of sale, and that which keeps a customer 'loyal', is less than the cost of replacing that customer, through advertising and other forms of promotion, then it is important to maintain a level of CSQE which will keep the customer 'loyal'. In the case of the airline industry:

> **"We know that if we lose a customer it costs five times as much to get them back as to simply maintain them"** (Strong, director of marketing and operations at British Airways, as interviewed by Holberton 1990, p.16).

'Get them back' in the above quote refers to any customer, not necessarily the specific customer that was lost. It seems uncertain, however, whether it is more difficult or expensive to get a lost customer back, or to find a new customer to replace the lost customer.

Furthermore, any one customer may potentially purchase many times over, and therefore the consequences of any loss of custom through poor CSQE may be multiplied many times over. Reichheld and Sasser (1990, p.105) claim that:

> **"Companies can boost profits by almost 100% by retaining just 5% more of their customers."**

CSQE can also reduce customer time pressures. According to Mattson (1982) customers these days feel more time pressure and thus seek less time-consuming shopping. This means that customers prefer some assistance rather than just self service in order to be able to find goods quickly. In such cases, service quality is vital. At the same time however, as pointed out by Holmberg, Nilsson, Martenson and Ossiansson (1993, p.2):

> **"Customers are willing to spend weekends at shopping centres, indicating that shopping can be a pleasure as well when retailing is well managed. The length of stay at a shopping centre could be one of several indications of satisfied customers."**

In other words, good service quality helps those who want fast service, and encourages those who want relaxed service environments.

The level of CSQE will also have some positive or negative direct influence on the opinions of customers towards other aspects of the nature of a supplier. This is because of 'Systematic Distortion'. Systematic distortion is when positive attributes about an aspect of an object leads to positive inferences about other aspects of that object, and vice versa, as explained and supported by Elliot and Roach (1991). For example, if service quality is perceived as good, then the integrity and reliability of non-service elements of the supplier may also be deemed good, such as pricing policies.

Through the improvement of CSQE, corporate image as believed by a customer, is also likely to improve (Smith and Lewis 1988). Corporate image is the knowledge and attitude held by a customer about all aspects of a service provider, or indeed any company of any kind. Any information, positive or negative, which is relevant to this knowledge will therefore add to corporate image, making it more or less positive or negative. CSQE is relevant to such knowledge and will therefore add to corporate image. The more positive or negative the CSQE, the more positive or negative the addition.

The nature of the contribution of CSQE to satisfaction and therefore consumer behaviour, is not yet fully understood, but is substantial and reflects the importance of quality customer service. Cronin and Taylor (1992) found that satisfaction is more closely correlated to purchase intentions than service quality. This is probably because 'satisfaction' includes consideration of value, for the purpose of calculation of 'opportunity cost' (the alternatives foregone through the purchase of one alternative) (Zeithaml 1988). In other words, 'satisfaction' relates more closely to future desired behaviour because it includes more of the decision making process (Cronin and Taylor 1992; Grönroos 1996). Price is used essentially to give value to the CSQE once CSQE has taken place (Maynes 1976; Kupsch, Hutschmied, Mathes and Scholer 1978; Steenkamp 1990). Satisfaction may add value to a specific service experience evaluation, or the evaluation of a service provider.

"Customer Value = <u>What the Customer Gets</u>" (Heard 1993, p.21)
What the Customer Pays

Bitner (1990), Bolton and Drew (1991), Brogowicz, Delene and Lyth (1990) and Lewis (1993) suggest the opposite to the above argument. They believe that satisfaction precedes, rather than follows CSQE. In fact Parasuraman, Zeithaml and Berry (1988) and Zeithaml, Berry and Parasuraman (1993) argue that service quality is the sum of several dis/satisfactory transactions.

"Definitions of consumer satisfaction relate to a specific transaction (the difference between predicted service and perceived service) in contrast with 'attitudes', which are more enduring and less situationally oriented." (Lewis 1993, p.4)

This contradiction comes about because of a problem of semantics which has lead to the development and segregation of two literatures 'the satisfaction literature' and 'the service quality literature'. The explanation of, and historical reasons for, this segregation are well explained by Liljander (1995, p.2-6). Essentially:

"When the concept 'perceived service quality' was introduced by Grönroos in the early 80's (Grönroos 1982) its elements were borrowed from the disconfirmation paradigm view of satisfaction in the consumer behavior literature. The idea that satisfaction was determined by the customer's disconfirmed expectations was transferred into a services marketing context. Thus, perceived service quality was defined as the difference between expectations and perceived performance of a service.......After this initial break up between satisfaction and service quality research, the two concepts began to develop independently from each other.......Service quality and satisfaction were separated further when Parasuraman, Zeithaml and Berry introduced a distinction between the two concepts.......service quality resembles an attitude and represents a measure of the service superiority which is formed over time while satisfaction is connected to a specific transaction." (Liljander 1995, p.2-3)

In other words there are two broad types of literature: satisfaction literature and quality literature. The satisfaction literature comprises 3 different literatures: the traditional satisfaction literature relating to goods quality, the modern satisfaction literature relating to service quality for a specific experience, and the literature treating satisfaction and a consequence of quality and value judgements. Recent developments of service quality theory, as explained in chapter 1, have made the two literatures less distinct, but the distinction nevertheless remains.

Furthermore, as pointed out by Liljander and Strandvik (1993) the common distinction between satisfaction and service quality does not allow for services which are only consumed once (such as education and surgical operations) or services which are consumed for the first time. Liljander and Strandvik (1993) suggest that in such situations the only difference between service quality and satisfaction would be expectations. Consequently they question the difference between service quality and satisfaction, arguing that they can be seen as equivalent in the context of a specific service transaction. What is typically referred to as service quality, the generic evaluation of a service provider, Liljander and Strandvik refer to as 'image'.

It does not really matter how one uses the words 'Satisfaction' and 'Service Quality / Service Quality Perception / CSQE', as long as there is consistency and clarity in their usage, and so long as one realises that value is additional to the evaluation of how good or bad a specific service or service provider is. **In this thesis 'CSQE' (the same as 'service quality perception') is taken to mean the evaluation by a customer of how good or bad a specific service experience or service provider is. 'Service Quality Literature' is the literature in which those evaluations are studied. We take 'Satisfaction' to mean the consideration of value, by the customer, given to the CSQE for a specific service experience or service provider. The term 'Satisfaction Literature' is taken to mean traditional satisfaction literature.** By establishing the two above definitions, we can avoid the apparent contradictions from Bitner (1990) and others, thus allowing us to reaffirm CSQE as a determinant of satisfaction, which is a determinant of intended customer behaviour.

Because the 'Satisfaction Literature' is so related to CSQE it will be referred to within this thesis in order to achieve the research objectives.

In conclusion of the importance of the CSQE / satisfaction relationship, it can be stated that marketing is concerned with the identification and understanding of target customers, the development of customer needs, satisfaction of customer needs, and the enablement of the behavioural intentions of customers. Satisfaction, the fulfilment of an individuals' needs, is a combination of price and quality evaluation by the customer. Hence the importance of quality customer service.

There is a small though significant body of opinion, however, which disputes the importance of service quality in today's markets.

Sparks (1990, 1991) states that demographic changes, higher labour costs, economic downturns, EEC minimum standards, and new foreign price competition, are currently increasing the importance of price competition. This he says is the view of many retailers. Dawson and Broadbridge (1988) however, believe that this move towards

price competition is largely short term, and that the general trend towards competition by quality will fully resume when the economic downturn is reversed.

Boulding, Kalra, Staelin and Zeithaml (1993, p.11) question the link between CSQE and behaviour.

> **"Delivery of high service quality is presumed to relate positively to the success of the firm. Interestingly, no empirical research outside a laboratory setting has been reported that supports this relationship between service quality perceptions and behavioural outcomes of importance to the firm. Unless this positive relationship exists, understanding how customers form judgements about service quality has limited managerial relevance."**

Fay (1994) argued that a study by the Juran Institute shows that whilst 90% of top managers, from more than 200 of Americas Largest Companies believe that maximising customer satisfaction will also maximise profitability and market share, and whilst 90% of those companies actively try to measure and improve customer satisfaction, only 30% believed their efforts had gained them economic benefit, perhaps because their efforts had not led to improved satisfaction or because their competitors had done the same, and only 2% could apparently prove the relationship. According to Fay (1994, p.47) this belief in the importance of satisfaction without proof :

> **"implies that there is an intrinsic logic to the metric - if it can actually lead to results."**

The problem is that the factors determining customer behavioural intention and behaviour are far more numerous than just quality, and satisfaction. Some factors, unrelated to satisfaction, which influence the customer behaviour decision, include: the evoked set of alternatives resulting from search activities (Zeithaml, Parasuraman and Berry 1990), repeat purchase behaviour due to reduced cost of search, reduced

perceived risk and image congruence (Horton 1984), and the degree of need for the service no matter who provides it (in other words problem recognition, normative compliance and anticipated and unanticipated environmental circumstances (Engel, Kollat and Blackwell 1978)). Consequently, quality and satisfaction alone do not change behaviour. Their impact on behaviour can only be evaluated if one or the other of them, and the other influential factors mentioned above, can be measured and counted out. For example, Fornell (1992) states that since customers consider price and quality when evaluating perceived performance, perceived performance must be measured by price (given quality) and quality (given price). All the major determinants of behaviour must be known and measured in order to know the impact of quality, and satisfaction, on behaviour when all other influences are equal. This is not an easy thing to achieve.

3 GOODS QUALITY VS SERVICE QUALITY

The distinction between goods quality, including product quality which is predominantly referred to in goods quality literature (and which will be referred to in future in this thesis), and service quality, should be made clear. It is important to realise that service quality incorporates product quality. The reasons for this will now be explained.

As explained in the above definition, CSQE is the evaluation of the relative superiority of a service experience or service provider. Similarly product quality evaluation is an evaluation of the relative superiority of a product.

> **"Perceived Product Quality is the perceived ability of a product to provide satisfaction relative to the available alternatives."**
> (Monroe and Krishnan 1985, p.212)

All services and products deliver a service, and producers of products provide services which are important and additional to the service directly provided by the product (Grönroos 1982).

It is difficult to imagine a situation where a transaction takes place without any customer service. Even slot machines dispensing chocolate use some form of customer service, for example the dispensing machine itself, the range of chocolate provided, and the convenience of it.

Consequently, if quality is the same thing for products as for service, and if products provide a service and producers of products provide additional services to the product, then product quality is included in the concept of service quality. Nevertheless, the concept of service quality has two extremes: a product quality extreme and a service quality extreme; whereby intangibility, interpersonal interaction (inseparability), heterogeneity and perishability vary with closeness to each of the two extremes. This results in a change in the importance of influences on the concept of service quality, (for further explanation of the concepts of intangibility, interpersonal interaction, heterogeneity and perishability, see Berry and Parasuraman 1991, p.5-8). For example, a light bulb can be evaluated fairly well by using official evaluations of its effectiveness, appearance and reliability specifications, before it is bought. In other words the light bulb is tangible, homogeneous with other light bulbs of the same design, fairly quickly perishable (if an ordinary light bulb), and interaction between customer and the light bulb will make no difference to its operation unless it is misused. In comparison, a guided city tour cannot be effectively evaluated without experiencing it, because it is intangible, may be better or worse on different occasions, may be adversely affected by interpersonal interaction, such as clashes of personality between the tour guide and the tourist, and because the specific tour will last only for one use. For the evaluation of both the light bulb and the guided tour word of mouth, official specifications and advertising can influence the evaluation of quality prior to purchase, but in the case of the guided tour, official specifications and advertising cannot derive such a firm conclusion. Further understanding of the influence of the

two extremes of quality on the concept of service quality can only be gained once the process of CSQE is more fully understood, which is the objective of this research. Nevertheless, since the objective of this research is to understand the process of CSQE as it applies to the evaluation of services provided by 'service industries', a more in-depth understanding of the difference between the two extremes is not necessary.

To make the relationship even more integrated, it is also apparent that products may be provided by some providers of services. For example, as part of a current account with a bank, a customer may be provided with a cheque book and a cheque card. A hotel may provide its guests with soaps, hair shampoos, and even complimentary chocolates. All these products are included in the overall service provided by the service provider, and their quality will directly influence the quality of the overall service provided.

A possible contradiction to this argument, however, is that the same product can be sold with very different service quality. Therefore, it could be argued that in a sense service quality is perhaps part of product quality.

4 RELEVANCE OF THE THESIS TO THE SERVICE SECTOR AND RETAIL BANKING INDUSTRY IN BRITAIN

This research focuses on the service sector and in particular the retail banking industry in Britain. This does not mean that its findings are only relevant to the retail banking industry. On the contrary, the psychology literature used for this research is not limited to any sector or industry, and the business literature is only restricted to the service sector in general. Furthermore, as already explained, the distinction between product quality and service quality is conceptually not very clear. Also, the findings of this thesis suggest that CSQEs of retail banks are considered in the context of all

service sector service providers. However, throughout this research, the relevance of all the research to the banking sector has been maintained and in that respect the research is most appropriate to the banking industry, and in particular the retail banking industry in Britain.

5 AIMS OF THE THESIS

In order for a service provider to maintain, improve, or maximise the CSQEs of its customers, it must first be able to understand and measure the process of CSQE. The more understanding it has, the more accurate its measurement can be, and the more appropriately it can take measures to manage CSQE. This thesis aims to expand understanding concerning the nature of the process of CSQE. It also aims to use this expanded understanding in order to suggest new ways by which service providers can measure and therefore manage CSQE.

6 METHOD OF ACHIEVING AIMS

The aims are achieved through:

- The development of a theory of the process of CSQE. The theory of the process of CSQE was developed by an approach from psychology literature. This process supported, clarified and expanded upon the process of CSQE suggested by business literature.
- An empirical study testing hypotheses to derive the theory of CSQE. This empirical study was predominantly quantitative, but also contained some qualitative components as part of its pilot study development.
- Practical suggestions for the use of the expanded understanding of CSQE in the CSQE measurement and management strategies used by service providers.

7 CHAPTER OUTLINES

Chapter 1 explains the business literature concerning the process of CSQE. This chapter includes the relevant literature available at the time of compiling the thesis. Chapter 2 explains the theory of the process of CSQE, suggested by the psychology literature, which supports and clarifies the business literature. Chapter 3 explains the business literature concerning measurement of CSQE. Chapter 4 explains the business literature concerning the management of CSQE. Chapter 5 proposes an additional extension of the theory of the process of CSQE explained in chapter 2, based on understanding from psychology literature, from which can be derived empirically testable hypotheses. These hypotheses are explained in Chapter 6. Chapter 6 also describes and explains the empirical study used to test the hypotheses. It describes and explains the successive pilot studies used for its development, and the design and findings of the final empirical study. The suggestions for how the extended understanding, concerning the process of CSQE, could be used by service providers in order to measure and therefore manage CSQE, are explained within the conclusion to the thesis.

All illustration of specific questionnaires, and other tools used in the final pilot study and the final empirical study, are contained in Appendix A and Appendix B at the end of the thesis. Such tools and their whereabouts in the appendices are explained in the relevant sections of the main body of this thesis.

8 OTHER DEFINITIONS

It should be noted that throughout this thesis references are made to 'customers', 'subjects' and 'individuals'. These terms are distinct but related. The term 'customer' as used in this thesis refers to any person, group of persons or organisation that may consume a service provided by a service provider. 'Customers' are therefore

'consumers'. It should be realised that pre-transactional interaction between a 'customer' and a service provider takes place before a 'customer' becomes a 'purchaser' of a service provider's service. The term 'subject' refers to those people who take part in the empirical study process, and from whom empirical findings are derived. 'Subjects' used in this thesis are 'customers' of service providers. The term 'individual' is a term which is often used by psychology literature, and means 'a person'. 'Individuals' may be 'customers' and 'subjects'.

9 ABBREVIATIONS

The following abbreviations are used throughout the thesis.

- **CSQE** = *Customer Service Quality Evaluation*
- **CSQEs** = *Customer Service Quality Evaluations*
- **CSQ** = *Customer Service Quality*
- **SQ** = *Service Quality*

CHAPTER 1

The Theory Of The Process Of CSQE

The Business Literature

The process of CSQE and its dimensions must be understood by service providers if they are to measure and manage it effectively. This chapter therefore explains current CSQE literature in two parts: the process and the dimensions.

1 THE PSYCHOLOGICAL PROCESS OF CSQE

"It is important for marketing managers to understand how consumers evaluate service quality performance and what the role of expectations is in that evaluation process." (Clow and Vorhies 1993, p.24)

1.1 INTRODUCTION AND BASIC EXPLANATION

Between 1982 and 1984 Gronroos introduced the concept of 'Perceived Service Quality'. I prefer to, and will throughout the rest of this project, use the term 'Service Quality Evaluation'. This is because the word 'perception' in psychology is used slightly differently to the way Grönroos uses it. Grönroos suggested that perceived service quality is the result of the gap between expected and perceived service, where expected service quality is a function of traditional marketing activities, implying activities such as such as advertising, and the needs of customers.

Quality is deemed good if perceived service quality at least matches the service quality expected. Grönroos (1982) related this evaluation only to an experience on a particular occasion. Predictive expectations have been suggested also within the satisfaction literature relating to goods (Bolfing and Woodruff 1988; Churchill and Surprenant 1982), and services (Prakash and Lounsbury 1984; Swan 1988), but contradicted by research by Oliver and Bearden (1983).

According to Grönroos (1990) expectations and image are separate. The evaluation of service quality, together with other knowledge about the firm gained through the firm's marketing, social influences, logic, word of mouth, other external

communications or other sources, are all used to form corporate image regarding a service provider. Corporate image is all knowledge and feelings held by a customer concerning a firm. Liljander and Strandvik (1993, p.120), however, argue that:

"image represents predictive expectations over time"

In other words image and the sum of predictions of service over time are the same thing. This fits in with the findings of Chapter 2 in this thesis. There seems to be logic in a combination of the two arguments. Surely image contains more information than just that which is relevant to the service provided by a service provider, however, it would seem inefficient for information to be duplicated which would be the case if expectations and image were separate. It would seem logical therefore to look at image as an extension of predictions of service. This is how it will be defined for the rest of this thesis. This definition is further supported by the evidence presented within chapters 2 and 5.

A very similar explanation for CSQE was supported by focus group studies conducted by Parasuraman, Zeithaml and Berry (1985). Their explanation, however, concerned evaluations of service providers rather than service experiences. Also, they considered expectations to be normative (relating to what should occur) rather than predictive. It was suggested that expectations are determined by word of mouth communications. They studied 12 focus groups containing between 8 and 12 respondents. 6 of the groups were male, and 6 female, with 3 groups for each of 4 different industries. The groups were geographically dispersed around the USA and ages of subjects were mixed. Research took place through simple questioning and discussion with subjects. Subjects had all had direct experiences of customer service from a given service provider within 3 months (see Zeithaml, Parasuraman and Berry 1990, p.23).

The above definition is also supported by, and has been used as the basis of all 'SERVQUAL' studies (see Chapter 3, section 3.5.1) such as those carried out by

Berry, Parasuraman, and Zeithaml (1988, 1991), in order to quantitatively measure customers' quality evaluations. In these studies subjects were chosen in the same way as for the focus group studies, but this time using postal questionnaires. The SERVQUAL studies showed a 0.52 (1988) and 0.58 (1991) correlation between the perception - expectations gap as measured by SERVQUAL, and customers evaluations of quality. Similar studies to the SERVQUAL studies of 1988, carried out by Babakus and Boller (1991) and Brensinger and Lamber (1990) showed 0.59 and 0.39 correlations respectively. The SERVQUAL studies, however, have many problems (see Chapter 3, section 3.5.1.2). Initially these studies used a measure of expectations which represented ideal service as viewed by customers / subjects.

1.2 ZONES OF TOLERANCE

Parasuraman, Berry and Zeithaml (1990), Berry, Parasuraman and Zeithaml (1991) and Zeithaml, Berry and Parasuraman (1991) adjusted the definition of expectations. They suggested that customer expectations are two tiered. Customers have a desired service expectation which is a blend of what 'can' and 'should be' provided, but also take account of the characteristics of the situation in which the service takes place, in order to account for a certain degree of service quality level shortfall. Desired service, they argue, is similar to deserved service, the level of service that a customer believes they ought to, or deserve to receive, given a perceived set of costs. Berry, Parasuraman and Zeithaml (1991) term these two levels of expectation the 'Desired Level' and the 'Adequate Level' respectively. They state that 16 customer focus group studies by Parasuraman, Berry and Zeithaml (1991) in six service sectors revealed not only the existence of the two tiered expectations, but also the existence of what they call 'Zones of Tolerance'. These 'Zones of Tolerance' will now be explained. Berry, Parasuraman and Zeithaml (1991) argue that customer perceptions of service which exceed desired expectations will lead to pleasant surprise which will in turn lead to a positive service quality evaluation by the customer. If perceived service does not meet desired service expectations, a negative perceived service quality evaluation results unless the gap in service can be accounted for by situational factors. If the gap can be

explained, meaning that the adequate level of expected service has been met, then the customer is believed to be satisfied. It is the gap between the two types of expectations which they argued forms the 'Zone of Tolerance'. Berry, Parasuraman and Zeithaml (1991) also argued that their study results showed that customers have different 'Zones of Tolerance' for each dimension of service quality, that different customers have differing 'Zones of Tolerance' for the same dimension of service quality, and that 'Zones of Tolerance' will vary from one situation to the next. The studies also showed that the desired level fluctuates more slowly than the adequate level, by smaller amounts, and only upwards, rather than both up and down as is the case with the adequate level. Because of this, Berry and Parasuraman (1991) likened the changes in 'Zones of Tolerance' to the movement of an accordion. Furthermore, Berry and Parasuraman (1991) proposed 9 factors, including past experience, needs and perceived service alternatives, which their studies had suggested were determinants of the 'Zones of Tolerance'. Such factors are consequently determinants of customer service expectations, and subsequently also CSQE. These and all other factors affecting expectations are covered in section 1.5.3 later in this chapter.

1.3 APPRAISAL OF THE EARLY EVIDENCE

- The expectation - perception gap explanation has significant evidence behind it to suggest that it is an influence on CSQE.
- The 'Zones of Tolerance' idea has significant evidence behind it to suggest its existence.
- The argument by Berry and Parasuraman (1991) that exceeding expectations is a way of improving customer service quality evaluations is surely true. A difficulty arises though, because of the paradox whereby increasing service performance to or beyond customers good / top service expectations leads to those expectations rising to equate with and even somewhat exceeding the improved service. As a consequence, as has been noticed by many large service providers today, including many whom I have interviewed, customer service quality evaluations never actually get any closer to maximising customer service

quality evaluations, certainly nowhere near as close as would otherwise be predicted from a given rise in performance had expectations remained constant. Any service quality evaluation improvement by an individual service provider may however, provide a competitive advantage in the short run, leading to customer switching or new customer attraction, but as soon as competitors improve to a similar or equal level of service performance, then the benefit will be lost, a huge cost may have been incurred, and the paradoxical spiral is set to continue. On the other hand, it could be argued that reducing service levels would in the long run increase CSQE by reducing expectations to a level which can be almost consistently met and occasionally exceeded. However, unless all competitors followed in the same direction, which is extremely unlikely, then such a move would result in competitive suicide. To make things even worse, top service expectations will always ultimately be above average service provision levels. It follows, therefore, that ultimately top-service expectations can never be met, and so any attempt is an expensive wild goose chase.

1.4 AN INTEGRATED THEORY OF CSQE

So far 'Service Quality' has been concerned either with the evaluation of generic service provided by specific service providers, or with the evaluation of specific service encounters, which is usually dealt with by the traditional satisfaction literature instead. The two literatures have not been integrated. As already mentioned and supported in the introduction to this thesis, I believe that satisfaction is merely a service quality evaluation which is extended to include value, through the addition of a consideration of price. I believe that service quality evaluations, and consequently satisfaction, occur for both specific service encounters and specific service providers, and that the latter is in part an accumulation of the first. This is what is essentially suggested by the following researchers. Boulding, Kalra, Staelin and Zeithaml (1993, p.7) argue that:

"individuals' current perceptions of the service quality of a firm just after a service contact are a blend of " :

♦ Their prior expectations of what will and what should transpire during the contact

♦ The actual delivered service during the service encounter.

This much, though the similarity of their opinions is limited beyond this point, is also the view of Liljander and Strandvik (1993) and Liljander (1995). However, Liljander and Strandvik would term the evaluation of the service encounter 'service quality' or 'satisfaction' (they think the two terms are equal), and overall expectations 'image', whereas Boulding et al. (1993) would term the two concepts 'satisfaction' and 'service quality' respectively.

The essence of the Boulding et al. (1993) theory is that there are two types of expectation. The first is a predictive expectation, 'will' expectations, which is a customer's propensity to perceive in a given way according to those predictions. This fits in with the typical use of expectations in the customer satisfaction / dissatisfaction literature which relates to an individual service experience (Gilly 1979; Gilly, Cron, and Barry 1983; Miller 1987; Prakash 1984; Swan and Trawick 1980). The satisfaction / dissatisfaction literature argues that the difference between this predictive expectation and actual performance leads to a disconfirmation, a disappointment or positive surprise, which raises or lowers the level of satisfaction (Bearden and Teel 1983; Latour and Peat 1979; Swan and Trawick 1981; Tse and Wilton 1988). The second is a 'should' expectation, as traditionally used in the service quality literature, but also satisfaction literature (Miller 1977; Prakash 1984; Swan and Trawick 1980); the service which customers feel they appropriately deserve; and here used for the evaluation of an individual service experience. This includes 'ideal' expectations which are believed to be very static, but is also influenced by factors such as experience, company marketing, and word of mouth, and it acts as a standard for comparison of the perceived service. The resultant compared perceived service will cause a change in 'should' expectations only if the perceived service is better than the

'should' expectation, or if new relevant information is received over time. The perceived service adds to will expectations to form new 'will' expectations and a customer's evaluation of overall service quality. This overall service quality will directly influence behavioural intentions.

Boulding et al. (1993) carefully tested this process experimentally and also via a quantitative questionnaire. Results were very favourable with the predictions. They note that Forbes, Tse and Taylor (1986); Tse and Wilton (1988); Wilton and Nicosia (1986) and Zeithaml, Berry and Parasuraman (1991), have all suggested that more than one type of expectation exists, but that:

> **"Though other researchers have postulated the existence of different expectations, our study is the first empirical demonstration of the joint influence of our two postulated expectations in a service quality setting".** (Boulding, Kalra, Staelin and Zeithaml 1993, p.8)

One major criticism of this theory relates to the claim that overall service quality (a relative evaluation) is equal to 'will' expectations. It must just appear that way because 'will' expectations are measured by asking for a relative evaluation of generic service provided by a service provider, in other words asking for a generic customer service quality evaluation, then comparing it with the customer service quality evaluation and finding a close similarity. 'Will' expectations could never be equal to relative averaged evaluated service quality because 'will' expectations are not relative evaluations.

1.5 ADDITIONS TO THE EXPLANATION

1.5.1 We still do not know how specific expectations are to the type of service being compared.

In other words are customers experiences of banking services compared just with other banks or with all other high street shops and services, or a combination of the

two? Also, does the extent of specificity depend upon the individual customer concerned, or even on the situation?

1.5.2 Customers assess and reassess service quality during a service experience, not just before and after a service

It seems reasonable to argue that customers think about the service they receive as they are receiving it, not just once the service has been received in its entirety (Øvretveit 1992). It also seems reasonable that this thought may include thinking about the relativity of the service. This corresponds with the psychology literature as explained in chapter 2.

1.5.3 Factors affecting customer service perceptions and expectations:

It is important to have a broad understanding of the factors affecting perceptions and expectations, and also the process of the relationship (i.e. the mechanisms of the influence), both for specific service experience and a generic service providers, if one is to understand the nature of perceptions and expectations which are the central part of the process of CSQE. As explained throughout section 1 in this chapter, expectations may relate to predictions, 'should' / 'desired' and various other standards of comparison, either for a specific service experience or a generic service provider. Perceptions may relate to evaluations of a specific service experience, or generic evaluations of a service provider. It is therefore a little confusing to talk about the factors affecting expectations and perceptions. Nevertheless, many of the factors would appear to be the same for all literatures.

1.5.3.1 External communications

There are many instances when experience of the specific firm and or firms in general, and of a direct form, will not exist, and under such circumstances expectations will still exist, but through using all other available knowledge (Oliver 1980). 'External communications' in this case refers to all those clues which a customer encounters, apart from direct personal experience, which are provided deliberately or accidentally, by one or many service providers to a customer, which enable the customer to gain

knowledge about the service quality of those service providers. Examples of such clues are the state of service provider vehicles, the way staff behave outside their workplace, and other public relations communications. Such communications enable customers to gain generic information and therefore opinions / perceptions and consequently expectations about the service provided by a given service provider. The importance of external communications in the formation of opinions and therefore expectations is supported by Dodds, Monroe and Grewal (1991); Shimp, Stewart and Engle (1991); Zeithaml and Berry (1985); Zeithaml, Parasuraman and Berry (1991); Berry and Parasuraman (1991); Lewis (1991); Brogowicz, Delene and Lyth (1990); Grönroos (1988); and also by Shostack (1990), who states that the very same intangibility which makes word of mouth communications so important for service decisions by consumers, also leads to much attention being paid to the clues offered by external communications. External communications, like past experience and word of mouth communications, are vital to a customer in order to reduce the perceived risk and intangibility which is so characteristic of services (Mitchell and Greatorex 1993; Derbaix 1985; Roselius 1977).

The degree of importance of external communications is likely to depend upon the past experience of each individual, and the role played by all the other determinants of perceptions and expectations. Most of the determinants of perceptions and expectations are variable for each individual over time. It seems incorrect therefore, to talk about the importance of external communication as a determinant of perceptions and expectations, even though generalisations are possible if research is done on a large scale. This argument also holds for all the other determinants of perceptions and expectations, and is the reason why this project does not attempt to consider the issue of the relative importance of any of the determinants covered in this chapter. As for the relative importance of the individual forms of external communication in relation to each other, this, too, is dependent on what the individual considers to be the most useful source, which in turn depends upon the outcome of a thought process, which itself will have many determinants which may vary from individual to individual over time. Also the importance placed on any one determinant may depend on the

combination of other sources of external communication available. Consequently, it also seems inadvisable to make generalisations about the relative importance of individual external communications in relation to each other. Such generalisations require too many assumptions to be of any use to managers and business decision makers in the real world. It is therefore my belief that whilst it will be beneficial to cover the evidence and explanation for the link between external communications and predictions and expectations in more detail, it will not be of benefit to research the relative significance of the determinants, or of individual communications.

1.5.3.2 Direct past experience

Zeithaml and Berry (1985); Brogowicz, Delene and Lyth (1990); and Grönroos (1988); argue that perceived service is a function of direct past experience with a specific service provider. In other words, present knowledge includes past experience. Furthermore, prior knowledge assists processing of new specific service experience perceptions (Marks and Olson 1981) (see chapter 2, section 2.3), and is therefore a determinant of generic perceived service. Most, if not all quality experts, also agree that expectations are formed with the help of direct past experience with a company and its competitors. (Lewis 1991). Bolton and Drew (1991), found that direct past experience of similar suppliers, and / or the precise supplier concerned is usually likely to increase the accuracy and predictability of expectations, all other things being equal.

Steenkamp (1990) argues that knowledgeable consumers, through whatever means, may form less extreme quality judgements, and may form judgements quicker than less knowledgeable consumers (Celsi and Olson 1988; Fiske and Taylor 1984; Sujan 1985).

1.5.3.3 Professionally stated definitions

Service quality attitudes, and therefore future expectations, may be comprised of:

> "professional definitions, internal process quality (e.g. low error rates) and meeting other requirements, such as meeting legal and safety requirements." (Øvretveit 1992, p.22)

These definitions, along with some external and word of mouth communications, relate to credence attributes (Darby and Karni 1973; Nelson 1970, 1974), quality attributes which cannot be tested personally through personal experience.

1.5.3.4 The Nature of the physical environment - user relationship

Bitner (1992) provides an extremely thoroughly researched description and explanation of the nature of the physical environment - user relationship. This relationship is present during any customer service experience, and has an impact on service perceptions of the service experience and therefore the service provider. This in turn provides us with an explanation for how a customer's perception of a service experience, service provider, and therefore future expectations is derived from the physical service environment around him.

1.5.3.5 Recency of the experience.

Field experiments by Bolton and Drew (1991) showed that one - off changes in service quality had more influence over service quality attitudes immediately following a service change than six months after. This perhaps suggests that customer service attitudes are a general evaluation of relevant customer service knowledge and feelings, and that immediately following a new experience however, current emotions and perceptions and other cognitions are momentarily disproportionately strong and so unbalance attitudes until memory naturally decays over time, thus restoring the attitude balance. Therefore, the impact of emotions, specific service experience perceptions, and other cognitions on CSQE and therefore future expectations, depend to some extent on the recency of the experience to which those emotions, perceptions and other cognitions are related.

1.5.3.6 Word of mouth and media communications

Word of mouth communications may be considered as that information which people

communicate to each other in person. Media communications is information which is communicated to many people at a time by the media. Both are a means of communication which do not involve the supplier concerned, or at least not in theory. Support for the fact that customers use these communications to form expectations of service, is provided by the focus group studies of Zeithaml, Parasuraman and Berry (1990), as well as many researchers including Grönroos (1984), and Shostack (1990). Word of mouth communication includes the information which the individual customer gains in the form of expert opinion. Individual customers use this expert opinion in order to create their prediction and 'should' comparison expectations for a particular type of service (Boulding, Kalra, Staelin and Zeithaml 1993).

1.5.3.7 Personal needs and wants and personal involvement

Zeithaml, Berry and Parasuraman (1990) argue that personal needs and wants showed up during focus group studies as being a major cause of the expectations of individuals. Berry and Parasuraman (1991) also suggested that this was the case. In other words, what customers want to, or need to, experience in a service which they receive, is often reflected in what those customers believe should be experienced as a result of a service provision. Greenwald and Leavitt (1984); Zaichkowsky (1985); and Steenkamp (1990) show that involvement with a product is a determinant of the motivation to personally process information about it. This might suggest that all kinds of perceptions and expectations might be influenced by personal involvement.

1.5.3.8 Demographic variables (including intelligence and education)

There are a large number of demographic variables which might alter the nature of expectations suggested by the Berry and Parasuraman (1991) focus group studies. These variables include age, gender, personality, culture, intra - group processes, education, customer intelligence and other physiological and psychological capabilities and characteristics. As suggested by Capon and Burke (1980) individuals with a low level of education appear to be less competent in information processing than highly educated individuals. Claxton, Fry and Portis (1974), and Westbrook and Fornell (1979) suggested that such individuals use less information in decision processes than

highly educated individuals. This might suggest that all kinds of perceptions and expectations might be influenced by demographic variables such as education. I would argue that the same also applies to intelligence.

1.5.3.9 Service practices

Berry and Parasuraman (1991) and the psychology literature (see chapter 2) suggests that as general service practices change on a national, international, and or regional scale for a particular industry or many industries, experiences will change and therefore expectations will change. Parks (1990) states that customers often complain that service standards have declined. This may be due not to an actual decline in service, but because service practices have changed and no longer match what was expected by them many years ago. For older people who became used to the old service practices, the new service practices may seem to be out of touch with expectations. However for younger people the current service practices are what they are used to, and so there is no expectations mismatch. This influence on expectations is therefore linked to the influence of age, as covered in section 1.5.3.8 in this chapter.

There is however, a great difficulty which exists when trying to discover the extent to which expectations respond to service practice changes. Whilst we can establish how service practices have changed over the years, and whilst we can discover the present expectations of individuals towards customer service quality, we cannot go back in time and discover what expectations were many years ago. Consequently, whilst we can be fairly sure that changing practices due to economic and legal means are bound to have an impact on expectations, it is impossible to discover the degree of the impact.

It should be noted that changing service practices may be due to customer expectations and vice versa. In other words, customers may have expectations, based on experience which are well above average standards. Suppliers must respond to these expectation gaps or risk losing business. By raising their standards, expectations of average service quality will rise, and suppliers who were previously top quality

service providers will increase their service still further in order to maintain the competitive edge. Hence the whole range of service expectations will rise accordingly.

1.5.3.10 Time

The difficulties involved in trying to define time however, are huge, and no one definition seems satisfactory. Nevertheless, within the sphere of mainstream cognitive psychology, time is considered in a broad sense to be longitudinal and chronological. Information in memory for experiences are believed to be ordered in a longitudinal and chronological way, and the understanding by an individual of time is in some way a function of the relative position of the experience within this longitudinal chronologically ordered memory.

I believe that there are changes in expectations and changes in the factors determining expectations for all individuals over official, standardised time periods (Lewis 1993), such as minutes, hours and days. Clow and Vorhies (1993) suggested that expectations before a service experience are likely to be different, albeit to a small degree, to those following a service experience. This is because the addition of information following an experience will change the nature of the memory from which any related expectation is drawn, and because the other determinants of perceptions and expectations may change over time. This is supported by Gregory (1979) and most other psychologists point out that people continuously attempt to re-evaluate the world. People are continuously perceiving, remembering, understanding, and forming attitudes.

> **"The passage of time per se should not be viewed as a causal factor. Rather, other factors, such as customers acquiring additional information, may change expectations from one measurement to the next. These factors can influence expectations both positively and negatively."** (Clow and Vorhies 1993, p.22)

Clow and Vorhies (1993) suggest, following a study of theirs, that consumers' service expectations are stable enough, at least in the short run (at least 4 months for provider

specific predictions, and probably much longer for other components of expectations), to allow service providers to identify expectation - perception gaps, take action to satisfy or exceed those expectations, and then measure the effectiveness of any action taken. Such measurement followed by action should probably be repeated every six months or so. If expectations were less stable, then although some measures to improve service delivery gaps and or to influence expectation levels would still be feasible, measurement of expectation gaps might be out of date as soon as collected and analysed. This would make measurement simply an evaluation of past strategy effectiveness, rather than also being a guide to future strategy.

These changes are regardless of individual customers' perceptions of time. Since the perception of time by individuals appears to invoke more problems for researchers than it solves, I will for the purposes of this research take 'time' to be the official longitudinal and chronological ordering of information and events namely minutes, hours, days, months, years, etc.

Another aspect of time is 'time pressure'. Wright (1974) and Wright and Weitz (1977) found that negative information was weighted, that affective simplification was greater, and that less information cues were used by subjects when making quality evaluation under 'time pressure', than otherwise. This suggests a simplification of the process of CSQE, which includes all kinds of perceptions and expectations.

1.5.3.11 Inferential beliefs

Inferential beliefs (Olson 1978; Steenkamp 1990; Dover 1982; Pinson 1986), which may influence perceptions and expectations, are inferences made from the environment, such as any of the information sources mentioned in this section. For example, an external communication such as a dirty company van, might lead to an inference that the employees of that company are not tidy and therefore not efficient. This inference can be referred to as 'Systematic Distortion'. 'Systematic Distortion', as well explained and supported by Elliot and Roach (1991), is a phenomenon whereby

one cognition about an object or person leads to other inferred cognitions about that person or object.

1.5.3.12 Price

According to Clow and Vorhies (1993), Kurtz and Boone (1989), and Parasuraman, Berry and Zeithaml (1991a), who carried out 16 focus group studies inquiring about principal customer expectations, price is a key influence on the expectations of individuals;

> **"Many customers believe that the more they pay, the better the service should be, although they do not believe that a low price is a legitimate excuse for poor service .... customers expect service basics delivered at a level they believe commensurate with the price they pay."** (Parasuraman, Berry and Zeithaml 1991a, p.40)

Shapiro (1968) suggested 4 complementary types of price-quality relationship: Price can be used, by a customer, as an index of quality, as a suggestion of the amount of risk of poor quality following the purchase of something; the higher the price the lower the risk; as an indication of how much quality a customer deserves, or as an indication of 'snob appeal'; the amount of quality that others will perceive has been purchased. Price is therefore closely linked to the concept of inferential beliefs, as explained above in section 1.5.3.11. Fry and Siller (1970), however, found that 'lower class' consumers are more likely to rely on price as an index of quality, when evaluating products, than 'higher class' consumers. In other words, income, education and society might have an influence the use of price in CSQE.

1.5.4 Summary of possible comparison standards

All the components of expectations so far referred to within this chapter can be seen as comparison standards.

- Predicted service
- Ideal service

- Excellent service
- Desired service
- Deserved
- Needs and Values
- Cultural Norms
- Promises. Liljander (1995) points out that it is difficult to differentiate promises from predictive expectations and other standards. Furthermore, customers may be aware that promises of a service provider are false (Woodruff et al. 1991).
- Adequate / minimum deserved or tolerable service

Liljander and Strandvik (1993) and Liljander (1995) summarise not only the above standards of comparison, but also additional standards of comparison which are suggested in the satisfaction literature and which could be appropriate to CSQE:

- Best Brand Norm (Cadotte, Woodruff and Jenkins 1983). The expected performance of the brand which the customer believes is the best. It is difficult, however, to see any real difference between this and excellent service as mentioned above.
- Brand Norm (Cadotte, Woodruff and Jenkins 1983). The typical performance expected by the customer from the same or previously used brand. Cadotte, Woodruff and Jenkins (1987) found, in a restaurant setting, this to be a lesser predictor of satisfaction than best brand norm or product type norm.
- Product Type Norm (Cadotte, Woodruff and Jenkins 1983; Bolfing and Woodruff 1988). The typical performance which a customer expects from competing brands of the same product type within a product class.
- Favourite Brand Model (Bolfing and Woodruff 1988).
- Comparative Expectations. Prakash and Lounsbury (1984) found that customers' perception of a focal restaurant compared with their perception of 2 other restaurants was significantly correlated to those customers' satisfaction with the focal restaurant.
- Equity / Fairness.

"Equity is the comparison of one person's input/outcome to a comparative other's input/outcome. Within marketing, equity, has been defined as the comparison, made by the customer, of his/her investments (e.g. money, time, other efforts) and the outcomes with those of a relevant other, such as a friend or dealer (Swan and Oliver 1985a; 1985b).......The referent may be any individual or group relevant to the person making an equity judgement (Adams 1963). Thus a customer may compare his input/outcome to the input/outcome of a friend, group of friends, group of customers (e.g. club-members vs. non-members, customers of a different service) or a dealer. The relation between one person's perceived input/outcome and a referent other's input/outcome is historically and culturally determined." (Liljander 1995, p.69-70)

♦ Equity has not yet been researched within the context of service quality. However, Swan (1983) suggested that equity is a major determinant of satisfaction. Swan (1989) found that fairness complemented disconfirmation in predicting satisfaction. Fiske and Coney (1982) conducted an experiment and found that air travellers experienced less satisfaction if they received an unfair deal in relation to other air travellers. Mowen and Grove (1983) found, in an experimental study, that relative input/outcome influences satisfaction even regardless of the fairness. This fits in with cognitive dissonance theory (Festinger 1957) as explained in chapter 5. Dissonance theory suggests that an individual's knowledge that a bad deal has been obtained, creates a feeling of unease resulting from the dissonance between such a fact and an individual's self-concept.

Equity does not, however, necessarily mean satisfaction. As pointed out by Liljander (1995) if both customer and referent receive bad service at high cost, or if the customer receives bad service at low cost whilst the referent receives good service at high cost (or vice versa), then equity will be in balance, but satisfaction is unlikely. This is suggested by experiments by Austin, McGinn and Susmilch (1979). The concept of equity alone is therefore a very limited explanation for satisfaction and service quality alike.

It is important that research clarifies the nature of comparison standards as used for evaluations of service quality, otherwise the term expectations will continue to be used in a vague way.

> **"Expectations in the service quality literature has been used with a different, often implicit, meaning by different authors, thus making it difficult for the reader to evaluate the results."** (Liljander and Strandvik 1993, p.119)

2 WHAT ARE THE DIMENSIONS OF A PARTICULAR SERVICE EXPERIENCE OR SERVICE PROVIDER ?

2.1 AN OVERVIEW

The broad nature of the 'dimensions' of service which a customer evaluates, an important part of the definition of CSQE as accepted by this piece of research (see the introduction to this thesis), is relatively clear.

> **"We live in an age in which our thinking about what a product or a service is must be quite different from what it ever was before. It is not so much the basic, generic central thing we are selling that counts, but the whole cluster of satisfactions with which we surround it."** (Levitt 1973, p.47)

In other words, service is comprised of many dimensions. This is suggested by the following quotes:

> **"the service product is essentially a bundle of activities, consisting of the core product - which in Federal Express' case consists of transporting packages overnight and delivering them next morning to the addressee, plus a cluster of supplementary**

services," (Lovelock 1991, p.18). This is illustrated by Diagram 1.1 below.

Service is comprised of **"all attributes of a product which yield consumer satisfaction".** (Oxenfeldt 1950, p.300)

"Recent research suggests that this quality assessment is not unidimensional, but instead comprises multiple abstract dimensions (Garvin 1987; Hjorth - Anderson 1984; Holbrook and Corfman 1985; Maynes 1976; Parasuraman, Zeithaml and Berry 1985; Zeithaml 1988)." (Boulding, Kalra, Staelin and Zeithaml 1993, p.11)

Diagram 1.1: Core & Supplementary Service Elements: An Example for Federal Express

Advice & Information

Problem Solving

Overnight transportation & delivery of packages

Order Taking

Bill Statements

Supplies

Tracing

Pick Up

Documentation
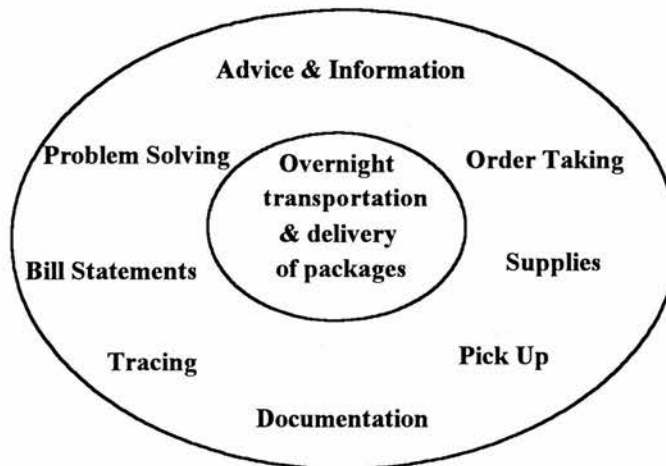
Source: Lovelock (1991, Ch.2)

2.2 THE NATURE OF THE DIMENSIONS OF CSQE

As first proposed by Grönroos (1979), services marketing focuses on buyer-seller interactions (where the seller may be selling many services and the buyer may be a business or non - business customer). It is these buyer-seller interactions which are now commonly referred to as customer service. Therefore, it is this interaction which is being evaluated by a customer.

As pointed out by Hummel and Savitt (1990), and Dawson and Sparks (1990), there are 3 main stages of customer service delivery, each containing core and supplementary services. The 3 main stages are:

1. **The Pre-Transactional Stage.**
2. **The Transactional Stage.**
3. **The Post-Transactional Stage.**

In general it appears to be accepted, as suggested by Grönroos (1987, 1988a) and supported by Bolton and Drew (1991), that for each of the above mentioned 3 stages, customer service is comprised of the perception by customers of two elements, the **Core Service**, and the **Supplementary Service**, as illustrated below. The supplementary service may be comprised of **Facilitating Services** such as airline check-in procedures, and **Supporting Services** such as flight meals (Bolton and Drew 1991). Both the core and supplementary service will obviously tend to be more complex for service industry products, though these customer service elements apply to both goods and service industry products.

Industry	Core Service	Supplementary Service
Automobiles	Transport. Reliability. etc.	After sales service etc.
Banking	Banking products. Speed of Service. etc.	Information, Politeness etc.

Core, Facilitating and supporting services together, plus customer participation is often referred to as the **'Augmented Service Offering'**.

All parts of the Augmented Service Offering can be evaluated in terms of a huge number of suggested fundamental dimensions and sub - dimensions of service quality, which overlap or conflict with each other. These dimensions will now be mentioned.

Sasser, Olsen and Wyckoff, (1978) consider levels of **Material, Facilities** and **Personnel** to at least affect quality, although in 1978 there was as yet no definition for perceived service quality / CSQE. The dimensions surely cannot be determined accurately unless it is known what the dimensions comprise. The same applies to Blooms and Bitner (1981) who state that service marketing mix at least concerns **Physical Evidence**, **Processes**, and **People** in the service sector.

Parasuraman, Zeithaml, and Berry (1985) used focus group studies as previously mentioned earlier in this chapter, to determine the 10 main dimensions of perceived service quality, namely **Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, Communication and Understanding the Customer.** Such studies, however, are to some extent flawed because it is inevitable that the assessment of the findings is based on qualitative value judgements. The 10 dimensions were nevertheless used as the basis of quantitative work which, amongst other things, reduced the number of dimensions to just 5. This work was labelled the 'Servqual Studies' by Parasuraman, Zeithaml and Berry (1988). Originally, 97 statements were used covering the 10 dimensions of service quality, but this was reduced through the statistical analysis of the preliminary studies. Many questions were very similar on purpose so that the most effective could be sifted out. The least effective statements were the ones which differentiated least between individuals with essentially different opinions. The remaining 22 questions were further sifted by finding groups of questions concerning different dimensions which for each individual gave closely correlating results, using complex factor analysis. These suggest an overlapping of questions and dimensions. This enabled the reduction of service dimensions from 10 to 5. Somehow these 5 dimensions were labelled as **Reliability**, **Responsiveness, Assurance, Empathy**, and **Tangibles**. It seems dangerous however, to limit the dimensions to 5, because for example, whilst people may not objectively be able to decipher between access and communication, they may be able to subjectively. Access and communication may also be managerially very closely linked, resulting in provision and evaluation similarities. Therefore, just because there

is a strong association between answers, it does not necessarily mean that the questions concern the same broad dimensions of customer service.

Other studies of a very similar nature to those of Parasuraman, Zeithaml and Berry (1988), including Babakus and Boller (1991); Brensinger and Lambert (1990); Carman (1990); and Finn and Lamb (1991), were generally not very supportive of the 5 dimensional structure. They suggested that the 22 items in the SERVQUAL scale may even represent just one dimension rather than 5. Cronin and Taylor (1992), and Babakus and Mangold (1989), who factor analysed 15 items from the 5 dimensions of SERVQUAL, suggested the same. This is acknowledged but disputed by Parasuraman, Berry and Zeithaml (1993), who found similar correlations in their studies.

Carson and Gilmore (1990), and Zeithaml, Parasuraman and Berry (1990) believe that the dimensions of customer service vary in terms of tangibility and consequently also vary in terms of measurement difficulty and prescribed form of measurement. This is illustrated by Diagram 1.2.

According to Pitt (1991) there are also image dimensions of quality which are relevant only to certain products. Pitt (1991) considers only luxury goods, but it seems logical to conclude that the same dimensions exist for luxury services, namely **Scarcity, Nationality, and Classicalness** (the mystique of age and the durability of popularity over time). The main problem with his argument is one of evidence. Pitt (1991) supports his arguments purely on the grounds of discussions with chief executives of Gieves & Hawkes, Bvlgari, Gucci, Patek Philippe, and Comite Colbert (a committee which organises big promotional events for French luxury goods). Pitt (1991) nevertheless suggests an interesting extension to the concept of dimensions of quality service.

Diagram 1.2: Dimensions of Customer Service

Instrumental Quantitative measures / standards	Psychological measures standards
Relatively easy to measure	Relatively hard to measure
Tangible elements (Also; Standardized / Separable production & consumption, according to Zeithaml 1991, p.41)	Intangible elements (Also; Non -standardizable / Inseparability of production & consumption, according to Zeithaml 1991, p.41)
Search Qualities	Experience & Credence Qualities
Physical facilities	Courtesy / Politeness
Product & Packaging	Accessibility
Speed of delivery (availability)	Congenial atmosphere
	Good communication
Credit facilities	Responsiveness
	Willingness to help
Appearance of staff	Competence of staff
	Information / Advice
Technical support	Security / Confidentiality
Repair service	Trustworthiness

I M A G E

Emphasis on company rules and product for implementing standards.	Emphasis on perceptions, attitudes and behaviour of staff vis a vis customers, in order to implement standards

(Source : Adapted from diagram by Carson & Gilmore 1990, p.52)

Gronroos (1988), and Berry and Parasuraman (1991), point out that customers place much emphasis on the ability of a company to **sort out its mistakes**. This is because peoples attentions and emotions will be more intense and focused following receipt of knowledge of mistakes since unusual and important things attract attention. This corresponds to 'Attention' evidence within psychology research (see Chapter 2,

section 2.2). In consequence, people will cognitively process such information more than many other types of information, hence that information may be a major part of any future attitude. This is supported by research carried out by the First National Bank of Chicago (1990). This research found that of the top 25 service attributes of importance to customers, 6 of the top 10 related to service recovery. Further evidence is provided by Berry and Parasuraman (1991) who obtained similar findings during empirical research with customers of five large service companies. Singh and Widing (1991) also argue that complaint handling is a major component of service quality evaluations.

Garvin (1987), suggested that service quality has eight major dimensions, namely **Performance, Features, Reliability, Conformance, Durability, Serviceability, Aesthetics, Perceived Quality.** This theory has no supporting scientific evidence, however, and so will not be discussed here in any greater detail.

Parasuraman, Berry and Zeithaml (1991a) based on the evidence from the 16 focus group studies, argue that customers prefer to be **Relationship Customers** rather than ordinary customers. In other words they argue that:

> **"They want ongoing, personalised relationships with the same representatives. They want these representatives to contact them, rather than always having to initiate the contact themselves. They want a 'Partner' - Someone who knows and cares about them .... Customer relationships are central to exceeding customer expectations."** (Parasuraman, Berry and Zeithaml 1991a, p.43)

Holmberg, Nilsson and Martenson (1993) argue that research including that by Mazursky and Jacoby (1986), Westbrook (1981), Zeithaml, Parasuraman and Berry (1990) and Zimmer and Golden (1988), suggests that it is possible to simplify the dimensions of service quality into 5 service factors: **Merchandise, Personnel, Location, Policies, Information.**

Bitner (1992), provides a very thorough explanation of the physical environmental dimensions which are perceived by a customer within a service environment. This she terms the 'Perceived Servicescape.' The dimensions she suggests are as follows:

Ambient Conditions:

Temperature,

Air quality,

Noise,

Music,

Odour,

etc.

Space/Function:

Layout,

Equipment,

Furnishings,

etc.

Signs, Symbols and Artefacts:

Signage,

Personal artefacts,

Style of decor,

etc.

Using a relatively basic and unconvincing research method, Mersha and Adlkha (1992) suggested six attributes of good service quality and six attributes of poor service quality. However, all these attributes are very similar to those suggested and tested by Parasuraman, Zeithaml and Berry (1991).

With no empirical evidence, Hamilton (1990, p.1) claims that customers of banks judge a bank according to its ability to give them the following feelings:

"their money is safe....they have person identities and are respected...their money in the bank is still theirs and freely

accessible to them.....comfortable and unintimidated in the bank.....the terms they receive are both reasonable and honestly explained.....they can rely on the bank to follow instructions accurately and reliably...communications with the bank are easy to understand.....automated systems are easy to use and will not make them look stupid...the bank will help them keep their money.......they have a sense of pride from banking with that specific bank"

Following a survey on service quality in banking by the Quality Focus Institute, part of the Bank Marketing Association (see Lunt 1992), the Quality Focus Institute (1988), found eight dimensions, which they claimed, most closely correlated with service quality; **Accessibility, Appearance, Clarity, Competence, Courtesy, Features, Reliability, Responsiveness.** Clarity, courtesy and as already proposed and supported by other researchers such as Parasuraman, Zeithaml and Berry (1985, 1988), reliability, were found to be most closely correlated. Lunt (1992) however, argues that **geographical location of customers** influences the importance ranking of different dimensions. In other words the cultural nature of customers can influence the importance ranking of different dimensions. For example, in one country or region, courtesy might be a more important component in intra-group behaviour than reliability. In another country the opposite may be true.

At the third international symposium on quality in services (QUIS 3) in 1992, Gummesson (1993) introduced the concept of **Green Service Quality** as a 'general quality dimension'. Ecological considerations are becoming increasingly important to customers, including customers of services. Customers therefore often want service providers to be ecological too.

> **"Green considerations will have to permeate service management behaviour. This is beginning to happen in the 1990's and certain areas such as green marketing are emerging as subfields of management"** (Gummesson 1993, p.91)

According to the 'Perceptual Blueprinting Approach' (Randall 1993), through identifying key service activities from customers, customer activity maps can be drawn up. The fundamental dimensions associated with each activity can then be identified, resulting in a fuller understanding of the dimensions of CSQE.

According to Grönroos, all of the fundamental dimensions of quality can be evaluated in terms of a **Technical Quality,** what is supplied or received, and a **Functional Quality,** how it is supplied or received, dimension (Grönroos 1982, 1983, 1984). Again according to Grönroos, functional quality is more important and can compensate for insufficient technical quality. Lehtinen (1983), wrote about 'Process Quality', similar to the above 2 dimensions together, judged during the service, and 'Output Quality', an overall CSQE dimension, judged after the service. These dimensions are supported by Brogowicz, Delene and Lyth (1990), as well as Parasuraman, Zeithaml and Berry (1985b), who used the terms 'Outcome-Related', and 'Process-Related' instead. Edvardsson, Gustavsson and Riddle (1989), combined the above dimensions and added clarity by referring to 4 dimensions of customer perceptions, namely: **Technical Quality, Functional Quality, Integrative Quality;** the way in which the service delivery system's components work together; and **Outcome Quality**, the final quality evaluation.

Lehtinen (1982) also proposed **Corporate Quality** as an overall CSQE dimension relating to the generic CSQE of service providers.

Øvretveit argues that customers remember a service experience as a series of incidents, not as a list of pre-determined evaluated dimensions.

> **"Customers experience and remember service as a sum of incidents, not as a sum of attributes. Attribute measures force the respondent to assume routine - service situations, but how non - routine situations are dealt with is also important (measured with incident based measures)."** (Øvretveit 1992, p.22)

Consequently, Cronin and Taylor (1992), and Babakus and Mangold (1989) suggest that there may be just one dimension of service.

2.3 HOW DIMENSIONS VARY OVER TIME

Øvretveit (1992), argues that in competitive markets the type and importance of attributes of service quality will change (Lewis 1993) at least every six months. This is because as a change in service takes place by a majority of service providers, the new type of service becomes normal. Consequently expectations for normal service will change since they are linked to reality. Consequently the attributes contained in the new service type may be promoted as an important prerequisite for meeting expected service. This explanation may only be correct, however, if the theory which it is based on is also correct. Øvretveit (1992) also argues that users of public services and different ethnic groups (Lewis 1993) are likely to value different attributes of services, due to cultural variation.

2.4 CONCLUSION

Many other researchers have attempted to identify the major attributes of service quality (Mazursky and Jacoby 1986; Westbrook 1981; Zimmer and Golden 1988; Blooms and Bitner 1981), but all we really end up with is a list of all the attributes and nothing more, certainly not a proven explanation for the way individuals categorise dimensions of service quality. Øvretveit (1992, p.22), argues that :

> **"most services in competitive markets are interested in more specific perceptions that are important in the sense that they relate to how customers / purchasers behave in the market."**

Øvretveit (1992) claims that it is important to identify which aspects / dimensions of service, as perceived by customers, relate most closely to behaviour, so that the aspects of perceived customer service can be weighted relatively and accurately. According to Øvretveit (1992), this can be done through comparing user-cost, and

presumably benefit, as stated by a customer, and then comparing it with behaviour. This is likely to be difficult in practice however, since a customer might not be able to recall or quantify all the costs and benefits to them. Also, lost customers may not be available for interview. Another problem with this form of measurement might be that one may end up measuring satisfaction / value and or the determinants of behaviour rather than service quality.

In summary, it would appear that there is evidence for a great many dimensions of customer service. Unfortunately, this evidence is limited and vastly contradictory, so we cannot decide precisely which of the dimensions to believe in. Consequently all this research seems to combine to act as a large list of likely dimensions. Furthermore, it seems unlikely that it will ever be possible to derive a list of dimensions which are described, understood and labelled in the same categorical way by all individuals. As for determining which dimensions are the most important, many researchers have tried (Hummel and Savitt 1990; Zeithaml, Parasuraman and Berry 1990), and whilst some dimensions may be clearly more important than others, surely the truth is that we cannot make such decisions unless we know what all the dimensions are, and that may never be possible. All we can do is to identify the importance of researcher simplified categorisations of the dimensions of CSQE.

3 OVERALL CONCLUSION

This chapter has presented a view of current business literature relating both to the process of CSQE and the dimensions of service contained it. Whilst the dimensions seem to be rather ambiguous, the process seems to have been explained with a substantial degree of consistency and similarity by the various researchers. This is perhaps because the process has been related to a more thoroughly researched fundamental psychology framework. This fundamental psychology framework is explained in the following chapter.

CHAPTER 2

The Theory Of The Process Of CSQE

As Suggested By The Psychology Literature

1 INTRODUCTION

The fundamental psychology framework within which the process of CSQE takes place has never been clarified. The consumer psychology framework has already been, and continues to be extensively researched (Mullen and Johnson 1990), but not in the context of the process of CSQE. Psychology has been used in a rather piecemeal fashion (see chapter 1) for the purpose of understanding CSQE. Such a fundamental psychology framework does exist, however, and is well evidenced. This psychology framework provides the backbone to all current understanding concerning the process of CSQE, thus providing support and clarity to current understanding. It is also a possible insight into some future understanding about the process of CSQE. The part of the psychology framework which supports and clarifies the business literature, will be extensively explained and supported by this chapter. The extent to which this framework is incorporated into current business literature understanding will also be explained. The extent to which the psychology framework provides a possible insight into future understanding concerning the process of CSQE, will be dealt with in chapters 5 and 6.

Any scientific investigation of the process of CSQE is an investigation of psychology. This is because CSQE by its very definition is a psychological evaluation. However, this investigation is best developed, albeit by business researchers, within the framework of psychology which has emerged from the discipline of psychology. This chapter will therefore cover an area of psychology which is wide enough to include all aspects of the process of CSQE, and which is therefore wide enough to enable the identification of previously undiscovered components of that process.

The following framework will be influenced by the social and cultural context within which an individual lives. The interactions, experiences and behaviours of an individual will inevitably in part be the result of the social and cultural environment surrounding them (Mullen and Johnson 1990; Baron and Byrne 1994; Bernstein, Roy, Srull and Wickens 1988). CSQE is therefore not only a customer's consideration of

service, but is also a representation of social and cultural norms. The importance of such influences will be illustrated by the following framework.

2 THE PSYCHOLOGY FRAMEWORK

2.1 INTERACTION

Service requires interaction between a service provider and its customers. This is suggested by Grönroos (1988). Schemata (Rumelhart 1980), which are used in the process of CSQE (see chapter 1, section 4), are stores of knowledge. Therefore, in order that a customer can gain the knowledge necessary for CSQE, that customer must first interact with the service provider and the other sources of information mentioned in chapter 1 (see chapter 1, section 1.5.3). It would seem logical to argue that CSQE of a specific experience requires at least direct personal experience, but for a CSQE of a service provider, any combination of the interaction sources are sufficient.

Increased interaction with an interaction source, assuming new knowledge is gained, will inevitably lead to increased (and perhaps greater accuracy of) representation, and therefore importance, of that interaction source in specific experience and generic service provider CSQE. Assuming consistent attention, perception and memory percentages per interaction (see the following sections in this chapter), then the greater the duration and frequency of interactions with an interaction source, the greater the quantity of information which will be gained from an interaction source. The more information gained from an interaction source, all other things being equal, such as equal affect (feeling) and importance of affect being accorded to all cognitions (factual knowledge) by a customer (see chapter 5, section 3.2), the greater the impact of that information on the long term memory storage, and therefore the greater the impact on the overall net effect of specific experience attitudes, generic service provider attitudes, prediction expectations, and also comparison expectations and thus the CSQE. For example, a customer who watches many television adverts about a

variety of bank services, but has only ever used one bank such as National Westminster Bank, will derive expectations about other banks using TV advert information, and any other available information, but not the experience of other banks. The opposite would be true for a customer who never watches television but has had experiences of service from many different banks.

2.2 ATTENTION

2.2.1 Introduction

Through the psychological processes of attention, selected parts of the above mentioned interaction will be attended to by a customer. The attention of the selected parts will differ in intensity. This process of attention uses perceptual processes, and makes use of expectations and motives. The state of stress, emotional physiological tension and arousal of a person, influences attention and also, and consequently, all other cognitive psychological processes (see Eysenck 1984). Stress and arousal therefore influence all of the cognitive components of the process of CSQE. Stress is defined here as:

> **"Stress is the system of internal forces, organic or physiological, tending to produce wear and tear on the body."** (Bruno 1986, p.225)

2.2.2 Selectivity of processing

Attention is **"Selectivity of Processing"** (Eysenck 1988). The Kahneman Capacity Model (1973), supported by Mac Kay (1973), argues that individuals have a given amount of mental resources. Attention on one thing will require and use a given number of resources. New stimuli can only be semantically attended to for consideration for further attention, if sufficient mental resources are available. Consideration will otherwise take place using the physical properties of the stimuli. In both cases 'Sensory Memory', very short term memory, as evidenced by Sperling

(1960), will be used to hold incoming information long enough to be considered for attention. Physical properties include the degree of stimuli brightness, intensity, movement, repetition, contrast and incongrousness. In the case of printed adverts, absolute size (Rudolf 1947; Stevens 1975) and relative size (Ulin 1962) may also increase attention. Semantic properties include information which is complex, expectation dissonant (Berlyne 1960), or relevant in the context of an individual's present activities and motives (Kroebar-Riel 1979). Heller (1956) found that subjects remembered significantly more about product slogans presented to them if they contained ambiguity, in this case in the form of every seventh letter missing from the slogan. Schrank (1977) found that because certain customers in the USA were so used to drinking pineapple juice and orange juice that contained the taste of the cans the juice came in and other added ingredients, they were confused by and suspicious of natural, fresh pineapple or orange juice, because it was expectation dissonant. The identification of such physical and semantic properties requires a process of perception (see section 2.3 in this chapter). If the stimuli are deemed important enough by either mode of selection, attention will follow. If insufficient mental resources are available, then attention will occur through displacement of some mental resources away from other attended things. Therefore, the greater the number of tasks attended to, the greater the breadth of attention, and the less the depth of processing.

There is also much evidence that this breadth of attention affects depth of processing. Useful evidence is provided by Johnston and Heinz (1978), and Johnston and Wilson (1980), who gave target words and non-target words to both ears of subjects. In one condition, the 'Low Sensory Discriminability' condition, all words were spoken by the same male. In the 'High Sensory Discriminability' condition, the target words were spoken by a male voice and the non-target words were spoken by a female voice (subjects were told this in advance of being presented with the stimuli). More non-target and less target words were recalled in the low sensory discriminability condition than in the high sensory discriminability condition.

Given resources are available for different types of tasks. For this reason reading a book and writing is possible, but reading one book and listening to another is not. Allport, Antonius and Reynolds (1972) supported this claim by asking subjects to shadow prose messages and either learn auditory presented words, which was not done very well, or learn pictures, this was done better. Martin (1980) however, argues that attention capacity limitation per type of task is more true for physically similar than semantically similar tasks.

Attention resources are believed to be allocated according to the importance of the task. The more important the task the more resources allocated to it. Importance is necessarily a function of motivation (Bruner and Postman 1951; Kroebar-Riel 1979). But what are motives? According to Maslow's famous hierarchy of motives (1970), physiological needs are the most fundamental motives of all. Safety is the next motive in the hierarchy, followed by higher level motives such as affection, esteem and the achievement of ones full potential. Whatever adjustments are made to Maslow's hierarchy, and it is clearly inflexible and over simplistic, it can be seen that for a service such as banking, there are many customer motives which are very peripheral to the service but which may obscure the more central components of the service. These include for example, hunger, thirst, cleanliness, temperature, sense comfort, safety, and the need to preserve energy and go to the toilet.

Practice may improve the capacity of attention (Shaffer 1975), through more efficient use of resources, perhaps because of the development of new strategies, the development of more economical cognitive functioning, or automatic processing of one of the tasks.

2.2.3 Conclusion

In conclusion, decisions concerning the allocation of attention resources, and therefore breadth, depth and accuracy of processing, will depend upon the difficulty, number, type and importance of new stimuli and current tasks being attended to at any given time.

2.3 PERCEPTION

2.3.1 Introduction

Perception of the attended information will now take place. Perception is regarded as the understanding of the outside world, based on the raw camera like information received by our brain from our senses (Gregory 1986). Relativity, in the form of comparison of raw data with other raw data and or data in memory is the essence of much of this understanding. Human perception is a very complex, extremely well researched area of psychology. It is far more complex than can be fully explained by this research. This research however, is not about understanding the nature of perception, but about understanding the role played by perception within the process of CSQE. This requires an understanding of the essentials of the process of human perception.

2.3.2 Theories of perception

Gibson (1950,1962,1966,1979) believed in the idea of direct realism, whereby the information provided by photons of light reflected from any given surface, the 'Ambient Optic Array', is sufficient to enable an individual to perceive the nature of the properties of the surface including surface type, shape, size, distance, movement. Gibson argued that the ambient optic array is even a source of direct perception of recognition of the meaning of an object. There is no evidence for any of this except for the perception of movement. Gibson believed that by focusing on the expansion of the optic array flow pattern, a moving observer can gain a lot of information about her/his speed and direction of movement. The flow of an environment, as seen by a moving observer, and as illustrated and supported by Goldstein (1989), is much quicker close to the observer than further away. Furthermore, the centre of the flow of the environment, the direction of movement of the moving observer, will not appear to the observer to move at all (see Goldstein 1989). The flow of the environment, the expansion of the optic array flow pattern, will therefore provide a moving observer with information about her/his direction and speed of movement (Goldstein 1989). Other similar examples of sources of light information, though not

necessarily direct realism, but perhaps rather inference (Cutting 1991), are explained by Goldstein (1989), including 'Optical Flow Line Direction' (Lees 1974, 1980), 'Motion Parallax' (Cutting 1986, 1987), and 'Angular Expansion' (Lee 1976). 'Deletion and Accretion' (Kaplan 1969) may also be used. The ambient optic array seems to provide much information for perception of movement at least, but perhaps much more, without the apparent use of learnt information from memory.

Gestalt psychology, which suggests that we perceive in terms of wholes, using laws of organisation, is another useful part explanation of perception. Evidence for this, according to Goldstein (1989) is provided by James' Dalmatian dog experiment (see Goldstein 1989), and by Doolittle's (1985) "The forest has eyes" experiment, in which there are 13 hidden faces. In both of these cases, an object or objects can be perceived by a viewer of a picture, even though those objects are not drawn into that picture. Gestalt psychology is usually explained by the phrase: "The whole is different from the sum of its parts". According to Gregory (1986) most psychologists no longer accept this approach as a means of perception, but principles of categorisation of perceptual data are incorporated, whether knowingly or not, into other major theories of perception, as a building block for object development and or recognition (see Goldstein 1989 for further explanation and evidence). This is because unless a thing can be perceived as a whole, it cannot be identified and therefore perceived. Without the ability to group perceptual stimuli, generalisations about those groups would not be possible. Every single individual part of the environment, an almost infinite number of stimuli, would therefore have to be separately perceived, without the assistance of memory, in order to perceive just one view in front of ourselves. As explained later in this chapter, we know that memory is used for the purpose of perception. We therefore know that stimuli grouping does occur.

Marr (1982) explained the perception process in terms of complex mathematical equations. He supported his explanations by using his mathematical equations in order to facilitate artificial intelligence perception. Using these mathematical equations, Marr (1982) explained the nature of development of raw stimuli information into

perceptual building blocks (see section 2.3.3 in this chapter). Again using mathematical equations, Marr (1982) also explained how data concerning information such as size, depth, distance, in other words the perceptual building blocks, is obtained and used to create 3 dimensional, complete images of objects which can then be recognised and therefore fully perceived. This is a very complex theory and there is as yet no proof that it takes place, but it shows a practical way in which Gestalt psychology, the perceptual building blocks, and memory can be developed and integrated in a way that would facilitate perception, by individuals of objects and surfaces. In this way Marr (1982) validated and expanded current understanding concerning the nature of the perception process.

In order for the above mentioned non-memory data / information to be more fully perceived it must be added to by information within the memory of the individual. Gregory (1986, p.13) states a generally accepted view that :

> **"Perception is not determined simply by stimulus patterns, rather it is a dynamic searching for the best interpretation of available data. The data are sensory signals, and also knowledge of the many other characteristics of objects. ......it seems clear that perception involves going beyond the immediately given evidence of the senses..."**

Evidence we receive is of poor quality, and so a 'Higher Understanding' of the world is required if we are to perceive things correctly. As pointed out by Bernstein (1988), however, individual thought and physiological differences and abilities will also influence perception. Higher understanding is used through two processes, 'Bottom Up Processes' and 'Top Down Processes'.

Bottom up processes are data driven processes whereby a person must make sense of the non-memory generated information received by the brain about the stimuli. This is achieved by comparing the non-memory generated information to objects and

situations in memory, finding a satisfactorily close match and using this match as an identification and additional explanation of the non-memory generated information.

Top down processes are concept driven processes. They make use of knowledge of the world in order to perceive something correctly. This knowledge will include all information in memory which can help us make sense of what we are seeing. This knowledge therefore includes knowledge about service experiences and service providers, together with general higher knowledge. General higher knowledge is the set of information in our memory which is either obtained over our lives and which is not just directly related to the concept of customer services, or information which is an innate feature of our cognitive system. Examples of general higher knowledge include the knowledge of the motives of suppliers in general, knowledge of the factors which influence the behaviour of individuals in given situations, and knowledge concerning the signs of bad workmanship. This knowledge will enable us to expect, and therefore recognise, certain perceptions in certain contexts, circumstances and environments, through the creation of a 'Perceptual Set' (Gregory 1986). A perceptual set is a readiness or predisposition of an individual to perceive a stimuli in a certain way. In other words it is a prediction expectation, or 'Will' expectation. The perceptual set will also enable the filling in of information missing from the information being received by individuals' retinas, thus filling in gaps in perception. The perceptual set is designed to, and will normally, improve the accuracy of perceptual understanding. Sometimes however, when combined with the influences of motives and motivation, the perceptual set may lead to mis-interpretations (Gregory 1986).

The use of prediction / 'Will' expectations in the process of CSQE is supported within the business literature by Grönroos (1992), and Boulding, Kalra, Staelin and Zeithaml (1993) (see chapter 1, section 1.4). The idea that personal needs and wants influence expectations is supported within the business literature by Zeithaml, Berry and Parasuraman (1990) (see chapter 1, section 1.5.3.7). Top down processing in general is supported by Cheskin (1957), who found that certain customers in the USA

mistook margarine for butter, and butter for margarine, if the margarine was yellow and the butter was white. This was because at the time of the study margarine available to the customers used in the study was always white. Correspondingly, the same customers believed that what they had identified as margarine was oily, and that what they had identified as butter was creamy. This was in line with general consumer preconceptions about butter and margarine. This suggests that the customers had used their preconceptions in order to perceive what they had eaten. The suggestion that the perceptual set may lead to mis-interpretations is supported by a study by Marder and David (1961) in which it was found that subjects incorporated 'what was likely' into their recollections of adverts which they had seen. Further evidence was found by Anderson (1973) within the satisfaction literature.

Motives and motivations will also be guided in part by predictions (Gregory 1986). Conflict between the perceptual set; including the motives, stimulated by the perceptual set, which are expected by the individual to be satisfied by the fulfilment of the perceptual set; and incoming perceptual stimuli may lead to surprise, including both positive surprise and disappointment. If you tell someone that they are going to receive something nice, they may be disappointed not to receive something nice. Further explanation of the role played by predictions is given in section 2.6.1 in this chapter. There is substantial evidence from the satisfaction and service quality literature for this surprise and disappointment process. This evidence is clearly summarised by Liljander and Strandvik (1993) and Liljander (1995). Grönroos (1982, see chapter 1, section 1.1) was the first to imply such a process within the process of CSQE, though the same has since been suggested by Boulding, Kalra, Staelin and Zeithaml (1993, see chapter 1, section 1.4), Liljander and Strandvik (1993) and Liljander (1995).

Significant evidence, from the discipline of psychology, for both bottom up and top down processing and its importance is given by a host of visual perceptual illusions (see Gregory 1986; Goldstein 1989), restored vision studies (see Von Senden 1960; James 1890; Gregory 1986), infant perception studies (Gibson 1969), perceptual

deprivation studies, adaption studies (Stratton 1896), and neuropsychological studies, including the existence of medical conditions such as Agnosia, and in particular Prosopagnosia.

In conclusion, it can be seen that perception, including the perception of customer service experiences, makes use of information, such as knowledge about customer service and other general knowledge held within memory, and is influenced by customer motives. Customer knowledge and motives are therefore major determinants of customer service perception, and therefore major determinants of CSQE.

2.3.3 The perceptual building blocks

Raw data received by our brains from our senses need to be turned into information which can be matched with information in memory for the purpose of object recognition. This information itself is developed with the assistance of other information in memory. The main perceptual building blocks will now be briefly explained.

- **Perceptual Contrast**

  Perceptual contrast requires the perception of relativity of brightness (see Goldstein 1989 for a thorough explanation and evidence). Brightness is the experience of intensity of light reflected from a surface.

- **Lightness**

  Lightness is determined by 'Reflectance', where reflectance is evaluated by comparing brightness with the level of object or surface lumination, the angle of lumination, contrast with surroundings and perceived shadow causing factors and indicators (see Goldstein 1989 for a thorough explanation and evidence).

- **Colour**

  Colour is perceived as a result of the brain comparing colours across the whole of the retina and then making adjustments, known as 'Chromatic Adaption', in order to achieve relative colour accuracy 'Colour Consistency' (see Goldstein 1989 for a thorough explanation and evidence). Gregory (1986) argues that

memory may be used to help us see colours. If we see a tree trunk we may see it as brown even though it may in reality be indistinguishable from black. This is why we can perceive colours like gold even though they cannot be created by mixing the red, yellow and blue cones in the eye.

- **Depth and Distance**

  Depth and distance perception depends on the relativity of (see Goldstein 1989 for a thorough explanation and evidence):

  1. 'Occulomotor Cues', information received by the brain about the position of the eye muscles.

  2. 'Accommodation' of the shape of the eye lens.

  3. Analysis of 'Binocular Disparity Cues', information resulting from the different views from each eye. This is why it is difficult to judge distance with the sight of just on eye.

  4. 'Learnt Pictoral Cues', making use of knowledge that, for example, if a fence is obscured by a tree, the tree is nearer to the observer than the fence is.

  5. 'Motion Produced Cues', such as the movement of a closer object relative to a further object, and knowledge about the size of the object, such as the knowledge that if an adult elephant looks small it is probably far away.

- **Size**

  Size perception requires a process of 'Size Constancy', whereby the size of the given object on the retina is adjusted according to its distance. The further the distance of the object, the larger the adjusted size of the object which is perceived (Goldstein 1989). The perception of size, and thus size constancy', is also assisted by a knowledge in memory of the size of the given object (Gregory 1986) (see Goldstein 1989 for a thorough explanation and evidence).

- **Real Movement and Relative Movement**

  This is perceived through relativity, namely relativity of retinal image, eye and head movement, and the relative movement of environmental cues including those mentioned above (see Goldstein 1989 for a thorough explanation and evidence).

2.4 SERVICE PROVIDER PERCEPTION

On the basis of assumptions and rules, an individual draws inferences from what is initially perceived. The inferences which a customer draws from the behaviour experienced from a service provider, will influence that customer's attitude towards a service experience and therefore the service provider. The only evidence which can explain the inferences which are drawn from service provider behaviour, is evidence supporting 'Person Perception', the perception of people by people. Service providers are made up of and managed by people. It is therefore, reasonable to presume that person perception techniques are used by customers for the evaluation of service provider behaviour. An understanding of person perception should therefore help us to understand service provider perception.

There is some kind of evaluative consistency (Cronbach 1955) with person perception. Asch (1946) believed that people usually split impressions up into 'good' or 'bad', with all the attributes that follow. People we find attractive are also usually given better attributes than people we find unattractive. For more detailed generalisations, stereotypes, scripts (rules about what happens in different situations) and schemata are all used in order to form impressions. First impressions count relatively more than later impressions unless the later impressions proved cognitively dissonant (primacy effect). Norman Anderson (1967) found that overall impression is based on an average and so it is better to give a few highly influential impressions because they are likely to outweigh any other impressions. This fits with the findings of research on attitudes (see chapter 5, section 3.2). Ash (1946) found that socially related traits usually play a more significant role in the attitude than intellectually related traits.

'Attribution Theory', a very important development first suggested by Heider (1958), suggests that people try to understand other people in terms of what caused their behaviour, since what causes behaviour tells us about the characteristics of a person. The essence of the theory is that the perceiver may believe that a certain behaviour was caused by a person (dispositional) attribution, and / or by a situational (external)

attribution. Heider argued that personal forces were comprised of ability 'Can' and motivation 'Trying', and that the less ability, the more motivation exertion required. To clarify, Kelley (1973) argued that perceivers look for co-variant causes, of which there are 3 classes; Entities (stimulus objects to which the behaviour is directed), Persons (the person doing the behaviour), Time and Modality (situations and occasions). In order to gain the information necessary to consider each of the classes of causes, schemata concerning the entities, person or situation and occasion may be used in addition to the information which is directly apparent from the perception of the event. In addition Kelley (1973) suggested 3 kinds of heuristic which are used to assist attribution;

- The 'Distinctiveness' of any explanation found for the behaviour. If one explanation seems much more likely than others less hesitation of attribution will take place.
- 'Consensus', the degree to which we believe other people would behave similarly in given circumstances. If we believe similar behaviour would occur, we attribute external factor causes and vice versa.
- The 'Consistency' of the behaviour of the person being perceived. Consistency in behaviour tells us that behaviour is due to internal attribution factors.

These heuristics were evidenced by McArthur (1972) who provided behavioural statements to subjects; e.g. "John laughed at the comedian", and then provided criterion statements; e.g. "everyone else also laughed at the comedian". He then asked subjects to rate the likely causes of "John's" behaviour. Results were as predicted by the theory provided by Kelley (1967). It was found that consensus was the least important factor, probably because it is the only information which does not include the actor, and because it is a more indirect indicator of attribution. Distinctiveness was the most important factor.

There are many other heuristics. One such heuristic is the 'Availability Heuristic' (Tversky and Kahnemann 1973; Gabrielcik and Fazio 1984), which refers to our ability to assess the probability of an event taking place by noting the ease by which

such events can be brought to mind. This probability however, is not based on any firm or real statistics. It can even, according to Gabrielcik and Fazio (1984), be primed by the subliminal presentation of semantically related information to subjects. It could be argued that the ease by which an event is brought to mind is a function of the nature of the event taking place. In other words events which are easy to recall, due for example to having stronger links to other memory, may be brought to mind more easily, therefore resulting in the availability heuristic'. If this is the case, then the availability heuristic will result in even less accuracy of explanations for events, than if the availability heuristic is simply based on the premise that more frequently occurring events will be more easy to recall. It could be that the real explanation is a combination of the above two theories.

However, perhaps the ease by which events are brought to mind may simply determine the number of events which are remembered. In other words, the easier the event is to recall, the more information which will be recalled for judgement of event frequency. This is to say that judgement of event frequency is a judgement based on the number of events which can be remembered, not simply on ease of recall of examples of such events. This is really a clarification to the availability heuristic rather than a contradiction to it. An experiment by Schwarz et al (1991) however, found that remembering more examples of an event will not lead to a higher judgement of event frequency if remembering more examples is more difficult than remembering slightly fewer examples. Consequently, although the clarified heuristic may also take place, the original heuristic still seems to be supported.

An error which sometimes appears to take place with the availability heuristic is that there is a tendency to overstate the availability of supporters of our opinions. When asked to state the number of people who are likely to agree with our opinions, we often claim higher numbers than there actually are (Sherman, Presson and Chassin 1984; Nisbett and Kunda 1985; Suls, Wan and Sanders 1988). This is known as the 'False Consensus Effect'. This may occur because of our motives to feel that what we believe is correct (Marks and Miller 1987; Sherman, Presson and Chassin 1984).

It should be noted that the availability heuristic is not simply a part explanation of person perception. It is most commonly referred to within the context of person perception, but it has wider implications. Tversky and Kahneman (1982) found that even judgement of the incidence of words with given letters in given orders seemed to be judged using the 'Availability Heuristic'. In fact such a heuristic could arguably be used to judge the incidence of anything.

In addition to the availability heuristic, Tversky and Kahneman (1973) found that any clue may be used to make attributions if no firm evidence is available. Tversky and Kahneman (1973) also found that if people have no choice in their behaviour, then the attribution given to that behaviour by a person perceiving it, is likely to be purely external.

One qualification to this process of attribution is the 'Actor-Observer Effect'. This is a tendency of observers to play down the influence of situational factors and exaggerate personal factors when dealing with other people's behaviour. This is known as 'Fundamental Attribution Error'. The opposite occurs when dealing with our own behaviour (Jones and Nisbett 1971; Frank and Gilovich 1989). Jones and Nisbett (1971) argue that fundamental attribution error occurs because it makes life easier to presume that personal traits, which are fairly constant, are the cause of human behaviour; once a person's personality is identified, attribution can occur without thinking about the situation surrounding the behaviour. Another qualification, according to Jones and Davies (1965), is that 'Corespondent Inferences' exist whereby another person's behaviour is seen as a consequence of a person's intent except when that behaviour is socially desirable, in which case it may be due to social pressures, and except when the existence of other external prevailing forces are obvious. Brown and Rogers (1991) and Miller and Ross (1975), support another qualification, 'Self Serving Bias', that says that people tend to attribute positive outcomes to internal causes, but negative outcomes to external causes when dealing with our own behaviour. The opposite is true for the behaviour of others.

2.5 MEMORY

2.5.1 Introduction

Perceptions and corresponding emotions are stored in long term memory. The memory for an event experience, such as a service experience or any information gathered through the interaction sources mentioned in section 2.1 in this chapter, is known as 'Autobiographical Memory'. This autobiographical memory can therefore be used for the recall of service experience or service provider information, and for the formation of expectations (see section 2.6 in this chapter), for the purpose of CSQE. Autobiographical memory is comprised essentially of a hotch potch of 'Episodic Memory' and 'Semantic Memory' (episodic and semantic memory are explained in section 2.5.2, 2.5.3 and 2.5.4 in this chapter), the two major kinds of memory used in our minds, and various other memory linkages. Episodic and semantic memory is well recalled. Semantic memory contains literally millions of pieces of information, yet we can answer most questions about that information extremely quickly. It takes on average 9.75 milliseconds to decide that a sparrow is a bird. (Smith, Shoben and Rips 1974). People on average can think of the name of a fruit beginning with the letter 'P' in 1.170 milliseconds (Loftus and Suppes 1972). Linton (1982) accumulated 5500 personal events in memory in 6 years. Good recall requires good organisation, understanding, processing and context and state dependency. This suggests that semantic and episodic memory are normally processed, understood and organised clearly and closely interactively with other semantically related memory. The key elements of autobiographical memory will now be now explained.

2.5.2 Episodic memory

The episodic memory for an experience, often referred to as 'Experiential Memory', is the memory for a particular event experience during your life (Brewer 1986). It is memory with an autobiographical flavour, rather like a personal video recording, memory which requires the recall of the context if the memory for the episode is to be recalled. According to Brewer (1986) this memory may be a copy or reconstruction. Nigro and Neisser (1983) suggested that people remember events from the viewpoint

of an outside viewer, and that such observer memories must therefore be reconstructions.

There are many conditions mentioned and supported in the literature on episodic memory, which must be satisfied if episodic memory is to be encoded stored and recalled satisfactorily. The ability of an individual customer to encode, store and recall the information being presented to him / her in the form of episodic memory, is naturally a major determinant of the nature of memory relating to service experiences and service providers. Therefore, if it were possible to influence this episodic memory in a way which would make a customer remember positive service experience information more than negative service experience information, it would be of great interest to this research. It can be argued that whilst it is be possible to do so to a limited extent, nevertheless most of the determinants of episodic memory are in the hands of the individual customers themselves and therefore not under the control of the service provider. Those determinants which are in some way controllable will now be explained.

There is much evidence to show that the increase in the intensity and extensiveness of semantic links will improve long term memory. Thompson (1982) and Reason (1979, 1984) suggested that rehearsal of information is a vital way to stop individuals forgetting due to time decay. In other words, the restoration of semantic links is vital. Linton (1982) stated that information in long term memory that is well organised, placed into a meaningful context, or has distinctive features, is easier to retrieve. Moscovitch and Craik (1976) and Klein and Saltz (1976), found that richer semantic encoding assists long term memory storage. Hyde and Jenkins (1973) and Craik and Lockhart (1972) emphasised the importance of the levels of processing of information. The problem with testing the effect of levels of processing however, is that, as suggested by Baddeley (1990), it is difficult to determine the level of processing that is actually taking place. Sehulster (1981) argued that memorability results from sufficient rehearsal and processing. Sehulster (1981) argued that this rehearsal and processing results from factors such as emotionality and importance of

the event (Cohen and Faulkner 1988), active involvement of the actor in the event, the uniqueness of an occasion, and the event being a first or last time event.

If information presented to an individual is to be satisfactorily processed by working memory, then it must be grouped together into manageable bundles. Short term memory has a relatively small capacity (Bernstein 1988) and so cannot deal with too much information at any one time. Therefore, information should be presented in manageable bundles.

Too much stress can reduce the ability of an individual to encode and recall information in memory (Clifford and Scott 1978; Eysenck 1984). Stress should therefore be avoided if information is to be satisfactorily stored in memory. It is not known why stress has this effect on memory. It seems likely that stress prevents the efficient and effective processing, storage and retrieval of information within memory.

The 'Primacy Effect' and 'Recency Effect' are evidenced and explained clearly by the psychology literature. It suggests that for each experience the first and last items will be remembered better than other items. Postman and Philips (1965) found this to be true and found that if recall was after an arithmetic task which was immediately after the item presentation, only the primacy effect, the remembrance of the first items, would occur. The same applies to all information which is received by an individual concerning a particular presentation. The reason for this may be due to attentional, information encoding and processing, information storage or information recall factors, or a combination of all four. Explanation is a complex issue but the results are simple and well proven. The consequences for the customer's expectations are that for a particular experience of service, for the service of a particular supplier in general, for word of mouth or external communications, or other information received by an individual customer, there will be a primacy and recency effect concerning memory. Because the memory for such information will be used to create or modify schema, and also to provide arguments which can be used to reduce dissonance, then it can be argued that the primacy and recency effect on incoming information has a direct

influence determining expectations. The primacy and recency effect is therefore is an issue of great importance for service providers since it affects the nature and accuracy of customer expectations. The consequence of this is that first encounters and most recent encounters matter, which in turn means each an every encounter. All encounters therefore matter.

2.5.3 Episodic - semantic memory interdependence

2.5.3.1 Introduction

Semantic memory (see section 2.5.4 in this chapter) and episodic memory are believed by most cognitive psychologists today to be distinct but not at all separate. They are interdependent and therefore interactive with each other (Cohen 1989).

2.5.3.2 Stimuli require semantic memory for interpretation at the time of the experience

As additionally illustrated and explained in the section on perception (see section 2.3 in this chapter), Bartlett (1932) argued that a subject's store of information will influence new information. Memory is a very constructive process.

Bartlett (1932) found that people make at least 3 errors in memory resulting from the use of this store of information:

- ◆ Rationalisation;
- ◆ Flattening, unfamiliar details being left out;
- ◆ Sharpening, elaboration of certain details that people understand and recall.

Bansford, Barclay and Franks (1972) found that most people try to understand what is presented to them along with any logical inference. Therefore distortions can arise. Their experiment included 2 sentences given to subjects:

- ◆ *"3 turtles rested beside a floating log and a fish swam beneath them."*
- ◆ *"3 turtles rested on a box and a fish swam beneath them."*

Subjects were then asked to recognise 2 sentences:

- ◆ *"3 turtles rested beside a floating log and a fish swam beneath it."*

- *"3 turtles rested on a floating log and a fish swam beneath it."*

70% of subjects hearing the second of the first two sentences falsely recognised number 4, but subjects did not falsely recognise either of the last two sentences if they learnt one because they are not correct inferences of the first sentence presented.

Further evidence was provided by Bransford and Johnson (1972) and Johnson, Bransford and Solomon (1973). Johnson, Bransford and Solomon (1973) gave one group of subjects the sentences:

- *"John was trying to fix the birdhouse. He was pounding the nail when his father came out to watch him and do the work".*

He gave a second group the sentences:

- *"John was trying to fix the birdhouse. He was looking for the nail when his father came out to watch him and do the work".*

90 % of the first group falsely recognised the following sentence as the sentence they had originally heard :

- *"John was using a hammer to fix the birdhouse when his father came out to help him"*

Nobody in group 2 did however. This is because the words 'pounding the nail' heard by the first group imply the use of a hammer, and so the first group inferred that a hammer had been used. Consequently a second similar sentence including the use of a hammer could be interpreted as having the same meaning and therefore being the same sentence as the first. 'Looking for a nail', however, does not imply the use of a nail. Consequently the second group of subjects did not interpret the second sentence as meaning the same as the first, and so did not believe that it was the same sentence.

Therefore, it would seem that one goes beyond the information immediately available and makes inferences. In other words incoming information is made sense of and added to using general knowledge / semantic memory. Therefore, Bransford and Johnson (1972) and Johnson, Bransford and Solomon (1973), believed that inference occurs at the encoding stage. Bransford and Johnson (1972) labelled this the construction and comprehension stage, and supported their claim using the following

experiment. Subjects who were given a title of a paragraph before it was read recalled 5.8 idea units. Subjects given the title afterwards recalled only 2.6 units. People given no title recalled only 2.8 units. Therefore, title at retrieval is no use.

2.5.3.3 Episodic memory is the basis of semantic memory

The perceived information will be stored as long term episodic memory (Baddeley 1990; Eysenck 1984; Bernstein, Ray, Srull and Wickens 1988), from which long term semantic memory will be derived through 'abstraction' and 'generalisation' (Cohen 1989) (see section 2.5.4 in this chapter). Semantic memory may retain traces of context (episodic memory), but over time episodic memory may be totally or partially lost and so we are mainly left with semantic memory with some, a trace of, or no episodic memory. Episodic and semantic memory can therefore be thought of as points on each end of a continuum (Eysenck 1984).

2.5.3.4 Episodic memory uses semantic memory for interpretation at the time of recall

When recall of the episodic experiential memory takes place, semantic memory may be used for explanatory purposes.

Loftus and Palmer (1974) found that the wording of a question can influence what observers report about an incident they witnessed. Loftus (1974) showed a film of a car accident to 100 student subjects. Subjects were then asked specific questions by a questionnaire. Subjects in group one were asked how fast the cars were going when they smashed into each other. Subjects in group two were asked how fast the cars were going when they hit each other. The control group were given no question. Group one on average answered 10.5 mph. Group two on average answered 8 mph. One week later all groups were asked if they saw any broken glass. 32 % of group one, 14 % of group two and 12 % of the control group said they did. Therefore, Loftus and Palmer (1974) believed that the word smashed implied broken glass, and this altered the way the subjects reconstructed the information. Furthermore, half of the subjects were asked in the original questionnaire: "did you see 'a'......", (implying

that a singular item existed) and the other half of the subjects were asked: "did you see 'the'........" (implying that more than one item existed). Loftus (1974) found that subjects who were asked the second version of the questionnaire, saw more things than those who were asked the first version of the questionnaire.

The reasons for the above findings are not totally agreed, but it would appear that episodic memory is being recreated, and corresponding semantic memory consequently adjusted, on recall with the assistance of post-event semantic memory. This may result from the modification of memory ('Substitution Hypothesis' - McCloskey and Zaragoza 1985) due to a subject's uncertainty about the subject's interpretation. Sometimes however, the above findings might be because of the acceptance of misinformation ('Response Bias Hypothesis' - McCloskey and Zaragoza 1985) due to a subject mistakenly accepting a modification to the recall of the subject's memory even though that subject might not agree with the change. It might also sometimes be a combination of the two above explanations ('Passive Acceptance' - Tversky and Tuchin 1989). It might even be as a result of a subject failing to discriminate between memory derived from different sources. In other words, memory for misinformation and memory for the real event might be mixed up and therefore confused. This is often referred to as the 'Misattribution Hypothesis' (Lindsay and Johnson 1989).

Further evidence is provided by research relating to schemata (see section 2.5.4.8 in this chapter). Brewer and Treymes (1981) took subjects to their office and left them in it for 35 seconds. When the subjects were then taken to a nearby seminar room and asked to state everything they could remember about the office, they were only good at remembering the typical things, for example the things that should have been there. Generic knowledge must therefore, have been used by subjects when they recalled what they had seen in the office. Post-event information therefore leads to the impairment of autobiographical memory.

2.5.4 Semantic memory

2.5.4.1 Introduction

This is memory for knowledge about anything and everything and has a number of key elements. All incoming knowledge from any of the interaction sources (see section 2.1 in this chapter) will therefore, subject to encoding and storage restrictions, be stored at some point within semantic memory, the components of which will now be explained. Semantic memory does not require the retrieval of the context in which the knowledge was originally obtained, in order to be retrieved itself.

> **"Semantic memory does not register perceptible properties of inputs, but rather cognitive referents of input signals."** (Tulving 1972, p.386)

2.5.4.2 Declarative memory

The semantic memory for an experience, known as 'Declarative Memory', is the knowledge that a particular event occurred during your lifetime, as opposed to propositional knowledge which is the knowledge of how to do something. For example;

> **"I may have a declarative memory of the fact that I went to school in Wales or I may have an experiential memory, re living the experience with associated imagery and emotions."** (Cohen 1989, p.117)

Declarative memory is knowledge which can be recalled without having to recall the experience which took place when that information was taken into memory. This is not to say of course, that semantic memory is everything to do with meaning. Episodic memory contains meaning too. This memory may be specific to a particular experience or generic to a number of similar events (Neiser 1986). Arguably the best explanation, to date, for the nature of the central structure of the declarative component of autobiographical memory is Anderson's ACT model (1985). This

simply suggests a network of propositions which combine to create events. A similar structure could also be a feasible explanation for historical events within memory. This ACT model is illustrated in Diagrams 2.1 and 2.2 below. Diagram 2.1 shows the mechanism by which declarative memory is created and accessed. Diagram 2.2 illustrates how two (labelled '1' and '2') linked propositions might be stored as declarative memory.

Diagram 2.1: The Architecture of Anderson's (1983) ACT Model

APPLICATION

DECLARATIVE MEMORY

PRODUCTION MEMORY *where interfacing & interlinking takes place*

RETRIEVAL   STORAGE

EXECUTION   MATCH

WORKING MEMORY

ENCODING   PERFORMANCE

OUTSIDE WORLD
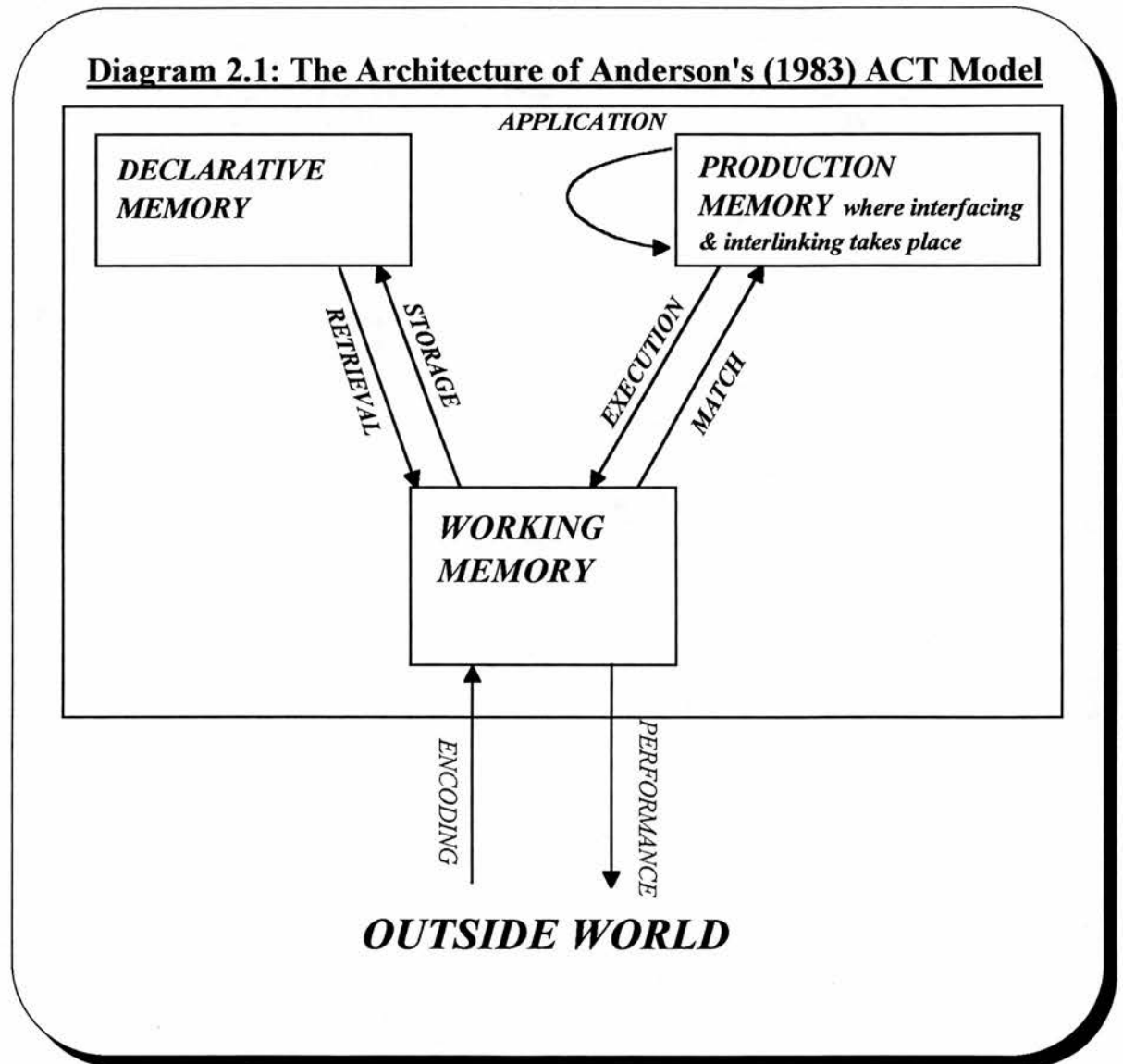
Diagram 2.2: Anderson's ACT Model (1985)

Broke

Large

relation

relation

The Girl

The Window

agent

object

1

subject

relation

2

object

Lives Next Door

Is On

relation
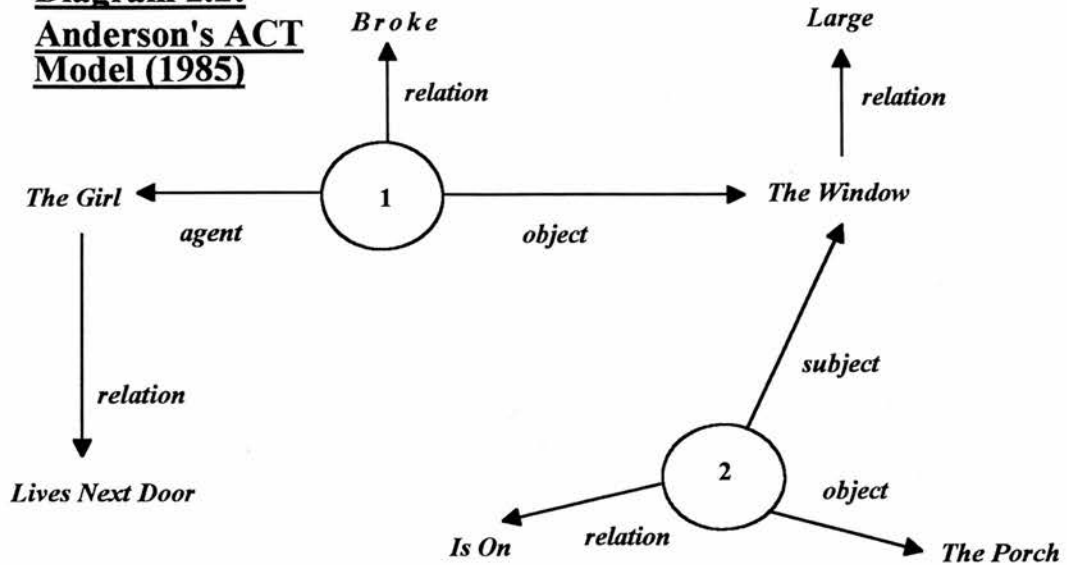
The Porch

Propositions: "The girl broke the large window" & "The window is on the porch"

2.5.4.3 Events, names, concepts and schemata are stored separately, but linked within memory

Baddeley (1990 p.294) cites a study by Dritschel, Williams, Baddeley and Nimmo-Smith (1992) in which 55 subjects were asked to recall as many items as possible about 14 stated categories within 90 seconds. The 14 categories were: pre, primary, post and secondary school events; primary school, secondary school and current friends names; primary and secondary school teachers names; post-school friends names; vegetables, animals, American presidents and British prime-ministers. Cluster analysis of the recall ability for all subjects across the 14 categories, suggested distinct clusters. The significance of these results is arguably limited, though not at all nullified by:

- The order of presentation of categories for recall, which would have affected tiredness;

- The argument that the clusters could be explained though size, recency, familiarity and typicality variation of information units being recalled in each of the categories;

- The statistical result distinctness of the above mentioned clusters.

The clusters nevertheless reflect the distinctness of event, name and concept memory held within semantic memory. Dritschel, Williams, Baddeley, and Nimmo-Smith (1992) also suggest that the results of their study show a distinctness between autobiographical and non autobiographical semantic memory. Neuropsychological evidence suggests, furthermore, that schemata are located separately from individual concepts. Warrington and Taylor (1978) found that some particular patients, typically ones with left hemisphere lesions, could identify semantically related objects such as tennis balls and tennis racquets but could not realise the semantic relatedness. Neuropsychological evidence also supports the claim that the naming of concepts is stored separately from the meaning associated to those concepts. This was found by Beauvois, Saillant, Meininger, and Lhermitte (1978) who reported on a patient who could identify the meaning and purpose of an object, but could not name it. The same applies to people concepts (face recognition and identification) and their names. Research into the process of face recognition and identification and name recall, suggests that individuals must recognise a face before they can identify the person, and name recall cannot usually take place without identification (Bruce and Young 1986). McWeeny, Young, Hay and Ellis (1987), found that it is easier to remember occupations than names. In 75% of trials they found that subjects recalled the occupations but not the names of people. Young, McWeeny, Ellis and Hay (1986) found that subjects took considerably less time to categorise photographed faces as familiar or unfamiliar, or as politicians or non politicians, than to name them. Young, Ellis and Hay (1985) found that 85 subjects recorded 95 errors in face recognition and identification and name recall, but in no cases was there a problem with face recognition or identification at the same time as correct name recall.

Consequently we know that the above components of memory are separate components. Throughout this chapter however, evidence of the interaction between

events, names, concepts and schemata, can be seen. The components of memory may be stored slightly separately, but they work together.

2.5.4.4 Cognitive economy

It would be cognitively uneconomical to have information about being able to fly stored with every bird name. Properties common for example, to virtually all birds such as 'can fly', or 'has wings' are stored only with information about birds. Properties which distinguish one species of bird from others are stored with information about those specific bird species. In this way required information storage is minimised (Collins and Quillian 1969,1970). Collins and Quillian claimed that this therefore suggests a hierarchical structure of semantic memory regarding concepts. If cognitive economy applies to concepts then the same is likely to apply to all other areas of autobiographical memory. Cognitive economy regarding concepts is evidenced by Collins and Quillian's (1969) sentence verification technique. This was based on the assumption that it takes time to move from one stage to another, and so it takes longer to decide if a sentence is correct if that decision requires movement from one stage to another. Using a sentence like 'a canary has wings' and 'a canary is yellow' they found that it took longer to decide if a canary has wings than if a canary is yellow. Also, Conrad (1972) found that all of her subjects supplied 'has wings' as one of the properties of a bird, but none of them supplied it for 'canary', 'owl' or 'ostrich'. Baddeley (1990) however, argues that these findings can be explained by semantic relatedness, though the evidence for semantic relatedness (as explained later) cannot be explained by the concept of cognitive economy. Furthermore, Conrad (1972) carried out the Collins and Quillian 'Sentence Verification Test' whereby the features to be verified had already been suggested by an earlier group of subjects. In other words they were semantically related features. In this way the semantic relatedness variation within the test were nullified. It was found that under these conditions no evidence existed for longer responses to categories that were assumed to be stored at higher levels. Nevertheless, neuropsychological evidence provided by Warrington and Shallice (1984) suggests that some patients with impaired memory resulting from brain infections, who have difficulty explaining the meaning of certain named objects,

can state the superordinate of the item named. For example, it may be possible for a patient to state that a daffodil is a "plant" but no more meaning will be given. As stated by Baddeley (1993) this suggests that there is some kind of hierarchical organisation of information held within semantic memory. This is because it is possible for such patients to know the immediate category within which a named item falls, even if no other information about the item is recalled. This suggests that there is generally a strong and close link between an item and its immediate hierarchical category definition.

2.5.4.5 Familiarity and typicality ('Semantic Relatedness')

The mind uses the concept of semantic similarity in various ways, such as for pattern, face and word recognition and perceptual judgement. It would therefore, appear logical to assume that any semantic memory system is likely to be organised according to semantic relatedness to a large degree.

Contrary to the classical theory of concepts, whereby all concept category members, such as 'Robin', posses all category defining features, such as 'bird', and in accordance with the prototype theory suggested by the philosopher Wittgenstein (1953) and supported by Rosch (1973) and Rosch and Mervis (1975), it can be argued that some concept category members are more typical of the prototype of the category than other members. More familiar things will have stronger links and more typical things may be stored closer to another typical thing. Kohonen (1984) suggests that related features, features that are likely to occur together, will be stored relatively closely together. Kohonen (1984) argues that in so doing links between such features will be relatively short, and consequently encoding will be relatively fast compared with features which are less related.

Kintsch (1980) states that most studies have shown that subjects are consistently faster to verify true sentences when the subject and predicate are semantically more closely related (Wilkins 1971; Rosch 1973). Conversely, for false sentences, semantic relatedness slows down response times. For example Rips, Shoben and Smith (1973)

found that verification times for semantically related members of a category are faster than for atypical members. 'A robin is a bird' is faster than 'A chicken is a bird'. Ripps, Shoben and Smith (1973) found that it takes more time to decide if a cat is a mammal than if a cat is an animal. Ripps (1975) found, in an inductive reasoning task, that subjects who learned that a typical species possessed some property, such as an unknown disease, were likely to generalise this property to other species. Subjects did not make generalisations however, when the same fact was learned about an atypical species. Thus when robins suffered from a mysterious disease, more species of bird were judged to be affected than when the disease pertained to ostriches. In a different task, a Sternberg Scan for the presence or absence of words in a category, semantic relatedness affected reaction times in much the same way as in a verification task. Semantic relatedness can also explain, and is therefore evidenced by some semantic priming studies. In particular Meyer and Schvaneveldt (1971) found that identification of whether presented words were real words was faster if preceding presented words were semantically related, for example, 'bread' presented before 'butter'.

The evidence for semantic relatedness led Collins and Loftus (1975) to publish their 'Spreading Activation Theory' as an updated explanation for the structure of concepts within semantic memory. This model states that there is a spread, along the network, of activation, and some links are stronger than others and longer than others. Therefore, if two words are activated you will get 2 spreads, and if you are asked if a robin is a bird, you will look for an intersection. Kintsch (1980) however, believes that some task variables interact with semantic relatedness in determining reaction times. These include priming effects; repetition of related stimuli in an experiment reduces judgement times (Collins and Quillian 1972). This is perhaps due to 'Residual Activation' (Collins and Loftus 1975), which means that if a word is activated once within memory, then it is easier to activate again, if that activation is soon enough after the first activation. Reduced judgement times resulting from the repetition of related stimuli, may also be the consequence of the reorganisation of semantic structure (Hopf-Weichel 1977), whereby a person organises memory so as to make repeat activation of chosen memory easier in future. The interacting task variables

also include 'List Effects' (Rips 1975; McCloskey and Glucksberg 1979), whereby people learn lists of related things. People can therefore retrieve these lists of related things at a later date more easily and more quickly than would have been the case if they had not learnt the lists in the first place.

2.5.4.6 Inferential processes

It is sensible to believe that we often make use of inferential processes (Eysenck 1984). For example we work out that a canary sings by combining the information that a canary is a bird and that birds sing. According to Eysenck (1984, p.308) :

> **"It is clear that such inferential thinking is quite common. Most people would agree that Aristotle had a big toe, but it is improbable that this information is stored directly in semantic memory. What presumably happens is that we know that Aristotle was a man, and that most men have big toes, and so we infer that Aristotle must have had a big toe."**

The spreading activation theory (Collins and Loftus 1975) (see section 2.5.4.5 in this chapter) incorporates this ingredient. Furthermore, business researchers such as Olson (1978) and Steenkamp (1990), support the existence of inferential beliefs within the process of CSQE (see Chapter 1, section 1.5.3.11). The 'Systematic Distortion' phenomenon (Elliot and Roach, 1991) provides additional evidence within the discipline of psychology for the existence of inference within individuals' minds. It is a phenomena whereby a knowledge about one thing will lead to assumptions about other things (see Chapter 1, section 1.5.3.11).

Individuals may also arguably draw inferences about something on the basis of their prior behaviour. For example, If we buy something which is expensive, we will later claim that it must have been good (Shapiro 1968). According to Mullen and Johnson (1990) this finding could occur because individuals consider it cognitively dissonant (contradictory) to purchase something which is bad, and therefore convince themselves that the thing they bought was not bad. Alternatively, this finding could

simply be because individuals do not want others to know that they bought something which was bad, and so inform others to the contrary (Tedeschi 1981; Tedeschi, Schlenker and Bonoma 1971). Alternatively, as considered by Mullen and Johnson (1990), the finding might be because, as explained in section 2.4 above, individuals tend to attribute positive traits to themselves. Consequently, as also considered by Mullen and Johnson, if memory for a purchase does not suggest anything to the contrary, an individual might simply believe that if he or she paid a lot of money for it, then it must have been good.

2.5.4.7 The importance of event description structure

Bartlett (1932) found that unstructured event descriptions were less well retained than more structured ones. Therefore, perhaps the structure of event descriptions which are easily remembered, can tell us something about the nature of the way in which events are structured within our memory. Since stories such as classic folk tales are generally well remembered, the structure of stories may tell us what we want to know. Rumelhart (1975) and Mandler and Johnson (1977) analysed this structure and found together with Thorndyke (1977) that taking out elements of the structure made it harder for people to remember stories. This is perhaps not proof that language structure indicates semantic memory structure, perhaps there could be other reasons, but if so what are they? The real problem appears to be coming to an agreement as to exactly what is the structure of language.

2.5.4.8 Schemata

Bartlett (1932) and Rumelhart (1975,1980) argued that schemata are stores of generic information and knowledge about procedures, social events and social behaviour, though schemata are not the same as procedural memory, for the purpose of enabling prediction and inference. According to Rumelhart (1980), schemata also include many other forms of grouped knowledge such as more specific concepts like 'Scripts' and 'Frames'. Scripts are schemata for social activity (Schank 1975; Schank and Abelson 1977). Frames (Minsky 1975) are the same as scripts. Rumelhart and Norman (1985) suggested the characteristics of schemata :

- Schemata are comprised of fixed and variable features. The variable features are features which are normal for a situation but not necessarily the case. Variable features must therefore be guessed in each situation, given the information available such as, for example **price**; the higher a price the more positive the schemata proposed, all other things being equal. This guess if used at all within the schemata is known as the Default Value.
- Schemata may occur at different levels of scale and abstraction.
- Schemata are knowledge not just definitions.
- Schemata assist the recognition of perceptions.

Support for the nature of schemata includes the following evidence:

Bower, Black and Turner (1979) believed that individuals have a 'restaurant script'. They asked 32 people to state what they considered to be the 20 most important activities which take place during certain events, one of which was going to a restaurant. The results showed that 15 activities were common to all people. The same study was also carried out, with much the same result, for other scenarios. Consequently, this shows that people have a generic knowledge concerning going to a restaurant. It could be argued that such information is just taken from an episodic, or several episodic experiences at random and generalised for the purpose of answering the question. Because most restaurants are very similar, the answers are bound to show many similarities. The sheer fact that the information provided is generic however, suggests strongly that a semantic construction of cognitions has taken place, a characteristic of schemata, or in this case a script.

Additional similar evidence comes from Shank and Abelson (1977), Brewer and Treymes (1981), and Abelson (1981). Brewer and Treymes (1981) took subjects to their office and left them in it for 35 seconds. When the subjects were then taken to a nearby seminar room and asked to state everything they could remember about the office, they were only good at remembering the typical things, things that should have

been there. Generic knowledge must therefore, have been used by subjects when they recalled what they had seen in the office. Abelson (1981) gave subjects 2 'headers', such as 'restaurant' and 'hungry' within a sentence. Abelson (1981) found that these headers activated a whole series of frames such as 'sit down', 'waiter', 'order'. 2 headers were used because for example, 'I met a bus driver in the restaurant' has only one header, namely 'restaurant', and so it is not possible to infer whether the chosen frame topic is about the restaurant or the bus driver. Consequently no script is activated. Friedman (1979) gave subjects 6 line drawings of different scenes, containing objects you would expect to see if you had a generic knowledge of a given situation, such as a schemata, but also a few objects you would not expect to see. Friedman then measured eye fixation and found that people looked twice as long at the unexpected objects. Then Friedman (1979) did a recognition memory test and found that people rarely noticed missing, new or partially changed expected objects, but always noticed deletions and replacements of unexpected ones. Anderson and Pichert (1978) gave subjects a story and either asked them to read it from the perspective of a burglar or someone buying a home. They then asked people to do the same all over again from the other perspective. People remembered more each time which was relevant to the perspective from which it was read, suggesting the use of specific schemata for specific purposes.

Schank (1982) extended the above explanation. He pointed out that sometimes a situation will activate more than one script, and that activated scripts may not necessarily be the correct ones for the given situation. Shank (1982) also argued that scripts must be specific if they are to be of any use to an individual. Shank however, believed it unrealistic to think that we have different pre-prepared scripts for every conceivable situation, even if those situations have never been encountered before, and even if it would mean many of those scripts containing much of the same material. Such a large number of overlapping scripts would not be in keeping with the concept of cognitive economy, it would not be an efficient use of mental resources. This led Schank (1982) to argue that the mind creates scripts for specific tasks as and when they occur, using a combination of various units (which he called scenes) from

different levels of memory. The combinations used for any given situation will be remembered for use in the future, and any failure in the accuracy of the chosen combination, either at the time of creation, or in the future, will lead to adjustment which will be remembered for the purpose of improved future accuracy.

Cognitive consistency exists within schemata and attitudes in the form of systematic distortion (Elliot and Roach, 1991) (see section 2.5.4.6 in this chapter). Systematic distortion is the phenomenon whereby if one fact is known about something, other inferences may be made about that thing, based on the knowledge of the fact. For example, a firm with high prices may be assumed to provide high levels of quality of service. This can explain the findings of Clow and Vorhies (1993); Kurtz and Boone (1989); Parasuraman, Berry and Zeithaml (1991a); that show that customers tend to believe that the service they receive should be better the more they pay.

Schemata are therefore generic stores of knowledge containing many cognitions. Humans gain these cognitions from many sources (see Chapter 1, section 1.5.3). A good way to make up for limited experience is to use the experience of others. This means that word of mouth communications may be a major source of information for schemata formation, due to the fact that individuals may not have sufficient personal experience alone to form a complete schema. Olson (1978) and Steenkamp (1990), support the existence of inference within the process of CSQE.

It should be noted that all comparison expectations, as referred to in Chapter 1, take the form of schemata. Understanding the nature of schemata is therefore of importance to CSQE understanding.

2.5.4.9 Separate storage of emotions

Emotions are not stored directly with autobiographic experiences. They are stored with other emotions. This improves efficiency in the brain since it fits in with the concept of cognitive economy (see section 2.5.4.4 in this chapter). This is evidenced by Robinson (1976) who found that experiences take substantially longer to retrieve

when they contain emotions. Emotions may be a consequence of information in memory or may occur in isolation.

The strength of emotions is likely to be to some extent a function of time. In other words as time goes on, an emotion will, all other things equal and up to a point, weaken, thus resulting in a recency of experience effect. Field experiments by Bolton and Drew (1991) showed that one-off changes in service quality had more influence over service quality attitudes immediately following a service change than six months after. This suggests that in general, attitudes are a general evaluation of past experience. Immediately following a new experience however, current emotions and cognitions are momentarily disproportionately strong. These emotions and cognitions unbalance attitudes until memory naturally decays a little over time, thus restoring the attitude balance.

2.5.4.10 Separate storage of animate and inanimate objects

Neuropsychological studies by Warrington and Shallice (1984), together with psychological studies by Nielsen (1946) suggest that inanimate and animate objects are stored separately from each other within the semantic structure of the brain. Whilst there is no direct evidence in its support, this division of animate and inanimate objects could have significant consequences for CSQE. This is because it could mean that there is a distinction, in terms of how information is stored in memory, between people provided service, and technology provided service. This in turn might have an influence on the nature of the dimensions of CSQE (see Chapter 1, section 2). This is an interesting area of possible future research.

2.5.4.11 Semantic structure depends on mode of perception

Neuropsychological evidence suggests that the modality of perception can have a bearing on the nature of semantic links within semantic memory. Beauvois, Saillant, Meininger, and Lhermitte (1978) reported on a subject who could name objects presented visually, but not if they were presented by touch. Beauvois (1982) furthermore, found that in other subjects the opposite was the case, subjects could

name objects presented by touch, but not if they were presented visually. Other evidence also suggests that some individuals can store information in memory better if it is presented visually rather than verbally or vice versa (see Baddeley 1990 for a full explanation of the evidence). Understanding this particular area of research more fully, could help service providers to better understand which sources of interaction (see section 2.1 in this chapter) to use when trying to mould customers' CSQE. Once again, this in an interesting area for future research.

2.5.4.12 Autobiographic memory, like all episodic and semantic memory for events and experiences, is organised chronologically and categorically (Cohen 1989)

People use categories of time periods of memory. These categories differ in length of time and topic of information contained. These categories are organised chronologically within memory. Brown, Rips and Shevell (1986) found that people usually remember a rough time period surrounding an event, and the context relating to that time period. The context is usually related in terms of subject matter types, such as public, political or personal. Autobiographic memory is organised within these categories at the most specific level possible (in terms of topic and time span; perhaps one month), and is identified by a tag. Rubin (1982) found that personal event dating is accurate to within 1 month by 74 % of subjects. The most specific level provides the optimum level for search for landmarks which are the beacons for chronological organisation and thus allows approximate dating. Means, Mingay, Nigam and Zarrow (1988) found that landmarks improved dating. Brown, Rips and Shevell (1985) found that dating is approximate and therefore estimated, not remembered. Landmarks can also guide us to a specific category in search of an event tag. This was evidenced by Loftus and Marburger (1983). The ease and clarity of memory recall also assist event dating (Brown, Rips and Shevell, 1985). Events which occur repeatedly are under reported (Neisser 1986; Means, Mingay, Nigam and Zarrow 1988), and events which are salient will be reported more fully. Also the fewer the number of events occurring within a given official time period, as remembered by an individual, the shorter that time period will seem to that individual and vice versa. Sometimes events may be

stored at a number of different levels of time period category. Means, Mingay, Nigam and Zarrow (1988) found that by considering 2 time periods, it is easier to locate an event. Brown, Rips and Shevell (1985) also found that the less information which can be remembered, the older the estimated date.

2.5.4.13 What is the unit of storage of 'meaning' ?

Studies and models to date have centred around words, but semantic memory is not just a dictionary, it is an encyclopedia of meaning. The unit of storage of meaning therefore goes beyond the word itself. This part of the semantic memory system is not yet understood. Semantic memory may deal in more visual and spatial ways as is suggested by Marr's (1982) computed image, but exactly how we do not yet know.

2.5.4.14 Motivations

Maynes (1976, p.56) believes that perceived quality is:

> **"the extent to which the specimen provides the service characteristics that the individual desires."**

Quality evaluation is much more than this, as explained and supported throughout this chapter, but perceptions, emotions and other information in memory will conflict with or satisfy motives, leading to the addition of resultant emotions and other information within memory. Steenkamp (1990), a business researcher, suggests that there are perhaps two types of motives, as stated by Abbot (1955); 'Basic Wants' and 'Derivative Wants'.

Motives can distort memory for events (Johnson and Rayne 1981) because of the influence of motives on the process of attention and perception, as already mentioned in the sections on attention and perception, and because of the influence of motives on the whole process of memory encoding storage and recall, as already illustrated in this section (section 2.5).

Some business sectors concern more important motives, in the mind of the customer (see Maslow 1970, in section 2.2.2 in this chapter). Therefore, since motives influence memory, the greater the relative important the business sector being considered, in the minds of customers, the larger the impact of motives on memory, including expectations. Zeithaml, Parasuraman and Berry (1990), and Berry and Parasuraman (1991), suggest this influence of business sector type on expectations, supporting their argument with the evidence provided by 16 focus group studies.

2.5.5 Conclusion

The structure of autobiographical memory is illustrated by diagram 2.3 below.
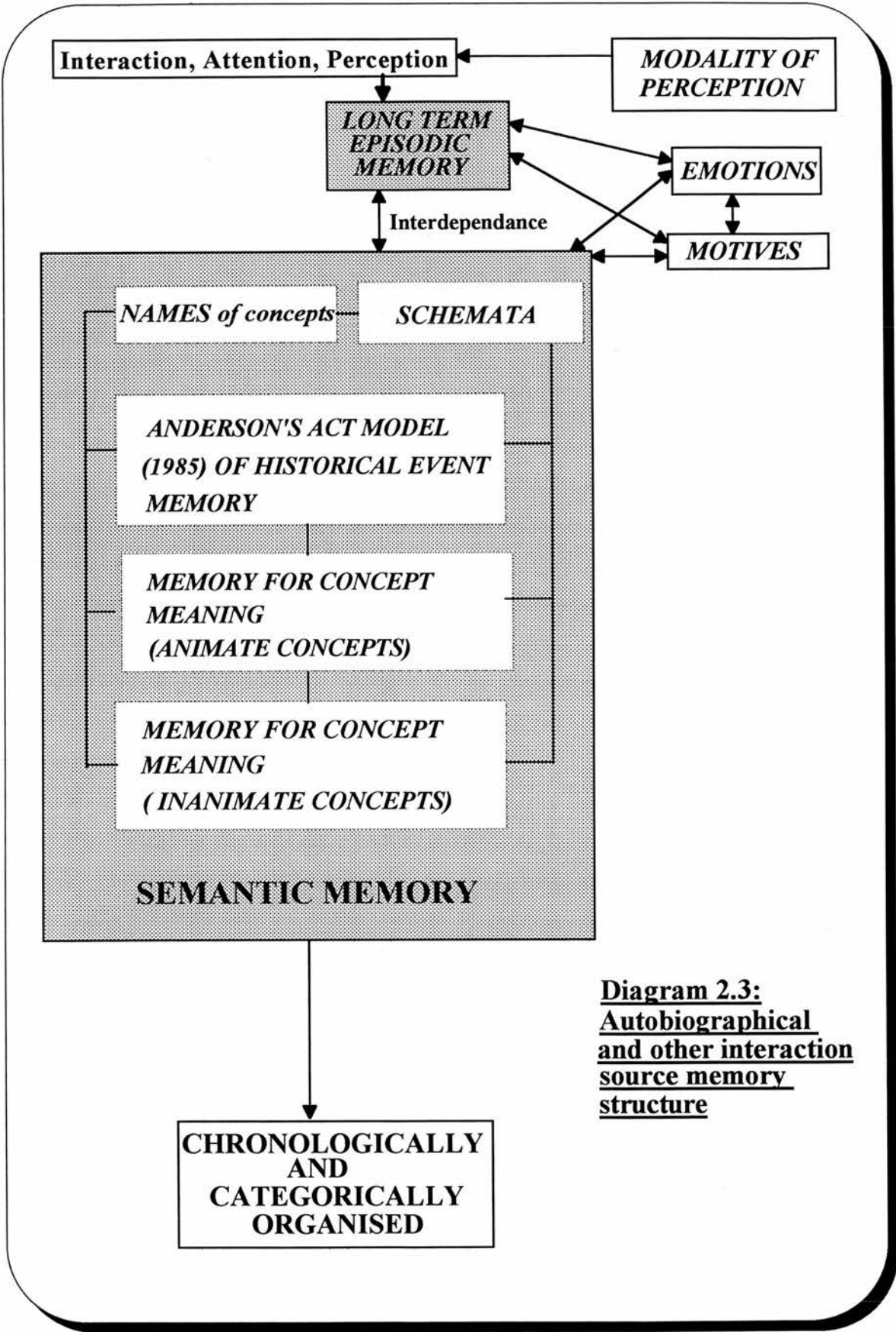
Diagram 2.3: Autobiographical and other interaction source memory structure

The diagram contains the following elements:

Interaction, Attention, Perception

MODALITY OF PERCEPTION

LONG TERM EPISODIC MEMORY

EMOTIONS

MOTIVES

Interdependance

NAMES of concepts

SCHEMATA

ANDERSON'S ACT MODEL (1985) OF HISTORICAL EVENT MEMORY

MEMORY FOR CONCEPT MEANING (ANIMATE CONCEPTS)

MEMORY FOR CONCEPT MEANING (INANIMATE CONCEPTS)

SEMANTIC MEMORY

CHRONOLOGICALLY AND CATEGORICALLY ORGANISED

2.6 EXPECTATION FORMATION

Memory can be used for customer service expectations in two ways.

2.6.1 As a perceptual set

Firstly, memory can be used to provide a perceptual set, a propensity to perceive in a given way guided by predictions. A schema for typical service from a particular service provider, such as Sainsbury's, for a given situation such as lunch time, can be created using existing information in memory. This typical service schema therefore provides a prediction of the service that is likely to occur from a Sainsbury's store at lunch time. Psychology research relating to perception and person perception (see sections 2.3 and 2.4 respectively in this chapter) shows us that perceptual sets exist, that they are an essential part of the perception process, and that they are comprised of schemata. Research into human memory and in particular schemata supports the perception findings (see section 2.5 in this chapter). In other words, an individual's prediction of the service that is going to be experienced as the result of a future service encounter, is based on the overall evaluation of that service provider. It will also be based on more general schemata which are relevant to the particular situation in which the service is taking place. Consequently, the generic schema for the service provided by the specific service provider, together with an adjustment made for the specific nature of the situation, a Zones of Tolerance allowance, forms the basis of prediction expectations. An example of a zone of tolerance would be if a customer normally predicts a waiting time of up to five minutes in a bank, but increases that prediction to 10 minutes if it is lunch time, because he or she considers it normal that the bank will be busier at that time. The idea of expectations as predictions is supported by business researchers such as Grönroos (1982) and Boulding, Kalra, Staelin and Zeithaml (1993) (see Chapter 1, section 1.4).

If any part of what a customer perceives during a service encounter differs from the perceptual set, then positive or negative surprise and corresponding affect (feeling) will result. If the perceived service is the same as the perceptual set, then resultant affect will correspond to that predicted by the perceptual set. This is supported by the

business literature (see Chapter 1, section 1.4). Perceptions and the perceptual set will differ if the wrong perceptual set for the situation is used, in which case a different perceptual set must be used. As explained in the section on schemata (see section 2.5.4.8 in this chapter), we know that people often apply the wrong schemata to situations (Schank 1982). Perception evidence also shows that people see illusions if a wrong perceptual set is used (Gregory 1986). Perception-perceptual set difference may also be because the perceptual set was not broad enough, in which case it must be broadened. Schemata and perceptual sets are finite. The difference may even be because cognitive information contained within the perceptual set is dissonant with reality, and so must be adjusted. This is supported by evidence by Festinger (1957).

Any perception - perceptual set difference will result in cognitive dissonance processes, as explained by Festinger (1957). Cognitive dissonance is an individual's physiological feeling of unease resulting from the knowledge of conflicting cognitions in that individual's mind. Individuals are motivated to reduce the feeling of unease, by attempting to find alternative explanations for the perceptions, by adding cognitions, which would not conflict with other cognitions held in the individual's mind. This might be achieved, in the case of perception- perceptual set difference, by replacing or widening the perceptual. This is preferable for an individual, to having to change cognitions within a perceptual set which is cognitively more complex. All cognitions in a perceptual set must be consistent with each other, and so if one is changed, others might have to be changed. If it is not possible to reduce the feeling of dissonance by adding cognitions, then cognition will have to be changed. A hypothetical example of such a dissonant situation, would be if a customer noticed that service from a bank on a particular occasion was not as good as predicted. If that customer finds out that the service was worse than predicted because of a nation-wide influenza epidemic, causing a staff shortage, then the customer's knowledge of that fact will reduce the dissonance that that customer has. If the customer does not know about the flu epidemic, then the customer may come to the conclusion that the bank does not provide such good service as was predicted.

All the cognitions related to the dissonance, together with affect related to the dissonance cognitions will add to the memory for the experience. It is therefore important for service providers to educate their customers as to the service which they can realistically provide, and the reasons for any occasional service quality shortfalls.

2.6.2 As a means of comparison

Memory can also be used as a means of comparison (see section 2.3 in this chapter). It would however, be ridiculous to expect that individuals recall all their experiences, either episodic or semantic or both, in order to provide a range of comparison for a given service experience. That would be extremely time consuming, would require a huge short term working memory store and would be extremely cognitively inefficient. Cognitive economy is a characteristic of the memory system (see section 2.5.4.4 in this chapter), and since we know that individuals have the ability to simplify and generalise information through the use of schemata (see section 2.5.4.8 in this chapter), and to take shortcuts using heuristics (Baron and Byrne 1993), I believe it is likely that individuals use schemata as comparison points concerning service experiences and service providers, especially since schemata can be easily formed for a huge variety of situations at very short notice. The use of a comparison point which has the characteristics of a schema, within the process of CSQE was proposed by Grönroos in 1982 and by a number of subsequent theories of CSQE, as explained in Chapter 1, section 1.

The derivation of expectations from the structure of autobiographical memory is illustrated in Diagram 2.4 below.

| Interaction, Attention, Perception | | MODALITY OF PERCEPTION |

LONG TERM EPISODIC MEMORY

Emotions

MOTIVES

*

PREDICTIONS
Expectations
COMPARISON

NAMES of concepts

SCHEMATA

ANDERSON'S ACT MODEL (1985) OF HISTORICAL EVENT MEMORY

MEMORY FOR CONCEPT MEANING (ANIMATE CONCEPTS)

MEMORY FOR CONCEPT MEANING (INANIMATE CONCEPTS)

SEMANTIC MEMORY

* = Service experience-perceptual set comparison

CHRONOLOGICALLY AND CATEGORICALLY ORGANISED

Diagram 2.4: Expectation Formation

3 CONCLUSION

This chapter has summarised the fundamental psychological framework behind current CSQE literature and satisfaction literature understanding. It is this framework which provides additional insight into the process of CSQE, its measurement and management, as explained later in chapters 5 and 6 and the conclusion. It will be illustrated by the following two chapters that very little of this framework has been incorporated into the literature concerning the measurement and management of CSQE.

CHAPTER 3

Measurement of CSQE

The Business Literature

1 WHAT SHOULD BE MEASURED ?

We need to understand what it is that we are measuring before we can be sure about how best to measure it.

> **"An important pre-requisite to the measurement of performance**
> **is a common understanding of what 'quality service' actually is."**
> (Boaden and Dale 1993, p.22)

If the process of CSQE is understood, and if CSQE, its determinants and dimensions (see Chapter 1, sections 1 and 2) can be measured qualitatively and quantitatively, then targets for CSQE, its dimensions and determinants can be set, and the extent of achievement of those targets evaluated by a service provider. It is important, therefore, to carry out detailed research into the components of the process of CSQE (Horton 1984; Øvretveit 1992) explained in Chapter 1, both qualitatively and quantitatively, using a variety of different methods (Zeithaml, Parasuraman and Berry 1990).

The process of CSQE, is influenced by a large number of individual and environmental variables, as explained in Chapter 1. It is therefore important for a service provider to measure a large enough number of individual customers to incorporate a realistic spread of all these different factors. Measurement should take place on as many customers as possible (Hoinville 1989; Kent 1989), but only as many as can be practically managed (Harper 1989). In this way, the process of CSQE and its relevance to various individual and environmental situations, can be measured.

Any method of measurement of any part of CSQE should be appropriate to the type of service concerned (Carman 1990; Finn and Lamb 1991).

2 THE CSQE MEASUREMENT PROBLEM

Measurement of CSQE must be extremely precise and accurate in order to optimise CSQE management. What the service provider ideally needs to know is the degree of service quality being achieved by each of the component parts of that service. This means evaluating not only the major dimensions of service quality, but also the quality of all the various combinations of products and packages being offered by service providers, and the component parts of the products and packages. In other words, a service provider needs to understand where it is succeeding and where it is failing in terms of service quality provision. Without such measurement a true understanding of CSQE can never be understood by a service provider. The problem is that there is no real agreement concerning the nature of the dimensions of service quality, as explained in Chapter 1, section 2. This is not to say that we are unable to measure dimensions of CSQE, but it does mean that a complete measurement of all of the components of CSQE is perhaps not yet possible.

Perhaps this problem is one of the reasons why 'SERVQUAL', the system developed to measure service quality using predicted service quality dimensions, has proved to have a limited level of predictive power (see Chapter 1, section 1). I believe however, that an insufficient understanding of the process of customer service perception, together with the other weaknesses of that particular research, as explained later in section 3.5.1.2 in this chapter, are likely to have equally contributed to the relatively poor predictiveness of the SERVQUAL measurement. Øvretveit (1992) proposes focus groups (Parasuraman, Zeithaml and Berry 1988), critical incident techniques (Flanagan 1954), Kelly repertory grids (Kelly 1955), process-flow tracer studies (Dale 1982, Øvretveit 1992), and multi-attribute utility technique (Edwards and Newman 1988), as the best methods for deciding perceived service quality dimensions. The problem is, however, that different individuals categorise and label perceptions, emotions, motivations and concepts in different ways. Therefore, which dimensions exist, and the way in which those dimensions are labelled, will depend upon each

individual concerned. It is therefore wrong to try and be specific about which dimensions exist and the way in which those dimensions should be labelled. Dimensions of CSQE should therefore, instead, be taken to be a practical combination of the dimensions which have been suggested in Chapter 1, section 2. In other words, a manageable but relatively comprehensive, and industry specific, selection of the dimensions of CSQE covered in Chapter 1, section 2, should be used by organisations who want to measure CSQE.

3 HOW SHOULD CSQE BE MEASURED ?

3.1 QUANTITATIVE AND QUALITATIVE EVALUATION OF OPERATIONAL PERFORMANCE

Quantitative evaluation of operational performance dimensions such as response rates, task speeds, failure rates and attendance figures, may be used to measure customer service quality. This may be assisted by prior qualitative or quantitative investigation of the relative importance, to customers, of different aspects of customer visible dimensions of operational performance dimensions, such as service failure rates.

Federal Express, a company with a world leading reputation for service quality, uses what it calls the 'Service Quality Indicator' (SQI) in order to measure its service quality. This system, which each week collects information from over 1000 delivery centres, incorporates a form of advanced customer feedback whereby information is gathered about the number of delivery errors per week, the mix of delivery errors (such as late delivery vs lost package), customer rankings of severity of error, and the time taken to resolve the error. Weightings are given according to the type of error committed and the relative importance of that type of error in the eyes of individual customers, as identified by prior qualitative or quantitative investigation of customers' opinions. From this, each delivery centre can be evaluated in terms of service quality on a weekly basis.

This kind of method of measurement enables the measurement of some of the determinants of CSQE. It enables a service provider to see how closely it is meeting its own requirements for the quality of its service delivery, in terms of dimensions which are visible to the service provider. The quality of these service delivery dimensions are certainly an input to the process of CSQE, because they reflect the nature of the service which the customer interacts with. This kind of measurement does not, however, measure the psychological process of CSQE or it's dimensions. This is because it does not measure the evaluations of performance dimensions by customers, it only measures the raw service provision quality as objectively seen by the service provider. It is therefore an objective measure of the inputs to the psychological process of CSQE, and not of the psychological process of CSQE itself.

3.2 QUANTITATIVE AND QUALITATIVE EVALUATION OF COMPLAINTS, OBSERVATIONS AND SUGGESTIONS BY CUSTOMERS

Quantitative evaluation of complaints, observations and suggestions by customers is another useful method of CSQE measurement. This kind of measurement is used, to a differing degree, by almost all service providers. This may be done for complaints by simply counting the number of complaints received within a given period, per category of complaint (Øvretveit 1992). An alternative way is to allocate a ranking number to the complaint, according to the importance of the type of complaint, and the seriousness with which the complaint is made by the customer. This requires some kind of value judgement, but guidelines can be laid down and pilot tested in order to standardise the method of judgement, and therefore reduce subjectiveness to a satisfactory level. Received complaints may then be divided into complaints of different type and complaints received during different time periods. This information can be used to assist operational performance measurement (see section 3.1 in this chapter). American Express uses such a method. Suggestions may be analysed in a fairly similar way by allocating a ranking number to the suggestion, according to the importance of the issue to which the suggestion is made. Once again suggestions can

and should be divided into suggestion type categories and sub categories, to as specific a level as possible. The number of suggestions per time period however, is not necessarily an indication of the standard of service quality being delivered by the service provider, either in absolute terms or in the eyes of customers. It may simply be the result of levels of observation by customers.

According to Øvretveit (1992) however, counting complaints is of limited use if its accuracy is hindered by complaints procedures which deter customers from complaining, customer inhibition, lack of complaint importance ratios, and because of the fact that:

> **"The absence of complaints does not mean that service quality is high, but only that there are no records of dissatisfaction."**
> (Øvretveit 1992, p.21)

Furthermore, Øvretveit (1992) argues that service providers should be concerned more with making happy customers than avoiding unhappy ones.

> **"focusing on complaints does not inspire people giving service to excel."** (Øvretveit 1992, p.21)

This measurement may be assisted by qualitative investigation techniques. Such techniques include informal manager telephone conversations with customers, using variable degrees of pre-planned conversation structure; customer focus groups, as used by National Westminster Bank and most other quality conscious providers of service; and questionnaires such as the partly quantitative 'Experience Based Measure of Service Quality' by Edvardsson and Mattson (1993). This experienced based measure identifies overlaps between different customers' observations of the essential elements of all the major parts of a service. Areas of overlap are investigated further to find additional overlap. Eventually key elements determining the evaluation of a service, can be identified. In this way key problem areas and good areas of the service

delivery can be identified and understood, thus enabling consequent managerial action to be taken.

3.3 MEASURES OF CUSTOMER LOYALTY

Measures of customer loyalty measure the length and structure of the customer - service provider relationship, including repurchase intention and price tolerance (Pessemier 1959). These measures look at the elasticity of customer purchasing intentions and actual behaviour, to factors such as price and service changes of the service provider and its competitors, and also factors such as changes in economic variables. Measurement of customer loyalty requires relatively large and sophisticated customer information databases which can calculate the above mentioned customer - service provider relationship. This can be assisted by charge cards and by information derived from customer loyalty reward schemes. Measures such as the Swedish National Customer Satisfaction Barometer (see Fornell 1992), incorporate measures of customer loyalty into their design.

Measures of customer loyalty can be an indication, though not a measure of CSQE. This is because customer loyalty reflects not only the behavioural consequences of CSQE, taking into account competitor service, economic and price variation, but also the consequences of switching barriers (Fornell 1992), and the many other factors, other than CSQE, which determine a customers' behavioural intentions and actions, such as peer group and other social pressures, motivation to search or change for alternatives, and opportunity (see Engel, Blackwell and Kollat 1978). Psychology research (see La Pierre 1934; Kutner 1952; Wicker 1969, 1971; Keenan 1976; Simpson and Harris 1970; Saltzer 1980; Bernstein 1988) shows that attitudes and behaviour are not necessarily very closely related. Psychologists such as Fishbein and Ajzen (1975, 1980 - Reasoned Action Model), Snyder and Swan (1976), and Kelley and Mirer (1974), have between them suggested a variety of post-attitude influences on behaviour such as opportunity, attitude salience, strength, stability and relevance to a behaviour, past behaviour, perceived control, subjective norms, and cognitive

consistency (see Chapter 5, section 3.2). Measures of customer loyalty are therefore of no real use as a measure of CSQE, unless all or most of the determinants of behavioural intentions and behaviour, which are relevant to a particular type of customer for a particular type of service, are known and can be and are measured.

Furthermore, it is not even certain that 'loyalty' exists as opposed to a more objective satisfaction driven behaviour. According to Fay (1994, p.47):

"Loyalty's a fickle thing."

Also, it has been argued that the cost of customer loyalty measurement may push up prices and therefore be counter - productive, and that monopolistic service providers do not have to worry about customer loyalty (Abram, Hawkes 1996). Whilst the latter argument seems logical, the first is incorrect if customer loyalty measurement information is collected as part of a general customer behaviour analysis for the purpose of improved marketing.

Nevertheless, if a strong statistical correlation can be proven between CSQE as stated by customers, and intended and actual behaviour, then customer loyalty can be taken to be an indication of the level of CSQE.

3.4 MYSTERY SHOPPING

Mystery Shopping, which measures the CSQE outcome as seen in the eyes of an artificial customer, is a limited but objective measure of many of the dimensions of the CSQE outcome. It is limited because the perceptions of ordinary customers are not being measured. It is therefore an objective measure of customer visible service delivery. It is also limited because it measures events which may in no way be representative of the normal nature of service delivered by the measured service

provider. Mystery shopping may nevertheless draw attention to service strengths and weaknesses.

Many service companies around the world including Barclays Bank, the Woolwich Building Society, and National Westminster Bank operate some kind of mystery shopper programme. An undercover individual, working for either the service provider or an agency working for the service provider, may take part in a number of customer activities ranging from, in the case of banks, telephone banking enquiries to in-branch transactions. The undercover individual reports back to his employers about the experiences received during the various activities. The proportion of customer activities and the proportion of the organisation covered by the mystery shopping program is at the discretion of the service provider. The more thorough the mystery shopping, and the more frequently it is conducted however, the more measurement information gained by the service provider.

Additional off-shoots of mystery shopping may be to keep staff on their toes, and the use of the information gained for the support of performance related pay and bonus schemes. The Woolwich Building Society and Barclays Bank use such an approach. This kind of big brother use of the information however, may lead to a degradation of employee relations with management, as well as an increase in employee stress levels, especially since a one off encounter with a particular member of staff may not derive a representative appraisal of that individual. I have heard this view frequently echoed by the employees of organisations which apply such big brother methods.

Mystery shopping also has the added advantage of identifying the extent to which standardised customer service procedures are adhered to, and the advantage of quantitatively testing the efficiency of operations systems. Royal Mail send large quantities of test letters through the postal system in order to quantitatively test its efficiency of operation.

3.5 QUANTITATIVE QUESTIONNAIRES

Quantitative questionnaires asking questions about overall evaluated quality (for particular service experiences through the use of post-transaction follow-up surveys, and also for generic service provider quality), and the dimensions of evaluated customer service quality, are very useful measures of CSQE, its determinants and dimensions, since they can accurately and comparatively measure the CSQEs of large numbers of individuals.

3.5.1 SERVQUAL

3.5.1.1 Explanation of SERVQUAL

The nature of SERVQUAL is somewhat evolutionary. Changes have been made in the past (Parasuraman, Berry and Zeithaml 1991b) and may occur in the future, either by the original designers or by those practitioners who decide to use it. The essence of the 1991 updated version of SERVQUAL by Parasuraman, Berry and Zeithaml (1991b) is the same as in the original 1988 version of SERVQUAL by Parasuraman, Zeithaml and Berry (1988), except that following revisions of the theory of CSQE (see Chapter 1), the SERVQUAL scale was refined. This was done primarily by replacing the word 'Should' with 'Will' in all appropriate statements, in order to allow for 'Zones of Tolerance' (as explained in Chapter 1, section 1.2), and by weighting service attributes according to a combination of customer weighting questions and regression weights, rather than simply regression weights alone. Subjects are asked to reply to 20 expectation statements and 20 perception statements, 4 for each of 5 dimensions of service quality, namely tangibles, reliability, responsiveness, assurance, and empathy. Subjects reply using a 7 - point scale positioned alongside each of the statements. At one end of the scale is the label "Strongly Agree", and at the other end is the label "Strongly Disagree". By calculating the discrepancy between the expectation and perception statements, and by weighting the 5 different dimensions according to a combination of customer weighting questions and regression weights, a weighted value for service quality as stated by the customer is attained, according to Parasuraman, Berry and Zeithaml (1991b). The statements used in SERVQUAL are described below in diagrams 3.1 and 3.2.

Diagram 3.1: SERVQUAL (1991) Statement Examples

Perceptions Statements

Tangibles

1) XYZ has modern-looking equipment.
2) XYZ's physical facilities are visually appealing.

Reliability

1) When XYZ promises to do something by a certain time, it does so.
2) When you have a problem, XYZ shows a sincere interest in solving it

Responsiveness

1) Employees of XYZ tell you exactly when services will be performed.
2) Employees of XYZ give you prompt service.

Assurance

1) The behaviour of employees of XYZ instills confidence in customers.
2) You feel safe in your transactions with XYZ.

Empathy

1) XYZ gives you individual attention.
2) XYZ has operating hours convenient to all its customers.

Source: Parasuraman, Berry and Zeithaml (1991, No.2)

Diagram 3.2: SERVQUAL (1991) Statement Examples

Expectations Statements

Tangibles

1) Excellent telephone companies will have modern looking equipment.
2) The physical facilities at excellent telephone companies will be visually appealing.

Reliablity

1) When excellent telephone companies promise to do something by a certain time, they will do so.
2) When customers have a problem, excellent telephone companies will show a sincere interest in solving it.

Responsiveness

1) Employees of excellent telephone companies will tell customers exactly when services will be performed.
2) Employees of excellent telephone companies will give prompt service t customers.

Assurance

1) The behaviour of employees of excellent telephone companies will instill confidence in customers.
2) Customers of excellent telephone companies will feel safe in their transactions.

Empathy

1) Excellent telephone companies will give customers individual attention
2) Excellent telephone compnies will have operating hours convenient to all their customers.

It should be realised that the theory of CSQE has arguably moved on from the time of the original SERVQUAL in 1988 and even the above mentioned updated version in 1991. These theory changes are explained in Chapter 1. SERVQUAL does not even incorporate the up to date theory of it's founders. It was however, until the early 1990's, arguably the largest development in CSQE measurement, because it encompassed much CSQE theory of the time in an easy to use, practical, and widely practised method of measurement. It is still the basis of a large proportion of CSQE measurement programs being currently used by practitioners around the world.

3.5.1.2 Criticisms of SERVQUAL

Cronin and Taylor (1992) found that in a study of 660 subjects, performance alone was a more accurate predictor of perceived customer service quality than disconfirmation. Teas (1993) found similar results. The problem with the above pieces of research and others like them would appear to be that when asking individual customers to evaluate performance on a given scale, such individuals are being asked to give some kind of relative evaluation of service. This means that higher knowledge (i.e. expectations) is being consulted. Consequently the evaluation response will be similar to the expectation - perception gap, and therefore CSQE. The performance study of Cronin and Taylor therefore measures CSQE rather than explains it.

Oliver (1989) proposed that customer responses concerning continuously provided services or durables (such as a telephone service) are characterised by 'passive expectations'. Disconfirmation is non existent unless performance is outside the range of experience based norms. Consequently, Oliver (1989) argued that customers assessments of continuously provided services only depend on the direct experience of service quality. Surely, however, this finding is because of accurate expectations leading to no surprise as a result of the perceived experience, thus no or little disconfirmation, due to consistency of service provision and a large experience base. There is no psychological or other evidence to show that we can just switch off our expectations.

A major problem with the SERVQUAL method is arguably that by asking subjects to give scores for perceived performance, subjects are being asked to give a score for how good or bad an experience was. This requires an evaluation of the relativity of that experience. Therefore, subjects are being asked to give a score for CSQE, and this score is then compared with expectations to create CSQE for the second time. This suggests that SERVQUAL does not measure what it sets out to measure, but rather a gap between expectations and CSQE. This argument is supported by Cronin and Taylor (1992), who discovered in their research that the perceptions component of SERVQUAL correlated more closely with service quality than did SERVQUAL itself. This does not disprove the theory behind SERVQUAL, it just denies the claim that SERVQUAL is a suitable means by which to support / evidence the theory behind SERVQUAL, or measure CSQE.

> **"The results of a qualitative assessment of the SERVQUAL ....measures indicate that the measures lack discriminant validity with respect to the concepts of attribute importance, performance forecasts, and classic attribute ideal points. This suggests a considerable portion of the variance in the Servqual expectations measures may be caused by respondents' misinterpretations of the questions rather than to different attitudes or perceptions."** (Teas 1993, p.31)

Another criticism of SERVQUAL, according to Lewis (1993), is that the two lists of questions (one for expectations and one for perceptions) used in the SERVQUAL measure, might be confusing to subjects, since they may seem to be asking the same things.

Lewis (1991) also claims that since the whole expectation list in the SERVQUAL method is asked before the entire perception list, customers may forget their answers to the first list when they come to answer the second list. It is not proven if this is, or is not, a real problem. I believe it is. Both statement responses must be on the same scale, at the same time, in the minds of the customer, as suggested by the theory behind SERVQUAL, if perceptions are to be validly compared with expectations. It

could be argued however, that the answers to the perception questions should not be influenced by those of the expectations questions, and that the only way to prevent it is to sufficiently separate out the questions as effected by the SERVQUAL method.

Smith (1992) argues, but does not prove, that perhaps the omission of any verbal scales for the points 2 to 6 on SERVQUAL scales, might lead to an over use of the extremes of the scales by subjects answering SERVQUAL questionnaires. She furthermore claims, supported by psychometric evidence, that the mid-point of such scales may be considered the point for feelings of apathy, indecision and confusion concerning a question.

Lewis and Mitchell (1990), claim that the fact that the SERVQUAL scale is a seven point Likert scale, limits its accuracy since subjects cannot express themselves accurately. This they claim, can be overcome by using a 'Graphic Scale'. Orledge (1991) used a 'Graphic Scale', namely a 'Bipolar Semantic Scale', which was tested on university students concerning bank's and building society's provision of service in general, and loan/overdraft facilities in particular. An example of such a question is, "Indicate, using a 'P', how well dressed the staff of company Z are. On the same scale indicate, using an 'E', how you can expect the staff of companies in this industry to be."

Smart------------E---------------P-----------Untidy

The gap results were weighted according to expectation scores in order to reflect factor importance (Lewis 1993). According to Orledge (1991) and Lewis (1993) this scale made the questionnaire shorter, quicker, easier to fill in, and more accurate (more predictable of service quality evaluation) than SERVQUAL, due to the ability of students to visualise expectation and perception differences. This method of scaling may however, force subjects to give ratings on paper, which are more precise than exist in their minds.

Another limitation; if used to measure a service experience as opposed to a service provider as intended; as claimed by Gronroos (1992), is that expectations following a service experience may be different from those at the time of a service experience. This is because expectations are influenced by past experience as explained in chapters 2 and 5. Consequently, if expectations are measured after a service, as in the case of SERVQUAL, then modified expectations are being measured, not the expectations that were actually used for the CSQE. However, expectations have been shown to be fairly stable in the short term (Clow and Vorhies 1993, see Chapter 1, section 1.5.3.10), such as the time between experience and questionnaire completion for most of the subjects used SERVQUAL. If expectations do change CSQE would be as likely to be reduced as enhanced. There is no clear way of avoiding such a limitation. As Gronroos (1992) states, expectation measurement prior to the service experience may be just as inaccurate since expectations might change between measurement and the service experience. Furthermore, priming a customer's expectations prior to a service experience may alter a customer's perception of the service experience (see Chapter 2, section 2.3), therefore altering the process of CSQE. This may not be a problem, however, if in fact customers compare post service experience memory for a service encounter with post experience expectations. There is no evidence that customers necessarily evaluate the quality of a service experience immediately following it.

Another criticism of SERVQUAL is that customers remember a service experience as a series of incidents, not as a list of pre-determined, evaluated dimensions as is suggested by the SERVQUAL method of measurement.

> **"Customers experience and remember service as a sum of incidents, not as a sum of attributes. Attribute measures force the respondent to assume routine - service situations, but how non - routine situations are dealt with is also important (measured with incident based measures)."** (Ovretveit 1992, p.22)

Consequently, the 22 items in the SERVQUAL scale may represent just one dimension rather than 5. Cronin and Taylor (1992), and Babakus and Mangold

(1989), who factor analysed 15 items from the 5 dimensions of SERVQUAL, also suggested the same. This is acknowledged but disputed by Parasuraman, Berry and Zeithaml (1993), who found similar correlations in their studies.

According to Carman (1990) and Finn and Lamb (1991), SERVQUAL has the following limitations:

- SERVQUAL should be adjusted to be appropriate to each different kind of service, such as financial services, telecommunications, and hotels.
- More than 5 dimensions are required in order to measure CSQE accurately. There is at present, however, no consensus amongst academics or practitioners as to the nature of the dimensions of CSQE.
- Measurement of expectations is a problem because of definition difficulties. In other words, as explained in Chapter 1 (section 1.4), and in Chapter 2, and as will be suggested later in Chapter 5, expectations appear not to be as simple as the theory behind SERVQUAL would suggest.

Brown, Churchill and Peter (1993) suggested 3 problems with SERVQUAL difference scores; reliability, discriminant validity, and variance restriction.

- Reliability.

> **"Difference score measures often demonstrate poor reliability ....
> as the reliability of either component score decreases, or the
> correlation between the component scores increases, the reliability
> of the difference score itself increases. When two responses are
> taken from the same respondent and then subtracted to form a
> measure of a third construct (as with SERVQUAL), only rarely
> will the difference score components not be positively correlated."**
> (Brown, Churchill and Peter 1993, p.130)

- Discriminant Validity.

Difference measures are always highly correlated with at least one of their

component measures, and so discriminant validity is poor.

- Variance Restriction.

> **"occurs when one of the component scores used to calculate the
> difference score is consistently higher than the other component."**
> (Brown, Churchill and Peter 1993, p.131)

Brown, Churchill, and Peter (1993) compared results for SERVQUAL with those for a 'non-difference score' method. In their method subjects were asked to rate a service as better or worse than expected on a seven point scale with labels. 230 subjects were studied and results suggested the following findings :

- Slightly better reliability.

At .96 the reliability of the non-difference score measure was just .02 better than SERVQUAL. Consequently, it seems wrong to treat reliability as a major problem for either the difference or non-difference score method of measurement. Both the difference score and non-difference score method seem to be equally satisfactorily reliable. Parasuraman, Berry and Zeithaml (1993) argued that correlation between expectations and perceptions, with SERVQUAL, were small at .34 and :

> **"may be merely an artefact of both measures appearing on the
> same instrument (i.e. shared method variance)."** (Parasuraman,
> Berry and Zeithaml 1993, p.140)

- Better discriminant validity.

No significant discriminant validity problem was discovered with the non-difference score method. In SERVQUAL, however, perceptions correlated .79 with the SERVQUAL measure. Therefore it could also be argued that perceptions are almost as accurate as SERVQUAL at predicting service quality, and so why use SERVQUAL or any other difference score method of

measurement? Perhaps the correlation would have been even higher if the suppression effects of the expectations component, the variance restriction, had been omitted. Surely, as mentioned earlier in this section, the reason for this close correlation is because when asking questions about performance in the way that SERVQUAL does, the customer is in actual fact being asked to rate the service quality of the service provider concerned, rather than his or her true perceptions of the service provider prior to comparison with expectations. It therefore follows that the values for the responses to the perceptions element of the SERVQUAL questionnaire are likely to be related very closely, not only to the SERVQUAL value, but even more so to the value for customer service quality as stated by the customer. However, whilst not overcoming the above criticism, Parasuraman, Berry and Zeithaml point out that discriminant validity is the discrimination between a value and unrelated constructs, hence any correlation between evaluated service quality and its components (expectations and perceptions) in SERVQUAL does not mean that there is bad discriminant validity, because quality is defined as a function of the difference between expectations and perceptions, and so the expectations and perceptions are not unrelated constructs. Correlation actually supports the theory, it does not disprove it.

♦ Less variance restriction.
Only one component value, perception, is placed on a scale by a subject. Therefore, the conditions for variance restriction are reduced.

♦ CSQE as measured by the non-difference score method, was slightly more closely correlated, though still only poorly correlated, to behavioural intentions, .31 compared to .26 for SERVQUAL.

Parasuraman, Berry and Zeithaml (1993), try to balance the criticisms against SERVQUAL by pointing out that the correlation between SERVQUAL and global service quality evaluations was .67 (.713 weighted /.733 un-weighted when tested by

Teas 1993), .04 higher than between the non-difference score measure and the global service quality evaluation. SERVQUAL also correlated more closely to a 5 item global service quality evaluation (.79 as opposed to .74). In both of these correlations however, the perceptions component correlates only slightly less well than SERVQUAL to the global service quality evaluations.

The 'non-difference score' method of measurement of Brown, Churchill and Peter (1993), would seem to be a better measure of CSQE than SERVQUAL, the difference score method. The non-difference score also overcomes the above mentioned problem, associated with SERVQUAL (Lewis 1993), of confusion of perception and expectation statements. It also overcomes the above mentioned problem, suggested by Smith (1992) of non-verbalisation of scales, and the problem suggested by Lewis (1991) of using two scales. It does not, however overcome the criticisms of measurement by dimension as suggested by Øvretveit (1992), Carman (1990) and Finn and Lamb (1991). Nor does it include all CSQE theory to date. However, which ever is chosen, it is useful to remember that a difference-score method has the advantage of helping identify the reason for given evaluations of quality. Quality is dependent upon expectations and perceptions, and only by knowing the values for both can it be determined if expectations are high or perceptions are low. However, if the measure for perception is flawed as suggested by the evidence and logic, then perhaps a 'non-difference score' approach, assisted by additional expectation scores, would be the best approach.

Parasuraman, Berry and Zeithaml (1991), suggested investigation into the following variations in measurement :

- A graphic scale like that proposed by Orledge,
- A scale using the number 7 as a representation of expected service from a high quality company, where subjects are asked to give a rating for perceived service in comparison,

- A scale whereby the mid point is expected service and subjects give better and worse perceived service experience on the same scale,

They argued that these should also be tested and compared with the SERVQUAL scale for accuracy. Brown, Churchill and Peter (1993) have already tested the mid point scale and results arguably suggested that it is a better method. The graphic scale proposed by Orledge has already been criticised for possibly being too complex and specific for customers to handle, and the seven point comparison scale avoids few of the criticisms so far mentioned about SERVQUAL measurement of CSQE. Consequently only the method of Brown, Churchill and Peter (1993), is a suitable alternative to SERVQUAL, and in my opinion a superior one. However, are any of these measures actually of any use if they do no incorporate CSQE theory to date? Only if theory updates are contradictory rather than supplementary, and it would seem that they are essentially supplementary (see Chapter 1). Similarly, can any of these measures be of use if dimensional measurement is flawed? Only if they are measured in a dimensional way. Consequently, perhaps a non-dimensional measure such as that used by Brown, Churchill and Peter (1993) is a useful measure of the psychological process of CSQE for the time being.

3.5.2 Customer satisfaction indices

Research International in co-operation with National Westminster Bank (1989), developed a method, which is also used by the Royal Mail and other undisclosed service providers, whereby attributes of service and their relative importance to the customer in terms of satisfaction contribution, along with the relative importance of achievement of various levels of satisfaction for each attribute, were obtained through focus group and individual subject interviews. Statements in subsequent questionnaires related to the levels of satisfaction for each attribute. By asking subjects to state which statement they agreed with most for each attribute of service, scores for satisfaction as a percentage of obtainable satisfaction for each of the weighted attributes were obtained. This method does not differentiate between service quality and satisfaction, so it is not clear exactly what is being measured. It does not

provide an explanation for why the evaluations are the way they are. It is, however, a fairly comprehensive measure of overall and dimensional component customer satisfaction, and could, with minor adjustment be equally useful as a CSQE index, a measure of overall and dimensional component CSQE.

3.5.3 The five factor measure

The 'Quality Focus Institute' (1992), part of the Bank Marketing Association (USA), in a consumer survey on service quality in banking, used five factors to measure service quality (Lunt 1992).

- 'Service Magnitude'; the absolute standard of service provided by the service provider.
- 'Service Gap'; the gap between the service magnitude and customer's expectations.
- 'Maximum Attainable Satisfaction'; the standard of service provision which is theoretically possible in the minds of customers.
- 'Improvement Potential'; the difference between maximum attainable satisfaction and the service magnitude.
- 'Satisfaction Impact'; the proportion of maximum attainable satisfaction achieved by the service provider.

The 'Quality Focus Institute' however, confuse satisfaction with perceived quality of the service, and so factors 'maximum attainable satisfaction', 'improvement potential' and 'satisfaction impact' actually measure satisfaction and not service quality as it is suggested that they intended to measure. Consequently this method of measurement achieves no more than the SERVQUAL method.

3.5.4 Chronological measurement of service experiences

British Telecommunications (BT) during 1993 and 1994 developed a method of CSQE measurement for 3rd party hypothetical service encounters. It used an electronic diode input into a computer, coupled to a tape recorder, to chronologically analyse the CSQE for each of the SERVQUAL dimensions throughout a service

encounter. By listening to a tape recording of a discussion between an anonymous BT customer service employee and an anonymous customer, a subject customer could continuously rate CSQE throughout the recorded conversation by adjusting the diode, using a simple pointer switch on a continuous scale. CSQE is therefore continuous, and in real time. There are however, the following problems with this approach:

1. Continuous scales assume that individuals are infinitely precise in their relative evaluation of CSQE. Whilst supported by Lewis and Mitchell (1990), Orledge (1991, a masters student of Lewis) and Lewis (1993), this is contradicted by other business and psychology research (Ajzen 1975, 1980), including the pilot studies conducted for this thesis, which predominantly prefers and uses the seven point Likert scale because of the difficulty experienced by subjects in more precise measurement scales. Therefore the scale used in this measure should perhaps not be read too precisely.

2. Individual's responses to changes in CSQE will lag behind the stimulus, and this time lag is likely to differ according to the individual. Therefore any attempt to link a point in time on the recording of the conversation with a change in CSQE, as indicated by the diode response is flawed unless an allowance range for response time is built into the measure.

3. Service is interactive (Grönroos 1979) rather than a retrospective observation of others experiences. Therefore, such a method of measurement is invalid.

4. It is not possible to measure CSQE without first having a reasonable understanding of it, and unless CSQE can be reasonably measured, managerial strategies, and the effectiveness of those strategies cannot be derived. CSQE is comprised of many dimensions, which are by no means yet known or agreed upon, many processes and many influences. Through understanding the dimensions, processes and influences, ways of improving the outcome, CSQE, can be identified. The behaviouristic approach of BT operates on some of the fundamental dimensions and observes the impact on CSQE. This may provide a more detailed understanding of some of the dimensions of CSQE, and

therefore can improve CSQE, but it is a little similar to completing a Rubix Cube through trial and error rather than a logical approach.

5. Such a method of measurement may lead to the development and implementation of standardised customer service procedures which satisfy a majority of customers but which do not satisfy others. The only way to satisfy other customers is through incorporating flexibility into the customer service procedures. This might, for example, mean that counter staff in a bank or shop are able to judge, through intuition and common sense, if a customer is not suitable for a given procedure. Flexibility is discussed further in Chapter 4.

The BT method has many fundamental weaknesses. However, if the benefits and drawbacks of the BT approach are borne in mind, the principle of the approach may be of benefit. This is because the importance of measuring service quality evaluation as and when it is formed; continuously throughout the course of a customer service experience, rather than relying on long term memory which can be a distortion of initial event perceptions (see Chapter 2, section 2.5); is undeniable. If we can identify the weak and strong points of a service encounter, then it could be possible to eliminate weak points and promote strong points in future encounters, through education of employees and part standardisation of service delivery procedures. Such a method may also be able to fill in the behaviouristic gaps left by other explanations and measurement methods. In other words we may never understand some parts of the psychological process of CSQE, and therefore we may not be able to predict CSQE, but through continuously changing service delivery and observing consequent changes in CSQE, we may be able to predict what cannot be understood.

A similar but far more simplistic method of measurement is used by many other service providers including the Woolwich Building Society. The method simply involves subjects experiencing a carefully templated service encounter and then evaluating that experience in order to identify less pleasant parts of it. Following changes to the template new experiences can be evaluated. This procedure can continue until subjects tend to evaluate the experience as positively as possible. This

method of measurement may take many forms, from subject observance of an encounter, as in the BT method, to subject experience of an encounter as in the Woolwich method, or even subject consideration of hypothetical situations. However, the more realistic the experience, the more valid the findings. Such a method of measurement can overcome the first 3 limitations which are explained above, but it does not enable an encounter to be analysed and adjusted with any where near as much detail as in the BT method. Both methods, if used to measure the same encounter, could therefore be the most beneficial option if sufficient resources are available to the service provider.

3.6 REGULAR UPDATING OF CSQE MEASUREMENT

> **"Knowing on a continuous basis what is selling, to whom, for what purpose and to what degree of satisfaction, should enable managers to attempt to match the organisation's particular strengths and capabilities with consumer needs and trends in the market place, and to do so in ways that are profitable."** (Kent 1989, p.1)

As with all consumer research, measurement of CSQE should be regularly updated since market requirements change over time (Zeithaml, Parasuraman and Berry 1990). Customers' expectations and the relativity of competitor service, the two determinants of CSQE, will change as a result of changes in customer tastes and competitor behaviour. Customer tastes and competitor behaviour are variable within the market, and as they change CSQE will change. Management strategy must therefore be flexible in order to react to the findings of frequent measurement. Øvretveit (1992) argues that measurement should also take place at different times.

> **"Service performance varies at different times of the day or week - a measure of averages is misleading because it may mask serious problems at certain times such as peak demand."** (Øvretveit 1992, p.22)

4 CONCLUSION

This section on measurement has shown a number of methods for the measurement of the components of CSQE. Many of these methods have substantial limitations, and one component of the CSQE process which has only a very limited method of measurement as yet, is the psychological process of CSQE. Any comprehensive method of measurement must ideally incorporate the psychological process of CSQE, if it is to be anything other that a behaviouristic method of measurement. For this to be possible, more of the process must be understood than is presently the case. Furthermore, measurement of dimensions of service is conceptually limited, though beneficial.

Some methods, which must be appropriate, straight forward, regularly updated, and conducted on a large number of individual customers and situations, nevertheless appear to be useful measures of some of the determinants of CSQE, namely the inputs and outputs of the psychological process of CSQE. Measures of CSQE input include quantitative and qualitative operational performance measures, and mystery shopping. Measures of CSQE outcome include quantitative and qualitative evaluation of complaints, observations and suggestions of customers, and quantitative questionnaire measurement of customers, such as a CSQE index..

It should be realised that the purpose of measuring the level of dimensions of CSQE output is not to explain overall CSQE output, since we are not really able to accurately identify the true dimensions of service, and because the process of CSQE is more complex than the amalgamation of dimensions of service. Measuring the level of dimensions of CSQE enables a service provider to identify the approximate relative standard of rough dimensions of service, so that the service provider can know which dimensions to try to improve. It seems unnecessary, therefore, to measure the level of dimensions of CSQE output using a CSQE index, if those same dimensions can be measured through mystery shopping. Mystery shopping is not a measure of actual

customers' perceptions of service, it is not such a valid measure of customer perceptions of service dimensions as a CSQE index. However, if relatively representative and impartial shoppers are used, weak and strong dimensions of service can be identified. Furthermore, as explained earlier in this chapter, mystery shopping also has the added advantage of keeping staff on their toes, the advantage of identifying the extent to which standardised customer service procedures are adhered to, and the advantage of validly and quantitatively testing the efficiency of operations systems. Therefore, so long as a representative sample of service encounters are measured, and so long as representative and impartial shoppers are used, it is arguably sufficient and cost effective to measure the dimensions of CSQE output using just mystery shopping.

It should be realised, however, that the relative importance / weighting of different dimensions of service within a CSQE can only be measured by measuring customers directly. Service providers need to identify the relative importance of the dimensions, otherwise a service provider cannot know which dimensions to focus marketing resources on. This measurement can take place through quantitative and qualitative interviews and questionnaires conducted on customers, asking customers to rank the importance of different dimensions of service. There are, however, limitations with measuring the importance of dimensions through simply asking subjects to rank the importance of those dimensions. One limitation is that subjects might simply give cognitively consonant answers (Festinger 1957), that is that they may rate the importance of dimensions according to what fits in with their other beliefs, not according to any real relationship between the different service dimensions (as they see them) and their CSQE. Another limitation is that this type of measurement is not a definitive measure of the role played by different service dimensions in CSQE. It is just an indication of it since we do not fully understand the psychological process of CSQE, and therefore the full nature of the contribution of customers' dimensional service evaluations to their CSQEs. It would not be correct, as an alternative, to measure the weighting of different service dimensions by asking subjects to state how good each dimension of service is and then comparing those scores with CSQE

ratings by those subjects. Such a method was used by Parasuraman, Berry and Zeithaml (1991), as explained in section 3.5.1.1 above. This method is invalid because such dimension ratings would be a measure of the positiveness of dimensions of service compared to expectations for those dimensions, and not a measure of the positiveness of the dimensions alone in the mind of subjects. In other words the positiveness of the dimensions will, as measured by this method, be a measure of the disconfirmation of expectations and not customers' perceptions of service dimensions. Consequently, unless such compared dimensions are added together during CSQE, which is highly debatable as explained in chapter 1, then this method will not measure the weighting of dimensions of service within a CSQE.

It should also be realised that CSQE itself can also only be measured by measuring the customer directly. The customer's CSQE is the only CSQE that matters. Such measurement, however, can take place through omnibus surveys rather than more expensive large scale CSQE indexes.

Just as mystery shopping may be used as an indication of the level of the dimensions of CSQE output, quantitative and qualitative evaluation of complaints, observations and suggestions of customers, may be used as an indication of weak points in the inputs to the psychological process of CSQE. In other words, such measurement can tell a service provider quite precisely which aspects of the service delivery system are insufficient. This can act as a measure of those aspects of service which may be too subtle to be recognised by the possible focused objectivity of a mystery shopper (see the section on 'attention' in Chapter 2), and which may become apparent too rarely to be picked up by mystery shopping or a customer satisfaction index.

CHAPTER 4

Management of CSQE

The Business Literature

1 INTRODUCTION

The objective of this chapter is to outline currently known managerial strategies aimed at improving CSQE. By doing this it will be possible to understand the extent to which the managerial strategies proposed in the conclusion to this thesis, extend upon current knowledge. This chapter is therefore not an attempt to deal in great detail with the maximisation and development of current managerial strategies, but rather to ascertain their existence and consider their overall usefulness.

Any attempt by a service provider to achieve a satisfactory level of CSQE will depend upon delivery of a service which closely matches customers' requirements for that service. Parasuraman, Zeithaml and Berry (1985) identified 4 provider preventable gaps:

- Gaps between management perceptions and customer perceptions of good customer service,
- Gaps between management perceptions of and specifications for good customer service,
- Gaps between the specifications and service provider application,
- Gaps between provision and promises of customer service provision.

These 4 gaps, they argued, lead to a fifth gap, satisfaction failure, the inability to match service delivery with customer requirements for the delivery of that service.

Evidence for the existence of these gaps has been provided by Parasuraman, Zeithaml and Berry (1985), through research including focus group studies, on both customers and top and middle managers. Other evidence is provided by the SERVQUAL studies of Parasuraman, Zeithaml and Berry (1988), and the studies of Boulding, Kalra, Staelin and Zeithaml (1993) (see Chapter 1, section 1). The concept of matching all stages of service delivery and customer requirements, is further supported by Lang

and Lefebvre (1991) who suggest that integrated quality assurance at all stages, from product design to after sales service, is vital in order to satisfy the demands of customers. Similarly, Sparks (1990) suggests that a 'Total Strategy' dealing with all aspects of customer service, should be formulated by any organisation attempting to achieve better customer service.

In addition to the provider gaps already mentioned, Brown and Swartz (1989), suggested that gaps also occur between providers' and clients' perceptions of service performance. This is certainly the case if there is a provider - client expectation gap as shown by the Parasuraman, Zeithaml, Berry (1985) model. Therefore, Brown and Swartz (1989) do more to support a previously known gap than to identify a new one.

Managerial strategies aimed at reducing these gaps, will now be explained and evaluated as far as necessary to achieve the objective of this chapter.

2 GAP MANAGEMENT SUGGESTIONS

2.1 MEASUREMENT OF CSQE REQUIREMENTS AND PROVISION

Precise, clear, accurate, regularly updated measurement of CSQE requirements (see Chapter 3) is a necessity of CSQE improvement (Zeithaml, Parasuraman and Berry 1990). Also required is a measurement of the service quality evaluation requirements of those individuals operating within the process of service provision. This, according to Zeithaml, Parasuraman and Berry (1990), requires bottom up communication within the organisation of a service provider, and communication from customers to service provider decision makers, to be optimised.

It is no good however, designing a method of service provision which initially results in quality service, if that method is not backed by regular re-assessments of the way in which the method is both operating, and evaluated by the customer. Service provision

must be continuously checked and updated to take account of changing customer and intra-firm situations, in other words to take account of changes in CSQE and its determinants explained throughout this thesis. The vital importance of quality review was supported by Akers (1991). Continuous assessment should include the assessment of a new service by a service provider, immediately following the launch of that service. This is the view of Cornish (1988), Allen (1991), and Zeithaml, Parasuraman and Berry (1990). Reassessment findings must be made available to and acted upon by all relevant service provider managers. Measurement of CSQE and its determinants can be conducted using the methods mentioned in Chapter 3.

British Airways, an airline with a reputation for a high level service quality, places great emphasis on research. In 1990 alone, as stated by Holberton (1990), British Airways conducted 250,000 interviews in 60 airports around the world, and obtained in flight survey responses from 80,000 people. This was supported by 100 British Airways researchers, a business fliers panel, and numerous ad hoc research. As stated by Holberton (1990), British Airways collects weekly data concerning factors such as: revenue, yield, seats occupied, market share, punctuality, mishandled baggage, passengers very satisfied, in - flight service, airport service, complaint rate per 1000 passengers, cargo shipped as booked, involuntary off - load rate, cleaning standards and catering. This information is reduced to indices, allowing tracking and analysis of the service delivery. This information is presented by the marketing and operations director to 250 managers every month for review.

Federal Express, a company with a world leading reputation for service quality, uses what it calls the 'Service Quality Indicator' (SQI) in order to measure its service quality. This system, which each week collects information from over 1000 delivery centres, incorporates a form of advanced customer feedback whereby information is gathered about the number of delivery errors per week, the mix of delivery errors (such as late delivery Vs lost package), customer rankings of severity of error, and the time taken to resolve the error. Weightings are given according to the type of error committed and the importance of that type of error in the eyes of individual

customers. From this each delivery centre can be evaluated in terms of service quality on a weekly basis.

The above two examples seem to be sensible approaches to measurement, but there is no direct evidence linking these actions with actual CSQE improvement.

Measurement also surely requires teamwork (see section 2.7). Measurement, as explained above and in chapter 3, requires the co-operation of individuals operating throughout the process of service provision. This co-operation can be achieved through teamwork. Whilst it is important to have quality experts assisting any service provider that wishes to improve its service quality provision, such experts cannot in most cases do everything by themselves. Any service provider will normally be comprised of numerous departments and services and literally thousands of tasks and procedures. What is therefore required are 'quality action teams' teams of individuals who understand the primary principles of service quality, under the guidance of experts, who can in the words of Smith, director of information services at Mercury Communications in 1991;

> **"look at a process, review it, re - engineer it and so on, then they disband and hand over to the departments owner."** (Smith 1991, see Vowler 1991, p.19)

In other words, what is being proposed is that an expert on service quality should visit a service provider, and based on their experience and expertise, propose a broad way forward towards improved service quality. These propositions should then be presented to quality action teams who should consider this advice in the light of their experience, practical expertise and alternative imagination, and turn the broad propositions into precise operational change as they see fit. Furthermore, it seems sensible to compose these groups of a mix of both individuals who work in the areas being reviewed, and individuals who do not and thus have a fresh, alternative view on things. This is clearly not an alternative to expert advice, but it is a vital complement

to it. It should be noted that these quality action teams should exist on different hierarchical levels within service organisations.

Such assessment, as explained in section 2.7, is not only a managerial aid due to its ability to identify the extent to which plans have been successfully implemented. Assessment information also enables and assists the motivation of service provider employees, leading to the improved quality of service provision and CSQE.

2.2 PHILOSOPHY

Any overall customer service strategy must have clear objectives and philosophy (Boaden and Dale 1993). If a service provider does not know what its objectives are, it cannot build co-ordinated strategies which are aimed in the same direction. For example, Disney World has always had the philosophy of creating a feeling of fantasy, and of following the ideas laid down by its founder (Zeithaml, Parasuraman and Berry 1990). Scandinavian Airlines System (SAS) very clearly has the philosophy of service excellence, service effectiveness rather than just service efficiency (Olaisen and Revang 1991). British Airways aim to:

> **"make the journey from ground to air to ground as painless as possible."** (Strong, director of marketing and operations at British Airways, as interviewed by Holberton 1990, p.16)

These objectives and philosophies must be backed furthermore by conviction and thus sufficient resources, not just in the short term, but in the long term until all objectives are achieved. A quick fix mentality must be avoided. Philosophies should not however, prevent flexibility (see section 2.4).

Zeithaml, Parasuraman and Berry (1990, p.148) and Boaden and Dale (1993), argue that a firm should develop a statement of direction, in the form of short sharp published literature, which is then made available to all employees. This should outline

the objectives and strategies of the firm concerning customer service. This is designed to get all employees moving in the same direction. This is illustrated by the American Express Bank "We'll do it" publications in 1992. Statements of direction have been adopted by many organisations, but the reality in my experience as an employee of an international bank, was that few employees read such literature, even fewer take it seriously, and hardly any, if any, take any personal steps to take up the challenge. Simply asking people a long way down the chain to change dramatically their ways of working is a waste of time. Communications of direction are nevertheless important as a means of preventing feelings of isolation and lack of purpose amongst employees, and could be useful for keeping everything moving in the same direction, so long as they are clear and simple, free of rhetoric, and backed up by training and motivational tactics.

According to Zeithaml, Parasuraman and Berry (1990), symbols of intent are a very important way of conveying the strategic objectives of management and the direction of the company. Symbols, they argue, should be widely present throughout the service provider. They may be presented though a variety of ways including graphic design, models, statements on television or radio, and the setting of examples such as:

- Creating an environment of quality through, for example high quality office furnishing. Examples can be seen in banks such as Coutts & Co., London.

- Top and middle managers clearly doing things which they would like their employees to do. Richard Branson, owner of Virgin, publicly believes that whatever people do, they should try to do it well. His behaviour is clearly in keeping with his beliefs and so acts as an example to all his employees.

- Publicising, within the service provider, and publicly rewarding staff who give outstanding service. American Express Bank annually selects offices from around its global network of 38 offices, for quality awards. Departments and individuals are also rewarded if their achievements are considered to be

sufficient. These rewards are publicised throughout the bank's global network.

♦ Giving job names which symbolise an important relationship to CSQE. To be called a customer liaisons officer is much more inspiring than to be called a desk clerk..

Evaluating the degree of success of such measures is difficult. Most service organisations incorporate the above measures within larger strategies aimed at improving customer service. However psychology understanding regarding motivation (see Chapter 2) would suggest that there is a logic to some such measures.

2.3 DESIGN QUALITY INTO THE WHOLE SERVICE PROVIDER

Quality should be designed into the whole service provider (Leblanc and Nguyen 1988) and therefore the whole service. This is totally supported by the other chapters of this thesis which show that it is the whole service which is being evaluated by customers during CSQE, and since everything the service provider does leads to the service that is being evaluated, every action of the service provider must be planned and controlled in order to plan and control CSQE. The gap model of Parasuraman, Zeithaml and Berry (1985) (see section 1) further supports this strategy. This requires some kind of 'Service Blue Printing', the production of a detailed map or flow chart of the whole service process and the influences on it. This should be backed up by clear measurable targets and assessment (see section 2.1 for a further explanation of assessment) of all aspects of the service blueprint (Allen 1991; Zeithaml, Parasuraman and Berry 1990; Goodstadt and Marti 1989). Goodstadt and Marti (1989), Boaden and Dale (1993) and Howcroft (1991) further believe that service quality implementation must be continuously adjusted throughout its implementation. For service providers which are already established however, the inertia of factors such as historical culture, and established people, processes, technology and current senior executives should not be underestimated (Boaden and Dale 1993).

Olaisen and Revang (1991), explain how during the 1980's Scandinavian Airlines System (SAS) developed a whole service to cater for business travellers. All parts of the existing SAS service were improved for these travellers. This was achieved through separate check-in counters, private airport lounges, private sections on board, free meals and beverages, more non - stop flights, timetables and routes co-ordinated to match the business man's needs, repainting of aircraft and ground equipment, new aircraft interiors, new staff uniforms and logos, and the general improvement of safety, punctuality and other aspects of service provision throughout the company. This general improvement resulted in SAS business class being nominated as the best in the world by Fortune Magazine, and being appointed "Airline of the Year" by Air Transport World in January 1984.

The Viable System Model (VSM) developed by Beer (1985) and explained by Hernden, Adams, Haynes, Bryde and Davies (1994), proposes a way to identify elements which affect an organisation's orientation towards quality (see the Introduction to this thesis for an explanation of the term 'quality'). VSM proposes using a management function blueprint, whereby each management function is represented in association with its relationship to one of five formal systems: Operations, Co-ordination, General Management, Strategic Planning, and Policy. This representation, which can take place at each of the different operational levels of the enterprise, identifies the organisational relationships which need to be managed in order to achieve CSQE. There appears to be no evidence to support this approach, but it would seem fair to suggest that different managerial functions, whilst all playing a role in service quality delivery, do so through the achievement of different intermediate objectives. These different objectives should surely be recognised in order to facilitate guidance of the managerial functions.

2.4 FLEXIBLE CUSTOMER SERVICE

Different customers, of for example a retail bank, may require slightly different service. One customer might wish for a simple hassle free, friendly and personal

banking service, involving notes and coins, cheques, cashiers, and giro slips. Another customer may wish for a highly automated and complex banking service involving touch telephone or computer banking, Mondex cards (refillable cash transaction smart cards), cash machines and direct instant electronic bill payment machines. Furthermore, the needs of such customers may vary according to their situation. For example a customer may require a transfer payment to be made later than would be usual operational practice, but at a time which is nevertheless possible. Similarly a customer may wish for weekly rather than monthly statements to be sent to two addresses rather than one address, a task which might be difficult but possible within the profits generated by that customer. Therefore, whilst it is often unrealistic for a service provider to expect the needs of all customers at all times to be met, a customer service strategy must allow for a variety of different customer requirements. This is supported by Olaisen and Revang (1991), based on the experiences of SAS in recent years. A customer service strategy must also allow for changing customer requirements (Akers 1991, based on the view of IBM after examining more than 50 quality conscious companies around the world).

Carlson (1987) argues that putting the customer's convenience ahead of that of the company, leads to long term profit, and is the key to service strategy. This, he argues, requires flexibility of service provision.

This flexibility requires decentralisation of many service decisions to lower management and general employees (Hamilton and Dunkin 1987; Murphy 1990; Lang and Lefebvre 1991; Grönroos 1988, 1991; Akers 1991; Allen 1988).

> **"If we are truly dedicated to orienting our company toward each customers individual needs, then we cannot rely on rule books and instructions from distant corporate offices, we have to place responsibility for ideas, decisions and actions with the people who are SAS during those 15 seconds."** (Carlson 1987, p.425)

> **"Total Quality replaces bureaucracy with initiative, it replaces top-down authority with peer pressure."** (Dodson 1991, p.35)

> **"Empower managers and employees in the field by pushing decision making power down the organisation, allow them greater discretion in the methods they use to reach goals."** (Lovelock 1991, p.371, Distilled from Zeithaml, Parasuraman and Berry 1990)

Olaisen and Revang (1991) suggested that flexibility also relies to a large extent on information technology, and especially integrated technology. It relies however, also on understanding customer wants and needs which can be identified only through customer behaviour analysis, questionnaires and other forms of customer research.

2.5 BENCHMARKING

Benchmarking is a way by which a service provider can guide itself towards providing a better level of service to its customers (Brooks and Wragg 1993). Xerox Corporation's objective when benchmarking is to achieve customer satisfaction through obtaining best practice (Camp 1993). Benchmarking may take place in goods and service sector industries, in order to increase profitability and to improve service. The underlying principles are very similar in all its forms. However, most of the literature on benchmarking relates to manufacturing processes, a smaller amount of literature relates to the service sector, and even less relates to service delivery as evaluated by customers. Benchmarking is a widely used tool. Houlder (1994) found that three quarters of the UK's top 1,000 companies use benchmarking.

Benchmarking may take many forms (Houlder 1994), but Camp (1993) identifies 4 categories of benchmarking:

- Internal Benchmarking: comparing the performance of processes and services with targets set using information available within a service provider.
- Functional Benchmarking: comparing the performance of processes and services with their functional objectives.

- Generic Benchmarking: comparing non-market specific processes and services with service providers from different markets and industries, and official standards (e.g. ISO 9000/1).
- Competitive Benchmarking: comparing the performance of processes and services against those of competitors, and industry specific official and unofficial standards.

Generic benchmarking typically takes the form of borrowing ideas. According to Akers (1991), in a study of 50 quality conscious companies around the world, IBM found that most firms borrowed ideas from each other, and that this is vital to achieve quality. This benchmarking is also suggested by Zeithaml, Parasuraman and Berry (1990) and Haserot (1993). IBM themselves conducted their study in order to learn from other companies. IBM found that this borrowing takes place within and between different industries. Xerox Corporation has borrowed ideas from companies such as Digital, a company in another industry (Camp 1993). In fact in 1992, 80% of Xerox's benchmarking time was spent outside its industry (Camp 1993). ICL also benchmarks in this way (Hutton and Zairi 1994), as does British Airways which benchmarks against selected other airlines, railway operators and a hotel chain (Potter 1994). A risk with borrowing ideas, however, is that ideas may be borrowed which do not increase CSQE, or increase it in an uneconomical way. Just because a company with an excellent reputation for service quality does something in a particular way, it does not mean that all of its actions contribute to that quality service. Also, just because a company has a reputation for providing excellent service, it does not necessarily mean that all its customers evaluate the service as being excellent. Furthermore, borrowed actions may be financially expensive bearing in mind the CSQE benefits gained, and therefore may not be economical actions. Consequently, simply copying the actions of another service provider may not necessarily be beneficial to the copier.

Competitive benchmarking may be a positioning of a service provider against all its competitors, or against the market / industry leader (Camp 1993) often referred to as 'best-in-class' (e.g. Mittelstaedt 1992). Most companies benchmark against their

competitors. One UK bank, for example, has an entire department for the purpose of investigating competitor behaviour. Borrowing ideas is also appropriate to competitive benchmarking, but usually through less cooperation than with generic benchmarking. Collaboration with competitors may nevertheless take place, for example health care providers in the USA (Gift, Stoddart and Wilson 1994).

Official standards are a popular means of benchmarking. Hoggan (1991) shows clearly, with many examples, that formal standards qualifications such as BS.5750 and MQA are a vital means of disciplining organisations, and giving them the right structure in order to achieve service quality or indeed any quality. These standards might either act as minimum standards, normal operation standards or target benchmarks. However, the Federation For Small Business and Pengelly (1993) argue that BS.5750, ISO 9000 and the forthcoming BS.7850) are presently too expensive, complicated and inappropriate for most small businesses today.

Various methods of benchmarking against target customer satisfaction scores also exist, e.g. British Airways (Potter 1994), including a variety of customer satisfaction indexes such as the CSI (see Chapter 3) used by National Westminster Bank and Royal Mail. Oakland and Beardmore (1995) found, in a study of 10 leading UK companies, that the use of customer satisfaction surveys was a common feature. Qualitative customer satisfaction measurement targets, such as focus group studies, may also be used for benchmarking (Ballantyne, Christopher and Payne 1995; Haserot 1993), as well as a variety of other customer analysis measures (Haserot 1993).

Benchmarking relating to the psychological process of CSQE is a relatively new concept (Brooks and Wragg 1993). This method of benchmarking is based around the SERVQUAL measure of service quality explained in Chapter 3, and is used by many companies including Abbey National (Newman, Cowling and Fraser-Smith 1996). The managerial logic behind this measure is explained in section 2.13 later in this chapter.

Consequently, it would seem that all the methods of measurement explained in Chapter 3, which each measure some aspect of the CSQE process, could therefore be used for benchmarking purposes.

2.6 COST-BENEFIT ANALYSIS

Some kind of analysis of the benefit of customer service quality strategies, in relation to the financial cost to the service provider of those strategies, is vital in order to use available resources to the full (Sparks 1990; Allen 1988).

One problem with cost-benefit analysis is in defining what the cost of quality actually is (Boaden and Dale 1993). Boaden and Dale (1993) support the definition of cost of quality as used by a major UK clearing bank which they were studying. The definition is that the cost of quality is:

> **"the difference between the cost actually incurred in accomplishing a task, and the cost incurred if a 'right first time' approach is used."** (Boaden and Dale 1993, p.31)

This definition has many weaknesses. CSQE benefits include far more than just mistake free service. Benefits may be far more positive. Benefits include positive word of mouth communication and service differentiation. These benefits can increase market share (see the introduction to this thesis for further explanation of these benefits). Furthermore, the above definition does not help us to measure the cost-benefit situation. How can the costs and benefits of customer service quality strategies be measured when those strategies are inter-linked with each other, as is the case with customer service quality strategies? For example, managerial measures required for an image of reliability, assurance and responsiveness will overlap, in terms of the managerial measures required, and the customer benefits achieved. All of the managerial strategies mentioned in this chapter, aimed at achieving a high level of CSQE for all the dimensions of CSQE mentioned in chapter 1, are needed as part of

an overall CSQE strategy. Furthermore, the benefits of CSQE improvement may take all the forms mentioned in the introduction to this thesis. In other words the costs and benefits of CSQE are all the costs and benefits of all aspects of customer service delivery. Consequently, the costs and benefits of individual strategies are too complex to decipher, and the costs and benefits of the overall CSQE strategy equal the costs of service provision versus the level of CSQE and its consequences. CSQE changes and the consequences of CSQE changes, which include factors such as word of mouth and service differentiation, will result in future changes in the behaviour of customers. It is this behaviour change which is the ultimate benefit of CSQE strategy. Consequently, the cost-benefit of CSQE strategy should be measured by observing changes in customer behaviour in relation to changes in the cost of customer service provision. This measure would not derive a precise measure of cost-benefit, since other environmental determinants of customer behaviour, such as national and world economic trends, would be included in the measurement. However if adjustments are made to limit the other environmental determinants, then such a measure could be a useful indication of cost-benefit.

2.7 QUALITY LEADERSHIP & EMPLOYEES

Zeithaml, Parasuraman and Berry (1990), Grönroos (1988), and Boaden and Dale (1993), see good service leadership throughout the decision making hierarchy of an organisation as vital to service competitiveness, the ability of a service to compete relative to other services in a market place. According to Boaden and Dale (1993), though, quality leadership is not something that can be achieved quickly. Boaden and Dale (1993) believe that this leadership must direct and inspire other service providers. They argue, however, that senior managers are the most important.

> **"only senior management can build the cultural foundation for quality service in the organisation."** (Zeithaml, Parasuraman and Berry 1990, p.137)

What use though, is a good foundation if the covering bricks are brittle. It is dangerous to rank different decision makers in terms of importance, even though different decisions could be ranked in terms of importance.

Teitleman (1992) argues that whilst high quality staff are required in large quantities, it is important to avoid 'managerial overkill' resulting from too many 'strategic thinkers', and 'political squabbling' as has been the case with American Express.

> **"In 1989 TRS decided to redesign the AMEX corporate card to distinguished it from the computer card, an effort dubbed 'project Michelangelo'. Amex hired a pricey outside design house, which cranked out prototypes like so many playing cards. Soon, various AMEX departments; marketing, public affairs, computer services, direct marketing, were climbing in and experts at Ketchum Public Relations, Ogilvy Mather and Marketer Wuderman Worldwide were being consulted. Memo's and meetings multiplied. finally, after months of work, 'Michelangelo' produced a new card with a slight change in the background pattern, the name of the client company in large type, a slight repositioning of the centurion symbol, and the word 'corporate' across it. AMEX then gave a party to celebrate its collective genius."** (Teitleman 1992, p.140-141)

Teitelman (1992) also argues that decision making should not be undermined by outsiders.

> **"Outside advisors are hardly unusual. The problem at AMEX is that top managers sometimes endure a long internal decision making process, only to find themselves suddenly blind sided by an abrupt change in tack after Robinson consults one of the outsiders."** (Teitelman 1992, p.140)

There are however, according to Zeithaml, Parasuraman and Berry (1990), many other reasons why the standard of leadership may not be sufficient. These include

poor customer service knowledge and training, poor motivation levels or basic leadership abilities or training of top or middle level managers.

Service providers must however, also take measures in order to try to maximise the benefits, in terms of CSQE attainment, derived from the participation of all employees, including staff, managers and executives (Dodson 1991) in the operation of the service provider (Sparks 1990; Zeithaml, Parasuraman and Berry 1990; Hamilton and Dunkin 1987). 'All employees' includes 'intra - firm service providers', employees who do not directly interact with customers, a term first proposed by Gummesson (1977), and known as the concept of part-time marketers. This was further supported by Gronroos (1982) and by Lehtinen (1983). According to Gummesson (1987) and Grönroos (1991), this concept then lead to the concepts of 'Customer Relationship Life Cycle' and 'Interactive Marketing Function'. These concepts relate to the consequences for marketing of interactions between part-time marketers, other resources, and customers, as a way of developing lasting customer relationships. These concepts were supported by Grönroos (1982), Lehtinen (1983) and Gummesson (1987).

There are a number of components to this strategy:

Employees should have sufficient individual abilities and skills (Zeithaml, Parasuraman and Berry 1990; Grönroos 1988; Chase and Bowen 1988), and should have good attitudes and a good degree of professionalism (Grönroos 1988). Based on his experience as head of customer relations at British Airways, Hill (1996, p.71) claims that:

> **"Getting the right person to do the right thing for the customer
> starts with recruitment"**

CSQE strategies cannot however, be implemented throughout a whole service provider, as suggested by section 2.3, unless leadership and employees throughout the

service provider understand the essence of their role in the strategy, in other words their role within the process of CSQE maximisation. This requires all leadership and employees to understand the essence of the process of CSQE maximisation. This requires employees to be well trained (Sparks 1990; Boaden and Dale 1993; Payne and Dale 1990; Pirrie 1990). This should include education about the nature of customer service quality evaluation, training for interpersonal skills, priority setting, time management, technical training for the job itself, including in depth product knowledge (Sparks 1990), and management training for managers (Zeithaml, Parasuraman and Berry 1990). Training is important for all employees, but it is arguably especially important for those employees who interact with customers. It is vital to try to maximise interaction between employees and customers (Crosby, Evans and Cowles 1990; Leblanc and Nguyen 1988; Crosby and Stephens 1987; Parasuraman, Zeithaml and Berry 1985; Solomon, Surprenant, and Czepiel 1985). Whilst management should set service delivery parameters:

> **"Frequently ... the service sales person is the primary, if not the sole contact point for the customer both before and after the purchase ("the sales person is the company"). Under these conditions, the sales person controls the level of service quality delivered."** (Crosby, Evans and Cowles 1990, p.68)

Scandinavian Airlines System (SAS), as explained by Olaisen and Revang (1991), have since the 1980's put its entire staff through a service management programme, with the consequent success explained in section 2.3. British Airways too, trains all its staff who have anything to do with service delivery, thoroughly in all aspects of customer service, and retrains them at least every 6 months (Holberton 1990). As part of the training at British Airways, all trained staff are explained the 'model' representing the 'essence' of the way they are expected to behave.

In order that employees are well trained, it may be necessary to employ full time workers rather than part time workers (Sparks 1990).

Teamwork (Sparks 1990) should be fostered. The increased freedom for, acknowledgement of, and co-operation with all employees in a service organisation resulting from increased teamwork, is according to Howcroft (1991), likely to lead to a culture of improved internal relations, and consequently improved staff - customer relationships.

> **"We learned a long time ago that employee satisfaction is a prerequisite to customer satisfaction."** (Smith, CEO of Federal Express, in Dodson 1991, p.36)

Suggestions for achieving teamwork include:

- Good managerial leadership (Zeithaml, Parasuraman and Berry 1990);
- Empowerment (Dodson 1991). This includes flexibility as mentioned earlier in this section and the involvement of employees in the process of setting standards (Zeithaml, Parasuraman and Berry 1990). It may also include assessment of internal customer satisfaction, including employees who interact with customers, through face to face dialogue and surveys, which, according to Dodson (1991), is vital in order to achieve the motivation of managers and their employees. Dodson (1991) states that listening to the needs of internal customers and internal service providers is required in order to achieve satisfactory internal quality. Dodson points out that there are many examples of where internal co-operation has improved service quality, including British Airways where:

> **"employee involvement teams improved customer service by streamlining terminal operations. Volume is up 10%; so are profits and reputation."** (Dodson 1991, p.42)

- Team rewards (Zeithaml, Parasuraman and Berry 1990). Dodson (1991) argues that employees should be stakeholders, individuals who have a vested interest in how well the company performs;

- Measurement of employee performance and rewards for high performers (Frank Cornish 1988; Zeithaml, Parasuraman and Berry 1990; Sparks 1990). Reward systems should be meaningful, timely, simple, accurate and fair (Lovelock, distilled from Zeithaml, Parasuraman and Berry 1990);

- Prevention of isolation of employees from top and middle management (Sparks 1990) through for example conducting breakfast and lunch communication sessions with all staff (Cornish 1988; Sparks 1990).

- Any other motivational and intra-group sociological and psychological tactics.

- All these teamwork tactics require good communication, throughout the service provider, both 'bottom-up' and 'top-down', and also between the service provider and its customers and suppliers.

> **"Communication is a key component of Total Quality Management (TQM); management cannot communicate too much on quality improvement; and the multi location characteristics of service industries mean that it is especially important that effective communication mechanisms are developed."** (Boaden and Dale 1993, p.19)

Employees' roles must be clarified according to Zeithaml, Parasuraman and Berry (1990), otherwise tasks might not get done. However, this role definition should not get in the way of flexibility of any part of the operation of the service provider. If one employee cannot conduct a task for any reason, and yet the task needs to be conducted, then another employee must have the flexibility to conduct it instead. Role clarification should not be the same as demarcation. In the case of employees who interact with customers, employees should have freedom from routine tasks which prevent sufficient and satisfactory communication with customers (Frank Cornish 1988; Sparks 1990).

Employee performance should be maximised through the use of the most appropriate and reliable technology and equipment (Zeithaml, Parasuraman and Berry 1990). This may include the increased standardisation, through technology, of repetitive work task practices. Repetitive work tasks can lead to boredom and therefore attention lapses. This can lead to reliability problems. As Banks such as American Express Bank and Chase Manhattan Bank found out, the use of increased technology in the process of cheque clearing lead to more standardisation of the process, and fewer reported errors. Supermarkets have used technology to standardise check out processes. Infra red bar code reading has replaced manual price inputting by check out staff in many supermarkets in the UK. This has lead to greater levels of reliability of the check out procedure, and to more opportunity to interact personally with the shopper.

Sufficient staffing levels should be achieved and maintained (Sparks 1990). There is no point in having good employees if there are not enough employees to do the tasks which need to be done.

Horizontal management should be applied as a way of achieving quality amongst the internal customer service environment. Horizontal management focuses attention on the fact that everyone is both a customer and a supplier. In this approach which is used by American Express Travel Related Services, Motorola and Met Life, NOAC's (Next Operation As Customer) are identified, whereby the nature and the requirements of everyone's customers and suppliers are identified, and then methods of measurement are devised for analysing the performance and efficiency of the relationship. Performance and efficiency objectives can be set and thus everyone operates with clear objectives and reason. In a traditional vertical management environment, it is often difficult for employees and even managers to identify clearly their tasks and purpose since they feel that they are, and in fact are in reality, just one cog in a very large mechanism rather than a semi-autonomous supplier as is the case in near horizontal management.

Culture is also a component of quality leadership and employees. In 1990 the Prudential Insurance Company of America began a customer satisfaction initiative in its group department. The initiative comprised 3 components: culture change, operational effectiveness and human resource development. According to Moore (1993), culture change was seen as a prerequisite for the other two components. Moore (1993) states that it was believed that the environment for employees in the department was conservative and adverse to risk, in my opinion not necessarily a bad thing in a quality context, but it was believed that more innovation, flexibility and responsiveness to the market place was needed. This meant changing the unwritten and or unspoken rules which influenced the behaviour of individuals in the department. Once the gap between the desired and actual culture was identified through focus groups with employees, the gap was, according to Moore (1993) reduced through communications of the focus group findings to employees. I would argue though, that human resource development is a component of culture change. How can culture change take place if the people necessary to oversee and implement the culture change are not available. Any group's culture is the way that all things are done in that group. It is influenced by a whole range of individual and social factors as described by the fields such as anthropology, psychology and sociology. It seems simplistic to believe that that an explanation for a group's culture can be limited to non individual intra-group processes. This is not to criticise the actions of Prudential, on the contrary, the measures taken to change the culture were effective, but the culture of a company should be seen as the result of all individual and social characteristics of the people operating the company, including any unspoken and unwritten rules.

2.8 QUALITY OUTPUT REQUIRES QUALITY INPUT

Any customer service quality is limited by the quality of service input of the organisation supplying the organisation which is serving the customer (Hamilton and Dunkin 1987). It is vital for organisations to gain quality of service from their suppliers. If this is not possible, the setting up of a new distribution network by the organisation itself may be necessary. 3M United Kingdom in particular puts great emphasis on improving supplier control. This aim formed a large part of 3M UK's

drive for total quality management, which led to them being the first multi - product company to be presented with the British Quality Award for all locations in 1989. This was clearly explained by Murphy (1990).

Achieving quality input may require the building of partnerships between the service provider and its suppliers.

> **"Traditionally, many companies have regarded their competitors, suppliers and customers as adversaries and have fought to gain the upper hand. This is now being replaced by a more co-operative and collaborative approach with organisations seeking to work with competitors, suppliers and customers."**
> (Pudney 1994, p.53)

Pudney claims that as part of this partnership building it is important for an organisation to understand the culture of its competitors, suppliers and customers, in order to facilitate their optimal interface.

As explained by Irwin (1993), ICL, a major European information technology company, operates a system whereby since 1990 it develops long term relationships, including partnership with suppliers to improve supply development, with a minimum number of suppliers whom it views as world class. In return ICL expects its suppliers to try to meet its stated requirements. This relationship is reviewed at the end of each year of the relationship. According to Irwin (1993), the benefits for the suppliers are increased business and the benefits of partnerships in development. Irwin (1993) claims that the benefits for ICL are a small number of suppliers who are dedicated to the needs of ICL. A possible downside for the suppliers is the risk of being too specialised to the needs of one customer, and or being too reliant on the business of one customer. The possible downside for ICL is being too reliant on a small number of suppliers. Nevertheless ICL believe that they have benefited from the policy of Partnership Sourcing.

2.9 INTEGRATE INFORMATION TECHNOLOGY

The significance of Information Technology (IT) regarding service quality provision has been supported by many writers including Zeithaml, Berry and Parasuraman (1990); Allen (1991); and Chase and Bowen (1988). IT can assist service quality through:

- Assisting the integration of supplier departments. The idea that information technology can assist service quality through assisting the integration of supplier departments, is illustrated by the experience of Mercury Communications (see Vowler 1991). Mercury assigns product line and account managers to each of four integrated technology sub-divisions; customer facing, administration, billing, and office systems. Some of the IT managers come from an IT background and some out of a business background. These managers try to promote co-operation and linkage maximisation amongst the four integrated technology sub-divisions, and maximise their benefit to internal customers. In other words each sub-division operates as if it were an independent company, with the task of efficiently satisfying all its customers. By improving technology integration in this way, all departments in the organisation gain greater capabilities and thus are able to improve their service to the customer (Vowler 1991).

- Speeding, simplifying and facilitating service products. For example, 24 hour touch telephone banking, 24 hour money transfer machines, and the 'Amadeus' global information and distribution system, founded in 1987 by SAS, Air France, Iberia and Lufthansa. The Amadeus system enables travel agencies to obtain product and service information and make reservations with a wide range of airlines, hotels, car rentals, trains, ferries, restaurants and theatres etc. This system also enables fare calculation and documentation print-outs. SAS has further linked up 'Amadeus' with a regional link up system concerning Swedish Railways amongst others, and its new central reservations and information system. This information technology thus enables customers from around the world to organise entire trips through one system.

- Assisting continuous service quality assessment methods. Federal Express use a package tracking system which makes use of bar coding and remote location data transmission capabilities. If a customer reports an error, then through this tracking system, the latest location of any given package can be determined within minutes of receipt of the complaint. According to Furey (1991), this was a major contributor to the fact that Federal Express at the time, had the fastest error response time in the overnight delivery business.

- Assisting market research efforts. It is possible to carry out market research by analysing charge card user purchase behaviour. This is done by many companies including American Express, SAS and British Airways. The Amadeus system of travel booking used by SAS registers the behaviour of travellers, enabling market research information to be obtained via the same IT. Charge cards can also, in the case of British Airways, act as a ticket and reservation hold and enable quick purchase of tickets, and thus improve service. They even act as a device that encourages customers to re-use the service due to accumulated benefits, and ease of re-use.

- Facilitating sensitivity of the service system. The Amadeus system used by SAS, extends the range, variety and combinations of services which SAS and the other subscribing members can offer to their customers, thus allowing them to cater for a wider range of individual customer needs.

Marr and Prendergast (1992) however, basing their conclusions on studies in the New Zealand banking industry, argue that technology such as ATM cash machines may for a large proportion of people, be preferable to human tellers for a large number of situations. Marr and Prendergast (1992) argue that but for many individuals and many situations, customers prefer the security, reassurance and personal side of the human touch, as provided by human tellers. In other words information and other forms of technology should be used with extreme care within all service environment situations. This evidence, however, is limited though not disputed by the fact that it only reports on the tastes of banking customers in New Zealand.
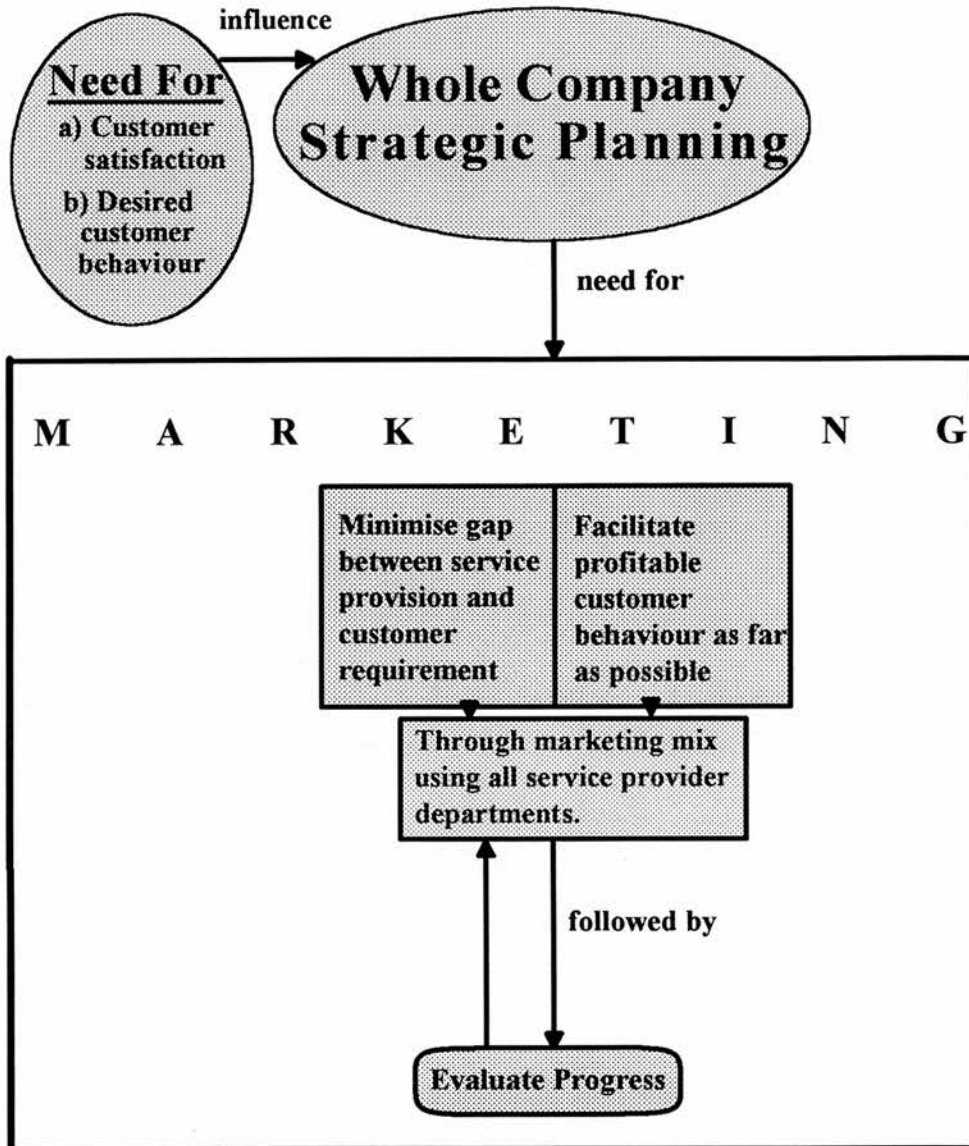
2.10 CONTINUOUSLY INCREASE ASPIRATIONS

Customer service delivery designers should continually increase their aspirations and therefore their target benchmarks in order to stay with or ahead of the leading competition (Allen 1988; Bertrand 1989). Furthermore, as part of the quality aspirations of the top management strata, middle management too, must set, achieve and continuously increase target standards for their own individual work units (Zeithaml, Parasuraman and Berry 1990).

2.11 MARKETING AS A GUIDANCE DEPARTMENT

As has already been illustrated throughout this chapter, but not made explicitly clear, it must be realised by any organisation that the marketing function is larger than the marketing, including sales, department (Grönroos 1979b, 1983, 1991; Gummesson 1977). Grönroos (1983) argues that a traditional marketing department cannot handle all marketing functions. Marketing functions, they argue, are an integral part of overall management. They suggest that what is required of a marketing department is a small number of strategic thinkers to guide the overall management of each department in the organisation for the purpose of service marketing. It follows that sales, accounting, finance, distribution, purchasing, inventory control and warehousing (if they exist), advertising, promotion and public relations, research and development, personnel, operations, maintenance and also legal departments must all be service integrated by service quality experts. This is vital if the fundamental prerequisites of service quality, one of the major objectives of service marketing, are to be incorporated in the overall management of a service providing organisation. This is supported by Grönroos and Gummesson (1985), and Gummesson (1991b). Consequently, according to Grönroos (1983, 1991), the concept of 'Service Management' has emerged as first noted by Norman (1982), and supported by many others as listed by Grönroos (1983, 1991). The role played by marketing within a service provider, for the purposes of achieving satisfactory customer service quality perception, is illustrated by Diagram 4.1 below.

Diagram 4.1: The Role of Marketing

influence

Need For
a) Customer satisfaction
b) Desired customer behaviour

Whole Company Strategic Planning

need for

M A R K E T I N G

Minimise gap between service provision and customer requirement	Facilitate profitable customer behaviour as far as possible

Through marketing mix using all service provider departments.

followed by

Evaluate Progress
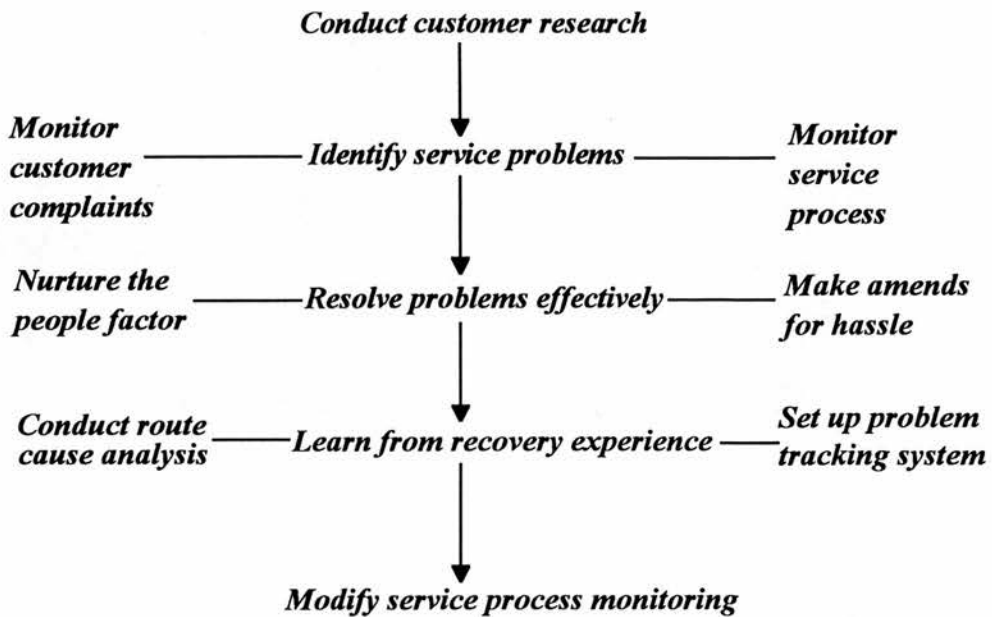
2.12 SERVICE RECOVERY

If mistakes are made, good recovery is vital (Grönroos 1988). Losing good customers must be avoided. In addition to the reasons for the importance of CSQE which were explained in the introduction to this thesis, Simpson (1996) argues that it is better for a service provider to handle complaints well than for a service provider to receive no complaints at all.

> **"Ideally you end up with a win:win situation for both company and complainant, because it allows you to demonstrate that you care about offering a superior service and value that individual's business. ....Think back to your schooldays when you regularly had a bust-up with a chum. Once resolved, didn't you find you had a stronger relationship afterwards? The same psychology applies in business. Handle a customer's problem really well and you'll end up with a stronger bond and even greater supporter of your company than if you'd never given them cause for complaint in the first place."** (Simpson 1996, p.69 and 71)

To want complaints so as to have the chance to cure them however, would be rather like playing Russian roulette. Nevertheless, service providers must therefore take steps not only to prevent dissatisfaction, but also to try to minimise the damage caused by lost customers and then attempting to regain their custom. Some methods for the achievement of effective service recovery, as suggested by Berry and Parasuraman (1991), are shown in Diagram 4.2 below. Simpson (1996) explains one way of complaint handling used apparently successfully by companies including British Airways; 'diffusion of anger', which involves sympathetic mirroring of customer emotions, if sensible, by an employee dealing directly with those customers. This mirroring can create a feeling of affinity in a customer's mind, with the employee, and the customer will therefore feel less frustrated than if the employee had been perceived as being less understanding of the complaint. Such a strategy alone, however, surely could not diffuse anger totally since the initial cause of the anger is not solved by this strategy. Therefore the strategy should perhaps have a different name.

Diagram 4.2: Methods of Service Recovery

Conduct customer research

↓

Monitor customer complaints —— **Identify service problems** —— **Monitor service process**

↓

Nurture the people factor ——**Resolve problems effectively**—— **Make amends for hassle**

↓

Conduct route cause analysis ——**Learn from recovery experience** —— **Set up problem tracking system**

↓

Modify service process monitoring

(Source: Berry and Parasuraman 1991, p.42)

Hill (1996) states that service recovery requires individualised personalised service from those employees interacting directly with customers. This supports the importance of flexibility of service as explained in section 2.4.

> **"Our intention is to try to identify dissatisfied customers on the day of travel and have a proactive service that works there and then, or some mechanism for delivering it shortly afterwards".**
> (Hill 1996, p.71)

Malpass (1996) claims that culture and leadership (as explained in section 2.7) are also determinants of service recovery.

"**Frankly, the way you handle complaints says more about your top management and its policies than any amount of PR image building. There's always a tendency for grievances to filter downwards so that the person at the bottom of the ladder ends up kicking the customer.**" (Malpass 1996, p.69)

2.13 MANAGE EXPECTATIONS

Zeithaml, Parasuraman and Berry (1990), propose controlling expectations so that they are not higher than the service that customers perceive they receive from a service provider. They propose achieving this by ensuring that consistent standards of service are delivered across multiple locations, by letting customers know what is and is not possible, and the reason why, and by identifying and explaining to customers, the uncontrollable reasons for shortcomings in service performance. They further suggest offering customers different levels of service at different prices, whilst explaining to customers the differences between these levels.

Controlling expectations therefore requires the control of external communications, information conveyed to customers and potential customers either deliberately or accidentally. Reputation is therefore important to a service provider (Grönroos 1988). This is to minimise the gap between actual customer service provision, as seen by customers, and explicit and implicit promises of customer service provision, as seen by customers. According to Shostack (1990), the intangibility which makes word of mouth communications so important for service decisions by consumers, leads to much attention being paid to clues. According to Shimp, Stuart, and Engle (1991), classical conditioning, learning through association, in all its forms is a major influence on the attitudes of individuals towards products. External communications include the following:

* Advertising (Shimp, Stuart and Engle 1991), including brochures and catalogues; other forms of promotion; and press releases (Shimp, Stuart and Engle 1991), including interpretations of press releases by members of the press. These external communications tell customers and potential customers

about a service provider and its services. Therefore, according to Zeithaml, Parasuraman and Berry (1990), advertising should feature real employees performing their jobs. In this way a sense of reality can be portrayed. Furthermore, for the same reason Zeithaml, Parasuraman and Berry (1990) argue that service providers should consult operations personnel when creating new advertising programmes. They also argue that employees should be allowed to preview advertisements before customers see them.

- Behaviour of staff while not at the workplace (Shimp, Stuart and Engle 1991). It is possible for staff to bring their employer, a service provider, into disrepute while not at their workplace, through what they may say in public about the service provider. Staff may also cause disrepute through the way they behave whilst in the uniform of a service provider, even outside working hours. Even if staff are not in uniform, if other members of the public, with a knowledge of the staff members' employer, the service provider, observe or hear about bad behaviour from those staff, the service provider may be brought into disrepute for employing such people. Controlling disreputable behaviour however, is unrealistic.

- Random exposures to normally hidden facilities or vehicles (Shimp, Stuart and Engle 1991). Seeing the kitchen of a restaurant, or the bakery in a supermarket, can tell a customer a lot about that service provider.

- Market research surveys which are not presented in a very professional form may infer unprofessionalism about the service provider which sent the questionnaire. In fact, a particular large bank in the United Kingdom does not allow questionnaires to be sent out in its name unless senior management have first approved the questionnaire and its presentation.

- Sales calls (Shimp, Stuart and Engle 1991). Sales people who visit customers at their home or business, are representing their employers to those they visit.

- Prices. According to Dodds, Monroe and Grewal (1991), as price increases, then assuming all other influences of perceived service quality (CSQE) remain constant, expected perceived service quality (CSQE) also increases. This is because of 'Systematic Distortion', as explained in the introduction to this thesis.

systematic distortion is when positive attributes about an aspect of an object leads to positive inferences about other aspects of that object, and vice versa, as explained and supported by Elliot and Roach (1991).

- ◆ Brand names. Berry and Parasuraman (1991) believe that the name of a company should have 4 characteristics: 'Distinctiveness', the ability of a name to distinguish a firm immediately from the competition; 'Relevance', the name should convey the nature and benefits of the service; 'Memorability' and 'Flexibility', the ability to accommodate inevitable strategic changes in organisation. The importance of brand and store name and information is supported by Dodds, Monroe and Grewal (1991).

The importance of controlling external communications is also supported by the psychology framework which is explained in Chapter 2. Perception (see Chapter 2, section 2.3) is achieved using two processes, 'Bottom up processing' and 'Top down processing'. Bottom up processing is when raw perceptual stimuli are made sense of by the brain using unlearnt mental information. Top down processing finds additional explanation for what is being attended to, once a recognition is found in memory using bottom up processing, through the use of a higher learnt understanding in memory. This learnt information includes information gained through external communications. The memory used in the process of perception is often known as expectations and referred to in this thesis as 'Prediction Expectations'. Prediction Expectations are therefore used in two ways within perception. They are used as a 'Perceptual Set' whereby, given a particular situation, likely perceptions are proposed so as to make recognition easier during bottom up processing. They are also used as an explanation for recognised stimuli. Consequently the information held in memory, together with motivations since they influence expectations, will determine perception.

If an inappropriately negative perceptual set is proposed, such as the belief that a service provider is less good than it actually is, perceptual stimuli may not be recognised, therefore conflicting with proposed motives. A more positive perceptual

set would have to be proposed. This would lead to positive surprise, and therefore a positive impact on the service experience attitude (see Chapter 5). However, following cognitive dissonance adjustment during the creation of a service experience attitude (see Chapter 5), future prediction expectations (see Chapter 2) may become more positive if the customer thinks that the service delivery standard was not a one-off occurrence, or may remain unchanged if the customer thinks that the service delivery standard was a one-off occurrence. If future prediction expectations become more positive, as positive as the most recent service experience including the resultant positive surprise, and if future service delivery remains the same, then a future service encounter will result in negative surprise (disappointment). Consequently, following cognitive dissonance adjustment, there may be a cancelling out, in part or in total, or even the partial inversion of the impact of the previous positive surprise. A similar paradoxical situation may also occur if an inappropriately positive perceptual set is proposed by a customer.

The above psychological process is clearly very complex, and therefore residual effects of such a paradoxical situation are hard to predict. The impact on perception of the presentation of an inappropriate perceptual set will depend on many factors. These factors include the determinants and nature of the service experience perception, the exact nature of the proposed perceptual set, the determinants of stimuli recognition, the motivational situation of the customer at the time of the surprise, and the determinants of the process of cognitive dissonance adjustment. Consequently, manipulation of expectations should be treated with much care by a service provider. Negative influences on customer evaluations as a result of perceptual mismatch, must be avoided by trying to equate prediction expectations with the service being provided by the service provider. Consequently, improvement of service delivery, and therefore direct personal experience, is arguably the only interaction source which can be safely used to improve the service experience attitude and therefore the service provider attitude. If the service delivery is improved, and if prediction expectations are accurate enough to enable the recognition by the customer of perceptual stimuli, then the service experience attitude will also improve.

Berry and Parasuraman (1991) further propose exceeding expectations as a way of improving perceived customer service quality.

> **"The challenge from our point of view is to surprise people.....You have to give them more than they thought they were going to get. If people are going to notice that service is good it has, by definition, to have something in it that they notice and say "oh, that's interesting.""** (Strong, director of marketing and operations at British Airways, as interviewed by Holberton 1990, p.16)

This is surely indeed the case. A difficulty arises however, because of the paradoxical reality whereby increasing service performance beyond customers' top service expectations leads to those expectations rising to equate with the improved service. As a consequence, as has been noticed by many large service providers today, including firms informally interviewed for this research, namely British Telecommunications (BT), British Gas and Royal Mail, perceived customer service quality never actually gets any closer to its objective, or certainly nothing like as close as would otherwise be predicted from a given rise in performance, had expectations remained constant. A service performance improvement by an individual service provider may provide a competitive advantage in the short run, leading to customer switching or new customer attraction, but as soon as competitors improve to a similar or equal level of service performance, then the benefit will be lost, and a relatively high cost may have been incurred.

On the other hand, it could of course be argued that reducing service levels would be a good idea in order to reduce service expectations. Unless all competitors followed in the same direction, however, which is extremely unlikely unless the industry is monopolistic or oligopolistic, then such a move would result in competitive suicide.

2.14 BUILD RELATIONSHIPS WITH CUSTOMERS

According to Parasuraman, Berry and Zeithaml (1991b); Crosby, Evans and Cowles (1990); and a great many others as listed by Crosby, Evans and Cowles (1990), relationship building is a vital requirement for service quality, especially when:

> **"the service is complex, customised and delivered over a continuous stream of transactions .... many buyers are relatively unsophisticated about the service, and the environment is dynamic and certain in ways that affect future needs (demand) and offerings (supply)."** (Crosby, Evans and Cowles 1990, p.69)

If customers regularly require a service and can obtain the service from more than one source, as is the case with most services, then 'relationship marketing' is required in order to achieve the primary marketing objectives (the attraction of new customers and the increase of business with existing customers), since it attracts new customers and turns them into 'True customers' (Berry and Parasuraman 1991, p.133);

> **"customers who are glad they selected a firm, who perceive they are receiving value and feel valued, who are likely to buy additional services from the firm, and who are unlikely to defect to a competitor .... true customers are the most profitable of all customers."** (Berry and Parasuraman 1991, p.133)

Relationship marketing is a relatively major and increasing area of research. In essence however, the research suggests that service providers should: personalise the service, therefore deriving social bonding with customers (Berry and Parasuraman 1991, p.132-150), and involve customers more in the service delivery process.

> **"Treat customers as 'partial employees', clarify their roles in service delivery, train and motivate them to perform well in their roles as co-producers"** (Lovelock 1991, p.371, distilled from Zeithaml, Parasuraman and Berry 1990)

"personalise the service in order to create social bonding with customers. Retailers must not simply differentiate themselves from their competitors, but they must also be engaged in activities which bind their customers to them, through the creation of a differential advantage." (Hummel and Savitt, 1990, p.6)

Relationship marketing therefore includes service quality marketing. It also tries to improve the interpersonal dynamics of the interaction between customer and service provider. It is difficult to see how this approach to marketing is any more than simply a change in emphasis from the more generalist service quality approach. Service quality is intended to make customers positively evaluate service experiences and service providers. It does this by increasing dimensions such as empathy, trust and reliability in the ways explained throughout this chapter. Relationship marketing also aims to improve many of the same dimensions, but by a specific emphasis on customer - service provider relationship dynamics. Consequently, relationship marketing is an important addition to the service quality literature. Relationship marketing literature is at present, however, still in an early stage of development, and currently overlaps heavily with previous service quality literature.

"The phenomenon has probably been in the core of marketing practice since time immemorial. However, mainstream marketing management - as researched and taught by scholars and educators - has been almost blind to the phenomena of relationships, networks and interaction." (Gummesson 1996, p.2)

3 CONCLUSION

14 CSQE directed strategies, covering a wide variety of organisational and customer related topics, have been suggested in this chapter. All these strategies are targeted at minimising the gap between the service provided by the service provider, and the service required by the customer, thereby maximising CSQE. Some strategies are easier to implement than others, and the rewards and costs of the various strategies are different. The essence of CSQE maximisation however, as emphasised throughout this project, is that the gap between service provision and customer requirements is

the result of a very complex and multi-faceted process of service provision and customer evaluation. It follows therefore, that the managerial strategy of CSQE maximisation should also be relatively complex and multi-faceted, though cost effective. All the managerial strategies mentioned in this chapter are therefore important to a service provider that wants to maximise CSQE.

CHAPTER 5

Extension Of The Theory Of The Process Of CSQE

### As Suggested By The Psychology Literature

1 INTRODUCTION

This chapter expands on CSQE understanding presented in chapters 1 and 2, thereby providing the hypotheses for the empirical study in chapter 6, which in turn supports the suggestions in the conclusion for future measurement and management of CSQE

The part of the psychology framework that was explained in Chapter 2 suggests that customers have what could be termed a 'Zone of Experience', an individual's memory concerning a specific type of service from all service providers providing such a service. This memory is all closely inter-active as explained in Chapter 2 (section 2.5.3). From this database of memory, schemata such as 'Best Service', 'Norm Service', and 'Worst Service' could be created in the mind of the individual. These schemata could provide the terms of reference for the evaluation of quality for any given service experience or service provider. This underlying process of CSQE could apply to customers of all transaction types, to men and women, and to people of different ages, personalities, backgrounds, incomes and occupations.

This proposed process of CSQE is essentially illustrated in Diagram 5.1 below. In the rest of this chapter, the details of the proposed process will be explained and the reasoning behind it will be given.

This proposed process does not in any way contradict anything explained in Chapter 2. Rather, it is a tentative extension of the process of CSQE explained in Chapter 2, based on understanding of the psychology framework.

Diagram 5.1: The Process of CSQE
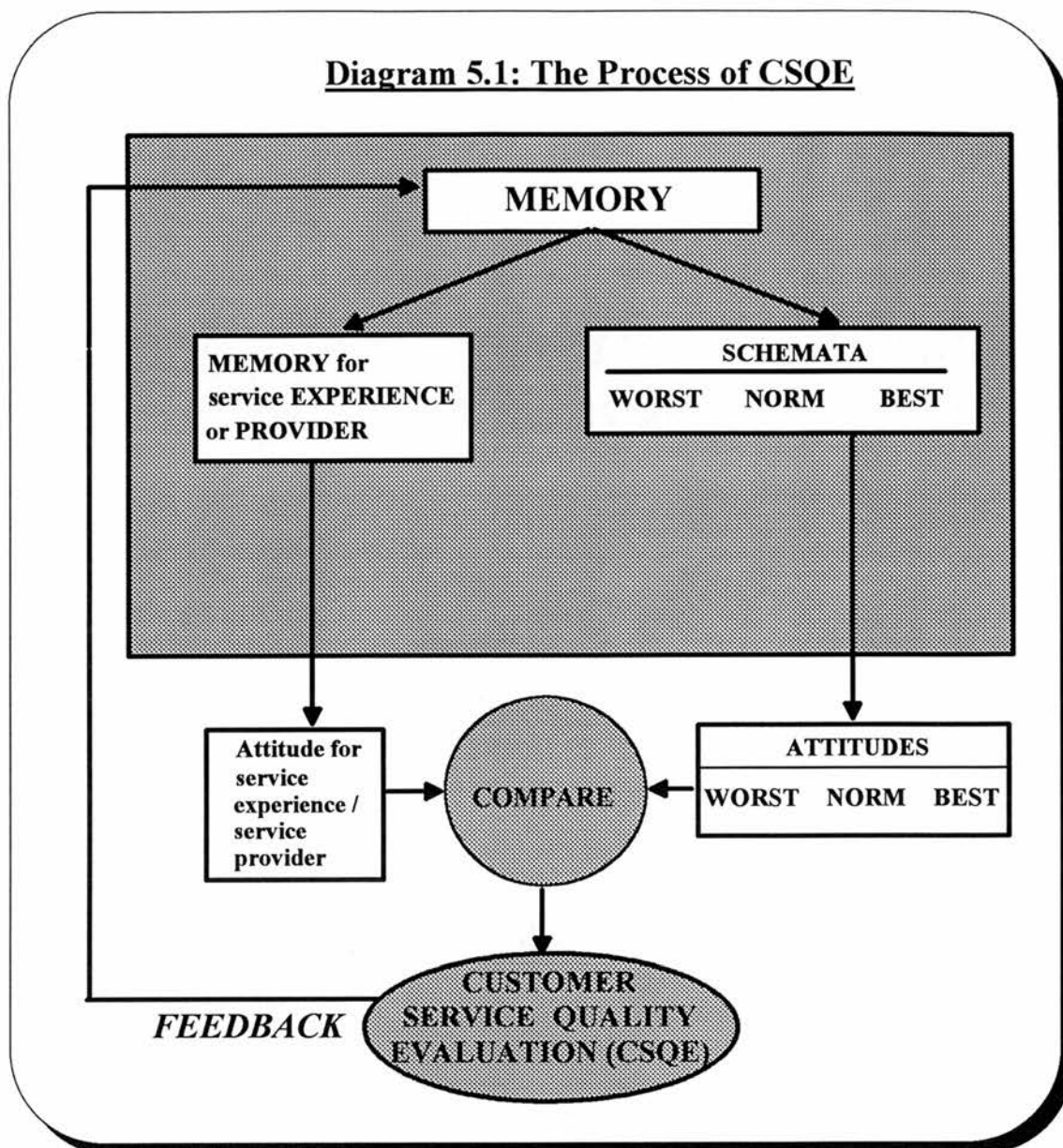
2 EVIDENCE PROVIDED BY COMMON CSQE STATEMENTS BY CUSTOMERS

We know, through simple observation, that customers often speak of how a service or service provider is better or worse than expected, better or worse than usual, could be better or worse, the best or worst, unbelievably good or bad, and relatively good or bad. Comments such as these suggest there are many reference points in memory

which are used by customers, not just 2 reference points as suggested by the 'Zone of Tolerance' of Berry and Parasuraman (1991), or even the other possible comparison standards explained in Chapter 1. Whilst this is not scientifically tested evidence, we all know that every one us of have made and heard comments such as those mentioned above, on numerous occasions. Such evidence therefore, provides us with a common sense hunch, and sense of direction, concerning the nature of what is taking place in the minds of customers when evaluating the quality of service experiences or service providers. This hunch is supported by the logical conclusions, backed by some imagination, which can be drawn from the fundamental psychology framework which was explained and supported in Chapter 2. These logical conclusions will now be explained and reasoned.

3 LOGICAL CONCLUSIONS FROM THE FUNDAMENTAL PSYCHOLOGICAL FRAMEWORK

3.1 FORMATION OF SCHEMATA FOR COMPARISON EXPECTATIONS

In Chapter 2 (see section 2.6.2), it was explained that expectations, in the form of schemata, can be formed as a means of comparison for service experiences.

To be of any use however, schemata should cover the whole range of experience in order to allow a service experience to be compared relatively with all other experiences. This requires at least a schema for the upper limit (best service) and a schema for the lower limit (worst service). However, the distribution of service experiences between the upper and lower limit would be required in order to give an accurate position of a service experience within any given comparative distribution. A schema for typical service, together with a knowledge of how many experiences are similar to each of the schemata, is therefore beneficial.

An individual can gain knowledge of how many experiences are similar to each of the schemata, by conducting an audit of how easy it is to recall experiences of a similar nature of positiveness to the schemata. This type of psychological process is known as the 'Availability Heuristic' (Tversky and Kahnemann 1973; Gabrielcik and Fazio 1984). See chapter 2, section 2.4, for further explanation of the availability heuristic. A very similar method has been shown to be used for the placing of events in chronological time (Brown, Rips and Shevell 1985). The evaluation of the number of experiences which are similar to each schemata, could also take place using the knowledge of such facts held in memory.

These comparison expectations could be made more accurate through the use of 4 additional points of reference:

1. Similar to but worse than best schema
2. Similar to but better than norm schema
3. Similar to but worse than norm schema
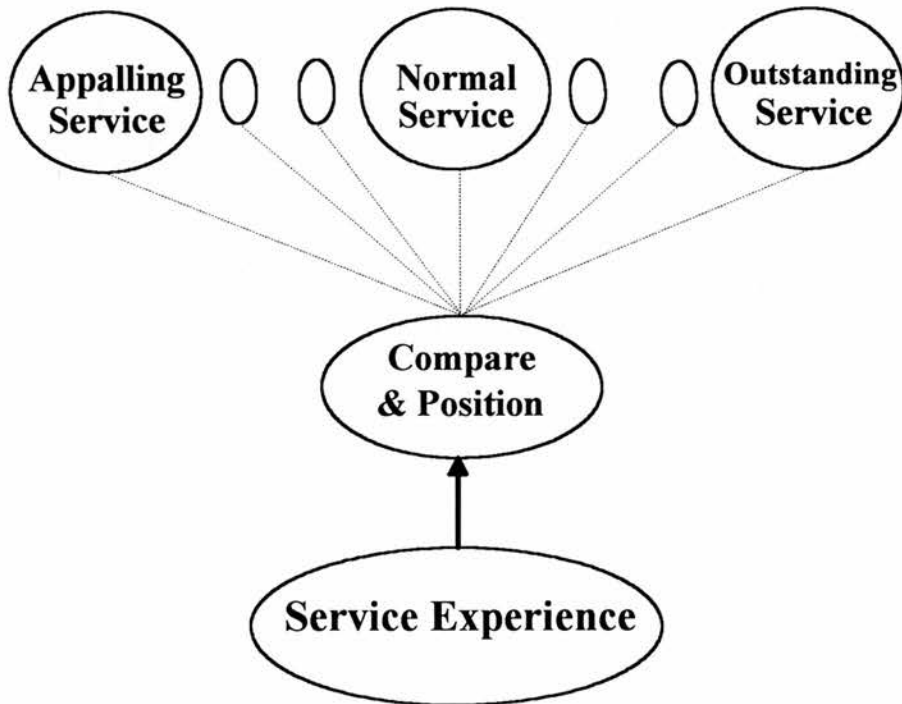4. Similar to but better than worst schema

This could be possible since typicality and familiarity, as explained in Chapter 2, are features of the perception system (Gregory 1986; Goldstein, 1989) and memory systems (Kohonen 1984; Kintsch 1980).

A knowledge of the number of experiences which are similar to each of these intermediate service levels would also assist accurate evaluation of service.

Since the individual knows approximately how many past direct and indirect experiences correspond to each level of service, the individual can now know approximately how many comparative experiences are bettered by the experience in question, and therefore comparatively how good the experienced service was in relation to all other service experiences. In this way a service quality evaluation can be obtained. The process so far is illustrated by Diagram 5.2 below.

Diagram 5.2: Service Comparison

```
  ┌─────────┐        ┌─────────┐        ┌───────────┐
  │Appalling│  ○  ○  │ Normal  │  ○  ○  │Outstanding│
  │ Service │        │ Service │        │  Service  │
  └─────────┘        └─────────┘        └───────────┘
          \     \       |     /        /
           \     \      |    /        /
            ┌─────────────────┐
            │    Compare      │
            │   & Position    │
            └─────────────────┘
                    ▲
                    │
            ┌─────────────────┐
            │Service Experience│
            └─────────────────┘
```

The customer compares the service experience with appalling, normal, outstanding and 4 intermediate levels of service already in her /his mind.

The customer knows how many service experiences occur at each of the levels and therefore how many experiences are bettered by the service experience.

It should be noted that an individual's knowledge of the nature of the schemata, intermediate levels of service, and corresponding incidences of service level occurrence, will be influenced, as suggested by the psychology which has already been explained within Chapter 2, by cognitions obtained in ways other than just personal experience.

3.2 COMPARISON OF EXPERIENCE ATTITUDES WITH EXPECTATION ATTITUDES (Specific Service CSQE)

The logistical problem which still exists following the formation of comparison expectation schemata, is the question of how to turn schemata, as well as memory for the service experience, into compatible units for comparison. Schemata would appear to consist of many elements. Schemata are generalisations of procedures, social events and social behaviour, and are thus cognitively and evaluatively complex. The memory for a service experience is also complex (see Chapter 2, section 2.5). For comparison of schemata and memory for a service experience to be possible, both must be made evaluatively simple so that a single value for each of the schemata, and a single value for the memory for the experience, can be compared with each other. The only cognitively complex and evaluatively simple stores of information known to psychology, that would be relevant to this situation, are attitudes. The schemata and service experience memory therefore need to be turned into attitudes if they are to be compared.

> **"An attitude is a disposition to respond favourably or unfavourably to an object, person, institution, or event."** (Ajzen 1988, p.4)

Attitudes have an evaluative nature (Judd, Ryan and Parke 1991; Bem 1970; Edwards 1957; Fishbein and Ajzen 1975; Hill 1981; Osgood, Suci and Tannenbaum 1957; Oskamp 1977), and according to Baron and Byrne (1993) attitudes have some degree of abstractness. Attitudes can relate to almost any consideration (Fazio 1989).

Attitudes consist of cognitive, affective and behavioural components. The cognitive component of an attitude consists of all the cognitions a person has about something, the facts knowledge, beliefs and logical opinions (see Bernstein, Ray, Srull and Wickens 1988; Baron and Byrne 1994). Attitudes will vary in terms of their level of cognitive complexity (the number of cognitive components), and since different

cognitions hold different levels of importance and significance, different cognitions will be weighted differently (see Baron and Byrne 1994).

The affective component of an attitude is the evaluative component and consists of all the person's affects feelings or emotions towards the object, aspect or individual or group of individuals. The affective component of an attitude is usually a consequence of the cognitive component (Lazarus 1984; Weiner, Amirkhan, Folkes and Verette 1986) but may be transposed as independent rogue emotions (Zajonc 1984) through association, in which case it may sometimes even cause cognitions. Jahoda (1966) found that children had strong affective components towards different countries without knowing the first thing about them. Therefore Zajonc (1980) argued that affect is a spontaneous, primitive response. This, together with the fact that the affective component of an attitude is more difficult to change than the cognitive component (Anderson and Hubert 1963) and the fact that weighting of emotions is related to personality means that the affective component may differ substantially from the cognitive component.

Most attitudes are as evaluatively simple as they are cognitively complex. The overall orientation of an attitude, the sum of the attitude's cognitions and affect, is simply a feeling of the extent of favourability or unfavourability towards an affect, idea, person or people. This was evidenced by Anderson and Jacobson (1965) who conducted experiments in which he listed a number of attributes of a person and then asked subjects to state their impression of that person. The subject's final attitude was roughly an average of the listed characteristics.

An attitude also has a behavioural component which is often not related to the rest of the attitude. Breckler (1984) found that the 3 components are distinctive but on the whole related dimensions. His analysis found correlations of between 0.38 to 0.7.

Attitudes can be formed as and when, and only when required (Baron and Byrne 1993). People will form attitudes if and when they need or expect to need them. This

was shown in a series of studies by Fazio, Lenn, and Effrein (1984). Subjects who were told that they would later have to answer questions about some puzzles they worked on formed stronger and clearer attitudes about those puzzles than subjects who had no similar need to form such attitudes. Consequently customer service quality evaluations may take place before, during or after a specific service experience as suggested by Øvretveit (1992).

People can also retrieve previously formed attitudes, either automatically in response to a strong stimulus (Fazio, Sanbonmatsu, Powell and Kardes 1986), or deliberately (Fazio and Williams 1986; Shiffrin and Schneider 1977). Powell and Martha (1984) further found that the strength of association between an attitude object and an individual's evaluation of it, made attitude recall easier.

Attitudes are directly influenced by motives (Katz, Glucksberg and Kraus 1960; Edwards 1954; Baron and Byrne 1993), and will satisfy or conflict with motives (see section 2.5.4.14 in Chapter 2, on motives).

Attitudes may be formed in various ways. Individuals may form attitudes through adopting the attitudes of the society around them, including peer groups (Hovland, Janis and Kelley 1953). Individuals may form attitudes through association (Krosnick, Betz, Jussim and Lynn 1992). Individuals may form attitudes which derive the maximum benefit for themselves and others (Petty, Ostrom and Brock 1981). Individuals may form attitudes in line with their other feelings (Rosenberg 1960) and cognitions (Festinger 1957), including their knowledge about their previous behaviour (Bem 1967). Individuals may form attitudes based on direct personal experience (Lott 1961; Fazio and Zanna 1981), or based on predictions using general knowledge (Baron and Byrne 1994). Individuals may use a combination of all these approaches when forming attitudes. The formation of attitudes is a very complex process, but it is a process which draws on knowledge. Knowledge is held in memory, and schemata are representations of memory. Attitudes towards service experiences or service providers will therefore draw on memory, including schemata.

Attitudes do not change very easily. Attitudes are very long lasting. Newcombe et al (1967) reported that people in their 40's held very similar attitudes to those they held in their 20's. Star (1950) found that a campaign to inform people in the USA about the United Nations had little impact on people's attitudes towards the United Nations. Theories regarding the reasons for this resistance which individuals seem to hold against changing their attitudes, are numerous. Reasons have been suggested by researchers such as Petty and Cacioppo (1986). Similarly there are many methods of attitude protection (e.g. McGuire and Papageorgis 1961). There are also many methods of and influences on attitude change (e.g. Festinger 1957). Methods of attitude change within the context of consumer behaviour are explained by Mullen and Johnson (1990). Consequently, although attitudes are difficult to change, they can and often do change, and they can be changed by other people (persuasion). The relevance of this to the process of CSQE is that once the attitudes involved in the process of CSQE have been formed, they will be rather static, but may nevertheless change as a result of new knowledge including persuasive marketing.

If an attitude towards a service experience from a particular service provider, is different, either more or less favourable, from the typical service schema for that service provider, or if it is more or less favourable than best or worst service schemata respectively for similar service providers, then cognitive dissonance (Festinger 1957), a negative feeling of tension which individuals are motivated to reduce, will result. If this cognitive dissonance can be reduced through the addition of cognitions which explain away the difference, then the attitude towards the service experience will have cognitions added to it. This will adjust the overall orientation of the attitude. If cognitions cannot be found which reduce the dissonance, then the attitude will remain the same. An example of a cognition which reduces dissonance might be the knowledge of the fact that the service was delivered at lunch time when the service was hindered by an unusually large arrival of customers. The service on that occasion may therefore not have been as good as usual, but the customer would make an allowance for the fact that it was lunch time. Consequently that customer's attitude towards the service on that occasion would be raised back in line with expectations

through the addition of a 'Lunchtime' cognition. This process together with the process of surprise (see section 2.6.1 in Chapter 2), can explain the 'Zones of Tolerance' findings by Parasuraman, Berry and Zeithaml (1991) as explained in Chapter 1 (section 1.2).

Attitudes for what should be provided by particular service providers, or service providers in general, could also be formed, and could also be dissonant with attitudes towards specific service experiences or specific service providers. This fits in with the concept of disconfirmation which was explained and suggested in Chapter 1.

Once the attitude towards the service experience and those for expectations have been formed and cognitive dissonance reduced if possible, a comparison between the two can be made. This comparison, together with the knowledge of the number of service experiences similar to each of the expectations schemata, will result in the CSQE. The process so far is illustrated by diagrams 5.3, 5.4 and 5.5 below. Diagram 5.3 illustrates the formation of the 3 schemata used for comparison expectations and Diagram 5.4 illustrates the incidence of service level occurence for each of the 7 levels of service (the 3 schemata levels and 4 intermediate levels). The incidence of occurence shown in this example is a hypothetical one. In reality incidence of occurence attributed to each level of service is hypothesised to be dependent upon the individual making the attribution. Diagram 5.5 illustrates the position of a given service provider, in the opinion of a particular hypothetical customer, in relation to the comparison expectations described in Diagram 5.4.

Diagram 5.3
The Process of Service Comparison for CSQE
of a service experience

Part 1: Formation of 3 attitudes towards service experiences in general

'Appalling' Service

'Normal' Service

'Outstanding' Service

NB: Parts 1 and 2 are referred to as 'Comparison Expectations'

Diagram 5.4

Part 2: Identify the number of service experiences which provide a level of service as good as or similar to each of the 3 attitudes (i.e. identify *'Incidence of Occurrence'*).
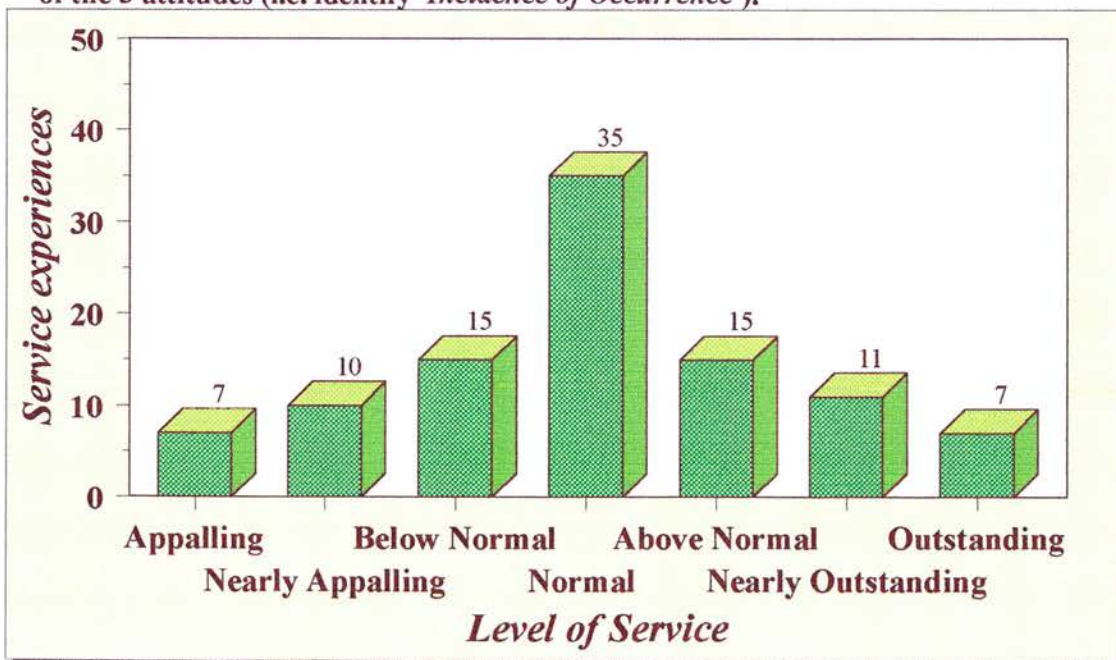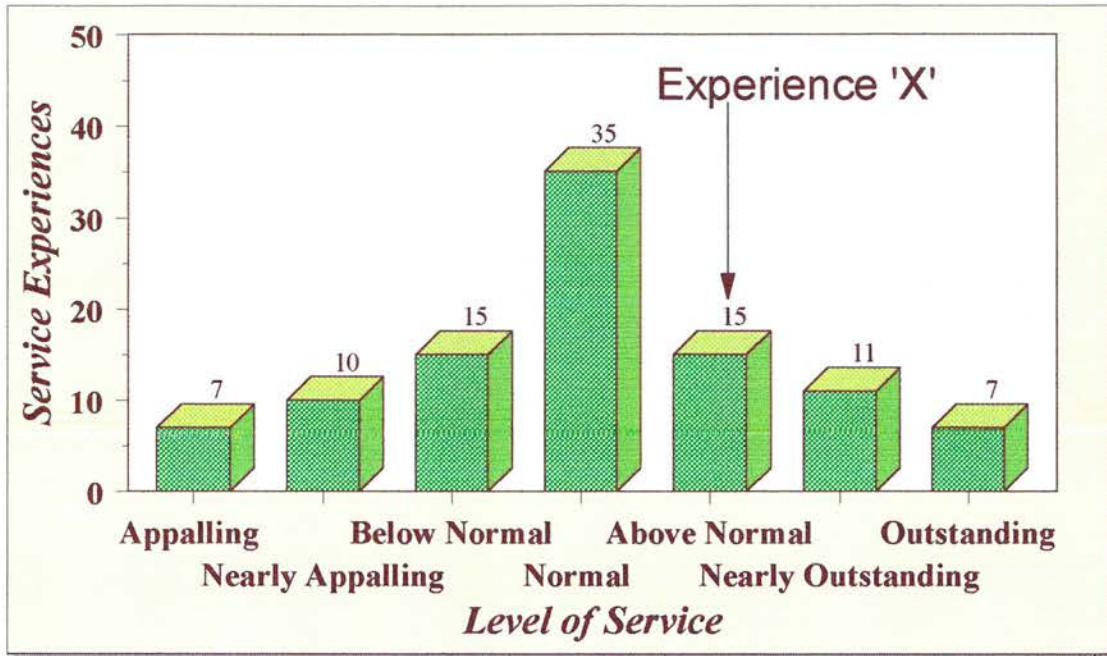
Diagram 5.5

Part 3: Match the attitude of experience 'X' to one of the
7 levels of service.

Individuals, however, often use cognitive shortcuts, rules of thumb, when solving mental problems. There may be several or more cognitive shortcuts to solve the same mental problem. In psychology these shortcuts are usually referred to as heuristics (Baron and Byrne 1993). Each shortcut is one heuristic.

It is possible to argue that a customer could logically use one of several cognitive shortcuts when comparing a service experience attitude with comparison expectations in order to derive CSQE. In other words a customer could use one of several heuristics during the process of CSQE which has been suggested so far. 3 heuristics were suggested and tested by this research, though more may exist:

The Full CSQE Heuristic: A customer could believe that his/her service experience attitude is equal to the best of a comparison category, believing that the service is as good as any service experiences in that category.

The Half CSQE Heuristic: A customer, in her or his mind, could believe that his/her service experience attitude is equal to the middle of a specific comparison category (eg: above normal service experiences), believing that the service is typical, and therefore somewhere in the middle of all service experiences provided in that category.

The Basic CSQE Heuristic: A customer could make a simpler, though probably less accurate CSQE, by comparing the position of his/her service experience attitude only with the comparison categories, rather than also with the incidence of occurrence at each of those categories. Each of the 7 successive comparison categories would relate to one of 7 evenly spaced CSQE increments between 0 and 100 (minimum and maximum CSQE). CSQE would therefore be equal to the ordinal value of the comparison category with which the customer's service experience has been equated. The spacing of the 7 increments may not, in reality, necessarily be even, and it may vary from customer to customer, but without any evidence to suggest what the spacing might be, the spacing has been assumed for simplicity to be even.

Perhaps two or all three of these CSQE heuristics are used, but by different customers. Perhaps none of these heuristics, or slightly different ones are used, and if so when and why? It would however, seem reasonable for a customer to use one such CSQE heuristic in order to achieve CSQE. It should be remembered that the 3 CSQE heuristics would in most cases derive significantly different CSQE values. A way of imagining the 3 heuristics is presented in diagrams 5.6 to 5.8 which illustrate the 3 heuristics for a hypothetical customer equating a service experience with above normal service.

In Diagram 5.6, if the full heuristic is used, then all of the above normal service comparison experiences (i.e. 15 % of all comparison experiences) will be considered equalled by the service experience being evaluated. Consequently the CSQE is calculated by adding the incidence of occurrence of all comparison levels of service up to and including above normal service. CSQE is therefore: 7+10+15+35+15 = 82. In Diagram 5.7, if the half heuristic is used, then half of the above normal service comparison experiences (7.5% of all comparison experiences) will be considered bettered by the service experience being evaluated, and half will be considered better than the service experience being evaluated. This is because of the possible belief that if a service experience is typical of a range of similar but differing experiences (as is the case with the range of each level of comparison service experiences, e.g. above normal service experiences) then some of those experiences will logically be better and some less good than the service experience. Consequently CSQE will be calculated by adding the incidence of occurrence of all comparison levels of service up to and including above normal service but excluding half of above normal service. CSQE is therefore 7+10+15+35+7.5 = 74.5. In Diagram 5.8, if the basic heuristic is used, then the incidence of occurrence at each level of service will be ignored to save time and effort, and instead CSQE will be calculated by plotting the 7 comparison levels of service on an evenly spaced ordinal scale from 0 to 100, and by using the ordinal value at equated position of the service experience being evaluated, in this case 'above normal service: 66.7', as the CSQE. The spacing used in this example assumes an even spacing which may not exist in reality, as explained above.
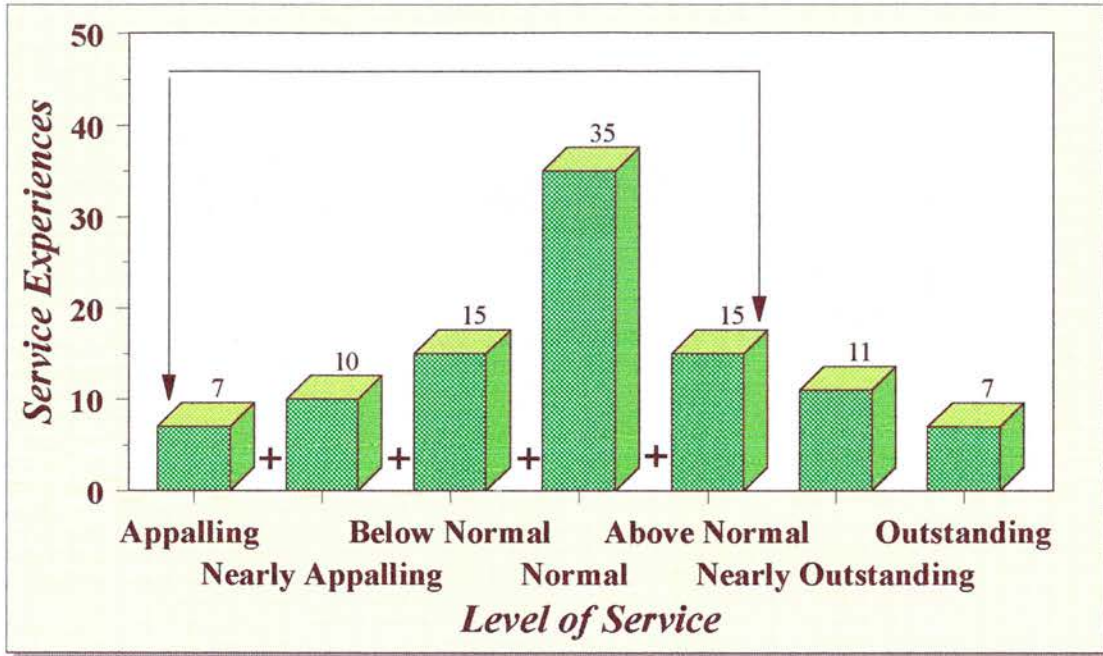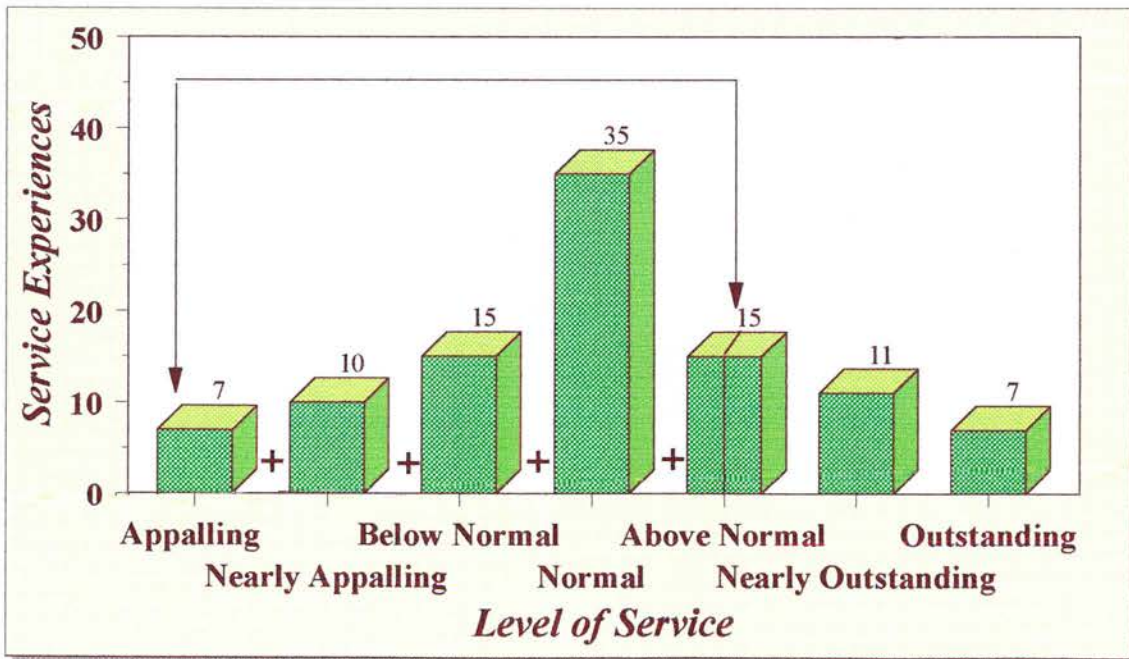
Diagram 5.6

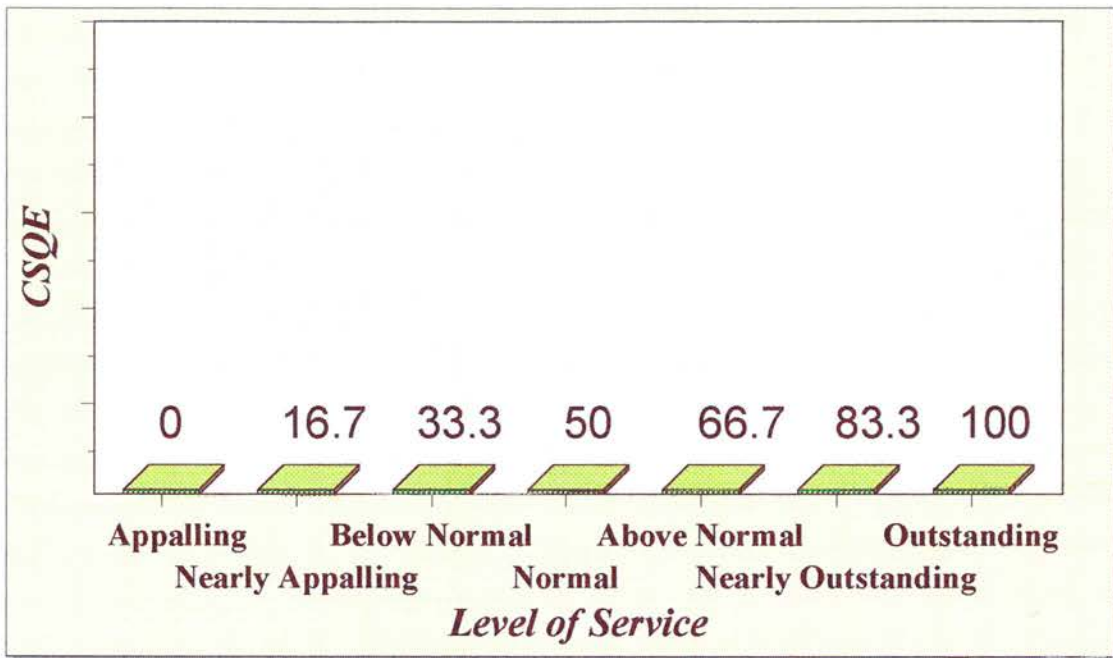*The Full Heuristic CSQE = 82*

Diagram 5.7

The Half Heuristic CSQE = 74.5

Diagram 5.8

The Basic Heuristic CSQE = 66.7

CSQE

| 0 | 16.7 | 33.3 | 50 | 66.7 | 83.3 | 100 |

Appalling   **Below Normal**   **Above Normal**   **Outstanding**

Nearly Appalling   **Normal**   **Nearly Outstanding**

Level of Service

Diagram 5.9
One Customer's CSQE Possibilities

| *Customer's perceived Incidence Of Service Experiences (total 100)*		Full Heuristic CSQE	Half Heuristic CSQE	Basic Heuristic CSQE
7	Outstanding Service	100	96.5	100
11	Nearly Outstanding service	93	87.5	83.3
15	Above Normal Service	82	74.5	66.7
35	Normal Service	67	49.5	50
15	Below Normal Service	32	24.5	33.3
10	Nearly Appalling Service	17	12	16.7
7	Appalling Service	7	3.5	0

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Consequently, it can be seen that for a given incidence of occurrence, CSQE would vary significantly for any given level of service experience, depending on the heuristic which a customer uses. This is illustrated by Diagram 5.9 above. For example, if a customer, who believes the incidence of service experiences relating each level of service is as described in diagram 5.9, equates a particular service experience with the 'below normal service' level, then his/her CSQE will be about 32 if using the full heuristic, 24.5 if using the half heuristic, and 33.3 if using the basic heuristic.

Diagram 5.10 shows the 2 scales of comparison, a full incidence scale and an ordinal scale, that can be derived from the same information, namely 3 schemata and 4 intermediate service levels. The diagram shows how, when a hypothetical customer equates the service experience with nearly outstanding service, a full and half heuristic can derive a value for CSQE from the incidence scale, and a basic heuristic can derive a value for CSQE from the ordinal scale.

The CSQE will add to the memory store of information for the specific service provider (see Chapter 2, section 2.5). It should be noted, however, that price will not be included into the attitude for the service experience, service provider or the comparison expectations, unless the price indicates something else about the service provider, or unless it is as a result of surprise, positive or negative, which took place as part of a service experience, or through some other form of interaction. As explained in the introduction to this thesis, it has been shown that satisfaction, including value, is a different entity to service quality. Service quality is an evaluation of the superiority of service provided and the way that service is provided. It is an evaluation of the relative positiveness of that service. Value, must be a consideration of the relative cost - benefit of a service. Furthermore, since, as explained earlier in this section, attitudes are formed for a purpose, it seems logical to presume that if the purpose is evaluating quality, the attitudes being used for CSQE will not relate to value. Diagram 5.11 illustrates the extension of the fundamental psychology framework explained in Chapter 2, in order to incorporate the formation and comparison of experience and expectation attitudes.

Diagram 5.10: The 3 Heuristics
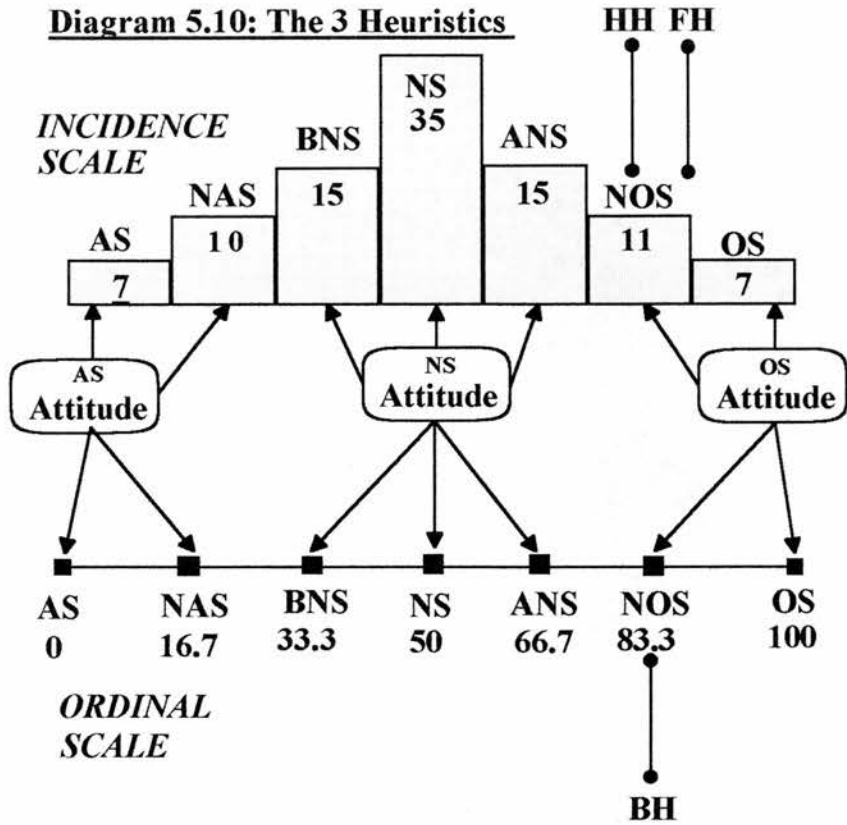
FH (Full CSQE Heuristic) = 7+10+15+35+15+11 = 93
HH (Half CSQE Heuristic) = 7+10+15+35+15+(11/2) = 87.5
BH (Basic CSQE Heuristic) = 83.33

AS = Appalling Service	ANS = Above Normal Service
NAS = Nearly Appalling Service	NOS = Nearly Outstanding Service
BNS = Below Normal Service	OS = Outstanding Service
NS = Normal Service	

Diagram 5.11: The CSQE process for a service experience
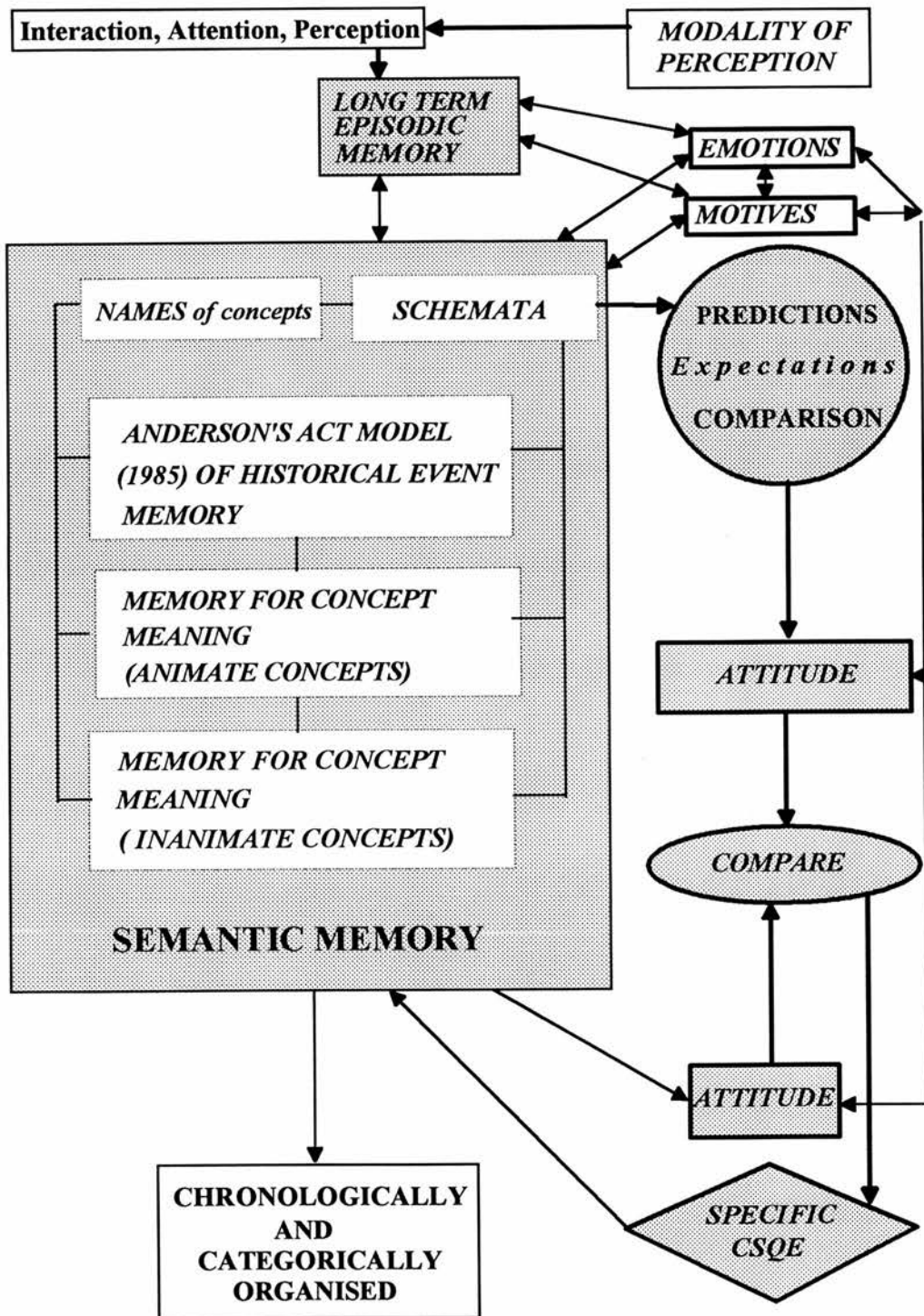
## 3.3 GENERIC ATTITUDE FORMATION & COMPARISON (Generic CSQE)

It seems reasonable to argue that the memory system (see Chapter 2, section 2.5) provides individuals with the ability to derive the information necessary to form an attitude towards a particular service provider. Similarly it should also be possible for an individual to derive the information from memory necessary to form schemata and attitudes about similar service providers' service. If this is the case, then all of the elements of the process of CSQE mentioned above, when related to service providers rather than service experiences, should also apply to CSQE of a particular service provider.

As with CSQE for a service experience (see section 3.2 in this chapter), it is logical to believe that any memory of the CSQE will add to the memory store of information relating to the specific service provider.

The adjustment of Diagram 5.11 for appropriateness to a generic service quality evaluation by a customer, is illustrated in the following diagram, Diagram 5.12.

One question which still remains is the issue of how wide are expectations. By this I mean, do expectations contain just the relativity of lets say 'other banks' or the wider relativity of 'other service providers' or something in between. It is an important issue but one which as yet has no answer presently.

Diagram 5.12 : The CSQE process for a service provider
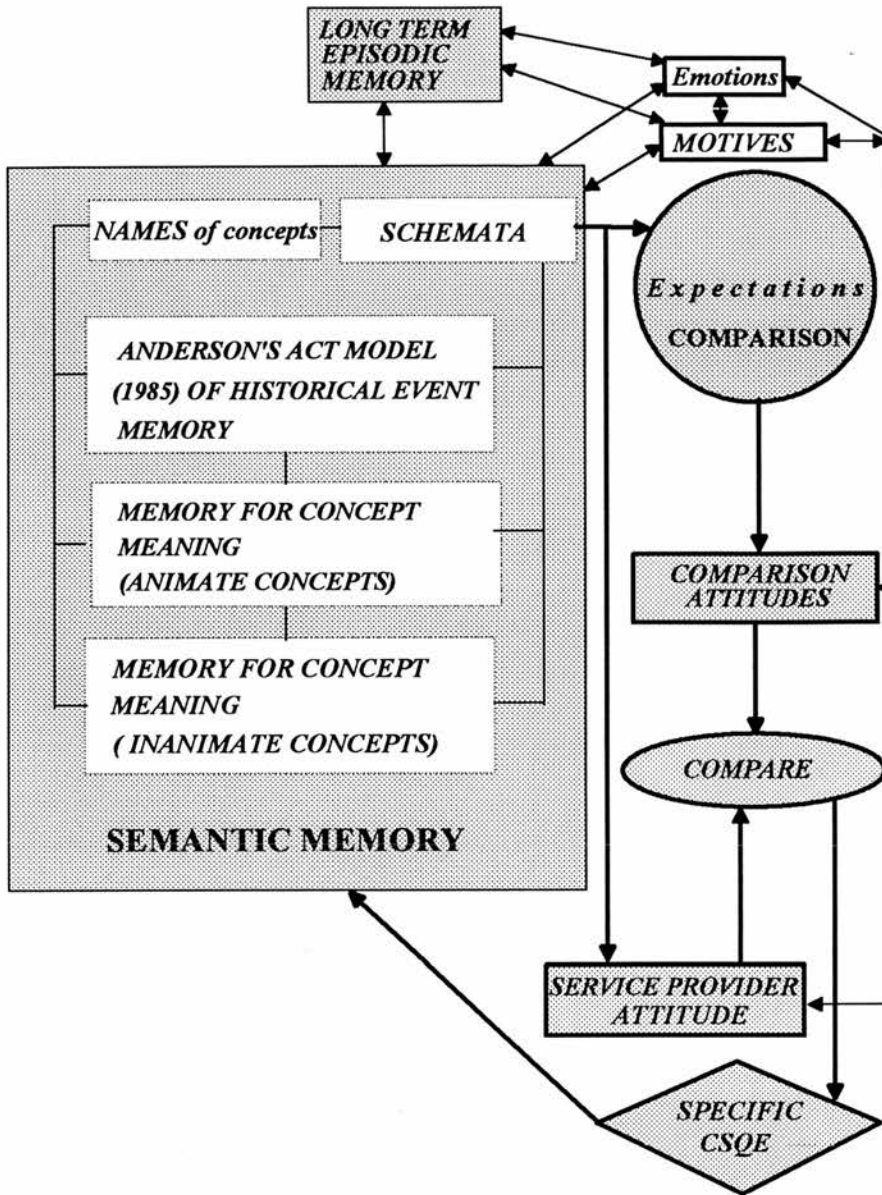
4 CONCLUSION

It has been argued in this chapter that the psychology framework can provide us with new ideas concerning how the process of CSQE takes place. The suggested process of CSQE which has emerged from this chapter, is supported by the psychology literature, and by the common statements that all customers make, from time to time, about their service experiences and the quality of service providers.

This proposed process of CSQE expands upon the part of the fundamental psychology framework explained in Chapter 2, and much of the business studies literature explained within Chapter 1. Comparison schemata are incorporated into the proposed process for the evaluation of generic service provider CSQE, as with the Parasuraman, Berry and Zeithaml (1990) approach; comparison schemata are also incorporated into the proposed process for the evaluation of specific service experience CSQE, as with the Boulding, Kalra, Staelin and Zeithaml (1993) approach. Furthermore, as with both of those approaches, the schemata incorporated into the proposed process are somewhat appropriate, realistic schemata. Also, as with the Boulding et al approach, a CSQE evaluation feeds into memory relating to that service provider. There are however some significant differences between the proposed process and the other approaches. The proposed process incorporates a larger number of comparison schemata that are used by a customer. The proposed process also incorporates intermediate points of comparison, unlike other approaches. Furthermore, in the proposed process, knowledge of the number of experiences or service providers similar to each point of comparison is known by customers, unlike other approaches. Also, in the proposed process, it is an overall service provider or service experience attitude that is then compared with overall comparison attitudes, for service providers or service experiences, in order to derive the CSQE. In the other approaches (see Chapter 1, section 1), individual perception and expectation dimensions, which are weighted according to the customer's believed dimension importance, are compared with each other, and the comparisons for all the dimensions are combined to derive an overall CSQE. Another difference is that heuristics are used in the proposed process of CSQE. These have not been suggested before in this context. Finally, this proposed process suggests that if incidence of occurrence remains the same, the only way for CSQE to change is through service being equated with a higher point of reference. This means that in such circumstances CSQE change is step-wise, not continuous as suggested by the other theories.

CHAPTER 6

The Empirical Study : Design and Results

1 INTRODUCTION

1.1 OUTLINE

Now that we have proposed a process of CSQE in Chapter 5, we can derive a number of hypotheses which when tested, could prove or disprove the proposed process of CSQE. This chapter summarises Chapter 5 into 4 empirically testable hypotheses. The chosen empirical methods for testing those hypotheses, together with the rationale behind the methodology, and the empirical study results and findings, will all then be explained within this chapter.

1.2 HYPOTHESES TO BE TESTED

1. Expectations, as a means of comparison for the evaluation of specific service experiences comprise 2 components:

a) Attitudes for appalling, normal, and outstanding service experiences, together with 4 intermediate levels of service, as provided by similar service providers.
b) An estimate of how often each level of such service experiences are provided.

Expectations as a means of comparison for the evaluation of generic service providers such as Barclays Bank, comprise the same two components, except that in this case the two components relate to service providers rather than to service experiences.

CSQE for a specific service experience is determined by the position of these comparison expectations relative to a customer's attitude towards the service experience.

CSQE for a service provider is determined by the position of comparison expectations relative to a customer's attitude towards the service provider.

As argued in Chapter 5 however, a customer could logically use any one of at least 3 CSQE heuristics in order to derive CSQE. A customer could, in his or her mind, place the service equal to the middle of a specific schemata category (we will call this the Half CSQE Heuristic), believing that the service is typical, and therefore somewhere in the middle of all services provided in that category; or a subject could place the service equal to the top of a schemata category (we will call this the Full CSQE Heuristic), thus believing that the service is as good as any services in that category. A customer could alternatively equate the service with only a schemata category, ignoring the incidence of occurrence, and therefore evaluate the service according to an equal interval ordinal scale (we call this the Basic CSQE Heuristic). It should be noted that this interval scale is equally spaced simply because there is no evidence to suggest the spacing more precisely. We have no way of knowing as yet which CSQE heuristic, if any, is used.

2. Wide expectations, defined as expectations regarding a range of service providers, are used by customers more often than narrow expectations, defined as expectations regarding just one kind of service provider such as banks. This is true both for the evaluation of specific experience CSQE, and for the evaluation of generic service provider CSQE.

3. The comparison between expectations and the attitude for a specific service experience or service provider, for the purpose of evaluation, may take place at any time, and will result in an evaluation of customer service quality. Consequently CSQE may take place at the time of the service encounter, or when asked, or even on both occasions.

4. All the above hypotheses apply to male and female customers of retail banks in Britain; of all ages, regardless of transaction type, household income, the bank they bank with, the recency of the service experience, the amount of expectation creating experience, occupation, personality and background.

2 MULTI - PILOT STUDY DEVELOPMENT

2.1 EARLY PILOT STUDIES

As summarised by diagram 6.0 overleaf, the empirical study was developed through the use of numerous pilot studies prior to final empirical study implementation. Through this process of questionnaire evolution, it is believed that the questionnaire design, the population sampling method and the questionnaire distribution method were made appropriate for the purpose of the intended empirical investigation.

7 Pilot studies covering 120 subjects, together with many other mini informal pilot studies, over a time span of some 24 months, were consecutively conducted as part of the preliminary pilot study development. The pilot studies all took the form of questionnaires. Different pilot studies distributed questionnaires in various ways, using various population sampling methods and therefore to various types and numbers of subjects. Questionnaires were distributed to individual friends to fill in during their own time, to university tutorial and lecture classes to fill in there and then, in person to members of a social club to fill in during their own time, indirectly to employees of a small merchant bank to fill in during their own time, and to individuals passing on a busy high street to fill in there and then.

This pilot study development was assisted by occasional refinement of hypotheses and by discussion and consultation with a variety of academics, sponsors and independent, non-academic, non-sponsor individuals including subjects who had completed questionnaires. All the above mentioned pilot study and hypotheses development resulted in the final pilot study.

The early pilot studies suggested the design of the final pilot study and gave tentative support to the hypotheses.

Diagram 6.0: Multi pilot study development

EARLY PILOT STUDIES
- **Numerous, consecutive pilot studies**
- **Variable in types and numbers of subjects**
- **All conducted as questionnaires**

FINAL PILOT STUDY
-**Large scale dummy run for the final empirical study**
-**Questionnaires and interviews**

Final Empirical Design Changes

FINAL EMPIRICAL STUDY

N.B: Refinement of hypotheses influenced early pilot study development. Multi - party involvement influenced development of all pilot studies and the final empirical study.

2.2 SHARED CHARACTERISTICS OF THE FINAL PILOT STUDY AND THE FINAL EMPIRICAL STUDY

In this section, the shared characteristics of the final pilot study and the final empirical study will be explained. There are many similarities and differences between the two studies. Consequently, the empirical design characteristics used for the final pilot study justify, but are not a complete justification for, the final empirical study design.

2.2.1 Questionnaires

Experimentation, whilst a major form of psychology testing (Eysenck 1984; Gregory 1986; Bernstein 1988), would not have derived a valid data set for testing the hypotheses of this empirical study. This is because the environment surrounding the process of CSQE which is being evaluated, would have been artificial (Bernstein 1988; Rothman 1978). There might have been derogating limitations associated with deliberate or accidental experimenter effects. The likelihood of accidental discovery of findings, resulting from observations within a natural environment, would also have been hindered (Bernstein 1988).

Direct observation (Harper 1991) alone is of little use when trying to identify the specific mental procedures concerned here, which are not directly related to instant behaviour.

Unstructured interviews and focus group discussion interviews, such as those used by Parasuraman, Berry and Zeithaml (1985) as explained in Chapter 1 in this thesis, are primarily a qualitative means for suggesting the hypotheses, not for accurately testing them. Quantitative interviews based on questionnaires, could arguably have been used for the purpose of this empirical study. However, for a precise psychological process, such as the one being tested by this empirical study, to be measured, questions must be precise and consistent between interviews. Interviews do not have these properties (Harper 1991). Experimenter bias (Eysenck 1984) is therefore a major risk. Also, interviews have the same types of limitations as questionnaires (see below).

Questionnaires can test the hypotheses without excessive amounts of the above limitations. Questionnaires may take many forms. They may be quantitative or qualitative or both. They may be distributed in hall studies, in person within groups and organisations or at almost any location, or by post. Whilst being structured they may vary in the degree of structure, therefore incorporating varying degrees of flexibility. Questionnaires arguably allow the most cost effective way of obtaining large numbers of subject responses. Questionnaires, however, have their own limitations. One limitation is that measurement error can take place if questions lead subjects to give a particular answer (Kinnear and Taylor 1991), for example asking subjects a 'yes' or 'no' question, when subjects might want to reply 'undecided'. Leading questions can, however, be identified through thorough consideration and piloting of questionnaires. Another limitation is that of low response rates, especially with postal questionnaires (Harper 1991). According to Harper (1991), this means that questionnaires can be biased in terms of the types of people who return or agree to answer them, and in other less obvious ways. In fact, however, all research requiring conscious subject participation and co-operation will be limited by the proportion of subjects refusing to participate.

Consequently, it was decided to use questionnaires in order to test the hypotheses of this research. The appearance of the questionnaires chosen for the final empirical study and the final pilot study can be seen in Appendices A and B respectively. A postal questionnaire was used for the final empirical study. This was an affordable way to achieve a significant sample size. Hall study questionnaire distribution was chosen for the final pilot study because it allowed a relatively large number of subjects to both fill in a questionnaire and be interviewed for the purpose of double questioning. It allowed this at a cost which was feasible. Hall studies are when subjects, selected by researchers standing in a public place, are asked to and agree to complete a piece of market research inside a hall near that public place. Questionnaires distributed for both the final empirical study and the final hall study were quantitative.

2.2.2 Population to be sampled

This research utilised individual retail bank customers in Britain in order to understand CSQE.

People over the age of 16 were included within the population. This is because the age of 16 corresponds to the average minimum age by which people generally finish compulsory education. At this age people typically enter full-time employment or further and higher education, and could therefore be considered to be the age at which individuals are 'mature' or 'adults'. Not all individuals 'mature' at the same rate, and so such an age may exclude some suitable subjects, and possibly include some unsuitable subjects. However, this is an inevitable consequence with any cut-off age which tries to include all members of a population. A starting age of 16 was therefore accepted for the research as a satisfactory compromise age. 16 is also the lower limit of one of the generally used categories of the sponsor of this research and some other customer research organisations. Consequently using 16 as the lower limit of the population age range allows greater future interaction between the results of this piece of research and other previously conducted and future customer research.

There may be some difficulties associated with measuring responses to questionnaires from some elderly people. This was suggested by the experience of the final pilot study. Such problems might include the comprehension of questionnaires, and reduced memory capabilities. Individuals over 65 years of age, an age similar to most internationally recognised retirement ages, were therefore recorded in the survey population as an identifiable group. This group was later analysed for subject response differences in comparison to other age groups within the survey population.

The population consisted of individuals who conformed to the above qualifications. In order for results to be applicable to customers of retail banks in Britain, these customers had to have current bank accounts, and vary by age, sex, household income, recency of experience, transaction type, the amount and nature of their past service experience (only in the final empirical study), the bank that they bank with most,

personality and background (though these were not specifically measured) and occupation, in proportions roughly consistent with the typical customer base of a retail bank in Britain.

In the final pilot study subjects were omitted if they, their family, or their close friends were associated with: market research, banks, building societies, insurance, financial institutions, journalism, financial institutions marketing or P.R. This was done because of the possible risk of biassed subject responses resulting from the inclusion of such subjects in the analysis. This restriction was, following the pilot study, considered too great to be placed on the final empirical study.

2.2.3 Analytical components of the questionnaires
2.2.3.1 Derivation of 3 CSQE heuristic values

This deals with hypothesis 1 and 3. Values for each of the 3 CSQE Heuristics (only the full and half heuristics in the case of the final pilot study), for each subject, were achieved by calculating CSQE in the 3 ways suggested by the 3 CSQE heuristics (see Chapter 5). Firstly in order to achieve this, the position of the service relative to best, worst and normal schemata, and 4 intermediate service levels, was obtained through a series of questions in each of the questionnaires (see Appendices A and B). Secondly, the proportions of experiences (or service providers in the case of generic service quality) out of 10 or 100, in the minds of subjects, which were similar or equal to each of the schemata and intermediate levels, were then obtained through further questions in the questionnaires. Thirdly, from this information, the proportion of experiences less good than the experienced service (or the proportion of service providers less good than the service provider being evaluated, in the case of generic service quality) was calculated.

Full CSQE heuristic values included all of the incidence of experiences or service providers similar to the comparison schema or intermediate levels with which a subject equated service, together with the incidences for all lower schemata and intermediate levels. Half CSQE heuristic values included the same calculated components as the full

CSQE heuristic, except that half of the incidence for the schemata or intermediate level with which the subject equated the service was subtracted from the prediction. Basic CSQE heuristic values were calculated by allocating an equal space interval value to each successively higher comparison schemata and intermediate level, starting at 0 for appalling service, with 5 for normal service, 10 for outstanding service, and so on for the 4 intermediate comparison points.

2.2.3.2 Correlation between the 3 CSQE heuristic values and 'Stated CSQE'

This deals with hypothesis 1 and 3. To see if the any or all of the CSQE heuristics are an accurate predictor of 'Stated CSQE', the CSQE stated by the customer was correlated with each of the 3 CSQE heuristic values. If the process predictions equalled the 'Stated CSQE' at the time of measurement, which could be at any time in relation to the related service or last service provider encounter, then it would suggest that the process of CSQE takes place at the time of stating CSQE, in other words, as and when required. This calculation of correlation took the form of a Pearson R Correlation between 2 parallel sets of values for the subject population.

2.2.3.3 Four questionnaire versions

Four questionnaire versions were used, representing two questionnaire types. One questionnaire type concerned specific experience CSQE (see Chapter 5). It tested whether the proposed process of CSQE, explained in Chapter 5, applies to specific service experiences of high street banks. This related to hypothesis 1. This questionnaire type was split into two sub-versions. These two sub-version questionnaires tested if expectations are as specific as, or more than, just 'banks' for CSQE of specific service experiences (specific CSQE as explained in Chapter 5). This relates to hypothesis 2. These two sub-version questionnaires were named 'Specific Narrow' and 'Specific Wide' respectively. Another questionnaire type tested the use of the process of CSQE in evaluation of general service provided by particular service providers (generic CSQE as explained in Chapter 5). This concerned customers evaluations of retail banks in Britain, and relates to hypothesis 1. This questionnaire type was also split into two sub-versions. These two sub-versions tested if

expectations are as specific as, or more than, just 'banks' for generic CSQE. This relates to hypothesis 2. These two sub-version questionnaires were named 'Generic Narrow' and 'Generic Wide' respectively. Examples of these 4 questionnaire versions are included in Appendices A and B.

2.2.3.4 Demographic and other influential variables

It was necessary to find out if the following variables were present within the analysed population sample, in a variety and volume in keeping with the population sample frame, for the 4 questionnaire versions. This relates to hypothesis 4. The rest of hypothesis 4, variations in personality and background, were purely assumed to be included in the analysed population sample through the randomness of the population sample methods.

Sex

The questionnaires contained a question asking subjects to state their sex.

Age

The questionnaires contained a question asking subjects to state into which one of 6 different age categories they fell. The age groups were: 16-24, 25-34, 35-44 45-54, 55-64, and over 65. These age categories correspond to population sample frame definitions already explained, and the age categories currently, and at the time of this research, used for customer research by the sponsor of this research.

Transaction type

The questionnaires relating to specific service experiences, i.e. the questionnaires 'Specific Narrow' and 'Specific Wide', asked subjects to describe the nature of the purpose of their visit to their bank. In the final pilot study, subjects were merely given a space in which to write a description of the purpose of their visit. In the final empirical study, however, subjects stated whether the purpose of their visit was: an account transaction; an account enquiry; to find out about a new product or service; to arrange a new product or service; a discussion or meeting with a member of staff. It is not known if the type of transaction being evaluated by a customer could influence that

customer's CSQE. However, in case it could, it is an important part of the population sample frame. Consequently, the empirical findings should apply to a population with a variety of this component. Such information collected during the empirical study, could also be used at a later date to analyse the influence of transaction type on the process of CSQE.

Household income

The household income of all subjects was measured by the questionnaires by asking subjects to state into which one of 4 annual household pre - tax income categories their household fitted. The income categories were: less than £15,000., £15,000.-£25,000., £25,001.-£35,000. (£25,000. - £35,000. in the final pilot study), and over £35,000. These income categories correspond to the household income categories normally used by the sponsor of this research for customer research.

Name of bank

The questionnaires asked subjects to state the name of the bank where they had their main current account. In the final pilot study subjects were just given a space to write the name of the bank. In the final empirical study, however, subjects could put a tick against one of 7 banks, or state, in a space provided, the name of any other bank. This information did not allow the researchers to know which bank customers were referring to when answering the questionnaires relating to specific service experiences. This question was placed after the questions concerning CSQE, otherwise it might have stimulated more biased answers.

Recency of experience

Customers were asked by the specific service experience questionnaires to state the recency of the experience to which they referred, by ticking a corresponding box. The recency ranges were: less than 24 hours ago, less than one week ago, less than one month ago, and more than one month ago.

Amount of experience

The questionnaires in the final empirical study asked subjects to state the frequency with which they currently experienced bank facilities. Subjects were asked to state how often they used cash machines, and how often they used bank facilities other than cash machines. The clarification between cash machine facilities and other bank facilities was made in order to prevent over-weighting of cash machine usage within the information about 'amount of experience'. This over-weighting was considered a possibility because of the known high incidence of usage by bank customers of cash machines relative to other banking services. No distinction was made between bank facilities used within a bank and those used outside of the property of a bank. This was because banking services might be used via a telephone or otherwise. Furthermore, all banking service experiences are relevant to the process, and therefore the outcome of the process of CSQE. This is suggested within chapters 1 and 2.

Occupation

The questionnaires in the final empirical study asked subjects to state whether they were in full - time education or not. This was done in order to see if students were represented in appropriate proportion within the analysed population.

2.2.4 Other characteristics of the empirical design.

The design incorporated attempts to:

- Minimise subject confusion, loss of attention and deliberate and accidental experimenter effect, e.g:
  - ◆ Prevent questions being answered in an order whereby one question might suggest an answer to another question.
  - ◆ Prevent answers being inappropriately restricted. For example, if asking for subjects opinions on whether Britain should join a single European currency system, it is not sufficient just to ask if they agree or do not agree. In such a situation subjects should also be given a chance to express conditional support or opposition, and also indecision, otherwise answers to the question will not reflect the opinions of the subjects who were questioned.
  - ◆ Facilitate cross correlation of results.

- Minimise the number of errors of data input, processing and analysis.
    1. Carefully choose those to take part in the research.
    2. Conduct spot double checking.
    3. Allow third party checking.
- According to Harper (1991):
    1. No leading questions should be asked.
    2. No ambiguous questions should be asked.
    3. Questions should be presented in a logical sequence.
    4. Precise answers should be encouraged.
    5. Only allow trained and informed professionals to operate the research.
    6. Only short and simple questions should be asked.

- Maximise response rates, e.g:
    - Use incentives such as rewards or gifts for subjects who are given or complete and return questionnaires (Lorenzi 1988).
    - It was hoped that originality of the questionnaire design would stimulate interest in and therefore full completion of the questionnaire.
    - According to Harper (1991):
        1. Questionnaires should be as short as possible.
        2. Questions should not be irrelevant or too personal.

- Achieve high moral standards of research, e.g:
    - No misleading of subjects.

2.3 SPECIFIC CHARACTERISTICS OF THE FINAL PILOT STUDY

- The pilot study took place through hall studies on 3 separate days, within a nine day period, in March 1995, in 3 different locations around England in the following order: Uxbridge, a suburban town near London, on a Saturday, St Albans, a thriving medium sized provincial market town (officially a city), on a Thursday and York, a northern England city with a large tourist element, on a

Saturday. These locations were decided because it was believed that the three places chosen represented a variety of different types of conurbation, and therefore increased the variety of the subjects who were sampled.

- The pilot study on each day contained the same properties.

- The 3 hall studies were all identical in each of the four questionnaire versions, except that in the last 2 hall studies the wording of the 'Generic Narrow' questionnaire changed. "100 Banks" in page 8 of the questionnaire changed to "10 Banks", a relatively minor but significant alteration. This change was made because it was found that subjects were unable to think of 100 banks. This change did not prevent the integration of the results for the 'Generic Narrow' questionnaire for the 3 hall studies, since all other questions remained the same, the number of questions and the objectives of all questions remained the same, and the method of quantitative analysis of all the questions also remained the same.

- 232 questionnaires, split evenly between the 4 questionnaire versions, were distributed during the 3 days of the final pilot study. 90.5%, 210 of those questionnaires distributed, were completed without any mistakes being made.

- Locations were chosen which were central to a chosen area, and which provided access to a complete range of the population sample frame.

- Hall studies took place on a variety of days including saturdays, though excluding sundays. This was done with the aim of increasing the variety of the subjects who were sampled.

- Studies in each of the locations lasted for one day, from approximately 09.30 hrs till 16.00 hrs. These were the normal working hours of the agency assisting with the hall studies.

- Halls were chosen which were comfortable and relaxing in order to assist subject co-operation, patience and concentration.

- A team of experienced market researchers, including a hall study co-ordinator for each day of the hall study, were hired to conduct the hall study.

- A different set of market researchers, local researchers, took part in every one of the different hall study locations.

- The market researchers were not told anything about the nature of their task prior to the day of the hall study, but for the purpose of the hall study were told, on the day, the details of their task, and what the questions were trying to ask. Market researchers were not told about the objectives behind the research other than that it attempted to understand the customers' evaluations of the service they receive from banks. To inform market researchers less well or beyond such knowledge might have led to experimenter effects resulting from invalid questioning or weighted questioning respectively.

- The market researchers stood at various locations outside the hall, and guided by the population sample frame quotas given to them by the hall study co-ordinator, together with printed quota pre-requisite show-cards, they tried to call in an otherwise random sample of subjects into the hall.

- With the help of the subject, specific sample frame quota information was then recorded on a pre-prepared form, which was given an interview number for future reference and signed and dated by the market researcher who filled it in. This information was continuously kept track of by the hall study co-ordinator, throughout each day of the hall study, in order to guide the market researchers towards fulfilling their sample frame quotas. An illustration of the quota pre-requisite requirement guidelines, and the pre-prepared form can be seen in Appendix B.

- Subjects were verbally re-assured by the market researchers that the interview they were about to take part in was a bona fide interview.

- Once in the hall subjects were asked to sit down and fill in a questionnaire, in their own time and on their own.

- Each subject filled in just one of the 4 questionnaire versions.

- Different questionnaire versions were distributed in equal quantities, at random, as the subjects entered the hall. This was to assist the random distribution of questionnaires.

- Subjects were told at the beginning of the questionnaire, that there were no right or wrong answers and that they would remain anonymous. This was done to limit experimenter effect.

- Subjects were given no explanation about the nature of the questionnaire they were about to answer, other than, if they asked, that it was a questionnaire about the service they had received from various companies.

- No mention of the identity of the research organisers or sponsors was mentioned at any time to subjects. This was done to limit experimenter effect.

- Market researchers were on hand at all times, as advised to subjects in the introduction to the questionnaire, in order to answer any of the subject's queries resulting from confusion relating to the wording of the questionnaire.

- All market researchers were clearly instructed to only give the minimum clarification to any queries so as not to lead the subjects.

- On completion of the questionnaire, subjects were rewarded by a £1 gift voucher (or in the case of some hall studies, a bar of chocolate), and thanked for their co-operation. They were also given full details of the market research agency conducting the hall study, its rules, objectives, intentions and guidelines.

- The whole hall study was supervised by the research designer or a designated well informed and experienced market research consultant, or in most instances both.

- At the end of each day, all the researchers who took part in the hall study were gathered together to discuss any difficulties encountered throughout the day or any other matters arising, in order to ensure that the population sampling and questionnaire distribution was running smoothly.

- Market researchers were requested to, and in line with their own normal code of practice, agree to treat as confidential the nature of the research which took place, the identity of the research sponsor and any subjects who took part in it.

- All questionnaires were given a code number which corresponded to the version of the questionnaire (1W for 'Specific Wide', 1N for 'Specific Narrow', 2W for 'Generic Wide', and 2N for 'Generic Narrow') and the individual serial number of the questionnaire, starting with one and continuing to the number of questionnaires distributed in total.

- There is limited scope for deliberate experimenter effect (cheating) because:

1. Collected information could be cross referenced. All data input concerning the questionnaires was done under a code number given to each questionnaire. Consequently, any data resulting from individual questionnaires could be cross-referenced.

2. Questionnaires were filled in by hand by subjects.

3. Questionnaires were kept for later reference.

4. Individual hall study co-ordinators made a signed and dated record for later reference, of the population sample achieved by the hall study.

5. Sample frame information sheets were written in by hand, signed and dated by the individual market researchers, and kept for later reference.

6. Consistency of inputted, questionnaire, and population sample information can therefore be analysed as a check for deliberate experimenter effect.

At each of the first 3 hall studies, 15 in - depth interviews took place on subjects who were, due to the quota and selection process mentioned above, relatively representative of national age and sex type proportions (this representativeness was later evidenced through analysis of demographic questions). These took place immediately following completion of the questionnaire by subjects. The objective of these in depth interviews was to identify the practicality and validity of the empirical design by obtaining verbal feedback from subjects who had just completed one of the questionnaire versions. It was decided that following the first 2 hall studies no new comments were emerging, and enough repetition of existing comments had taken place to substantiate any findings which had arisen following the in depth interviews. In other words the objectives of the in depth interviews had been achieved and so there was no point using further resources on the process. The in depth interviews had the following characteristics :

- Interviews were conducted on approximately one out of every 4 subjects who entered the hall, and therefore relatively at random, through systematic sampling (Harper 1991).

- Interviews were conducted either by the same market researchers who had called those subjects into the hall, or by separate market researchers waiting in the hall.

- Interviews were guided primarily by interview questions provided to the interviewers by the research designers. An example of the interview structure and questions can be seen in Appendix B.

- However, the interviewers were encouraged to go beyond this formal interview structure in order to query any hunches they had about difficulties subjects may have encountered whilst answering the questionnaire, or in order to dig deeper into comments made by subjects.

- Questions were simple and clear.

- Questions varied in their specificity, ranging from questions about specific parts of the questionnaire, to questions about concepts contained within the questionnaire, and about subjects suggestions regarding any part of the questionnaire they wished to mention. The idea was to find out if subjects had any difficulties understanding or completing any of the 4 questionnaire versions, in other words to find out if the questions were asking the questions they intended to ask, and if the answers were subjects desired answers.

- Interview questions were not suggestive, except where subjects' opinions on suggestions made to them were requested as part of the interview.

- All parts of the questionnaires were covered by the interviews.

- Interviews on average took about 10 minutes each to complete.

- Interviewers filled in an answer sheet, as illustrated in Appendix B.

- Interviewers wrote the same code on the answer sheet as given on the questionnaire which the subject had previously completed. This enabled interview responses to be correlated with corresponding questionnaires.

- These interviews were double checked by observing if all questions were answered fully, in the style expected, and without additional subject comments suggesting the inability of some subjects to understand or complete the questionnaire properly. These checks suggested that the pilot study was generally valid as explained in the following summary of the interview findings,

and also in the changes to the empirical study design.

At the end of the 3 hall studies, all of the interviewers, and anyone else taking part in the questionnaire distribution, took part in a debriefing session to discuss a summary of the day's findings, both from the interviews and from general observation of the questionnaire distribution procedure and any other hall study attributes. The supervising researchers took notes of all that was discussed in the debriefing sessions and soon after produced summaries to assist later discussion and updating of the empirical design.

2.4 FINDINGS OF THE FINAL PILOT STUDY

2.4.1 The questionnaire findings

The 4 hypotheses were supported by the pilot study. The quantitative analysis of the final pilot study proved to be highly satisfactory, considering the limited number of subjects studied.

Diagrams 6.1 and 6.2 below show that for all 4 questionnaire versions, a very large, and nearly equal proportion of questionnaires were completed without fault. 'Without fault' in this instance means that the answers by a given subject to the questionnaire concerned, were sufficient to enable the derivation of both actual and predicted values for CSQE. Values for incidence of occurrence had to add up to at least 95 out of 100, an amount close enough to 100 to enable predictions to match actual stated CSQE to within 5 out of 100, whilst allowing for small completion errors, and therefore the inclusion of more subjects into the 'questionnaires completed without fault' category within the population sample. The average amount of completion without fault for the 4 versions was 90.5%. In all 210 questionnaires were completed without fault.

Of the 210 questionnaires completed without fault, 111 were completed by men and 99 by women. A mixture of ages were measured for all 4 questionnaire versions, for men

and women, except for subjects between 55 and 64, and especially those over 65 who were disappointingly relatively underrepresented (see diagrams 6.3, 6.4, and 6.5).

Unlike the final empirical study, the basic CSQE heuristic was not tested by the final pilot study. It had not been considered by the time of the final pilot study. However, it was found that the correlation between the full CSQE heuristic and actual stated CSQE varied between .45 to .58 for the 4 questionnaire versions. This is illustrated in diagram 6.6. The correlation between the half CSQE heuristic and actual stated CSQE varied between .33 to .53 for the 4 questionnaire versions. This is also illustrated in diagram 6.6.
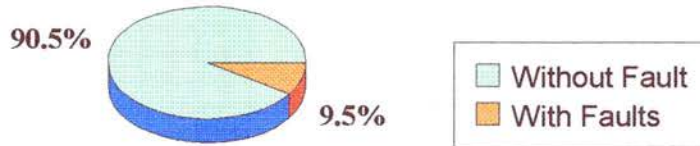
It was found that on average, for the 4 questionnaire versions, approximately 40% of full CSQE heuristic values, and 40% of half CSQE heuristic values were accurate to within 10% of actual stated CSQE. This is shown in diagram 6.7.

Furthermore, in the majority of cases it was found that full CSQE heuristic values were accurate when half CSQE heuristic values were not accurate, and vice versa. This meant, for the 4 questionnaire versions, that for 62.3% of the population, either full or half CSQE heuristic values were accurate to within 10% of actual stated CSQE.

A larger subject sample size would have had to be sampled in order to decide if full or half CSQE heuristic values were more accurate, if wide or narrow expectations were more accurate, or if the results were appropriate for a population with a significant variety of demographic and other variables. Nevertheless, the predicted process of CSQE seemed to take place, for specific and generic CSQE, using full and half CSQE heuristics, at the time requested, and for a population with a variety of demographic and other variables. In other words the final pilot study derived empirical evidence which gave some support to hypotheses 1,3 and 4.
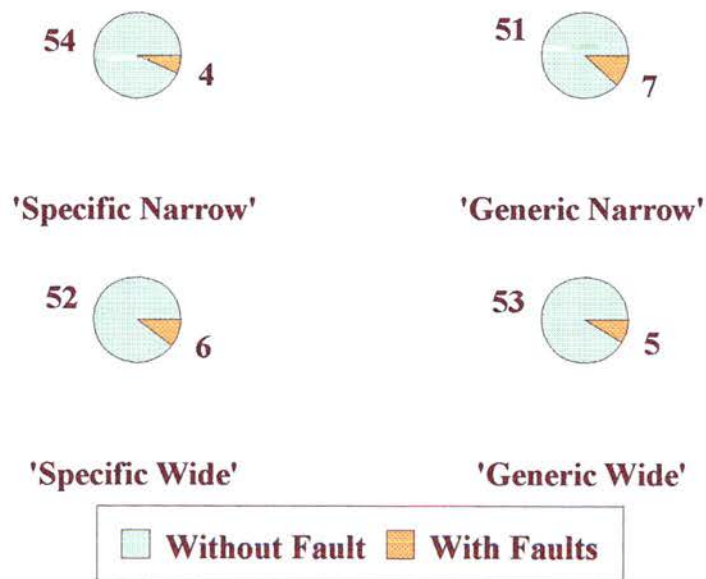
Diagram 6.1
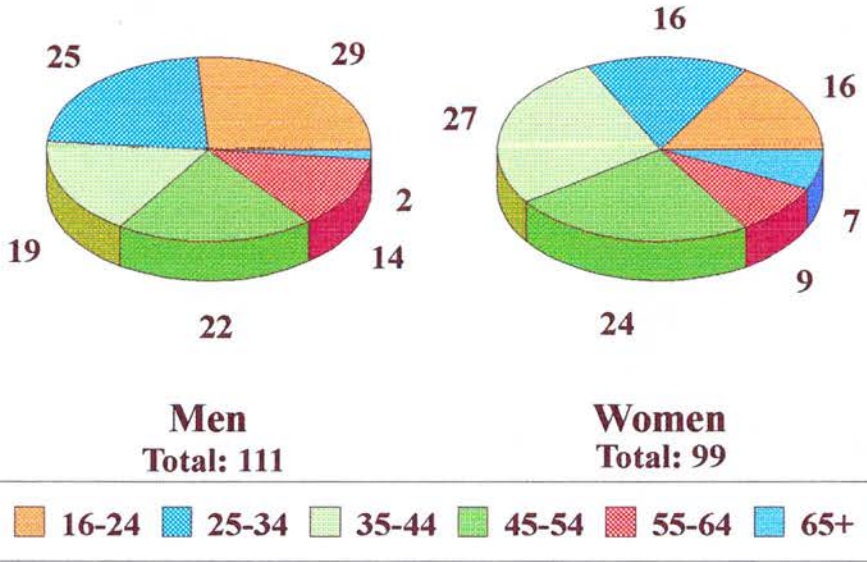## Questionnaires Completed Without Fault

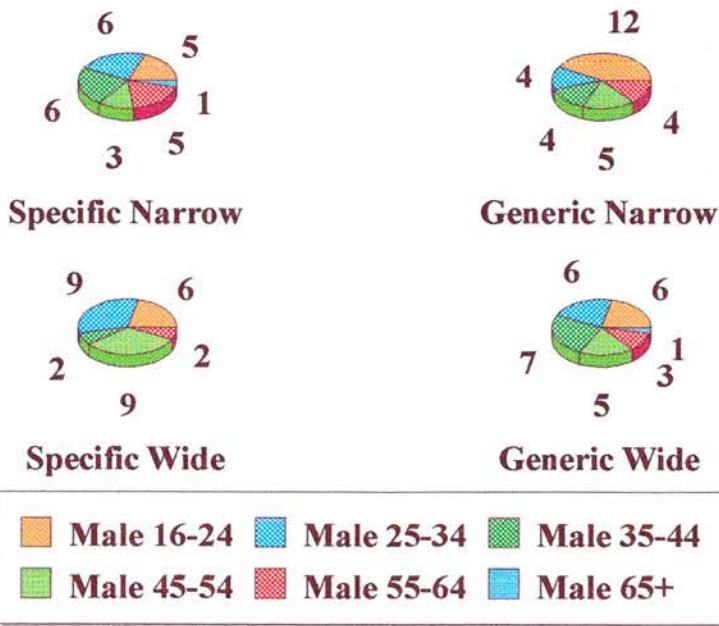*Attempted Questionnaires : 232*

90.5%

9.5%

Without Fault
With Faults

Completed without fault: 210

Diagram 6.2
Questionnaires Completed Without Fault

54   4

51   7

'Specific Narrow'

'Generic Narrow'

52   6

53   5

'Specific Wide'

'Generic Wide'

Without Fault   With Faults

Diagram 6.3
'Completion Without Fault' Population

Men
Total: 111

Women
Total: 99

16-24   25-34   35-44   45-54   55-64   65+

Diagram 6.4
Male Population Sample

Specific Narrow

Generic Narrow

Specific Wide

Generic Wide

Male 16-24   Male 25-34   Male 35-44
Male 45-54   Male 55-64   Male 65+

Diagram 6.5
Female Population Sample

Specific Narrow

Generic Narrow

Specific Wide

Generic Wide

Female 16-24　Female 25-34　Female 35-44
Female 45-54　Female 55-64　Female 65+
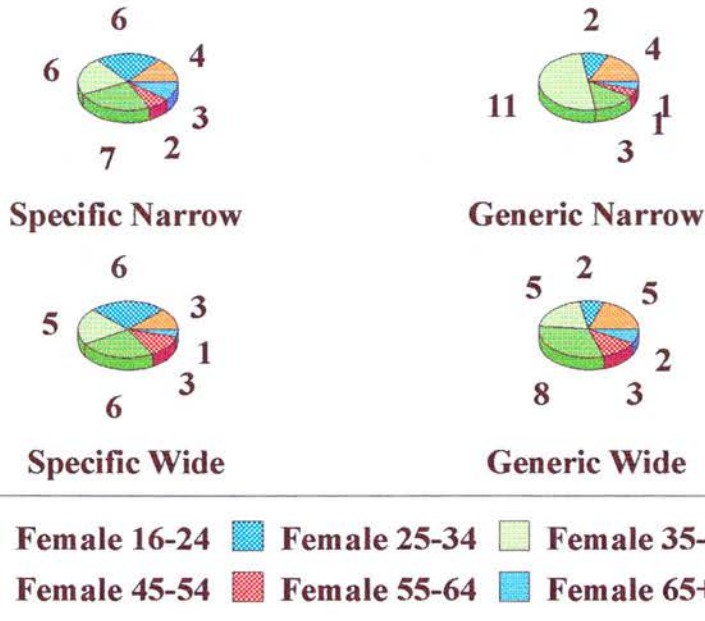
Diagram 6.6
Correlations between CSQE Heuristics & Stated CSQE

Full Heuristic: 0.45, 0.58, 0.56, 0.54
Half Heuristic: 0.33, 0.52, 0.47, 0.53

Heuristic Type

Specific Narrow　Specific Wide
Generic Narrow　Generic Wide
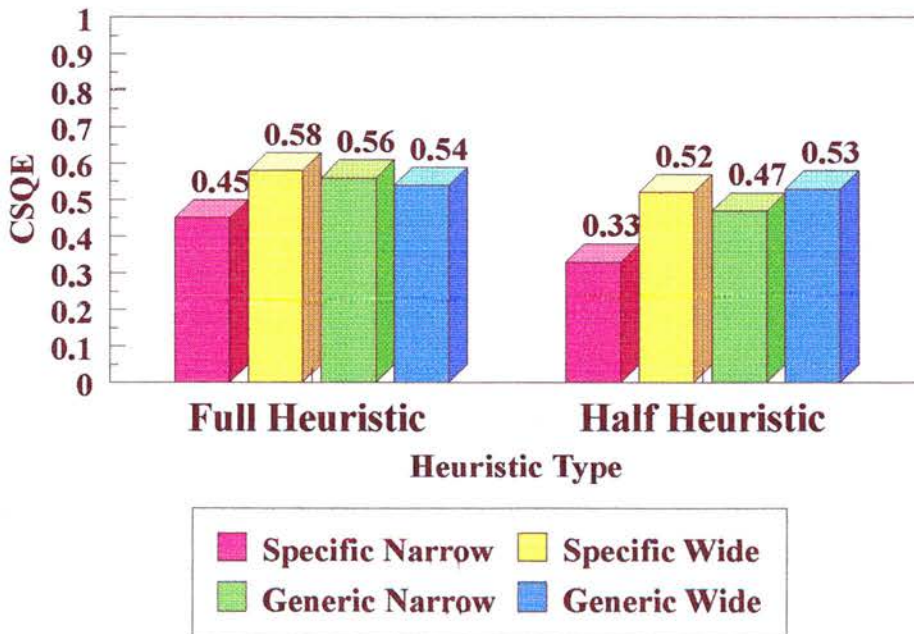
Diagram 6.7
% of Heuristic values within 10% of Stated CSQE
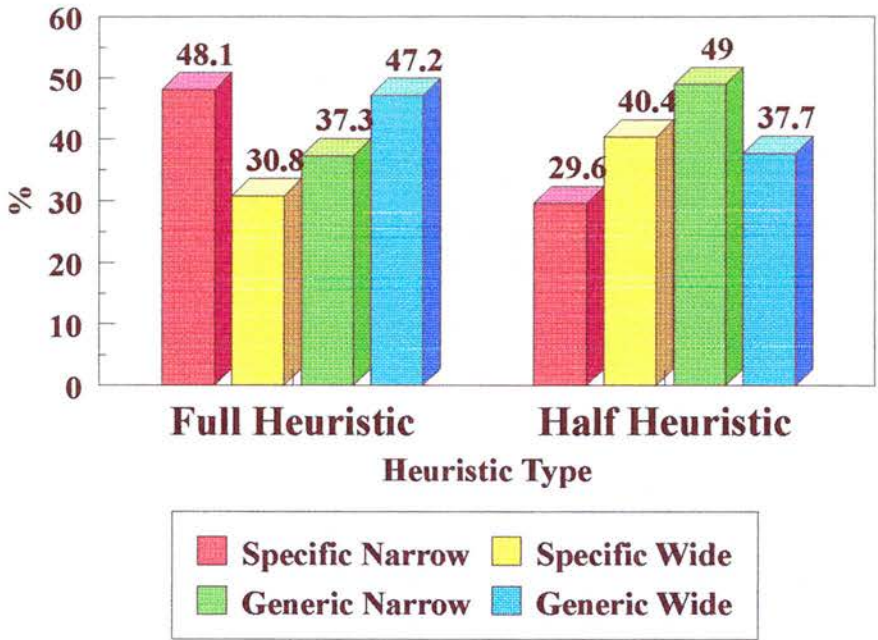
2.4.2 In-Depth Interview Findings

A summary of the interviews conducted by Jill Howard (June 1995), an independent market researcher who assisted the final pilot study, together with my own analysis of the interview material, provided the following description of the final pilot study findings. This summary, which is split into 5 parts relating to specific questions within the questionnaires, suggests that subjects interpreted the questions in the questionnaires in accordance with the objectives of the questionnaires.

<u>Introductory Pages</u>

- There were no problems with interpretation, everything was considered to be very clear, easy to follow, and not too daunting to envisage.

- There were some difficulties in envisaging organisations, but we do not suggest that it is easy.

- It was often difficult for subjects to compare banks, as subjects often had only one banking relationship. This however, is what the theory in Chapter 5 would suggest anyway.

- Some subjects thought that the introductory pages were condescending, and too long winded. Many subjects who were interviewed believed that the questionnaires, whilst generally extremely simple to complete, were in parts too patronising, because of some unnecessary pictures and even because of the large size of the writing, which may have indicated an immature audience. Many interviewed subjects also felt that the introduction pages of the questionnaires were too long. They felt that the same information could have been expressed more sharply using fewer pages and therefore less paper. It was expressed that the long introduction led to the questionnaires being less interesting than they would otherwise have been. The introduction therefore detracted from the attentional state of the subjects answering the questionnaires. *The introductory pages were consequently made shorter and non-condescending.*

Question: "Picture in your mind .... Outstanding Service..."

- Some subjects considered 'outstanding service' a rarity, but then this is what we expected.

- Some subjects had some difficulty picturing 'outstanding', but we do not suggest that it is easy.

- Outstanding service from organisations' brought to mind: restaurants and banks, America, Marks and Spencer, prompt attention, a lack of cues, people going out of their way to help, individual / personal attention, friendly / polite / good rapport.

- 'Outstanding service from banks' brought to mind: friendly / helpful / personal greetings, immediate service / not having to wait or queue, efficiency, availability at any time, cash machines always working, something out of the ordinary, action above and beyond what is expected.

Question: "Picture in your mind .... Normal Service..."

- Normal service from organisations brought to mind: not being kept waiting, feelings of satisfaction on exit, average / run of the mill experience.

- Normal service from banks brought to mind: courteous but not so personal actions, blandness, functional actions / performance of basic tasks, most things being done right, use of cash machines.

Question: "Picture in your mind .... Appalling Service..."

- Some subjects found this difficult to envisage, which is what we expected.

- Appalling service from organisations brought to mind: uncomfortable experiences, being made to feel part of the problem / feeling a nuisance / inferior, being a number instead of a person.

- Appalling service from banks brought to mind: rude staff, pushy salesmen, computer errors, broken cash machines.

Question: Approximately how many times out of 100 (or 10)..?

- ◆ Some subjects found a fair amount of difficulty with this question, but it was possible nevertheless:-

- Some subjects believed they had to enter a score in every box, which they found difficult. *Therefore it was decided to make it clearer to subjects that they could put any number from 0 to 100 (or 10 in the case of the 'Generic Narrow' questionnaire).*

- Some subjects believed that there were too many categories, too close together, to know whether they were giving an accurate portrayal of their perception. Subjects nevertheless managed to fill the categories in their own way. Most subjects said they had no difficulty considering the 7 categories (levels of service). No subjects accepted that more categories would have enabled them to express themselves more fully.

- Some subjects found that they could always go up in score, but that there was not much room to go down. They started at the top, so their last score was less realistic since it was done for the sake of making the total score add up to 100. *Therefore, it was decided to tell subjects to try out the question on a spare piece of paper first;*

- Some subjects who were asked to state the number of banks, rather than organisations, providing each level of service, found this question difficult if they had only ever had one banking relationship. They could only speak for their own bank. Imagination was needed, but then this is what the theory in Chapter 5 would suggest.

2.5 SPECIFIC CHARACTERISTICS OF THE FINAL EMPIRICAL STUDY

2.5.1 Population sampling

No database, nor any complete knowledge of the members of the population exists. A random sample (Kent 1989), or systematic sampling, or multi-stage sampling, or stratified sampling of the population was therefore not possible (Harper 1991).

> **"A random sample is a sample selected in such a way that every item in the population has an equal chance of being selected."**
> (Harper 1991, p. 31)

Consequently, the population was limited to individuals in Britain over the age of 16. However, even this population is not covered by a database. The national register of electors applies to individuals over the age of 18, not 16. Furthermore, this database is at the best of times 4 months out of date.

> **"Up to 12% of electors are no longer at their registered address by the time the register comes up for renewal"** (Kent 1989, p.39)

The register of electors, furthermore, only includes British subjects, and only includes those eligible to vote. Many 18 year olds are not included, and people away from home are uncontactable. Alternatively there is the Postcode Address File. This, however, is only appropriate to households, not individuals. Consequently, a random sample of the population was still not possible. An 'inadequate' sampling frame was therefore unavoidable (Kent 1989, Harper 1991).

The sampling frame was a database of 40,000 individuals. This database was held by NOP (National Opinion Polls), the agency which distributed the questionnaires. The database comprised respondents to a random sample of the electoral register, who had agreed to take part in future research. Two thirds of such respondents agreed to take part in future research. The database also comprised individuals between the ages of 16 and 18, who were resident at the homes of other respondents. These individuals had also agreed to take part in future research. In other words this database was therefore smaller than the electoral register, and skewed towards those kinds of people who respond to questionnaires. However, it was more up to date than the electoral register; being only one month out of date; it included 16-18 year olds, and promised a higher response rate than the electoral register. Furthermore, because the demographic details of those included in the database was known, it was possible to derive matched samples (stratified samples) of the database, based on the known demographic make

up of current account customers of retail banks in Britain. Stratified samples are normally more representative of a population sample frame than random samples (Harper 1991).

Four computer matched samples, based on the demographic profile of current account customers of retail banks in Britain, were taken from the database. One sample was taken for each of the 4 questionnaire distributions (see section 2.2.3.3 earlier in this chapter). These samples were taken by the agency distributing the questionnaires.

Because postal questionnaires were distributed, the sample was therefore further skewed towards individuals who respond to questionnaires, including the questionnaire used for this empirical study.

Quota sampling (Kent 1989, Harper 1991, Kinnear and Taylor 1991) was not used because the element of human judgement required for any such process, without an accurate knowledge of the demographics of the population sample frame, means that:

> **"the potential for bias in using such techniques is considerable."**
> (Kent 1989, p.41)

This criticism of quota sampling is supported by Harper (1991). Cluster sampling was also not used due to the bias that inevitably results from it (Harper 1991). Such sampling would have been geographically far more biased than the chosen sampling method. Also:

> **"Additionally, in a cluster sampling there will be a tendency for the less obvious items to be missed"** (Harper 1991, p.33)

2.5.2 Size of the population sample

So long as a sample is carefully researched, and if difficulties of size do not emerge, the simple rule, as stated by Hoinville and Jowell (1985) is that other things being held equal, sampling error depends upon sample size. The larger the sample, the smaller the sample error (Kent 1989). Therefore a random sample of 1000 customers for each of the 4 questionnaire versions; the maximum number of subjects given the financial limitations of the research; was used for this research. Such a scale of research, it was hoped, would generate sufficiently valid quantities of population sample frame variables (Collins 1978), even ones not specifically measured by this research, namely personality and background, within the respondent population. In particular, occupation, household income, recency of the experience, name of subject's bank and transaction type were recorded for later analysis of the respondent population's variability.

2.5.3 Questionnaire distribution method

Each of the 4 questionnaire versions was sent to a matched sample (see section 2.5.1 above) of 1000 subjects (see section 2.5.2 above), thus making a total distribution of 4000. 4 matched samples were used in order to enable comparabilty (Harris 1978) of the 4 questionnaire versions. This distribution was conducted by first class 'Royal Mail' post, by a major British opinion poll agency. This distribution took place on Friday 12 January 1996. It was expected that most subjects would receive questionnaires on Saturday 13 January 1996, in the morning, a time when most individuals might have time to spare for answering a questionnaire (Sharpe / Nat West Bank 1995). Collection of completed questionnaires took place by pre-paid return envelopes addressed to the distributing agency. These envelopes were enclosed in the distributed package. This was done so that customers would not be deterred from returning questionnaires. Once returned, the questionnaires were sent to the University of Edinburgh for analysis. A £1,000 prize draw was available, as an incentive, to those subjects who returned a completed questionnaire together with a completed prize draw entry form. The prize draw entry documentation was sent to all subjects in the distributed package. Because the prize draw was available to subjects, and because all prize draw entry forms had to

be returned by 20 January 1996, it was hoped that at least 25% of questionnaire recipients would return their completed questionnaires to the distributing agency within 8 days of their dispatch. An example of the prize draw documentation which was sent to subjects, can be seen in Appendix A. Together with the questionnaire, prize draw documentation, and reply - paid envelope, the distributed package also included a covering letter, which will be explained in section 2.5.4 below, as an explanation for the package.

A limitation with this method of questionnaire distribution, as already explained in section 2.5.1, is that it skews the sampled population towards those kinds of individuals who return such questionnaires (Harper 1991, Kent 1989).

2.5.4 Other characteristics of the final empirical study

In order to achieve the criteria of this research, as explained earlier, the following characteristics were incorporated into the empirical design.

No names of subjects were recorded by the researchers, and all personal information provided by subjects was kept entirely anonymous. This fact was made known to subjects, within the introduction to the questionnaires, and also within the questionnaire prior to the personal (demographic) questions. Furthermore, the name of the sponsor of the research, and the researchers, was not given to subjects. Only the name of the distributor, a company well known to all subjects, was given. This was done in order that subjects would not give a socially desirable, supplier desirable or related response. Nevertheless, the fact that subjects were asked to give their opinions on banks, might have led to politically oriented subject responses to some degree.

Questions within the questionnaires did not lead the subjects into providing answers which were unintentionally or intentionally suggested to them.

Attempts were made to de-formalise the questionnaires as much as possible and thus reduce the shyness and nervousness of subjects. More formality in the presentation of

the questionnaires might otherwise have made subjects give unrepresentative responses, or made them avoid answering the questionnaires altogether.

Questionnaire wording was simple and straight forward, as shown by the results of the final pilot study in-depth interviews, in order to enable all subject to clearly understand the questions and in order to prevent question ambiguity. In this piece of research, numerous pilot studies were used, with oral feedback, to ensure the development of a clear, simple and unambiguous questionnaire. As part of this objective, and because of pre-test studies carried out by Parasuraman, Zeithaml and Berry (1988); which suggested that negatively worded questions are problematic since they are confusing, misleading and suggestive; the questionnaires used for the purposes of this research do not incorporate any negatively worded questions.

The questionnaires were, as was believed ideal, as short as possible, whilst ensuring that no necessary questions were omitted and that the questions were phrased in a clear and polite way.

The possibility of deliberate experimenter effects, is largely protected against within this empirical research because of the direct participation of numerous interests in the research procedure, including the hand written responses of subjects, because of the storage of original data for later reference, because of the ability to cross reference coded questionnaires with inputted data, and because the researchers were not provided with, and could not copy any spare blank copies of the questionnaire, except the one copy of each questionnaire version required for future reference. The only room for doubt could be in occasional instances when corrections by the subject are apparent in a completed questionnaire. However, even these corrections are in the handwriting of subjects. Only in an extremely small number of instances, which are clearly marked on the questionnaires, have clarifications to answers been made by the researchers, in the interest of future data - questionnaire cross referencing. One instance, on a handful of occasions was when subjects placed a single cross or tick in one of the boxes in question 5 of the questionnaire, instead of a 10. This was found to

be an occasional assumption amongst subjects who were interviewed in the final pilot study. In fact, some subjects in the final study placed both a tick and a 10 in one of the boxes for question number 5. This problem was hard to guard against without filling the questionnaire up with too much advisory writing. The other instance of clarification, also on a handful of occasions, was when a subject gave a high rating to a bank in question 7 in the 'Generic Narrow' questionnaire version, and gave a rating of less than 10 out of 100 in question number 8. It was presumed that following the ranking out of 10 in question 5, the subject gave another rating out of 10 in question number 8. Furthermore, in one instance a subject gave two parallel sets of answers, relating to separate banks, which were both recorded in the data analysis.

The empirical study design encouraged subjects to be calm whilst completing the questionnaires. Subjects were told in a covering letter to give themselves enough time to answer the questionnaire. They were also told how much time they would need; up to ten minutes. In the introduction to the questionnaires subjects were twice told the time they would need to complete the questionnaire, and were once told to make sure that they would not be disturbed. Subjects were also able to complete the questionnaire in their own time and in their own home.

The questions were presented in the order in which the proposed process of CSQE (see Chapter 5) takes place, with personal and demographic questions at the end out of the way. It was hoped that subjects would answer the questions in the order in which they were presented, therefore mimicking the process of CSQE as closely as possible. Attempts were therefore made to prevent subjects from looking at questions within the questionnaires in the wrong order. Questions were numbered according to the order by which they were to be answered. The questions were positioned in the order by which they were numbered. At the end of each question subjects were instructed by means of an arrow and words, to move to the following numbered question. That number was mentioned. As an additional measure, questions were presented in the form of advent calendar style boxes hidden by pull away paper segment covers. These paper segment covers had their question number boldly printed on the front, and were easy to detach

from the mother board containing all the questions. Furthermore, in the cover letter enclosed along with the questionnaires, subjects were told not to open the numbered doors until they were ready to answer the questions. They were also told not to read through the questions before they started. In the introduction to the questionnaire, subjects were told in large bold text: "Important: It is vital that you answer the questions in order". None of these measures prevented the subject from being able to look at the questions within the questionnaire in the wrong order. They should, however, have made such an event less likely.

Because the distributed package contained a prize draw, as well as a questionnaire which had to be completed and returned with the prize draw entry form, in an enclosed reply paid envelope, it was necessary to enclose a detailed covering letter (see Appendix A), as already referred to in section 2.5.3 above, in the distributed package. This covering letter explained the distributed package to subjects. The covering letter contained 5 components: an introduction, telling the subject who was personally addressed, that the questionnaire was from the distributing agency, reminding subjects of their prior stated willingness to take part in future market research, and inviting subjects to take part in an important study by up to 4000 people around the country; information about the £1,000 prize draw; an explanation and some instructions concerning the questionnaire; an assurance that all subjects would remain anonymous; and a summary and conclusion to the covering letter. The explanation and instructions concerning the questionnaire further contained 4 components: a simple explanation about the objective of the questionnaire; an instruction, written in two places in the covering letter, asking subjects not to look at the questionnaire questions before they start the questionnaire; and an instruction asking subjects to allow up to 10 minutes for the questionnaire, in order to allow enough time for thought; an instruction asking subjects to follow the instructions contained within the questionnaire.

The questionnaires were also made simpler by an introduction to each questionnaire which was printed on the front of the questionnaire. The information contained in this introduction, as already referred to in this section, was essentially the same as the

explanation and instructions component in the covering letter, except for a little more precision, and some additional information which was relevant only to the questionnaire introduction. There was an explanation about the objective of the questionnaire, there was an instruction asking subjects not to open the doors of the questionnaire until they were ready to complete the questionnaire, there was an instruction to answer the questions in the order that they were presented, subjects were informed that the questionnaire would take no more than 10 minutes to complete, there was an instruction asking subjects to allow 10 minutes of undisturbed time for them to complete the questionnaire, and there was an assurance that subjects' names would not be recorded, and that their answers to the questionnaire would remain anonymous. There was also an additional instruction asking subjects to have a pen ready, and some blank paper in case they needed to jot anything down, and subjects were informed that there were no right or wrong answers.

At the end of the questionnaire and throughout the prize draw documentation, subjects were given advice about how to return the questionnaire and prize draw.

The interests of all subjects taking part in this research are treated as paramount. Responses and identities of all subjects taking part are treated as confidential, and no form of deceit or experimentation takes place. Any contradiction to this objective is both unnecessary and undesirable.

2.6 FINDINGS OF THE FINAL EMPIRICAL STUDY

2.6.1 Explanation of findings

As shown in Diagram 6.8, 4000 questionnaires, 1000 of each of the 4 questionnaire versions, were distributed to subjects. Of these 4000 questionnaires, 34% or 1,363, were returned to the researchers. A further 2% or 66, were returned more than two and a half weeks after the return date requested on the questionnaire. These 66 questionnaires were returned too late to be analysed, but increased the total response

rate to 36%. Diagram 6.9 shows that the proportions of questionnaires returned in time were very similar for each of the 4 questionnaire versions.

As shown in Diagram 6.10, the responses of 9.8% or 134 of those subjects who had returned questionnaires, were rejected for a variety of reasons. Responses were only rejected if they were incomplete to an extent that did not allow any one or all of the CSQE heuristics to be calculated. The responses of 90.2%, or 1229 of those subjects who had returned questionnaires, were accepted for further analysis. This represents 30.7% of all distributed questionnaires. Diagram 6.11 shows that similar proportions of each of the questionnaire versions were accepted and rejected, except for the 'generic narrow' questionnaire which had nearly twice as many rejections, 19.2%, as the average of the other 3 questionnaire versions. The reason for this difference is not known. This suggests that there was no major difference in the difficulty of completion of the questionnaire versions, except perhaps the 'generic narrow' questionnaire. Consequently, it can be seen that of the 1000 questionnaires distributed for each of the 4 questionnaire versions, the numbers of returned questionnaires used for analysis were significant and very similar, though there is a smaller representation of the 'generic narrow' questionnaire.

Diagram 6.12 shows that significant quantities of subjects of all age groups, for both men and women, were included in the analysis. This is approximately representative of the current account customer base of Nat West Bank, as surveyed by MFS (1995). This is illustrated by Diagram 6.13. However, the proportions of subjects of different age groups varied quite substantially.
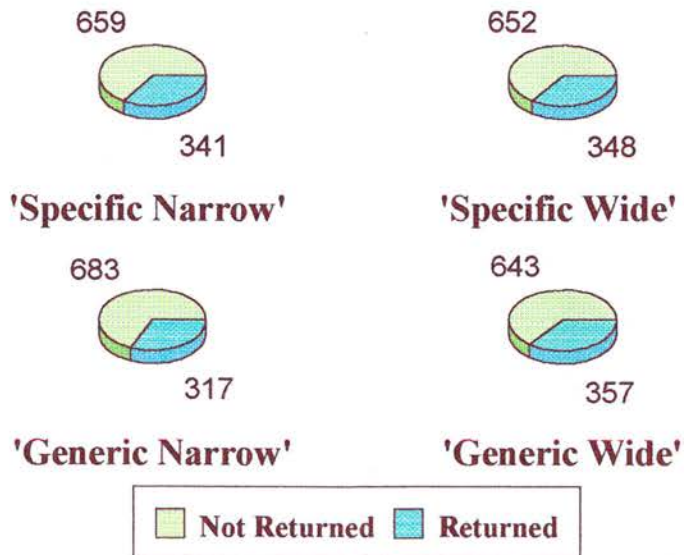
Diagram 6.8
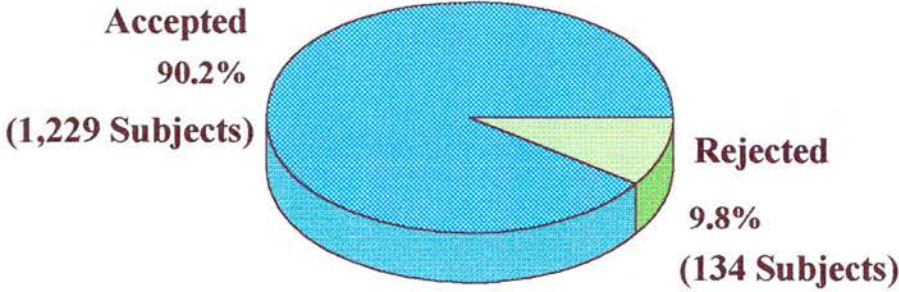**Questionnaire Return Ratio**

Returned too Late 2.0%
(66 Subjects)

Returned (1,363 Subjects)
34.0%

Not Returned 64.0%
(2,571 Subjects)
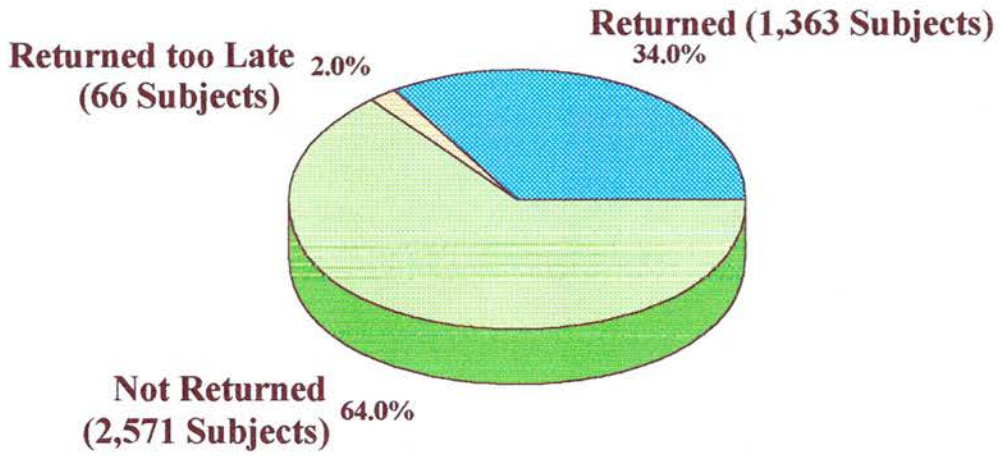
★ Total Distribution of Questionnaires: 4000

Diagram 6.9
Questionnaire Return Ratios
By Questionnaire Version

659
341
'Specific Narrow'
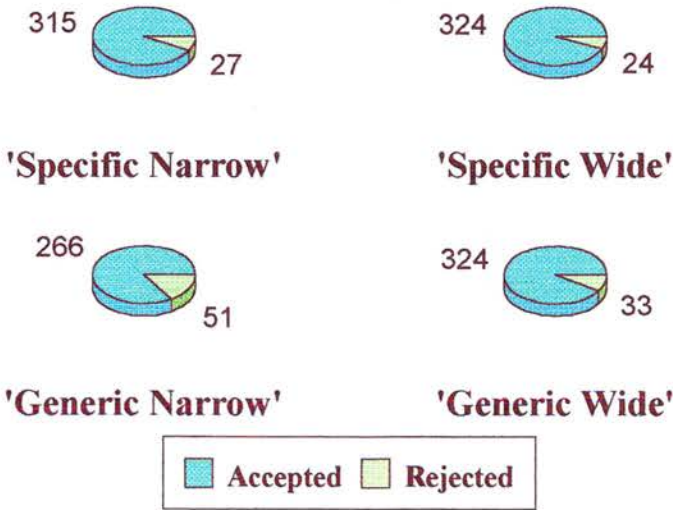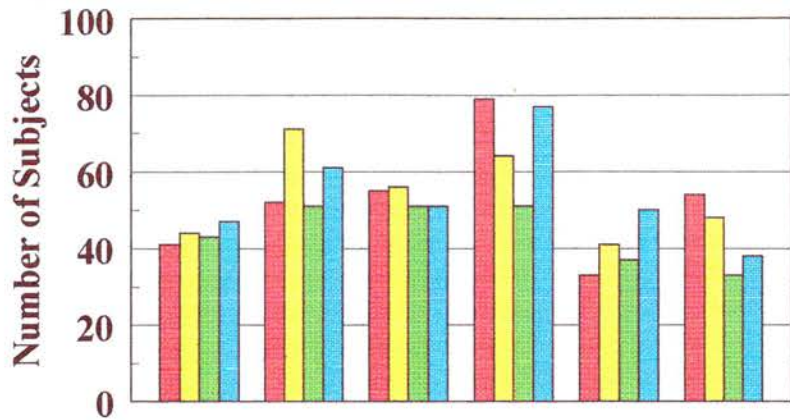
652
348
'Specific Wide'

683
317
'Generic Narrow'

643
357
'Generic Wide'

☐ Not Returned ■ Returned

Diagram 6.10
Questionnaire Acceptance - Rejection Ratio

Accepted
90.2%
(1,229 Subjects)

Rejected
9.8%
(134 Subjects)

Diagram 6.11
Questionnaire Acceptance - Rejection Ratios
By Questionnaire Version

315   27

'Specific Narrow'

324   24

'Specific Wide'

266   51

'Generic Narrow'

324   33

'Generic Wide'

Accepted   Rejected

Diagram 6.12
'Returned & Accepted' Age Ratios

Age Group	16-24	25-34	35-44	45-54	55-64	Over 65
'Specific Narrow'	41	52	55	79	33	54
'Specific Wide'	44	71	56	64	41	48
'Generic Narrow'	43	51	51	51	37	33
'Generic Wide'	47	61	51	77	50	38

Diagram 6.13
Age Ratios compared to Nat West c/a holders
(Source: MFS 1995)
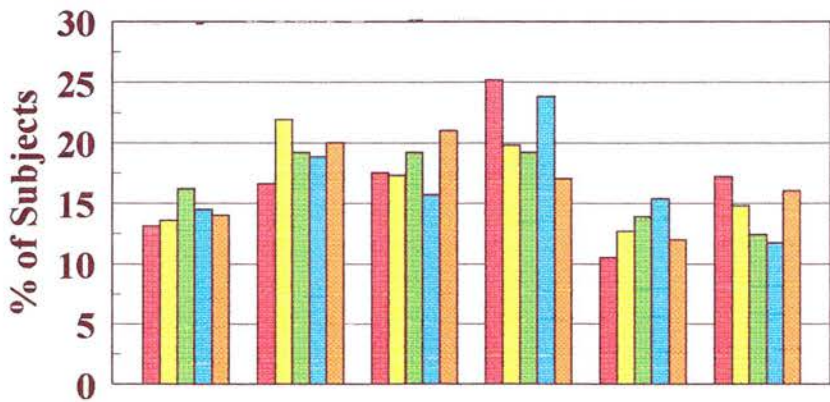
Age Group	16-24	25-34	35-44	45-54	55-64	Over 65
'Specific Narrow'	13.1	16.6	17.5	25.2	10.5	17.2
'Specific Wide'	13.6	21.9	17.3	19.8	12.7	14.8
'Generic Narrow'	16.2	19.2	19.2	19.2	13.9	12.4
'Generic Wide'	14.5	18.8	15.7	23.8	15.4	11.7
MFS 1995	14.0	20.0	21.0	17.0	12.0	16.0

Diagram 6.14 shows that the numbers of female subjects used in the analysis were slightly higher than the numbers of male subjects, for all questionnaire versions except the 'generic narrow' questionnaire. The numbers of male and female subjects were significant and fairly consistent throughout the 4 questionnaire versions, except for a lower number of females completing the 'generic narrow' questionnaire. The proportions of males and females were similar to the known proportions of male and female current account customers of the research sponsor, Nat West Bank, itself a retail bank, as surveyed by MFS (1995). This is illustrated by Diagram 6.15. A small proportion of subjects used in the analysis, 7.7% or 95, did not state their sex.

Diagram 6.16 shows that for each of the 4 questionnaire versions, the number of subjects that are current account customers of the different retail banks, varies in the way that would be expected of current account customers of retail banks in Britain, bearing in mind the number of current account customers that each of the banks have, as surveyed by MFS in December 1995. A handful of subjects stated that they were current account holders with more than one bank. These subjects did not state which, if any of the banks they had mentioned, was the bank with which they held their main current account, or if their current accounts were of equal importance. It was therefore difficult to make a decision as to which bank to include in the analysis in such instances. Therefore, in such instances all mentioned banks were recorded by the analysis. Some subjects stated the name of a building society instead of a bank. Perhaps, in the current climate of building societies becoming banks, customers find it difficult to identify which financial institutions are banks, and which are building societies. Alternatively, perhaps some or all customers do not perceive a difference between banks and building societies, and therefore list them all under the term 'banks'. Consequently both banks and building societies were included in the analysis. Building societies were also included in the above mentioned MFS survey. It should also be noted that a subject's main current account is not necessarily with the same bank which is being evaluated in questions 6 to 8 in the questionnaires. In fact subjects may not even have a current account.

Diagram 6.14
'Returned & Accepted' Sex Ratios
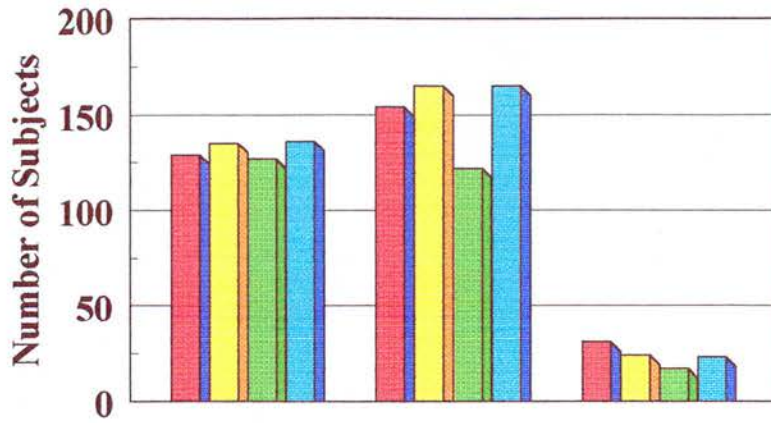
	Males	Females	Sex n/a
'Specific Narrow'	129	154	31
'Specific Wide'	135	165	24
'Generic Narrow'	127	122	17
'Generic Wide'	136	165	23

Diagram 6.15
Sex Ratios compared to Nat West c/a holders
(Source MFS 1995)
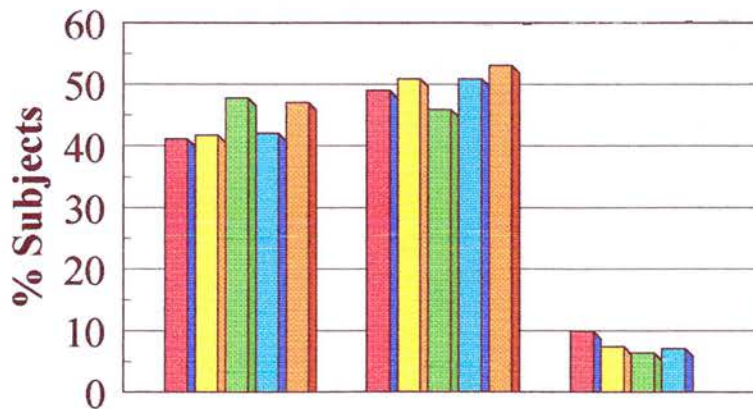
	Males	Female	Sex n/a
Specific Narrow	41.1	49.0	9.9
Specific Wide	41.7	50.9	7.4
Generic Narrow	47.7	45.9	6.4
Generic Wide	42.0	50.9	7.1
MFS 1995	47.0	53.0	0.0

Diagram 6.16
C/a Customers by Bank
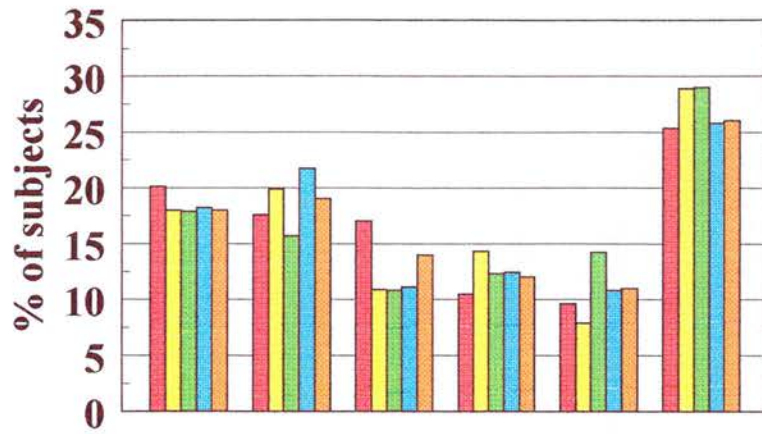
		Barclays	Nat West	Lloyds	Midland	TSB	Other
Generic Wide		20.1	17.6	17.0	10.5	9.6	25.3
Generic Narrow		18.0	19.9	10.9	14.3	7.9	28.9
Specific Wide		17.9	15.7	10.8	12.3	14.2	29.0
Specific Narrow		18.2	21.7	11.1	12.4	10.8	25.8
MFS December1995		18.0	19.0	14.0	12.0	11.0	26.0

Diagram 6.17 shows that the household income of subjects, for each of the 4 questionnaire versions, is variable. Diagram 6.18 shows that because of different income categories and the high number of subjects refusing to state their income in previous studies, it is hard to decide if the income of subjects in this research is representative of current account customers in Britain, or even of Nat West Bank current account customers. However, it would appear that subjects in this research are skewed slightly towards the lower income categories.

Diagrams 6.19 and 6.20 show that more subjects use cash machines but generally use cash machines and other bank facilities less often than is suggested by previous research by Research International (1993). It should be realised that a subject's usual frequency of use of bank facilities is not necessarily an indication of how recent that subject's most recent experience of such facilities actually was. Also, some customers may use the facilities of banks other than their own. Consequently, the frequency of use of bank facilities cannot be used as an indicator of subjects' answers to the question in the questionnaires which relates to the recency of their most recent experience with 'their bank'. Frequency and recency questions should therefore not be cross referenced.

Diagram 6.21 shows that the vast majority of subjects answering all 4 of the questionnaire versions were not in full time education. Between 6.2% and 10.5% of subjects were in full time education. This represents a slightly higher, but very similar, proportion of students than is present in the current account customer base of Nat West Bank. Nat West Bank currently has student current account holders amounting to 4.4% of all its current account holders.

Diagram 6.22 shows that an account transaction (A/c tr) was being evaluated by subjects in a large majority of instances, account enquiries (A/c enq) were being evaluated less often, and very few new product enquiries (New Pr enq), discussions with members of staff (discus) and new product arrangements (Ar new pr) were being evaluated. These proportions are similar to the findings of a previous survey by Research International (1993). Some subjects were evaluating a service experience in

which more than one of the above events was taking place. Consequently percentage values in Diagram 6.22 add up to more than 100.

Diagram 6.23 shows that recency of the experience was quite variable, except that for subjects answering the 'Specific' questionnaires, less than 10% of subjects had experienced the service within 24 hours, an incidence far below the other recency categories.
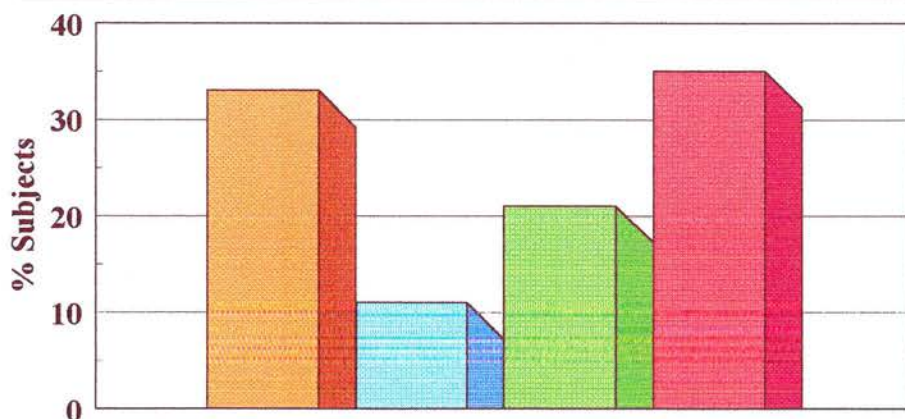
Diagram 6.17
Household Income
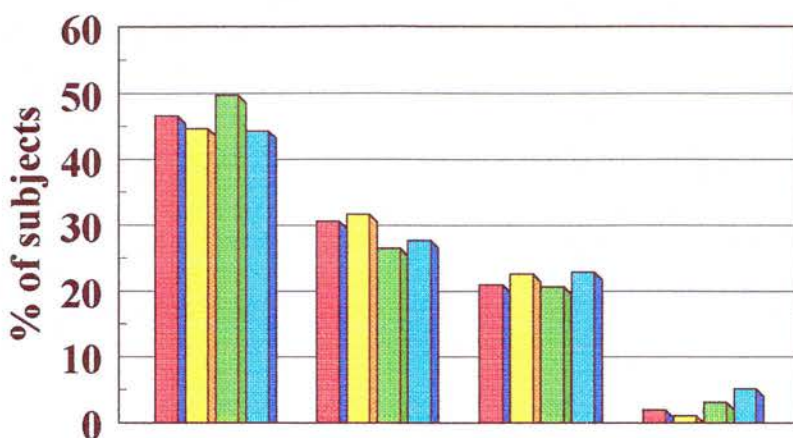
	Under £15000	£15000 to £25000	£25001 and over	Income n/a
Generic Wide	46.6	30.6	21.0	1.9
Generic Narrow	44.7	31.6	22.6	1.1
Specific Wide	49.7	26.5	20.7	3.1
Specific Narrow	44.3	27.7	22.9	5.1

Diagram 6.18
Household Income of Nat West c/a customers in England & Wales
(Source: MFS 1995)

Up to £17499		33
£17500-£24999		11
£25000 & Over		21
n/a		35

Diagram 6.19
Frequency of use of money machines
(% of subjects)

	Generic Narrow	Generic Wide	Specifc Narrow	Specific Wide	Research International 1993
Daily	3.8	3.7	1.6	2.8	-
Twice a week	24.8	21	19.4	15.4	17.8
Once a week	19.2	21.9	20.1	23.5	34.49
Once a fortnight	9	6.2	14.3	11.7	-
Oncea month	4.9	9.9	8.3	9	Once a fortnight + Once a month: 7.3
Once every three months	3.4	3.1	2.9	4.3	-
Less than once every 3 months	27.1	29.6	23.2	23.8	Less than once a month: 3.2
never	5.3	4	9.9	7.4	37.2
n/a	2.6	.6	.3	2.2	-

Diagram 6.20
Frequency of use of non-money machine facilities
(% of Subjects)

	Generic Narrow	Generic Wide	Specifc Narrow	Specific Wide	Research International 1993
Daily	2.6	1.2	1.9	1.9	-
Twice a week	12.4	11.1	9.9	8.3	21.3
Once a week	27.8	31.2	21	21	51.2
Once a fortnight	17.7	14.8	17.5	13.3	-
Oncea month	24.4	26.5	27.7	32.4	Once a fortnight + once a month: 21.8
Once every three months	4.1	7.4	10.8	11.4	-
Less than once every 3 months	9.4	7.1	10.5	11.7	Less than once a month: 5.7
never	.8	.6	0	0	0
n/a	.8	0	.6	0	-

Diagram 6.21
% of Students
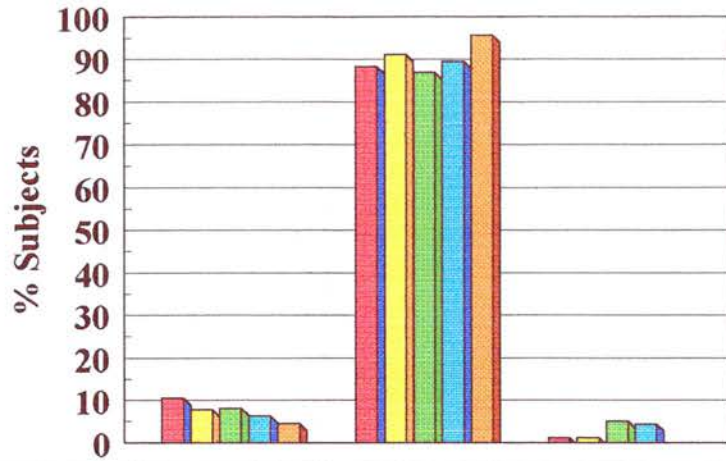
	Students	Non-Students	n/a
Generic Narrow	10.5	88.3	1.1
Generic Wide	7.7	91.1	1.2
Specific Narrow	8.0	86.9	5.1
Specific Wide	6.2	89.5	4.3
Nat West c/a holders	4.4	95.6	0.0

Diagram 6.22
Purpose of Experiences
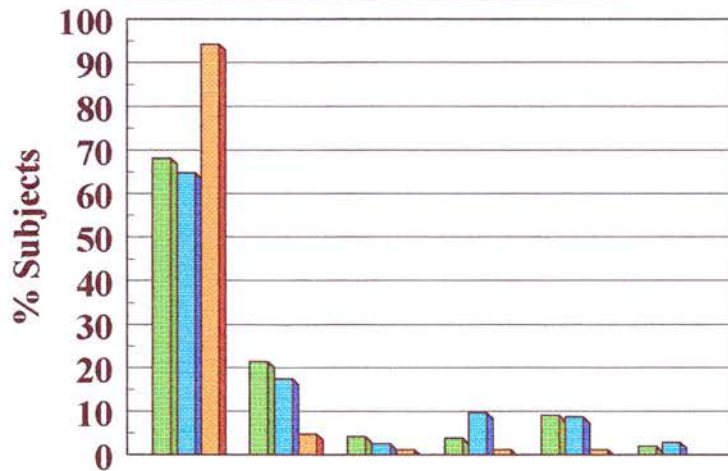
	A/c tr	A/c enq	New Pr enq	Ar new pr	Discus	n/a
Specific Narrow	68.2	21.3	4.1	3.8	8.9	1.9
Specific Wide	64.8	17.3	2.5	9.6	8.6	2.8
Research International 1993	94.1	4.7	1.2	1.1	1.2	

Diagram 6.23
Recency of Experiences
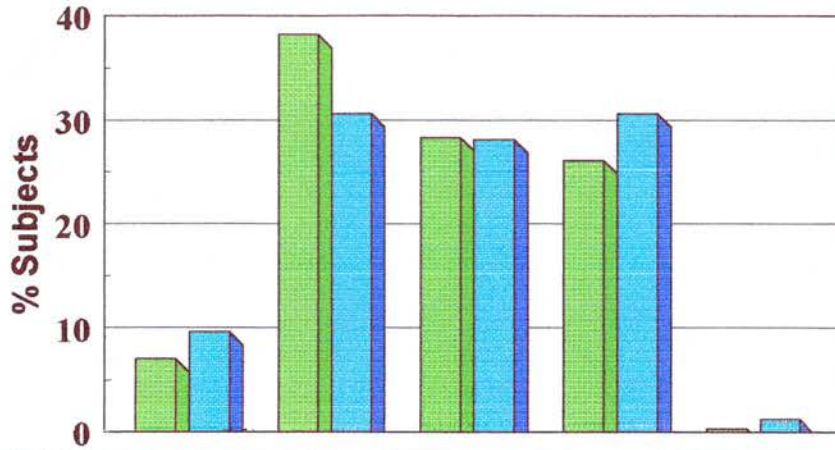
	Less 24 hrs	Less 1 wk	Less 1 Mth	> Once / Mnth	n/a
Specific Narrow ▣	7.0	38.2	28.3	26.1	0.3
Specific Wide ▣	9.6	30.6	28.1	30.6	1.2

Diagram 6.24 explains the subject stated 'incidence of occurrence' for each of the 7 points of reference (levels of service), for each of the 4 questionnaire versions. This reflects the answers to question number 5 in the questionnaires. It can be seen, for all 4 questionnaire versions, that there is a fairly normal distribution of incidence across the 7 points of reference, with a slight weighting towards the higher points of reference. This suggests that subjects believe that there is a broad range of quality of service, described by 7 levels of service, provided by different banks and other service providers. They also believe that better than 'normal' levels of service are more common than levels of service which are lower than 'normal'. In other words 'normal' denotes 'most common' rather than 'average' service quality. This is in line with hypothesis number 1.

Diagram 6.25 explains the levels of service with which subjects equate 'their most recent bank branch visit'. This represents answers to question number 7 in the questionnaires. It can be seen that all levels of service are equated with, but normal service is equated with the most, and above normal service is equated with in many, up to 32% of cases. This suggests that subjects are able to and do equate service experiences and service providers with at least 7 points of reference. Since the pilot study suggested that more points of reference were not decipherable by subjects, it seems that 7 points of reference are indeed used by subjects during CSQE. Diagram 6.25 also suggests that banks in Britain generally provide normal to above normal service quality.

Diagram 6.26 explains subjects stated CSQE ratings. This reflects answers to question number 8 in the questionnaires. It can be seen that there is a wide spread of CSQE ranging across the spectrum of percentage points. As would be expected, based on answers to the previous questions, CSQE ratings are most commonly in the decile rating of 71 to 80, and CSQE ratings are weighted heavily towards the higher points of reference. These findings could only occur if levels of service and the subject believed 'incidence of occurrence' at those levels of service are combined together, as suggested by the hypothesis number 1. Average CSQE ratings vary from 67.1 to 75 according to

the questionnaire type concerned. This suggests that retail banks in Britain are rated relatively highly in comparison to customers' image of all other service providers including banks.

Diagrams 6.27 to 6.30 show the stated CSQE values given by subjects that equate service with each of the 7 reference levels of service. In other words subjects are categorised according to the level of service description they thought most appropriately described the service they received (i.e. their answer to question 7 in the questionnaire), and their rating of the service out of 100 (or 10) in answer to question 8 is plotted alongside the category. It can be seen that for each of the seven reference levels of service equated with, CSQE can vary quite substantially. In other words, the seven levels of service are often not a very good indication of CSQE. Regression lines represent straight line, multiple linear regression.

Diagram 6.24
Question 5 : Incidence of Occurrence

	'Generic Wide' Questionnaire	'Generic Narrow' Questionnaire	'Specific Wide' Questionnaire	'Specific Narrow' Questionnaire
Average Incidence of 'Outstanding Service'	8.6	7.2	7.5	7.2
Average Incidence of 'Nearly Outstanding Service'	9.4	8.6	8.4	9.3
Average Incidence of 'Above Normal Service'	14.8	16.7	15.3	14.6
Average Incidence of 'Normal Service'	39.1	41.2	41.8	48.3
Average Incidence of 'Below Normal Service'	14.3	15	15.1	12.2
Average Incidence of 'Nearly Appalling Service'	7.3	6.7	6.4	4.9
Average Incidence of 'Appalling Service'	6.6	4.6	5.5	3.5

Diagram 6.25
Question 7: Equated Levels of Service

	'Generic Wide' Questionnaire	'Generic Narrow' Questionnaire	'Specific Wide' Questionnaire	'Specific Narrow' Questionnaire
% of Subjects ticking 'Outstanding Service'	7.1	11.3	9	7.3
% of Subjects ticking 'Nearly Outstanding' Service	10.5	13.2	6.8	7.6
% of Subjects ticking 'Above Normal Service'	32.1	27.8	21.3	21.7
% of Subjects ticking 'Normal Service'	41	41.7	57.1	56.4
% of Subjects ticking 'Below Normal Service'	6.5	3.8	4.9	6.1
% of Subjects ticking 'Nearly Appalling Service'	1.9	1.1	.6	.6
% of Subjects ticking 'Appalling Service'	.9	1.1	.3	.3

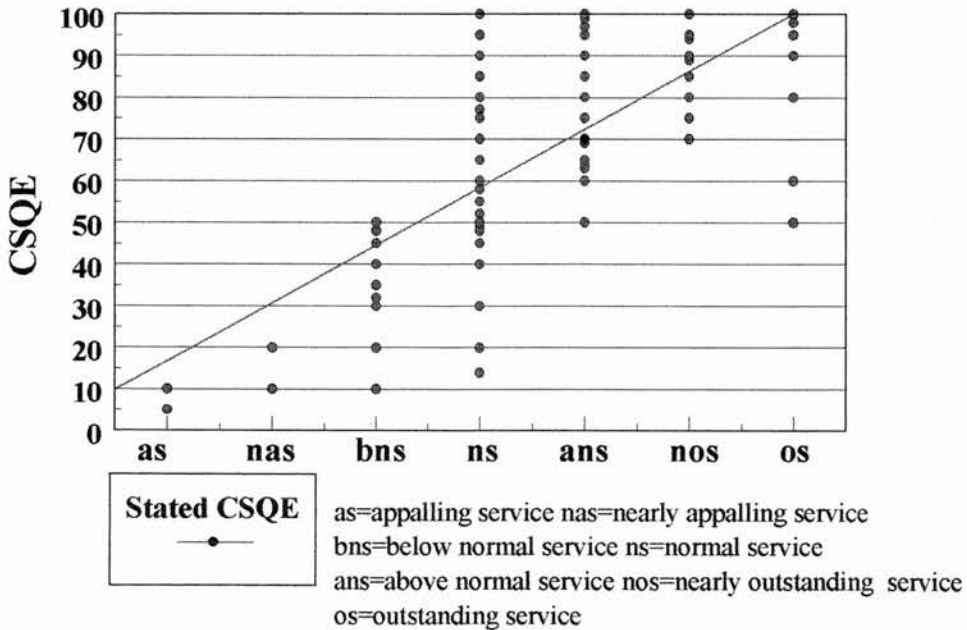## Diagram 6.26
Question 8: Stated CSQE

% of subjects giving CSQE ratings within each decile of the range 0 to 100

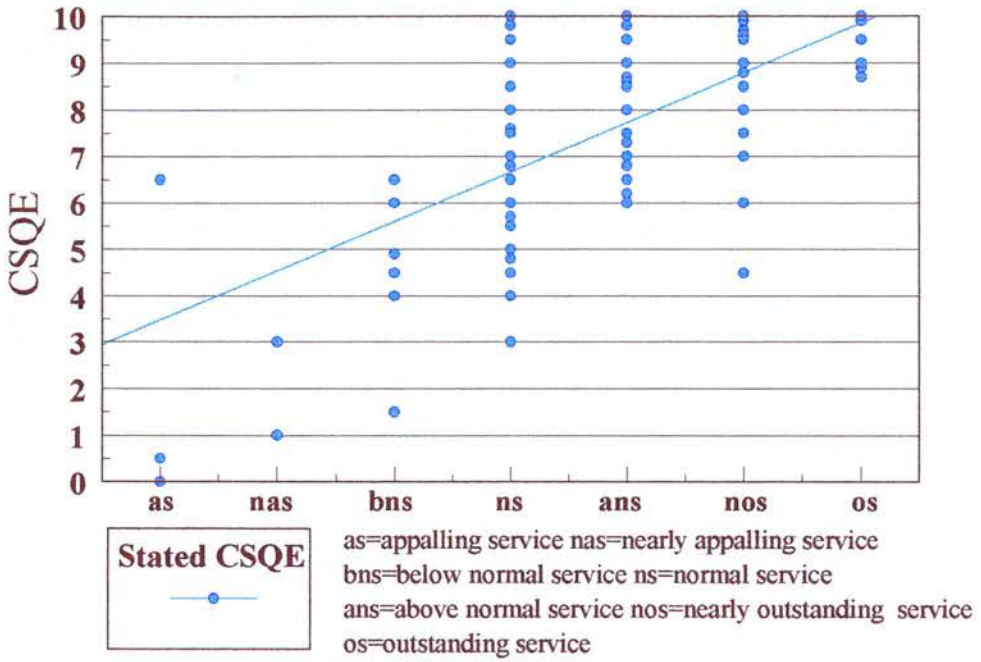| CSQE Rating	'Generic Wide' Questionnaire	'Generic Narrow' Questionnaire	'Specific Wide' Questionnaire	'Specific Narrow' Questionnaire
0 - 10	2.2	1.1	1.2	1.6
11 - 20	3.1	.4	.93	.3
21 - 30	.9	1.1	.93	2.9
31 - 40	4.9	2.3	3.7	3.8
41 - 50	16	9.4	17.3	17.2
51 - 60	12.3	9.4	10.8	11.5
61 - 70	15.1	13.2	11.1	12.1
71 - 80	25.3	27.1	24.1	22.3
81 - 90	9.3	21.4	13.6	12.4
91 - 100	10.8	14.7	16.4	15.9
Average Stated CSQE:	**67.1**	**75**	**71.6**	**70.4**

Diagram 6.27
Scattergraph and Regression for Stated CSQE at each level of service
Generic Wide Questionnaire

Stated CSQE

as=appalling service nas=nearly appalling service
bns=below normal service ns=normal service
ans=above normal service nos=nearly outstanding service
os=outstanding service

Diagram 6.28
Scattergraph and Regression for Stated CSQE at each level of service
Generic Narrow Questionnaire

Stated CSQE

as=appalling service nas=nearly appalling service
bns=below normal service ns=normal service
ans=above normal service nos=nearly outstanding service
os=outstanding service

Diagram 6.29
Scattergraph and Regression for Stated CSQE at each level of service
Specific Wide Questionnaire

Stated CSQE

as=appalling service nas=nearly appalling service
bns=below normal service ns=normal service
ans=above normal service nos=nearly outstanding service
os=outstanding service
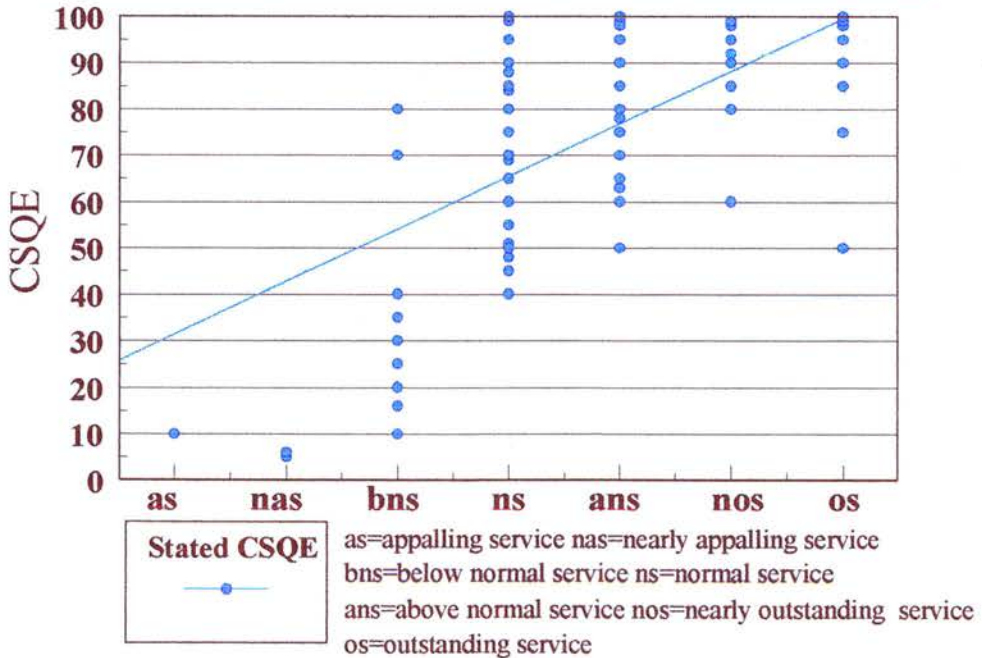
Diagram 6.30
Scattergraph and Regression for Stated CSQE at each level of service
Specific Narrow Questionnaire

Stated CSQE

as=appalling service nas=nearly appalling service
bns=below normal service ns=normal service
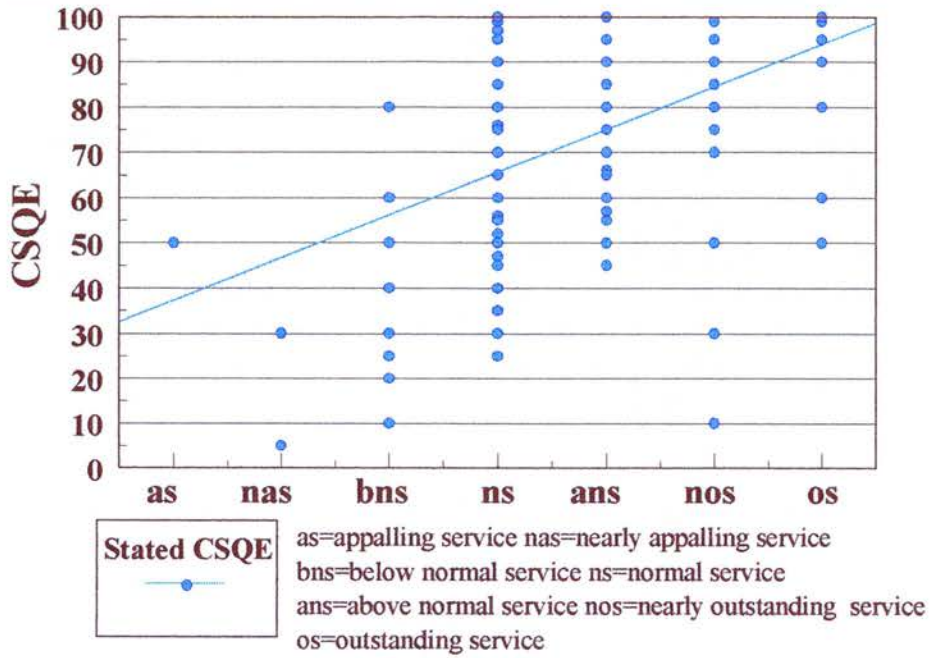ans=above normal service nos=nearly outstanding service
os=outstanding service

Diagram 6.31a shows the correlation between CSQE as measured by each of the 3 CSQE heuristics, with actual stated CSQE, for subjects completing the 'Specific Narrow' questionnaire version.

- There is a clear correlation for all 3 heuristics. It can be seen that for both males and females, though not for all age groups, the full heuristic correlates most closely. The full heuristic correlates slightly more than the basic heuristic, with the half heuristic correlating least closely.

- It can be seen that correlations for all 3 heuristics are quite variable between the various age groups. The full heuristic correlates most closely for 25 to 34 year olds, slightly less for 35 to 44 year olds and 55-64 year olds, far less for 45-54 year olds and over 65 year olds, and least of all for 16-24 year olds. The first 3 correlate between .58 and .68, whereas the latter 3 correlate between .35 and .44. The half heuristic correlates most closely for the 25 to 34 and 35 to 44 year olds, less well for the 16 to 24 year olds and 45 to 64 year olds, and least of all for the over 65 year olds. The first 2 correlate .6, whereas the latter 3 correlate between .12 and .46. The basic heuristic correlates most closely for 25 to 35 year olds, less closely for 55 to 64 year olds, less closely still for 16-24, 35-44 and 45-54 year olds, and least closely for the over 65 year olds. The first one correlates .72, the second .57, the next 3 between .45 and .48, and the last one .31.

- Heuristics correlate slightly more closely for men than for women.

Diagram 6.32 shows the correlation between CSQE as measured by each of the 3 CSQE heuristics, with actual stated CSQE, for subjects completing the 'Specific Wide' questionnaire version.

1. It can be seen that for both males and females, though not for all age groups, the basic heuristic correlates most closely, slightly more than the full heuristic, with the half heuristic correlating least closely.

2. It can be seen that for men and women the full heuristic generally correlates as closely as in Diagram 6.31, but that the half and especially the basic heuristic generally correlates distinctly more closely than in Diagram 6.31.

3. As in Diagram 6.31, correlations for all 3 heuristics are quite variable between the various age groups, but all correlations are at least as good or better than in diagram 6.31, except for full predictions for 25 to 44 year olds and 55 to 64 year olds, half predictions for 25 to 44 year olds, and basic predictions for 55 to 64 year olds. All of these less good correlations correspond to relatively high correlations for the same age groups in Diagram 6.31. This suggests that narrow and wide expectations are used at different times.

4. Heuristics correlate more closely for men than for women.

Diagram 6.33 shows the correlation between CSQE as measured by each of the 3 CSQE heuristics, with actual stated CSQE, for subjects completing the 'Generic Narrow' questionnaire version.

1. It can be seen that the full and half heuristic have low correlations, but that the basic heuristic correlates very closely at .69 for males and .7 for females.

2. As in Diagram 6.31 and 6.32, correlations for all 3 heuristics are quite variable between the various age groups.

3. The full and half heuristics correlate more closely for men than for women. The basic heuristic correlates almost the same for men as for women.

Diagram 6.34 shows the correlation between CSQE as measured by each of the 3 CSQE heuristics, with actual stated CSQE, for subjects completing the 'Generic Wide' questionnaire version.

1. There is a clear and high correlation for all 3 heuristics for men and women. It can be seen that for both males and females, and for all age groups, the basic heuristic correlates most closely, slightly more than the full and the half heuristics which correlate similarly to each other.

2. Almost all correlations are higher than in Diagram 6.33. Only for the basic heuristic, for the 16-24 and 55-64 age groups, are the correlations less good than in Diagram 6.33, though the difference is very small.

3. It can be seen that correlations for all 3 heuristics are quite variable between the various age groups.

4. Heuristics correlate more closely for men than for women.

Diagram 6.35 presents a graph representing a significantly large category within the analysed subject sample, one representing males aged 45-54. This graph clearly shows how each of the 3 CSQE heuristics correlates closely with actual customer stated CSQE, even though stated CSQE varies greatly. Consequently, it can be seen that the heuristics are not designed to capture the norm of stated CSQE. It also shows that the heuristics are predictive of extreme as well as moderate actual stated CSQEs. Interestingly, it also shows that generally each of the 3 heuristics are similar to actual stated CSQE at different times. This is despite the heuristic predictions varying greatly between different subjects and in comparison to the predictions of the other heuristics. In other words the heuristics are not designed to capture variance.

Diagram 6.31 a
Correlations between the 3 CSQE Heuristics & Actual Stated CSQE
'Specific Narrow' Questionnaire
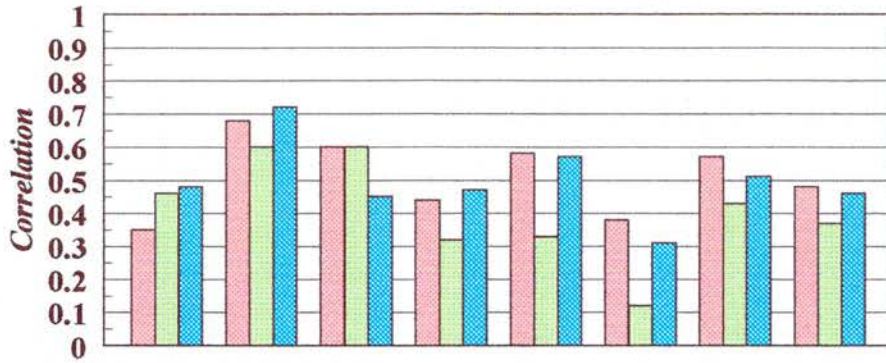
Age & Sex	16-24	25-34	35-44	45-54	55-64	Over 65	All males	All Females
Full Heuristic	0.35	0.68	0.60	0.44	0.58	0.38	0.57	0.48
Half Heuristic	0.46	0.60	0.60	0.32	0.33	0.12	0.43	0.37
Basic Heuristic	0.48	0.72	0.45	0.47	0.57	0.31	0.51	0.46

Diagram 6.31 b
Recap of 'N' Values
'N' by Age / Sex & Questionnaire Version

	16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
'Specific Narrow'	41	52	55	79	33	54	129	154
'Specific Wide'	44	71	56	64	41	48	135	165
'Generic Narrow'	43	51	51	51	37	33	127	122
'Generic Wide'	47	61	51	77	50	38	136	165

'N' is the same for each heuristic in a given Age/Sex/Questionnaire category
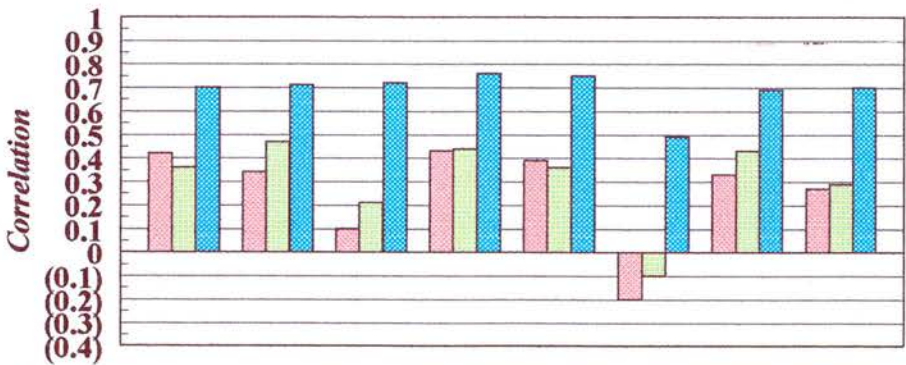
Diagram 6.32
Correlations between the 3 CSQE Heuristics & Actual Stated CSQE
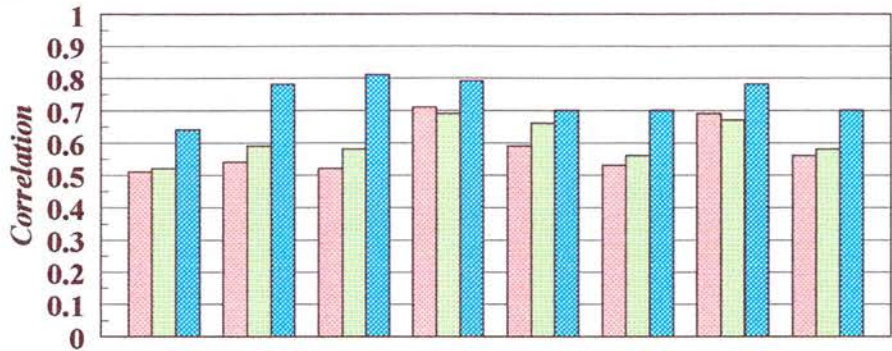'Specific Wide' Questionnaire
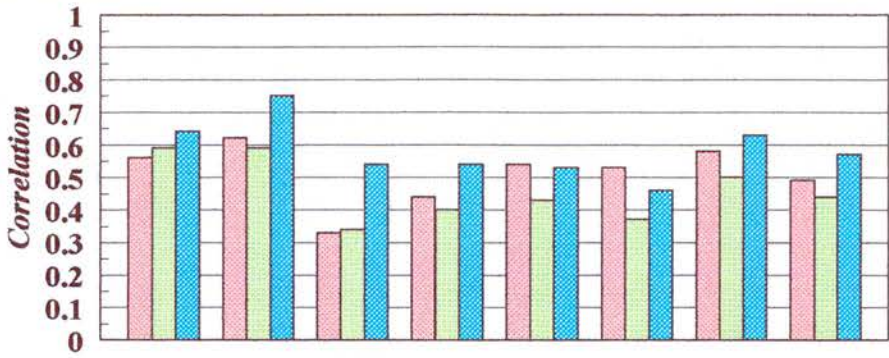
Age & Sex	16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic	0.56	0.62	0.33	0.44	0.54	0.53	0.58	0.49
Half Heuristic	0.59	0.59	0.34	0.40	0.43	0.37	0.50	0.44
Basic Heuristic	0.64	0.75	0.54	0.54	0.53	0.46	0.63	0.57

Diagram 6.33
Correlations between the 3 CSQE Heuristics & Actual Stated CSQE
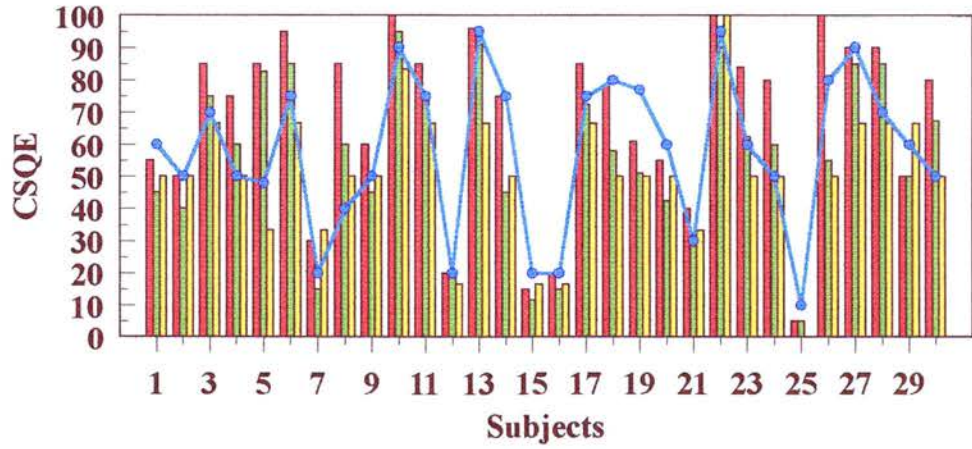'Generic Narrow' Questionnaire

Age & Sex	16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic	0.42	0.34	0.10	0.43	0.39	(0.20)	0.33	0.27
Half Heuristic	0.36	0.47	0.21	0.44	0.36	(0.10)	0.43	0.29
Basic Heuristic	0.70	0.71	0.72	0.76	0.75	0.49	0.69	0.70

Diagram 6.34
Correlations between the 3 CSQE Heuristics & Actual Stated CSQE
'Generic Wide' Questionnaire

Age & Sex	16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic	0.51	0.54	0.52	0.71	0.59	0.53	0.69	0.56
Half Heuristic	0.52	0.59	0.58	0.69	0.66	0.56	0.67	0.58
Basic Heuristic	0.64	0.78	0.81	0.79	0.70	0.70	0.78	0.70

Diagram 6.35
CSQE Heuristics VS Actual Stated CSQE
'Generic Wide' Questionnaire / Males / 45-54 Age Group

Full Heuristic	Half Heuristic	Basic Heuristic	Stated CSQE

Diagram 6.35 is supported by diagrams 6.36 to 6.39. Diagram 6.39, which explains the 'Generic Wide Questionnaire, shows that whilst each of the 3 heuristics are accurate (predictive of actual stated CSQE to within 5/100) in just over 30% of cases, at least one of the heuristics is accurate in nearly 70% of cases. The definition of accurate described here is used in order to illustrate the point in question. Diagrams 6.40 and 6.41 support the above findings by showing that for most CSQEs, if any heuristic is accurate, then only one heuristic is accurate, rather than 2 or even 3 heuristics being accurate at the same time. For some CSQEs however, 2 or 3 heuristics are accurate at the same time. This is understandable since the different heuristics are closely related. The following abbreviations are made in diagrams 6.40 and 6.41:

NH = *No Heuristic*

FH = *Full Heuristic*

HH = *Half Heuristic*

BH = *Basic Heuristic*

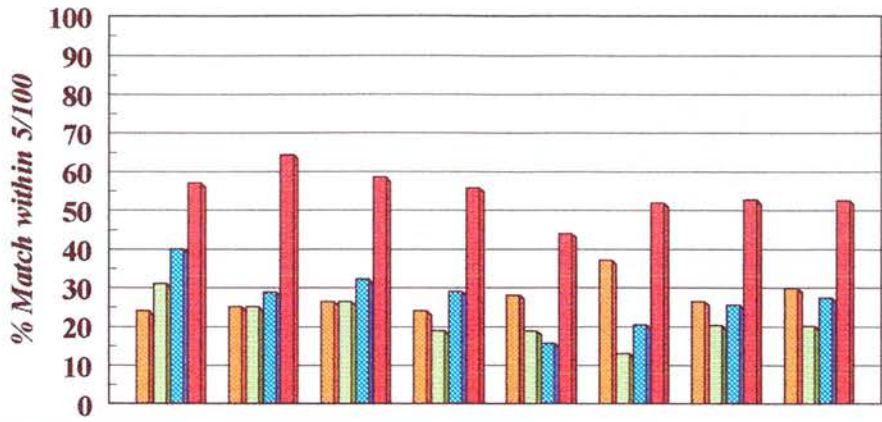**F+H** = *Full Heuristic and Half Heuristic*

F+B = *Full Heuristic and Basic Heuristic*

H+B = *Half Heuristic and Basic Heuristic*

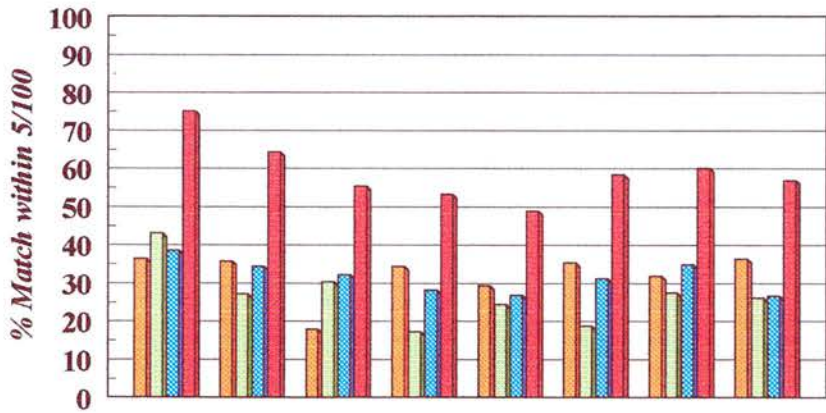**F+H+B** = *Full Heuristic, Half Heuristic and Basic Heuristic*

Diagram 6.36
Matches to within 5/100 for Actual CSQE VS the 3 CSQE Heuristics
### 'Specific Narrow' Questionnaire

Age & Sex		16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic		24.00	25.00	26.42	24.05	28.10	37.04	26.40	29.90
Half Heuristic		31.00	25.00	26.42	18.99	18.80	12.96	20.20	20.10
Basic Heuristic		40.00	28.85	32.10	29.11	15.60	20.37	25.60	27.30
At least One Heuristic		57.00	64.29	58.49	55.70	44.00	51.85	52.70	52.60

Diagram 6.37
Matches to within 5/100 for Actual CSQE VS the 3 CSQE Heuristics
### 'Specific Wide' Questionnaire

Age & Sex		16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic		36.36	35.71	17.86	34.38	29.27	35.42	31.85	36.36
Half Heuristic		43.18	27.14	30.36	17.19	24.39	18.75	27.41	26.06
Basic Heuristic		38.64	34.29	32.14	28.13	26.83	31.25	34.81	26.67
At least One Heuristic		75.00	64.29	55.36	53.13	48.78	58.33	60.00	56.97

Diagram 6.38
Matches to within 5/100 for Actual CSQE VS the 3 CSQE Heuristics
'Generic Narrow' Questionnaire
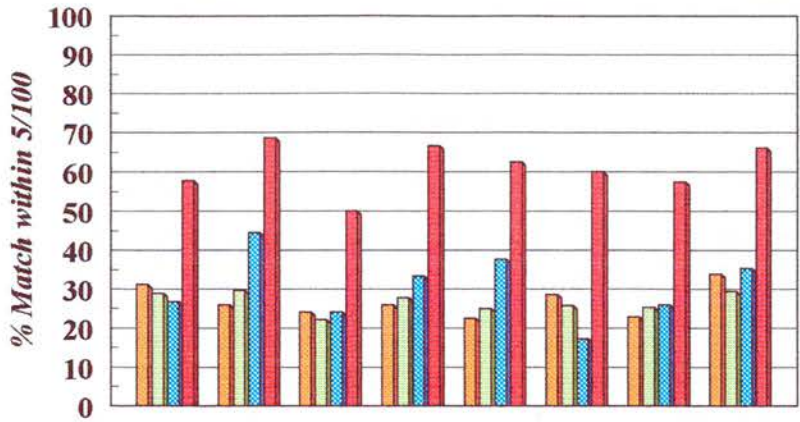
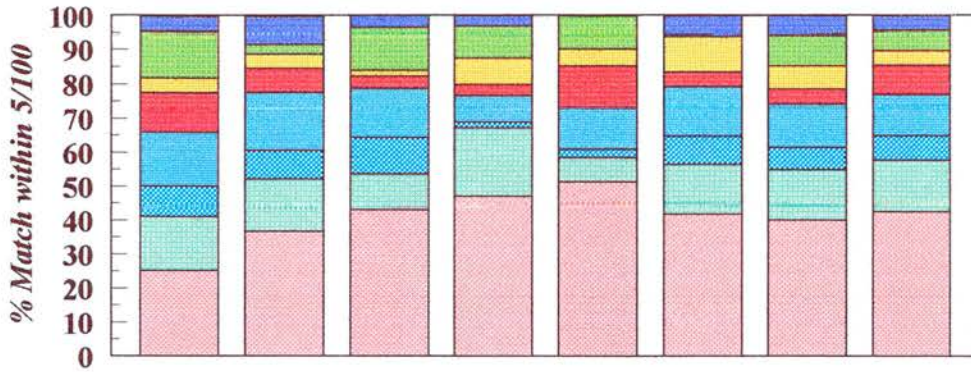| Age & Sex		16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic		31.11	25.93	24.07	25.93	22.50	28.57	22.83	33.83
Half Heuristic		28.89	29.63	22.22	27.78	25.00	25.71	25.20	29.32
Basic Heuristic		26.67	44.44	24.07	33.33	37.50	17.14	25.98	35.34
At least One Heuristic		57.78	68.52	50.00	66.67	62.50	60.00	57.48	66.17

Diagram 6.39
Matches to within 5/100 for Actual CSQE VS the 3 CSQE Heuristics
'Generic Wide' Questionnaire
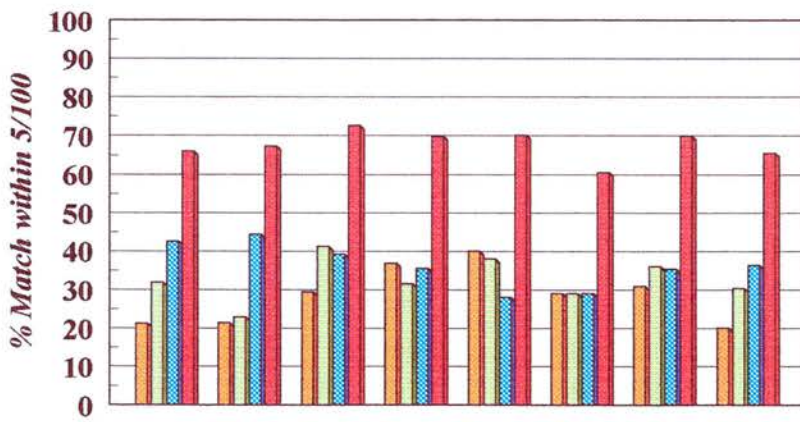
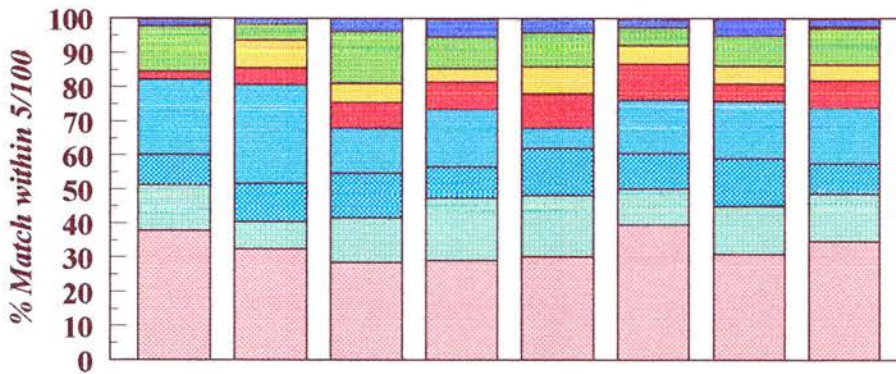| Age & Sex		16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
Full Heuristic		21.28	21.31	29.41	36.84	40.00	29.00	30.90	20.09
Half Heuristic		31.91	22.95	41.18	31.58	38.00	29.00	36.00	30.30
Basic Heuristic		42.55	44.26	39.22	35.53	28.00	29.00	35.30	36.36
At least One Heuristic		65.96	67.21	72.55	69.74	70.00	60.50	69.90	65.50

Diagram 6.40
Matches to within 5/100 for Actual CSQE VS combintions of the 3 CSQE Heuristics
'Specific Wide' Questionnaire

Age & Sex		16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
NH		25.00	36.60	42.90	46.90	51.20	41.70	40.00	42.40
FH		15.90	15.50	10.70	20.30	7.30	14.60	14.80	15.20
HH		9.10	8.50	10.70	1.60	2.40	8.30	6.70	7.30
BH		15.90	16.90	14.30	7.80	12.20	14.60	12.60	12.10
F+H		11.40	7.00	3.60	3.10	12.20	4.20	4.40	8.50
F+B		4.50	4.20	1.80	7.80	4.90	10.40	6.70	4.20
H+B		13.60	2.80	12.50	9.40	9.80	0.00	8.90	6.10
F+H+B		4.50	8.33	3.60	3.10	0.00	6.25	5.90	4.24

Diagram 6.41
Matches to within 5/100 for Actual CSQE VS combintions of the 3 CSQE Heuristics
'Generic Wide' Questionnaire

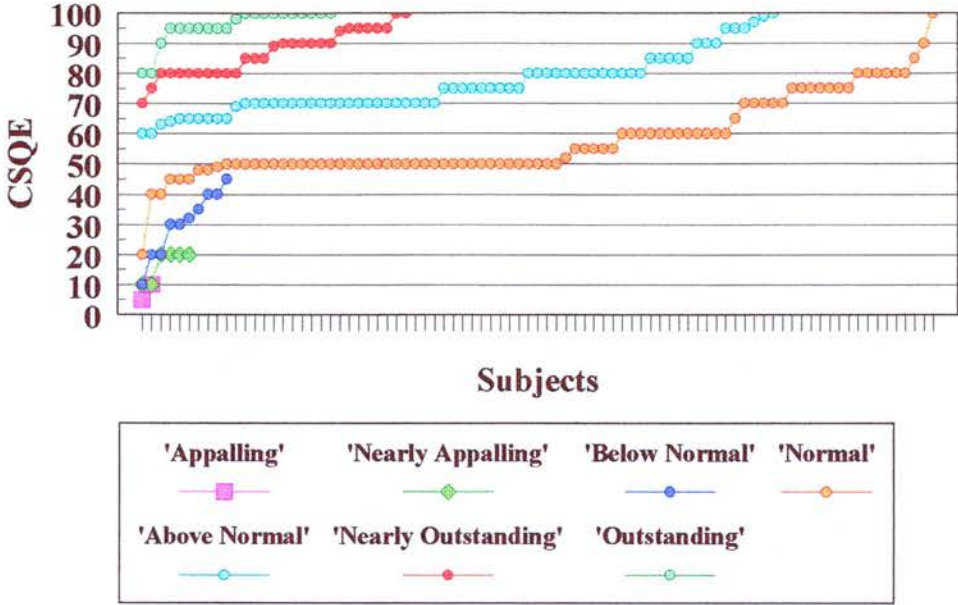| Age & Sex		16-24	25-34	35-44	45-54	55-64	Over 65	All Males	All Females
NH		37.80	32.30	28.30	28.90	30.00	39.50	30.90	34.50
FH		13.30	8.10	13.20	18.40	18.00	10.50	14.00	13.90
HH		8.90	11.30	13.20	9.20	14.00	10.50	14.00	9.10
BH		22.20	29.00	13.20	17.10	6.00	15.80	17.00	16.40
F+H		2.20	4.80	7.50	7.90	10.00	10.50	5.10	7.90
F+B		0.00	8.10	5.70	3.90	8.00	5.30	5.10	4.80
H+B		13.30	4.80	15.10	9.20	10.00	5.30	8.80	10.90
F+H+B		2.22	1.60	3.80	5.30	4.00	2.60	5.10	2.40

Diagrams 6.36 to 6.41 support the findings of diagrams 6.31 to 6.34 in suggesting that:

1. Wide expectations, as tested by the 'Specific Wide' and 'Generic Wide' questionnaire versions, generally result in CSQE heuristics that are as predictive or more predictive of actual stated CSQE than narrow expectations, as tested by the 'Specific Narrow' and 'Generic Narrow' questionnaire versions.
2. Heuristic predictiveness depends in part on the age and sex type of subjects.

Diagram 6.42 shows, using the generic wide questionnaire as an example, that the CSQE heuristics are predictive of a variety of values of stated CSQE. In Diagram 6.42 a wide range of CSQE values representing 'normal service' are predicted by at least one of the 3 CSQE heuristics to within 5/100. In other words the 3 heuristics are frequently an indication of CSQE when the 7 levels of service alone are not.

Diagram 6.43 suggests that since each of the 3 heuristics meander around actual stated CSQE, and since each of the 3 heuristics is generally predictive of CSQE at different times, the average of the 3 heuristics, for a whole population of subjects, is distinctly more predictive of the average stated CSQE of those subjects, than the average of any one heuristic. Diagram 6.43 shows that this measure can predict stated CSQE to within 6% for 'Specific Wide' CSQEs, and to within 2% for 'Generic Wide' CSQEs. This does not prove the theory, it is not supposed to, but it does provide a very useful short cut to predicting, with a high degree of accuracy, average actual stated CSQE for a sample of customers.

Diagram 6.42
'Stated CSQE' predicted by at least one heuristic to within 5/100
Generic Wide Questionnaire

Subjects

Legend:
- 'Appalling'
- 'Nearly Appalling'
- 'Below Normal'
- 'Normal'
- 'Above Normal'
- 'Nearly Outstanding'
- 'Outstanding'

Diagram 6.43
Average of the 3 CSQE Heuristics VS Average Actual Stated CSQE

Questionnaire Version / Sex

Legend:
- Heuristic Average
- Stated CSQE Average
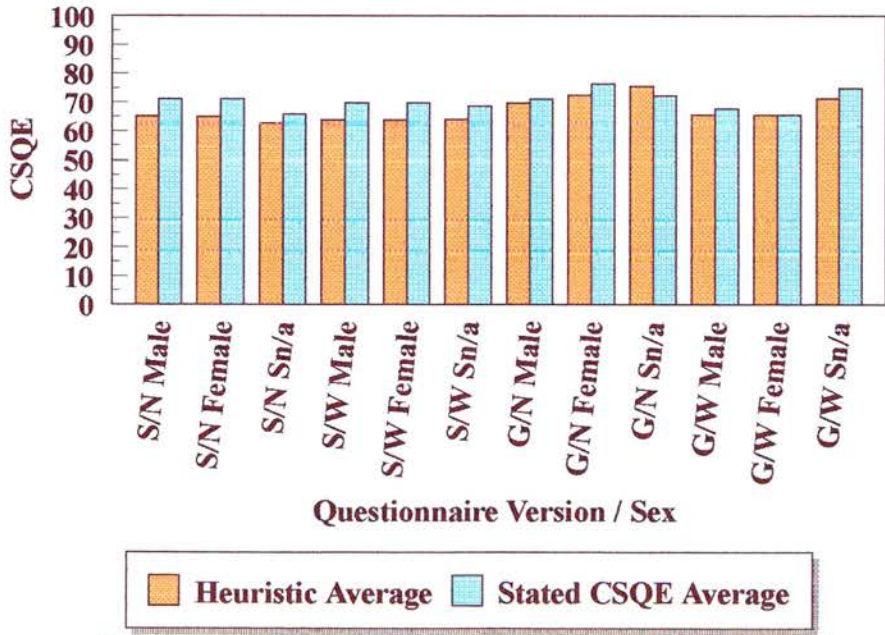
G=Generic, S=Specific, W=Wide, N=Narrow, Sn/a=Sex n/a

One additional finding of the research was that it appeared that a handful of subjects answering the 4 questionnaire versions, did not relate their answer to question 7 (the question asking subjects to describe their experience or bank), with the previous questions and statements (asking subjects to picture and state the incidence of the various levels of service) (see Appendix A). In other words these subjects may have, for example, thought that the word 'normal' in question 7 meant typical of the average service experience or service provider, rather than 'normal' as referred to in the previous questions and statements. Consequently, for example, if these subjects stated that most service experiences were nearly outstanding in question 5, they may have ticked 'normal' in question 7, and then given a rating of 85 in question 8. This could be considered a failing of the research, but the fact that it was a very rare finding suggests that it is not a major failing. It would simply have slightly reduced accuracy of the 3 heuristics. Future research should nevertheless try to guard against this misinterpretation, by adding wording to question 7 which strengthens the link between question 7 and the previous questions and statements.

2.6.2 Conclusion of findings

The final empirical study has suggested that customers use one of at least 3 heuristics during CSQE of specific experiences and generic service providers. Sometimes it is not clear which of the heuristics is being used. The 3 heuristics suggested by this research are in keeping with the 3 which were suggested in the first hypothesis in section 1.2 in this chapter.

Use of heuristic depends in part on the age and sex of a customer, though the reason for this is not known.

The final empirical study also suggested the use of 'Wide Expectations' by most customers evaluating specific service experiences and generic service providers, and also narrow expectations by some others when evaluating specific service experiences. This supports hypothesis number 2. Use of these two widths of expectations depends in part on the age of a customer. However, it is not known to what extent specific

customers use the same or a different width of expectations for different CSQEs, and why. Furthermore, although wide expectation heuristics seem to be most predictive of stated CSQE, the difference is not particularly large and could even be the result of demographic or other differences between the 4 group samples. This would suggest that customers do not use narrow expectations alone for evaluating CSQE, and so when asked to do so, they substitute narrow expectations for wide expectations. If this is the case, then if customers are asked to state the 'incidence of occurrence' for each of the 7 points of reference using a 10 rather than a 100 point scale, as with the 'generic narrow' questionnaire, the accuracy of full and half heuristics are likely to be reduced, though not the basic heuristic. In fact it can be seen that the 'generic narrow' questionnaire derived basic heuristic accuracy which was very similar to the 'generic wide' questionnaire's basic heuristic accuracy. However, full and half heuristics were far less accurate in comparison to the corresponding heuristics derived from the 'generic wide' questionnaire.

Sometimes none of the 3 heuristics appear to be used. Once again, the reason or reasons for this are not known. Perhaps it is because the above 3 heuristics need to be adjusted slightly. Perhaps it is because other heuristics may be used by some customers, or because specific customers use narrow expectations or even wider or narrower expectations, for all or some CSQEs.

The time elapsed between the service experience or last contact with a service provider, and the CSQE during the questionnaire completion, was in no way fixed by the final empirical study procedure. Nevertheless customers were able to make a CSQE when requested to do so by the questionnaire. This would suggest that subjects either make a CSQE immediately after every service experience and for every service provider they use, have a very good memory for CSQE, and do not change them over time, or that customers can make a CSQE at any time. The fact that subjects in the final pilot study needed to pause and think about the relative goodness of a service when answering the questionnaires, would suggest that a process takes place at that time. Also, since we know that evaluations of service do change over time (as

explained in chapter 1), it would seem that CSQEs can take place at any time as and when required. This supports hypothesis number 3.

The final empirical study analysis was conducted on a wide variety of demographically and otherwise different subjects in Britain. All subjects were customers of banks or building societies. All but a handful had a current account. Subject variability suggested appropriateness of hypotheses 1,2 and 3 for a population sample similar to the customer base of a large retail bank in Britain. This supports hypothesis number 4. However, only subjects over the age of 16 were studied, a random sample was not achievable (see section 2.5.1 above), and there was a slight bias towards individuals with lower household incomes.

The final empirical study therefore appears to have supported, to a satisfactory degree, all the hypotheses that it set out to test. However, as already explained, future research should nevertheless try to guard against the misinterpretation of question 7 in the questionnaires, by adding wording to question 7 which strengthens the link between question 7 and the previous questions and statements.

CONCLUSION

1. OUTLINE

A customer's service quality evaluation (CSQE) is an evaluation of how good a service experience or service provider, such as a particular bank, is in the opinion of that customer.

This thesis set out with two aims:

1. To expand understanding of the process of CSQE.
2. To use this expanded understanding to suggest new ways by which service providers, and in particular banks, can measure and therefore manage CSQE.

The thesis achieves these aims through:

1. The development of a theory of the process of CSQE (see chapter 2 and 5). The theory of CSQE is developed through using understanding from psychology literature.
2. An empirical study which tests and supports four hypotheses derived from the above theory of CSQE (see Chapter 6).
3. Practical suggestions for the use of the expanded understanding of CSQE in the CSQE measurement and management strategies used by service providers, and in particular banks (see section 4 in this conclusion).

As initially explained in the introduction to this thesis, this expanded understanding is appropriate to all service providers, but is most appropriate to the banking industry in the United Kingdom and in particular large retail banks in Britain. Appropriateness to the retail banking industry in Britain was achieved:

1. Because all empirical research conducted for this thesis took place within the context of the retail banking industry (see Chapter 6).
2. Because all empirical research took place in Britain (see Chapter 6).

3. Because throughout the development of the theory of CSQE, appropriateness to the above industry was considered at all times (see chapters 2 and 5).

However, because the psychology literature used to develop the theory is not appropriate to just one industry, and because the findings of this thesis have suggested that CSQE usually takes place in the context of all service providers (as opposed to just banks), the expanded understanding of CSQE is also believed to be appropriate to all service providers. Empirical research to add support to this statement would be beneficial, however.

The three ways by which the research aims were achieved will now be summarised in more detail in sections 2 to 6 below. Suggestions for future research will then be explained in section 7.

2. THE DEVELOPMENT OF A THEORY OF CSQE

The theory of CSQE has been divided into two distinct parts in the thesis. The first part of the theory (see Chapter 2), is the part of the theory which is supportive of, and clarifies the current business literature understanding explained in Chapter 1. The second part of the theory, (see Chapter 5), is a proposed extension to the theory of CSQE explained in Chapter 2. Four empirically testable hypotheses were derived from the second part of the theory. These hypotheses are explained at the beginning of Chapter 6.

The essence of the proposed extension to the theory of the process of CSQE, and therefore of the 4 hypotheses, is as follows. CSQE of a service experience or a given service provider is the result of a comparison by a customer of her or his knowledge about the service experience or given service provider, within a mental frame of reference. The knowledge about the service provider or service experience is stored in

the form of an attitude. The frame of reference has been termed 'comparison expectations' within this thesis. These 'comparison expectations' include attitude reference points, for 'outstanding', 'normal' and 'appalling' service, together with 4 intermediate points of reference. The 4 intermediate reference points are termed 'nearly outstanding service', 'above normal service', 'below normal service' and 'nearly appalling service. 'Comparison expectations' also include a knowledge of the proportion of service experiences or service providers which occur at each of these 7 points of reference. This proportion is referred to as the 'Incidence of Occurrence'. The whole attitude for the service provider or service experience is compared with whole attitude reference points. This process of CSQE is illustrated and explained in Chapter 5.

Service improvement is therefore stepwise, in that unless the incidence of occurrence changes, CSQE can only change if service is equated with a different point of reference.

Customers use one of at least 3 related heuristics (shortcuts or rules of thumb) when comparing the service experience or service provider with 'comparison expectations'. A customer may either believe that all service providers which relate to a chosen point of reference are bettered by the evaluated service provider (this is known as the 'Full Expectations Heuristic'), or that only half are bettered (this is known as the 'Half Expectations Heuristic'). Alternatively a customer may not consider the incidence of service providers when evaluating CSQE. In this case, CSQE will be decided purely according to the point of reference with which the customer equates the service provider's service (this is known as the 'Basic Expectations Heuristic'). These 3 heuristics are illustrated in Chapter 5.

'Comparison expectations' of customers include knowledge of a whole range of different types of service providers, not just the industry that is appropriate to the service experience or service provider that is being evaluated. For example, when evaluating the service of a bank, a customer will compare that service with the service

believed to be provided by a whole range of different shops and services, including service providers such as supermarkets, estate agents, solicitors and also banks. These broad 'comparison expectations' are referred to in this thesis as 'wide expectations'.

This process is believed to take place at any time, and apply to a wide range of individuals, including those who are customers of retail banks in Britain.

3. AN EMPIRICAL STUDY WHICH TESTS AND SUPPORTS THE HYPOTHESES

The empirical study (see Chapter 6) was developed through numerous successive quantitative and qualitative pilot studies (questionnaires and interviews) on a total of 400 subjects. It was finally conducted as 4 similar versions of a postal questionnaire (see Appendix A) distributed to 4000 subjects, 1000 for each of the 4 questionnaire versions. Questionnaires were distributed by a national opinion poll agency to a reasonably random and demographically variable sample of subjects around Britain. These subjects were skewed, however, towards the type of individuals who take part in such market research. Of the 4000 distributed questionnaires, 34 per cent or 1363, were returned for analysis. A further two per cent or 66, were returned too late to be analysed. Analysis of returned questionnaires was quantitative. The responses of 90.1%, or 1228 of those subjects who had returned questionnaires, were able to be used in the final analysis. This represents 30.7% of all distributed questionnaires. Subjects used in the final analysis were demographically, and in other ways, variable; similar to the customer base of a typical large UK retail bank. They were, however, skewed towards the kinds of individuals who return such questionnaires. All subjects were customers of banks or building societies. All but a handful of subjects had a current account. The questionnaire design was original in many aspects, especially in its presentation. The design of the questionnaire is explained in Chapter 6 and illustrated in Appendix A. The purpose of this design was functional. The intention was to optimise response rates and prevent completion errors.

The findings of the empirical study, which are explained in Chapter 6, support the 4 hypotheses. However, it has been found that use of the 3 heuristics, as well as the broadness of 'comparison expectations' (in other words for example, are just 'banks' or 'all service providers' included in comparison expectations), appear to depend in part on the age and sex type of the customer. Also, sometimes none of the 3 heuristics appear to be used.

4. CONTRIBUTIONS OF THE RESEARCH TO UNDERSTANDING OF THE PROCESS OF CSQE:

A number of aspects of the theory of CSQE suggested by this research are contained in other theories of CSQE. Comparison schemata are incorporated into the process for the evaluation of generic service provider CSQE, as with the Parasuraman, Berry and Zeithaml (1990) approach; comparison schemata are also incorporated into the process for the evaluation of specific service experience CSQE, as with the Grönroos (1982) approach and the Boulding, Kalra, Staelin and Zeithaml (1993) approach. Furthermore, as with both of those approaches, the schemata incorporated into the process are somewhat flexible and appropriate / realistic schemata, not just wishful thinking (i.e. they incorporate a 'zone of tolerance'). Also, as with the Boulding et al approach and the Liljander (1995) approach, a CSQE evaluation feeds into memory / image relating to that service provider. Furthermore, this theory of CSQE does not contradict the existence of prediction expectations as suggested by Grönroos (1982), Boulding et al (1993), and Liljander (1995). Nor does it contradict any of the dimensions of service, determinants of perceptions and expectations, or sources of service interaction explained in Chapter 1. In fact the fundamental psychology framework explained in Chapter 2 (itself a contribution to understanding of the process of CSQE because it combines current satisfaction, service quality and psychology literature), suggests the integration of all the above characteristics of the process of CSQE into the extended theory of CSQE, which is empirically supported by this research. There are, however, some significant differences between the process

of CSQE suggested by this research, and the process suggested by the other theories (see Chapter 1).

1. This theory suggests that customers evaluate the quality of specific service experiences and generic service providers using the same kind of process. Other theories either do not consider CSQE for both specific service experiences and generic service providers, or suggest that the two evaluations use different kinds of processes. All the following contributions therefore apply to the CSQE of specific service experiences and generic service providers.

2. The process suggested by this research incorporates a larger number of integrated comparison schemata than other theories, 3 rather than just 1 or even none.

3. The process suggested by this research incorporates 4 integrated intermediate points of comparison / comparison standards, unlike other theories which do not suggest any. This is not to say that a variety of comparison standards have not been considered before, they have (e.g. Liljander and Strandvik 1993; Liljander 1995).

4. The process suggested by this research incorporates a knowledge, by customers, of the number of service experiences or service providers similar to each point of comparison, unlike other theories.

5. In the process suggested by this research, it is an overall service provider attitude or service experience attitude that is then compared with overall comparison attitudes, for service providers or service experiences, in order to derive the CSQE. In most other theories individual perception and expectation dimensions, which are weighted according to the customer's believed dimension importance, are compared with each other, and the comparisons for all the dimensions are combined to derive an overall CSQE.

6. The process suggested by this research incorporates the use of heuristics by customers. Furthermore, the incorporation of additional heuristics is not ruled out. In other theories customers use just one method of CSQE.

7. In the process suggested by this research, CSQE improvement is step-wise. This means that unless the 'incidence of occurrence' changes at any of the 7 points of comparison, a customer's CSQE can only change if his or her attitude towards the service experience or service provider is equated with a different (either higher or lower) point of comparison. Consequently, perceived service improvement alone does not guarantee CSQE improvement. In other theories CSQE improvement is continuous.

8. Although CSQE improvement is step-wise, movements to successive points of comparison do not necessarily provide equal CSQE improvements. Depending on customers' comparison expectations, a move from one point of comparison to another may derive large CSQE changes, whilst a move between two other points may derive small CSQE changes. The other theories explained in Chapter 1 suggest that equal changes in perceived service lead to equal changes in CSQE.

9. In the process suggested by this research comparison expectations are taken to be wide expectations. This means that customers compare a particular service experience or service provider to all other service experiences or service providers, not just those in the same industry, during CSQE. In other theories narrow comparison expectations are used, which include just service experiences or service providers that are in the same industry.

5. MEASUREMENT AND MANAGEMENT CONCLUSIONS OF THE ABOVE CONTRIBUTIONS

5.1 MEASUREMENT CONCLUSIONS

There are many ways in which CSQE and its determinants can be measured. These ways are explained and discussed in Chapter 3. As explained in Chapter 3, such methods of measurement can be used in order to evaluate the inputs to the

psychological process of CSQE, and in order to measure CSQE itself. SERVQUAL also tries to measure the psychological process of CSQE, though both it and other similar methods explained in Chapter 3, have many problems. The above mentioned contributions made by this research to understanding of the process of CSQE suggest a number of implications for the measurement of CSQE. These implications will now be discussed.

The finding that specific service experiences and generic service providers are evaluated, in terms of CSQE, through the same kind of process, suggests that the two evaluations can be measured in essentially the same way. If service experience measurement is conducted for each branch, in the case of a bank or any other service provider with multiple service providing centres which are identifiable by customers, it would not only enable service providers to evaluate service centre quality variability, but also regional variability of the components of service comparison. This in turn would enable the service provider to better understand regional managerial requirement variability.

The finding that there are 7 points of comparison used during CSQE, rather than just one, suggests that a service provider needs to measure an extra 6 points of reference. It suggests the need to measure customers' service experience attitudes or service provider attitudes relative to the 3 main and 4 intermediate levels of service.

The finding that customers consider the 'incidence of occurrence' during CSQE, suggests that this incidence of occurrence needs to be measured for each of the 7 points of comparison Only in this way can the relativity of a service experience or service provider be understood. It should be remembered that the incidence of occurrence and the 7 points of comparison make up 'comparison expectations'.

The finding that overall attitudes for a service experience or the generic service of a service provider are compared, by customers during CSQE, with overall attitudes for the points of reference, suggests that measurement of service experiences or service
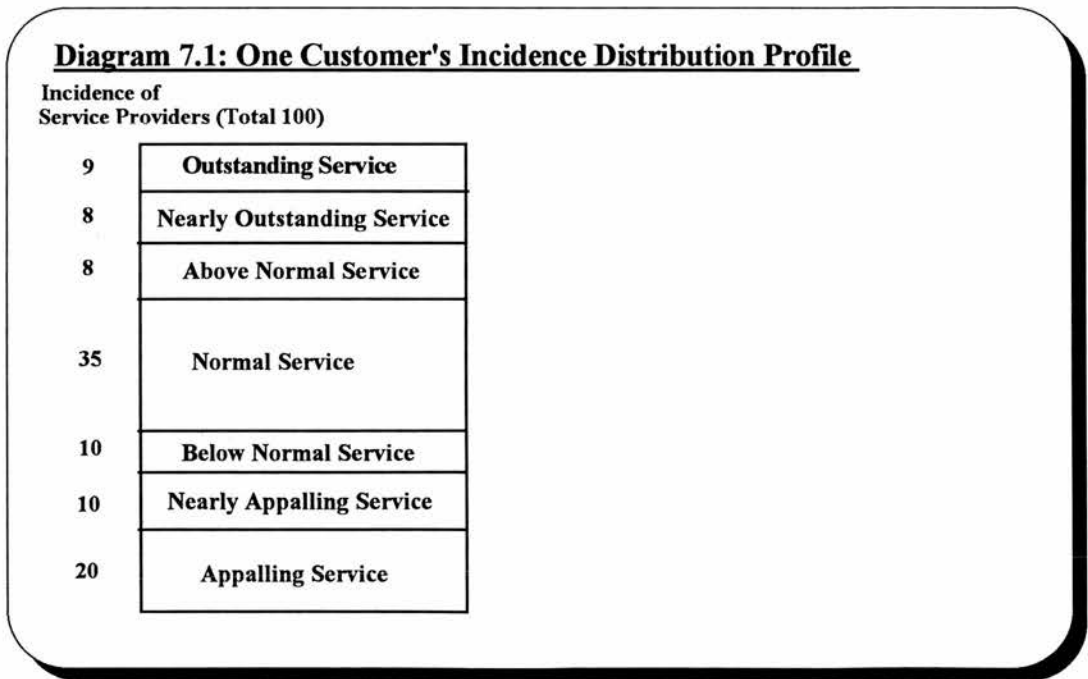
providers relative to the points of reference, should take place through the measurement of customers' overall attitudes. This should take place rather than the measurement of dimensions of service as conducted by most other theories.

The finding that customers use wide expectations during CSQE, rather than narrow expectations, suggests that comparison expectations should be taken to relate to all service providers which customers are aware of.

A service provider can satisfy the above 4 suggested measurement requirements in the way done by the 'Generic Wide' questionnaire version used in the empirical study (see Appendix A). In the following example only generic CSQE is being measured, but specific service experience CSQE can be measured in a very similar way using the equivalent questions contained in the 'Specific Wide' questionnaire (see Appendix A).

Step 1: *Measure comparison expectations*

In questions 1 to 4 in this questionnaire customers are first asked to imagine 'appalling', 'normal' and 'outstanding' service providers. Question number 5 then asks customers to state the proportion, out of 100, of service providers that provide each of the 7 points of reference. This information can be plotted on an 'Incidence Distribution Profile' (IDP) such as the one illustrated below in Diagram 7.1.
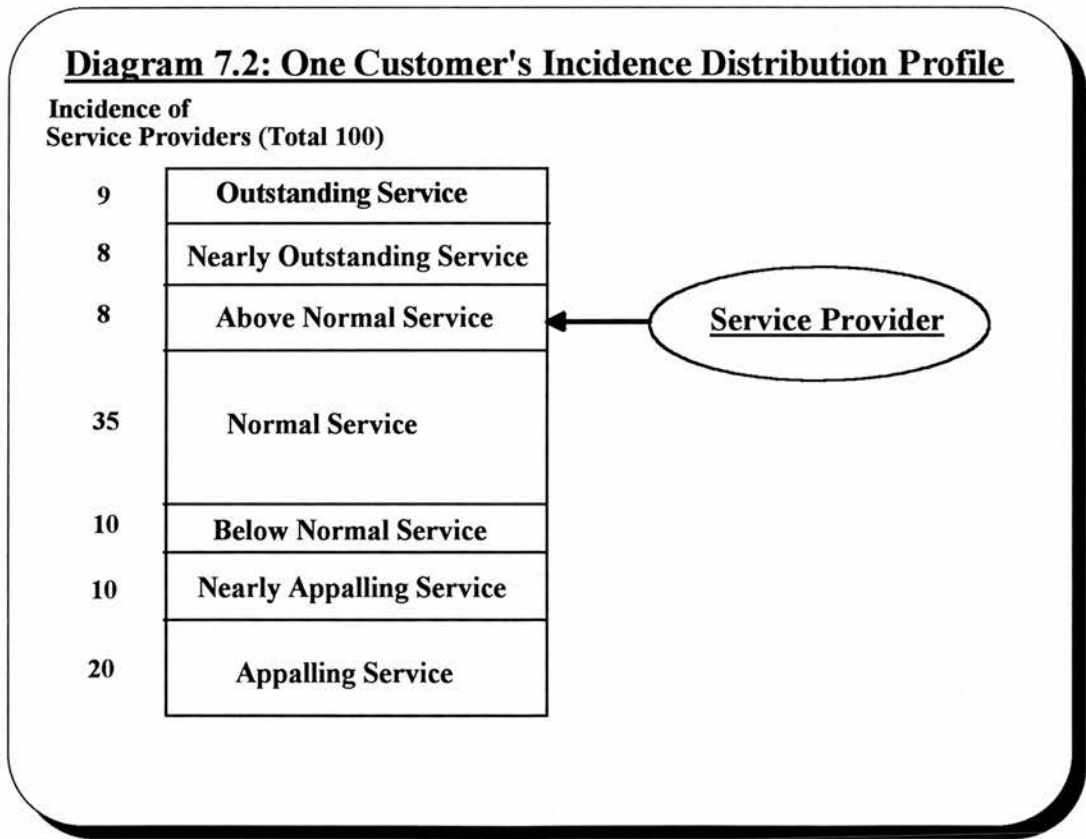
Diagram 7.1: One Customer's Incidence Distribution Profile

Incidence of
Service Providers (Total 100)

9	Outstanding Service
8	Nearly Outstanding Service
8	Above Normal Service
35	Normal Service
10	Below Normal Service
10	Nearly Appalling Service
20	Appalling Service

Step 2: *Position the 'service provider attitude' relative to 'comparison expectations'*

The service provider should now identify the position of each customers' overall attitude towards the service provider (i.e. 'service provider attitude') relative to their 'comparison expectations'. This relativity should be the relativity that is perceived by the customer.

This information can be obtained as done in the 'Generic Wide' questionnaire version used in the final empirical study analysis (see Appendix A). In question 6 in the questionnaire, subjects are asked to think about the service provided by a particular bank ("your bank"). In question 7 in the same questionnaire subjects are asked to equate the service they are thinking about with one of the 7 named levels of service (7 points of reference).

This position can be plotted on the 'incidence distribution profile' as illustrated by diagram 7.2 below.

Diagram 7.2: One Customer's Incidence Distribution Profile

Incidence of Service Providers (Total 100)

9	Outstanding Service
8	Nearly Outstanding Service
8	Above Normal Service ← Service Provider
35	Normal Service
10	Below Normal Service
10	Nearly Appalling Service
20	Appalling Service

The finding that at least 3 heuristics are used by customers during CSQE suggests that a service provider should identify which heuristic a customer is using so that future CSQE may be predicted more accurately (Chapter 5 explains that individuals normally repeatedly use the same given heuristics for similar tasks, e.g. if Mr Smith uses the full heuristic on one occasion for CSQE, he is very likely to use the same heuristic on future occasions for CSQE). If a service provider can identify the heuristic used by a customer on one occasion, then that service provider will probably know how that customer is going to calculate CSQE on future occasions. Identification of the heuristic used by a given customer can take place in the following way. Whilst measurement of all customers in this way is unlikely to be viable, measurement of a representative sample of customers should enable a prediction of future heuristic usage by all customers of a given service provider.

Step 3: *Identify the 3 heuristic ratings for each point of reference*

Once step 1 has been measured, a service provider can calculate the 3 CSQE heuristic ratings which could occur for each of the 7 points of reference with which a customer could equate service. In other words we know that customers use one of at least 3 heuristics for calculating CSQE, as explained by chapters 5 (section 3.2) and 6. We also know the formula for calculating the 3 heuristics, and the information from step 1 allows us to calculate all 3 heuristics for each of the 7 points of reference. The 3 heuristics should be calculated as follows:

Full Heuristic (FH) =:

      The proportion of service providers at the matched point of reference + the proportions of service providers at all lower points of reference.

Half Heuristic (HH) =:

      The proportion of service providers at the matched point of reference /2, + the proportions of service providers at all lower points of reference.

Basic Heuristic (BH) =:

      'Outstanding Service' = 100

      'Nearly Outstanding Service' = 83.3

'Above Normal Service' = 66.7

'Normal Service' = 50

'Below Normal Service' = 33.3

'Nearly Appalling Service' = 16.7

'Appalling Service' = 0

These calculated heuristic values can be added to the 'incidence distribution profile' as illustrated in the following example, Diagram 7.3.

Diagram 7.3: One Customer's Incidence Distribution Profile

Incidence of
Service Providers (Total 100)

		FH	HH	BH
9	Outstanding Service	100	95.5	100
8	Nearly Outstanding Service	91	87	83.3
8	Above Normal Service	83	79	66.7
35	Normal Service	75	57.5	50
10	Below Normal Service	40	35	33.3
10	Nearly Appalling Service	30	25	16.7
20	Appalling Service	20	10	0

KEY
FH = Full Heuristic Rating
HH = Half Heuristic Rating
BH = Basic Heuristic Rating

Step 4: *Identify which heuristic each customer uses, and therefore predict effect of future service comparison change.*

In the example in Diagram 7.3, if a customer describes service as 'normal', then the 3 heuristics for that point of reference will predict a CSQE of 75 (full heuristic), 57.5

(half heuristic) and 50 (basic heuristic). If that customer's stated CSQE is 77, then that customer has used the full heuristic. The customers' stated CSQE can be discovered by using question number 8 in the 'Generic Wide' questionnaire version used in the empirical study (see Appendix A). Therefore, if that customer was to receive what he or she saw as 'above normal service', then it could be predicted that his or her stated CSQE would rise to around 83. If service provision improved, but not to a new reference point, then CSQE would remain the same.

Step 4 assumes that the customer uses the same one of the 3 heuristics in all such CSQEs as suggested by psychology theory, and that the 'incidence distribution profile' will not change between the present time and the time of the prediction. As explained in Chapter 1, expectations do change over time. Step 3 can therefore be made more predictive of future CSQE, if some way of predicting the rate and nature of change in the 'distribution profile' over time can be incorporated. A prediction of this change can only result from a knowledge of the determinants of CSQE expectations as explained in chapters 1,2, 5 and 6, together with an extrapolation of the current rate and nature of change in the 'incidence distribution profile'. Such a prediction therefore requires prior measurement of the 'incidence distribution profile'.

5.2 MANAGEMENT CONCLUSIONS

An understanding of customer psychology has been explicitly used before in the management of CSQE (see Chapter 4) in order to control expectations, manage relationship building and in order to customise the service-scape. The contributions of this research to understanding of the process of CSQE, however, suggest some additional implications for the management of CSQE. These implications will now be discussed.

5.2.1: Improved CSQE benchmarking

Benchmarking relating to CSQE has been suggested before (see sections 2.5, 2.10 and 2.13 in Chapter 4). It has always had a 'best of breed', best practice, or service

norm flavour to it. It has always been a matter of comparing areas and dimensions of service, and the consequential overall service, with: objective target standards, the best of your competitors, the best of the industry, outstanding service providers, competitor norms, industry norms, official standards, all competitors and previously achieved standards. Service providers understand the need to compete with other service providers in the same industry and market, in order to be competitive on industry and market specific dimensions and in order to at least match customers' expectations of the industry (see Chapter 4). They understand the need to borrow ideas from outstanding service providers regardless of the industry which they are in.

This thesis has presented quantitative empirical research which suggests that a specific service experience CSQE or generic service provider CSQE, is the result of a customer's comparison of overall attitudes with other overall attitudes. It is also the result of a comparison of a service experience or service provider with 'wide' expectations (comparison expectations for service providers in all industries and markets known to customers). Furthermore, it is the result of a comparison of a service experience or service provider with all service providers of all levels, not just ideal or top service providers. Consequently a service provider should take the following measures in order to benchmark more effectively.

5.2.1.1 Improve overall service attitudes

Trying to provide customers with a more positive level of <u>overall attitude</u> towards the service relative to their overall attitudes towards service providers in the same and other industries and markets (comparison expectations). A service provider's CSQE is determined in part by the perceived overall positiveness of all other service providers. If a particular service provider, for example Nat West Bank, becomes less positive in relation to non financial (or predominantly non-financial) service providers such as Sainsbury, Tesco, Marks & Spencer, British Airways, BT, and even IBM and Volkswagen, then despite becoming more positively perceived in comparison to Lloyds Bank, Midland Bank and Barclays Bank, the Nat West Bank's CSQE could fall, with the possible consequence of lost business and greater public pressure to

improve service provision. Abbey National, a large UK bank, has the objective of becoming the UK's top financial service provider. This is a perfectly logical objective, but it is not sufficient for customers to currently view a company as the UK's top financial services provider, if those customers view all financial services providers in a poor light in comparison to the range of other service providers in general. Such a competitive advantage might be vulnerable since it would be based on CSQE excellence relative to the market place rather than the standards of comparison by which customers really judge CSQE. If a service provider wants to gain substantial competitive advantage by improving the CSQE and therefore the satisfaction of its customers, and the predicted CSQE of potential customers, then it must look beyond its own market place and its own industry.

Service providers should not just benchmark against ideal or top service providers, however, they should use the overall customer perceived positiveness of all other service providers, of all levels of service, as a frame of reference. A service provider's position in relation to service providers equated with a lower level of service, is as much a determinant of its CSQE as its position relative to service providers at higher levels of service.

The overall attitude may be made more or less positive by any action which makes a service experience more or less positive. As explained in Chapter 4, it should not be achieved by making false predictions or by otherwise increasing prediction expectations beyond what the service provider can consistently provide in the future. It should be achieved through sustainable general improvement of all dimensions of service, or by differentiating service in a way that adds positiveness to the overall attitude. Because it appears to be the overall attitude which is being compared with comparison expectations, and because attitudes are not made up of pre-determined and weighted dimensions of service, the benefit of positive differentiation is not limited according to the number and type of dimensions which are made more positive, as would be suggested by SERVQUAL type measures of CSQE (see chapters 1 and 3).

It is argued in Chapter 4 (section 2.13) that there are limitations associated with altering service provision just in relation to other banks. It is argued that raising the standard of service provision may simply lead to customers raising expectations, both prediction expectations and comparison expectations. This is argued because of the belief that if a service provider improves its service, and if competitors in the same industry and market follow with similar service improvements, then the relativity of the service will soon return to where it was immediately before the service improvements. Consequently, if such a situation exists then such service strategies are only competitively advantageous for a relatively short period of time. This argument assumes that comparison expectations are 'narrow'.

The finding, in this research, that expectations are 'wide', suggests that the above argument is only partially correct. If wide expectations exist, then if for example Nat West Bank improve the standard of their service, as perceived by customers, to a new higher point of reference, the following is predicted. Competitors in the same industry and market may, after some delay, follow with similar service changes if they have the expertise to implement them. If this happens then the competitive advantage of the service change will disappear, to an extent dependent on the degree to which the competitors are able to match the service change of Nat West. Customers' prediction expectations will rise, after some delay since customers must experience or know about the service change, in accordance with the change in service provision. Consequently, if Nat West now reduces its service to the original level or provides an inconsistent level of service, then customer disappointment will result. However even if competitors follow suit with a rise in the level of their service, then unless customers know about the service change of those competitors, Nat West Bank can still maintain a competitive advantage. Unless other service providers, in other industries or markets, follow suit at the same or a faster rate of perceived service improvement, then Nat West Bank will maintain an improved relativity of its service improvement. Consequently CSQE will increase and therefore improve.

If the cost of the service does not change relative to competitors in the same industry

or market, or in relation to inflation, then satisfaction will also improve (see Introduction). Depending on the impact of satisfaction improvement on customer behaviour, despite no improvement in competitive advantage, the service improvement may therefore lead to a positive result for Nat West Bank, until all other service providers have improved their perceived service by the same amount.

5.2.1.2 Improve comparison expectations

Comparison expectations may be reduced in relation to the 'overall attitude' by educating customers about typical service or incidence of occurrence at each of the 7 points of comparison. This could perhaps be achieved through a national satisfaction barometer as used in the USA, Sweden and Germany. The German satisfaction barometer, the most recent national barometer, is well explained by Meyer and Dornach (1995). A national satisfaction barometer is an independent measure of the relative satisfaction derived by customers of a large selection of different companies and industries within a given country. It is usually conducted once a year, on a statistically significant scale and in a way which minimises response bias. Results are available to anyone and are presented in a non political way. Companies included in the barometer choose to participate, and results are not presented in the form of a satisfaction index (i.e. results are not compared with previous years). Such a national satisfaction barometer could help customers form more accurate and appropriate comparison expectations. If a customer's 'overall attitude' relating to a particular service experience or provider is made relatively more positive by the rationalisation of comparison expectations, then CSQE for that service provider will rise correspondingly.

5.2.1.3 Measure the customer's view of the benchmark position

A service provider can establish its position, in the minds of current and potential customers, relative to all other service providers by using the method of measurement explained in section 5.1 above.

5.2.1.4 Identify suitable role models

Using the method of measurement explained in section 5.1 above, a service provider could, through independent research to reduce experimenter effect, measure the position of other service providers relative to the points of reference. In so doing a service provider could identify other service providers which are placed on higher points of reference. Such service providers could hold the key to increased CSQE for the service provider who is conducting the measurement. Observation of such service providers might derive such an understanding, or it might be derived through investigative interviews or questionnaires on customers such as the 'experience based measure of service quality' (Edvardsson and Mattson 1993) as explained in Chapter 3 (section 3.2). Co-operation with identified service providers, as conducted by IBM (Akers 1991) and Xerox Corporation (who use a role model in a different industry) in order to identify their overall philosophies, principles, methodologies and services, may also be a way of identifying the essence (Holberton 1990) of the difference in CSQE or new services which could be implemented.

The greater the difference between the nature of a service provider and it's 'role model', the fewer the number of transferable traits which can be implemented by the service provider. However, this does not mean that the solution to improved CSQE is more likely to be discovered in a role model in the same market or industry. The fact that a role model is less related to the service provider could mean that more non-transferred but transferable determinants of improved CSQE may be present in the role model. Role models should therefore be taken from within and beyond a service providers own market and industry. In fact it may not even be possible in some cases to find a suitable role model within a service provider's own market. For example, in the empirical study conducted for this thesis there was no clear service level difference between any of the banks in the survey, therefore none could act as a role model for any other high street retail bank..

There are so many determinants of CSQE (as explained in chapters 1, 2, 5, 6) that the key to improved CSQE may not be identified in another service provider.

Nevertheless, if improved CSQE is an objective then surely a good place to start looking for the tools for it are with companies that have already achieved it.

Because of the finding that CSQE improvement is step-wise, only service providers placed on a higher point of reference (than the service provider who is looking for role models, as measured by the method of measurement explained in section 5.1) should be used as role models. Just because other service providers provide a higher level of CSQE, it does not mean that they are suitable to be role models. This is partly because a service provider might have a higher level of CSQE due to the combination of heuristics used by its customers, not due to it being placed on a higher point of reference. It is also because if in the minds of customers incidence of occurrence remains the same, then only a change in service delivered (as viewed by customers) by the investigating service provider to a higher point of reference will result in increased CSQE. Therefore, even if the service provider conducting the investigation rose to an objectively higher level of service (in its opinion), equal to the investigated service provider's level of service but not equal to a higher point of reference, no change in CSQE would result.

This method of 'role model' identification enables service providers to identify and choose from a large number of suitable role models, not just a limited number of heavily observed role models with a renowned reputation for service excellence.

Just because customers place the overall service of a competitor service provider on a higher point of reference, it does not mean that all aspects of that service are better than all aspects of a lower placed service provider's service. There is nothing wrong with borrowing ideas from almost any service provider. However, it seems sensible to identify a role model which if equalled will promise improved CSQE.

5.2.2: Predict the CSQE benefits of achieving a benchmark

If we assume that comparison expectations are held constant, then if a service provider is equated with a higher point of comparison by customers, there will be an
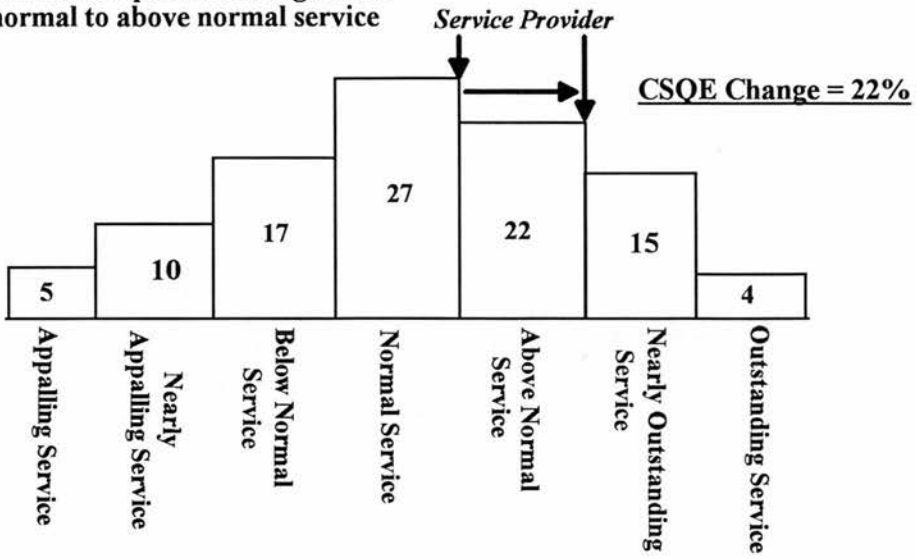
increase in CSQE. However, the magnitude of the increase in CSQE will be dependent upon the nature of the comparison situation. The findings that:

- CSQE improvement is step-wise.
- Overall attitudes are compared with overall attitudes.
- There are 7 points of comparison.
- Comparison expectations include an 'incidence of occurrence'
- At least 3 heuristics are used during CSQE.

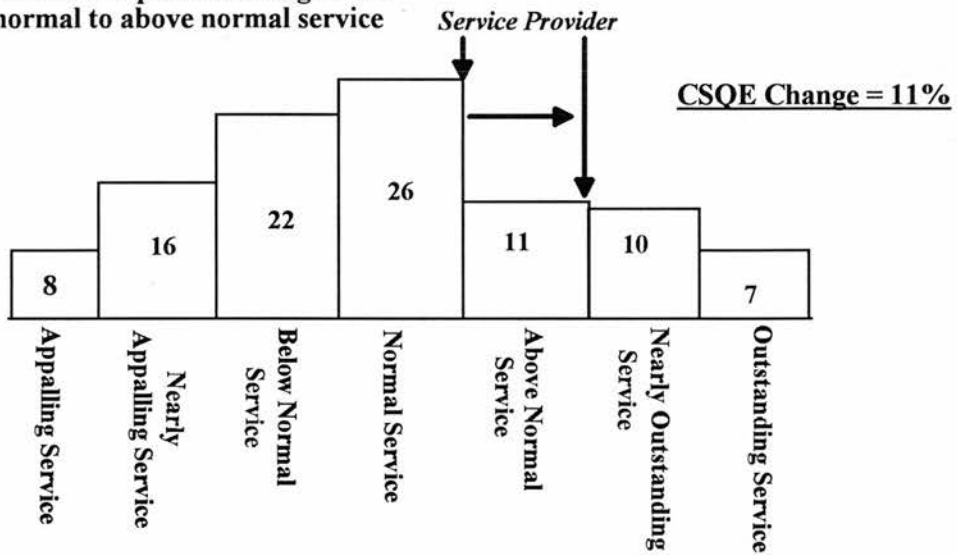- suggests that the benefits of achieving a benchmark, in terms of CSQE, can only be predicted by measuring the components of service comparison. In the following example in Diagram 7.4, if a service provider moves from a position of 'normal service' to a position of 'above normal service', as perceived by a customer, then if that customer uses the full heuristic, the CSQE change resulting from the move will be large. If comparison expectations are slightly different, as in Diagram 7.5, then a similar move will result in a relatively small CSQE change.

Because it is possible to measure the above service comparison using the method of measurement explained in section 5.1, it is possible for a service provider to consider the CSQE consequences of a service level change and therefore the achievement of its benchmarking objectives. This consideration however assumes that comparison expectations remain constant. In reality, as explained and supported in Chapter 1, expectations do change over time. Therefore it is necessary for a service provider to measure regularly comparison expectations so that the rate of comparison expectation change can be gauged. Current rate of change does not necessarily tell us anything about future rate of change, but a service provider can improve its predictions through an understanding of the process of CSQE and its determinants as explained in chapters 1,2,5 and 6. This understanding can be further improved by observing the effects of managerial actions on comparison expectations.

Diagram 7.4: CSQE change resulting from service comparison change from normal to above normal service

Service Provider

CSQE Change = 22%

Appalling Service	Nearly Appalling Service	Below Normal Service	Normal Service	Above Normal Service	Nearly Outstanding Service	Outstanding Service
5	10	17	27	22	15	4

Diagram 7.5: CSQE change resulting from service comparison change from normal to above normal service

Service Provider

CSQE Change = 11%

Appalling Service	Nearly Appalling Service	Below Normal Service	Normal Service	Above Normal Service	Nearly Outstanding Service	Outstanding Service
8	16	22	26	11	10	7

6. SUGGESTIONS FOR FURTHER RESEARCH

This thesis has suggested an extension of understanding concerning the nature of the process of CSQE, and its measurement and management by service providers. There are still a number of questions which need to be answered.

- The concept of service, whilst explained in detail in the introduction to this research, still contains some ambiguity. The main area of ambiguity seems to relate to the weighting of the human element with the concept of service as perceived by customers. The final pilot study used for this research interviewed 45 subjects and asked them to describe what came to mind when imagining the 3 main levels of service. It was apparent, as suggested by previous research explained in the introduction and Chapter 1, that the human element to service was not the only element. Non-human dimensions of service were also prevalent. In other words CSQE is not only a description of the way customers view the behaviour of humans within the 'service provision'. However, it nevertheless appeared that the human element was referred to more often than other elements. Does this mean that in the minds of customers the human element is a more important dimension of service than the non human element, or does it suggest that the term 'service' is associated, by society in Britain, with something slightly more human than suggested by the definition of service used by this research. In other words, should another term be used to describe the concept of 'service'. Alternatively, perhaps the slightly biased findings of the final pilot study are merely the result of the small number of subjects that were studied, or are the result of human dimensions of service being brought to mind more easily when being questioned.

- It has been assumed that CSQE can be described by a customer in the form of a rating out of 100. In other words it is assumed that a % rating for a service experience or generic service provider is an accurate expression of a customer's

evaluation of how good that service experience or service provider is. We often hear people expressing their evaluations of all sorts of issues in terms of % scores. However we also hear people evaluating things out of 10 or 5. Nevertheless, subjects interviewed in the final pilot study expressed no difficulties in scoring out of 100. Furthermore, in no instances, in either the final pilot study or the final empirical study, did any subjects fail to score out of 100, except in a couple of cases in the 'Generic Narrow' questionnaire (see Chapter 6) where subjects appeared to give a rating out of 10 (probably due to the wording of the previous questions). A question which needs to be answered is whether a numerical score is the most appropriate way to rate CSQE, or whether a visual rating scale or even some other kind of scale would be more appropriate. The reason why a numerical rating scale was used for this research was that it provided a contrast to the more descriptive scale used by the questionnaires for identifying the service comparison situation. In other words, because the rating scale was different subjects could not simply transpose their service comparison answers onto the CSQE rating scale without some thought about the evaluation.

♦ Although 3 CSQE heuristics have been suggested by this research, it is not known when and why each of the heuristics are used. Which customers use which heuristic and why? This relates to hypothesis number 1 in Chapter 6. Furthermore, under which circumstances, if any, do customers choose a different heuristic for different CSQEs? This can only be tested by conducting successive CSQE measurements on the same customers for CSQEs of the same and different types of service providers. Does the amount of time available to the customer at the time of CSQE influence the choice of CSQE heuristic? Perhaps the basic heuristic, as the seemingly most simple heuristic, would be more appropriate when time available for CSQE is relatively limited. The questionnaires used in this research were completed by subjects in their own time, and attempts were made to ensure that customers were relaxed and had enough time to fill the questionnaire in without being rushed. This calm

environment surrounding CSQE, assuming it actually took place, is not typical of all occasions when a CSQE might have to be made. Does uncertainty in the mind of the customer make the use of the half heuristic more likely? The half heuristic places the service experience or service provider in the middle of the incidence for a given point of reference. Does this represent some sort of compromise by the customer evaluating the service, or does it represent a clear objective belief, or a combination of the two possibilities?

- A more detailed analysis of the demographic and other variables measured by the final empirical study, together with these and other variables measured by future similar research, could help answer some of the above questions. The demographic and other variables recorded by the final empirical study were mainly used to establish the validity of the make-up of the sample of respondents. In other words it was found that the subjects who were analysed in the final empirical study were representative of the customer base of a large retail bank. However, the same information concerning demographic and other variables can also be used for further analysis of variables influencing the process of CSQE. It is therefore suggested that such analysis should take place in order to try to answer some of the above questions.

- Although it was usually possible, in the final empirical study, to satisfactorily account for stated CSQE using wide expectations and one of the 3 heuristics, could a satisfactory account be made in more cases:

  1. **If adjusted or additional heuristics had been tested?** Do the heuristics that were tested fully represent those that are used by customers, or should adjustments be made? For example, could the basic heuristic be made more accurate by further adjusting the spacing of the ordinal scale explained in Chapter 5? Do other heuristics exist that we do not know about, and if so what are they and when and why are they used? This relates to hypothesis number 1 in Chapter 6.

2. **If even wider or narrower expectations had been tested?** Although wide
   expectations seem to be used during CSQE, perhaps expectations are even
   wider or narrower than those suggested by this research, at least for some
   customers, or for all customers at different times. If this is the case, then when
   and why? This relates to hypothesis number 2 in Chapter 6. This research has
   not clarified the exact width of expectations. This is because the introduction
   to the questionnaires used in the final pilot study and the final empirical study
   only suggested examples of wide expectations. Precise boundaries of
   expectation width were not set and the precise width of expectations used by
   subjects when answering the questionnaires is not known. Perhaps they used
   slightly wider or narrower expectations. The final pilot study interviews
   suggested that a fairly wide range of types of service providers were being
   considered by subjects during consideration of the 'wide' questionnaires.
   However, more precise interviews ascertaining subjects' width of expectations
   would be a way of reducing this ambiguity.

- A more detailed analysis of demographic and other variables could also show
  the impact of such variables on the level of CSQE and its determinants. Which
  demographic and other variables influence the level of CSQE and its
  determinants, in what way, and to what extent?

- Does the process of CSQE that is suggested by this thesis also apply to the way
  customers evaluate all service experiences and service providers, not just the
  service provided by banks? As explained in section 1 in this conclusion, and in
  the introduction to this thesis (section 4), it seems logical to believe that the
  process of CSQE does apply more widely. However, empirical research of the
  kind used in this thesis, should be conducted in order to test this assumption.

- Does the process of CSQE that is suggested by this thesis also apply to
  customers of nationalities other than the British? If so, then which nationalities

and to what extent?

- How important is CSQE as a determinant of customer behaviour. Whilst the importance of CSQE has been discussed in some detail in the introduction to this research, it is still not clear how much influence CSQE has on the decisions of customers to repurchase from a service provider, to purchase for the first time from another service provider, or to increase or decrease the amount or frequency of purchasing from a given service provider. How much does this influence depend on the type of service being provided, the nature of other determinants of customer behaviour such as price; since for example if the price of all service providers in a particular market are very similar, then price may be less influential in behavioural decisions; and the nature of the individual customer.

7. SUMMARY

When a customer gives a rating or makes a statement about how good a service experience was, or about how good a service provider's service is, what does he or she mean? How does he or she arrive at those opinions? How can the process which leads to those opinions be efficiently managed? This research has provided improved answers to these questions through multi-disciplinary and empirical research. It has been suggested that the process of service comparison which leads to CSQE is more complex than previously thought, and takes place in a variety of similar ways. Consequently, whilst many avenues of research concerning the above questions remain open, this research has contributed to understanding relating to services marketing. The consequences of this improved understanding for the management of services are:

· **Improved Benchmarking / Benchmark improvement:**
Service providers should compete against all other types and levels of service provider through:

- Measuring customers' evaluation of the benchmark situation using the method of measurement suggested by this thesis.

  -Only customers' perceptions of service relativity matter.

- Identifying suitable 'role models'.

  -Only use service providers known to be on higher points of reference as role models. It is not enough for a role model to simply provide better perceived service unless that role model is perceived by customers to be equal to a higher level of service.

- Educating customers about the relativity of the service, e.g. national satisfaction barometer.

- Improving service delivery through general change or differentiation.

  -Change / differentiate by overall experience, not by dimension.

  -Avoid creating false expectations, therefore use advertising and promotion in

an informative (reflects reality), not an illusory way.

- **Predict the CSQE benefits of achieving a benchmark**
  - Benchmark improvement is not necessarily a determinant of CSQE improvement. The method of measurement proposed by this thesis identify the CSQE improvement which is likely to result from a benchmark improvement.
  - Identify the heuristics used by customers using the method of measurement suggested by this thesis.

These management suggestions should be combined with the other methods of measurement and management (including previous benchmarking strategies) suggested in chapters 3 and 4. In this way the contribution of CSQE towards satisfaction and customer behaviour can be managed.

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APPENDIX A

EXPLANATION:

This appendix relates to the final empirical study (see chapter 6).

CONTENTS:

NOTES:

*The cover letter has been reduced from full A4 size to fit the margins of this appendix.

A1. Cover Letter

(photocopy)

COMPLETE OUR SURVEY AND WIN £1000!

Dear

Thank you very much for agreeing to participate in some further market research.

We are now conducting an important study and you are one of four thousand people in the country who is invited to take part.

I have enclosed the short survey for you to complete and return in the envelope enclosed. Please do not open the numbered doors until you are ready to answer the questions.

As a special thank you for taking the time and trouble to do the survey, we are also offering you the opportunity to win £1000. All you have to do is send us the prize draw entry form with your completed survey by Saturday 20th January 1996 and your name will entered into our prize draw.

The survey has been scientifically developed to measure how satisfied customers are with the service delivered by organisations. It is essential that you complete the survey in the manner indicated and do not read through the questions before you start.

Please allow enough time to stop and think about your answers. The survey should take no more than ten minutes to complete.

When you have completed the survey please return it to us in the envelope provided. You don't need a stamp.

Rest assured that NOP is a member of the Market Research Society which means that we abide by their code of conduct. All replies that you give are therefore treated in the strictest confidence and you will not be singled out in any way. You are only asked to provide your name and address on the form for entry into the prize draw. These pages will be separated from the questionnaires as soon as we receive them.

Thank you for your time and good luck in the prize draw.

Yours sincerely

Frances Green
Director

A2. Four Questionnaire Versions

(original non-completed copies)

A 2.1 'Specific Narrow' Questionnaire
A 2.2 'Specific Wide' Questionnaire
A 2.3 'Generic Narrow' Questionnaire
A 2.4 'Generic Wide' Questionnaire

TELL US WHAT YOU THINK

Prize Draw Survey

☞ This survey has been designed to measure customer satisfaction levels.

☞ It should take no more than ten minutes to complete.

☞ There are no right or wrong answers.

☞ Your name will not be recorded and your answers to this questionnaire will remain anonymous.

IMPORTANT:
IT IS VITAL THAT YOU ANSWER
THE QUESTIONS IN ORDER.

☞ BEFORE YOU BEGIN

You will need
• a pen.
• some blank paper in case you need to jot anything down.

**Please allow about ten minutes
and make sure you won't be disturbed.**

STOP!
Do not open the doors until
you are ready to do this survey

Throughout your daily life you experience or hear about the kind of service different banks give to their customers.

Picture in your mind for a moment the way you believe an 'OUTSTANDING SERVICE' experience from a bank to be.

Now picture in your mind for a moment the way you believe an 'APPALLING SERVICE' experience from a bank to be.

Now picture in your mind for a moment the way you believe a 'NORMAL SERVICE' experience from a bank to be.

How many times out of 100 do you think banks in general provide OUTSTANDING, NORMAL or APPALLING SERVICE?

	Out of 100
Outstanding service	
Nearly outstanding service	
Above normal service	
Normal service	
Below normal service	
Nearly appalling service	
Appalling service	
Total	[100]

IMPORTANT. Make sure all the numbers add up to 100. You may want to try this out on a spare piece of paper first!

Think carefully about the most recent visit you made to YOUR BANK. (Not just to use the cash machine.)

Which one of the following most accurately describes this most recent experience you had with your bank

Tick one box
Outstanding ☐
Nearly outstanding ☐
Above normal ☐
Normal ☐
Below normal ☐
Nearly appalling ☐
Appalling ☐

How do you rate this recent experience
with your bank?

Please score out of 100 _____

now open door 9 ☞

When was this particular experience
with your bank?

Less than 24 hours ago ☐
Less than 1 week ago ☐
Less than 1 month ago ☐
More than 1 month ago ☐

What was the purpose of your visit?

An account transaction ☐
An account enquiry ☐
To find out about a new
product or service ☐
To arrange a new product or service ☐
A discussion or meeting with a
member of staff ☐

now open door 10 ☟

Are you in full time education?

Yes ☐   No ☐

Are you   Male ☐   Female ☐

now open door 12 ☟

These answers will enable a more
detailed analysis. No individual can
be identified from this information.

Please tick:

Your age

16-24 ☐   25-34 ☐   35-44 ☐
45-54 ☐   55-64 ☐   Over 65 ☐

Your annual household income
(before tax):
Under £15,000 ☐
£15,000 - 25,000 ☐
£25,001 - 35,000 ☐
Over £35,000 ☐

now open door 11 ☜

How often do you use cash machines?

Daily ☐
Twice a week ☐
Once a week ☐
Once a fortnight ☐
Once a month ☐
Once every 3 months ☐
Less than once every 3 months ☐

now open door 13 ☞

How often do you use bank facilities,
other than cash machines?

Daily ☐
Twice a week ☐
Once a week ☐
Once a fortnight ☐
Once a month ☐
Once every 3 months ☐
Less than once every 3 months ☐

now open door 14 ☟

With which bank do you have your
main current account?
Barclays ☐
Co-operative Bank ☐
Lloyds ☐
Midland ☐
NatWest ☐
Royal Bank of Scotland ☐
TSB ☐
Other (please state) _____
_____

Throughout your daily life you experience or hear about the service of all kinds of different organisations, from shops, restaurants and banks to doctors, solicitors and hairdressers.

now open door 2 ☞

Picture in your mind for a moment the way you believe an 'OUTSTANDING SERVICE' experience from an organisation to be.

now open door 3 ☟

Now picture in your mind for a moment the way you believe an 'APPALLING SERVICE' experience from an organisation to be.

now open door 5 ☟

Now picture in your mind for a moment the way you believe a 'NORMAL SERVICE' experience from an organisation to be.

now open door 4 ☜

How many times out of 100 do you think organisations in general provide OUTSTANDING, NORMAL or APPALLING SERVICE?

	Out of 100
Outstanding service	
Nearly outstanding service	
Above normal service	
Normal service	
Below normal service	
Nearly appalling service	
Appalling service	
	Total [100]

IMPORTANT. Make sure all the numbers add up to 100. You may want to try this out on a spare piece of paper first!

now open door 6 ☞

Think carefully about the most recent visit you made to YOUR BANK.
(Not just to use the cash machine.)

now open door 7 ☟

Which one of the following most accurately describes this most recent experience you had with your bank

Tick one box

Outstanding	☐
Nearly outstanding	☐
Above normal	☐
Normal	☐
Below normal	☐
Nearly appalling	☐
Appalling	☐

now open door 8 ☞

How do you rate this recent experience with your bank?

Please score out of 100 [   ]

now open door 9 ☞

When was this particular experience with your bank?

Less than 24 hours ago [ ]
Less than 1 week ago [ ]
Less than 1 month ago [ ]
More than 1 month ago [ ]

What was the purpose of your visit?

An account transaction [ ]
An account enquiry [ ]
To find out about a new product or service [ ]
To arrange a new product or service [ ]
A discussion or meeting with a member of staff [ ]

now open door 10 ☟

Are you in full time education?

Yes [ ]   No [ ]

Are you   Male [ ]   Female [ ]

now open door 12 ☟

These answers will enable a more detailed analysis. No individual can be identified from this information.

Please tick the appropriate boxes.

Your age   16-24 [ ]   25-34 [ ]
           35-44 [ ]   45-54 [ ]
           55-64 [ ]   Over 65 [ ]

Your annual household income (before tax):

Under £15,000 [ ]
£15,000 - 25,000 [ ]
£25,001 - 35,000 [ ]
Over £35,000 [ ]

now open door 11 ☜

How often do you use cash machines?

Daily [ ]
Twice a week [ ]
Once a week [ ]
Once a fortnight [ ]
Once a month [ ]
Once every 3 months [ ]
Less than once every 3 months [ ]

now open door 13 ☞

How often do you use bank facilities, other than cash machines?

Daily [ ]
Twice a week [ ]
Once a week [ ]
Once a fortnight [ ]
Once a month [ ]
Once every 3 months [ ]
Less than once every 3 months [ ]

now open door 14 ☟

With which bank do you have your main current account?
Barclays [ ]
Co-operative Bank [ ]
Lloyds [ ]
Midland [ ]
NatWest [ ]
Royal Bank of Scotland [ ]
TSB [ ]
Other (please state) _____

Throughout your daily life you experience or hear about the service of different banks.

now open door 2 ☞

Picture in your mind for a moment the way you believe the typical service from an OUTSTANDING SERVICE bank to be.

now open door 3 ☜

Now picture in your mind for a moment the way you believe the typical service from an APPALLING SERVICE bank to be.

now open door 5 ☝

Now picture in your mind for a moment the way you believe the typical service from a NORMAL SERVICE bank to be.

now open door 4 ☜

How many banks out of 10 do you think provide OUTSTANDING, NORMAL or APPALLING SERVICE?

	Out of 10
Outstanding service	☐
Nearly outstanding service	☐
Above normal service	☐
Normal service	☐
Below normal service	☐
Nearly appalling service	☐
Appalling service	☐

Total [10]

IMPORTANT. Make sure all the numbers add up to 10. You may want to try this out on a spare piece of paper first!

now open door 6 ☞

Picture in your mind for a moment the way you believe the typical service from YOUR BANK to be.

now open door 7 ☜

Which ONE of the following most accurately describes the typical service provided by your bank?

Tick one box

Outstanding	☐
Nearly outstanding	☐
Above normal	☐
Normal	☐
Below normal	☐
Nearly appalling	☐
Appalling	☐

now open door 8 ☞

How do you rate the typical service provided by your bank?

Please score out of 100 ☐

now open door 9 ☞

These answers will enable a more detailed analysis. No individual can be identified from this information.

Please tick the appropriate boxes.

Your age   16-24 ☐   25-34 ☐
            35-44 ☐   45-54 ☐
            55-64 ☐   Over 65 ☐

Your annual household income (before tax):

Under £15,000   ☐
£15,000 - 25,000   ☐
£25,001 - 35,000   ☐
Over £35,000   ☐

now open door 10 ☜

How often do you use cash machines?

Daily   ☐
Twice a week   ☐
Once a week   ☐
Once a fortnight   ☐
Once a month   ☐
Once every 3 months   ☐
Less than once every 3 months   ☐

now open door 12 ☜

Are you in full time education?

        Yes ☐   No ☐

Are you   Male ☐   Female ☐

now open door 11 ☜

How often do you use bank facilities, other than cash machines?

Daily   ☐
Twice a week   ☐
Once a week   ☐
Once a fortnight   ☐
Once a month   ☐
Once every 3 months   ☐
Less than once every 3 months   ☐

now open door 13 ☞

With which bank do you have your main current account?
Barclays   ☐
Co-operative Bank   ☐
Lloyds   ☐
Midland   ☐
NatWest   ☐
Royal Bank of Scotland   ☐
TSB   ☐
Other (please state) _____

_____

now open door 14 ☜

Thank you for completing this survey. Now please return it to us today in the enclosed envelope.

Throughout your daily life you experience or hear about the service of all kinds of different organisations, from shops, restaurants and banks to doctors, solicitors and hairdressers.

Picture in your mind for a moment the way you believe the typical service from an OUTSTANDING SERVICE organisation to be.

Now picture in your mind for a moment what you believe the typical service from an APPALLING SERVICE organisation to be.

Now picture in your mind for a moment what you believe the typical service from a NORMAL SERVICE organisation to be.

How many organisations out of 100 do you think provide OUTSTANDING, NORMAL or APPALLING SERVICE?

	Out of 100
Outstanding service	
Nearly outstanding service	
Above normal service	
Normal service	
Below normal service	
Nearly appalling service	
Appalling service	
	Total [100]

IMPORTANT. Make sure all the numbers add up to 100. You may want to try this out on a spare piece of paper first!

Picture in your mind for a moment the way you believe the typical service from YOUR BANK to be.

Which ONE of the following most accurately describes the typical service provided by your bank?

Tick one box

Outstanding	☐
Nearly outstanding	☐
Above normal	☐
Normal	☐
Below normal	☐
Nearly appalling	☐
Appalling	☐

How do you rate the typical service provided by your bank?

Please score out of 100 [   ]

now open door 9 ☞

Please tick the appropriate boxes.

Your age   16-24 ☐   25-34 ☐
            35-44 ☐   45-54 ☐
            55-64 ☐   Over 65 ☐

Your annual household income (before tax):

Under £15,000   ☐
£15,000 - 25,000   ☐
£25,001 - 35,000   ☐
Over £35,000   ☐

now open door 10 ☝

How often do you use cash machines?

Daily   ☐
Twice a week   ☐
Once a week   ☐
Once a fortnight   ☐
Once a month   ☐
Once every 3 months   ☐
Less than once every 3 months   ☐

now open door 12 ☝

Are you in full time education?

            Yes ☐   No ☐

Are you   Male ☐   Female ☐

now open door 11 ☜

How often do you use bank facilities, other than cash machines?

Daily   ☐
Twice a week   ☐
Once a week   ☐
Once a fortnight   ☐
Once a month   ☐
Once every 3 months   ☐
Less than once every 3 months   ☐

now open door 13 ☞

With which bank do you have your main current account?
Barclays   ☐
Co-operative Bank   ☐
Lloyds   ☐
Midland   ☐
NatWest   ☐
Royal Bank of Scotland   ☐
TSB   ☐
Other (please state) _____

_____

now open door 14 ☝

Thank you for completing this survey.
Now please return it to us today in the enclosed envelope.

A3. Prize Draw Entry Form

(photocopy)

ENTRY FORM

Please fill in your name and address if you want the chance to win a cheque for £1000. Then return this form in the envelope with your completed survey to reach us by Saturday 20th January 1996.

Name _____

Address _____

_____ Postcode _____
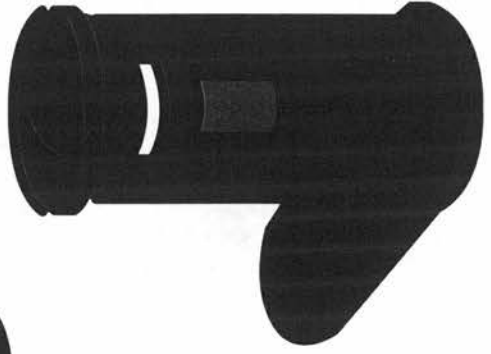
Complete and return the survey and you could be the lucky winner of £1000! Don't delay. To be entered into the Free Prize Draw your completed survey and entry form must reach us by Saturday 20th January 1996.

Terms and Conditions

1 To be entered into the free prize draw the completed survey and entry form must reach us by • 2 The winner will be drawn at random on in the presence of an independent adjudicator. • 3 Entry is free. • 4 The prize is a cheque for £1000. • 5 Only one entry per person. • 6 No correspondence will be entered into. • 7 The promoter is: NOP, 1 & 2 Berners Street, London, W1P 4DR. • 8 The winner will be notified by post within 28 days of the closing date. • 9 No responsibility can be accepted for non-delivery or lateness of entry. • 10 The prizewinner's name can be obtained by sending an SAE to the promoter - See rule 7.

APPENDIX B

EXPLANATION:

This appendix relates to the final pilot study (see chapter 6).

CONTENTS:

NOTES:

*The above have all been reduced in size from full A4 size to fit the margins of this appendix.

B1. Subject Selection Information Sheet Used By Market Researchers

(photocopy of used original)

| | | CODE | ROUTE |

INTRODUCTION

SAY: "Good morning/afternoon. My name is .... and I work for C.F.S. an Independent Market Research Company. We are conducting a short survey and I wonder if you would help by answering a few questions?"

So as to ensure we interview a good cross section of the population tell me:-

SHOWCARD X (SCREENER)

R.1 Are you or any of your family or close friends associated in any way with any of these organisations or industries?

	CODE	ROUTE
Market Research	1	
Banks	1	
Building Societies	1	CLOSE
Insurance	1	DO NOT
Financial Institutions	1	RECRUIT
Journalism	1	
Financial Institutions		
Marketing/P.R		
Civil Service	①	Q.1
Teaching Profession	1	
Armed Forces	1	
None of These	1	

IF ANY ABOVE THE LINE CLOSE AND DO NOT COUNT - OTHERWISE CONTINUE.

SHOWCARD A

Q.1 Which of these, do you yourself current have?

	CODE	ROUTE
BANK - Current Account with a cheque book	①	✓
BANK - Current Account without a cheque book	2	
BANK - Mortgage	③	
BUILDING SOCIETY - Current Account with a cheque book	4	CHECK
BUILDING SOCIETY - Current Account without a cheque book	⑤	✓
BUILDING SOCIETY - Mortgage Account	6	

ALL TO HAVE A CURRENT BANK ACCOUNT WITH OR WITHOUT A CHEQUE BOOK

NOTE: ABBEY NATIONAL IS NOW A BANK

TAKE **ALL** WHO ARE ELIGIBLE TO CONTINUE INTO THE HALL. RE-ASSURE THEM THAT THIS IS BONA FIDE INTERVIEW. SAY IT WILL ONLY TAKE 10-15 MINUTES.

2636Recr.Que/187/P2

B2. Quota Information Sheet Used By Market Researchers

(photocopy of used original)

3K

Name: MR ████████	Survey:	2	6	3	6	1-4	
Address: Not Recorded	Int. No:	1	2	1	0	5-8	
FOR ANY SUBJECT	Contact No:			6	9	9-10	

Postcode: ████████

Telephone: OFTEN NOT RECORDED

AGE OF RESPONDENT	16 - 24 years	13.1 ·	
SHOW AGE CARD	25 - 34 years	②	CHECK
Actual Age (Write In) 27.	35 - 44 years	.3	QUOTA
	45 - 54 years	.4	
	55 + years	.5	

SEX OF RESPONDENT	Male	14①	CHECK
	Female	.2	QUOTA

SOCIAL CLASS	AB	15.1	
Occupation of **HEAD OF HOUSEHOLD**	C1	.2	CHECK
(Write In) Photographer	C2	③	QUOTA
Professional			
Occupation of **RESPONDENT**	DE	.4	
(Write In) as above			

WORKING STATUS OF	Working Full-time	16①	
RESPONDENT	Working Part-time	.2	CHECK
	Retired	.3	QUOTA
	Not in paid employment	.4	
	Student	.5	

INTERVIEWER DECLARATION

I declare that the information has been collected according to instructions given to me and that the person interviewed was previously unknown to me.

SIGNATURE: DATE: 29/ 3/ 95.

B3. Four Questionnaire Versions

(photocopies of used originals)

B3.1 'Specific Narrow' Questionnaire

64

Questionnaire 1N:

- Thank you for agreeing to answer this simple and short questionnaire. If you have any difficulties please do not hesitate to ask one of the assistants.
- There are No right or wrong answers.
- Your identity will remain anonymous.

In the course of your daily life you experience, and are told about through adverts and word of mouth, the **service** of different Banks.

Picture in Your Mind for a moment, the way you believe an **'Outstanding Service'** experience from a bank to be.

OK, now turn the page................

Now Picture in Your Mind for a moment, the way you believe a 'Normal Service' experience from a bank to be.

OK, now turn the page..........

Now Picture in Your Mind for a moment, the way you believe an 'Appalling Service' experience from a bank to be.

Now, thinking of outstanding, normal and appalling service, approximately How Many Times Out Of 100 do you believe the following levels of service are provided by Banks in general :

(Scores Must Add Up To 100)

Number of Times

Service	Number of Times
Outstanding Service	
Nearly Outstanding Service	
Above Normal Service	
Normal Service	80
Below Normal Service	10
Nearly Appalling Service	10
Appalling Service	
Total	100

Think of the most recent occasion when You have visited a branch of *Your Bank.*

OK, now turn the page...........

Which ONE of the following words most accurately describes this most recent experience with the bank ?
(Circle The Appropriate Word)

Nearly Appalling

Appalling

Below Normal

Outstanding

Normal

Nearly Outstanding

Above Normal
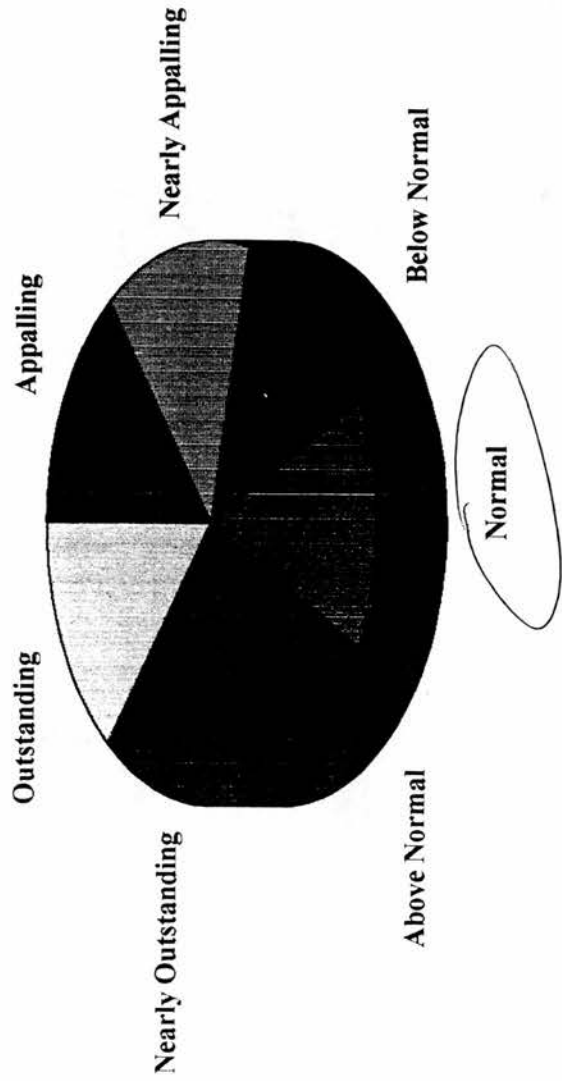
How good was this most recent experience with the bank ?
Please Give A Score Out Of 100:

Score Out Of 100: 95

Other Information

■ When was this particular experience with the bank ?

- Less than 24 Hours
- Within 1 Week
- Within 1 Month
- More than 1 Month

■ What was the purpose of your visit to the bank on this particular occasion : To PAY A BILL

Personal Information

■ Are you: Male [✓]
            Female [ ]

■ Please give your age: 16-24 [ ]
                        25-34 [ ]
                        35-44 [ ]
                        45-54 [✓]
                        55-64 [ ]
                        Over 65 [ ]

■ Please state your household income: Less than £ 15,000 [ ]
                                      £ 15,000 - 25,000 [✓]
                                      £ 25,000 - 35,000 [ ]
                                      Over £ 35,000 [ ]

■ Which Bank, of which you personally are a customer, do you use most frequently ?

T.S.B

Thank you for helping

B3.2 'Specific Wide' Questionnaire

- Thank you for agreeing to answer this simple and short questionnaire. If you have any difficulties please do not hesitate to ask one of the assistants.
- There are No right or wrong answers.
- Your identity will remain anonymous.

In the course of your daily life you experience, and are told about through adverts and word of mouth, the **service** of all kinds of different organisations, from hairdressers to restaurants, builders to banks and building societies, airlines to taxis, shops to telephone services, doctors and dentists to solicitors, refuse collection to post office services, emergency services to education and from gas companies to garages.

Picture in Your Mind for a moment, the way you believe an **'Outstanding Service'** experience to be.

OK, now turn the page...........

Now Picture in Your Mind for a moment, the way you believe a **'Normal Service'** experience to be.

OK, now turn the page..........

Now Picture in Your Mind for a moment, the way you believe an 'Appalling Service' experience to be.

OK, now turn the page...........

Now, thinking of outstanding, normal and appalling service, approximately How Many Times Out Of 100 do you believe the following levels of service are provided by organisations :
(Scores Must Add Up To 100)

Number of Times

Level of Service	Number of Times
Outstanding Service	5
Nearly Outstanding Service	10
Above Normal Service	15
Normal Service	50
Below Normal Service	10
Nearly Appalling Service	5
Appalling Service	5
Total	**100**

Think of the most recent occasion when You have visited a branch of *Your Bank.*

OK, now turn the page..............

Which ONE of the following words most accurately describes this most recent experience with the bank? (Circle The Appropriate Word)

Nearly Appalling

Appalling

Below Normal

Outstanding

Normal

Nearly Outstanding

Above Normal
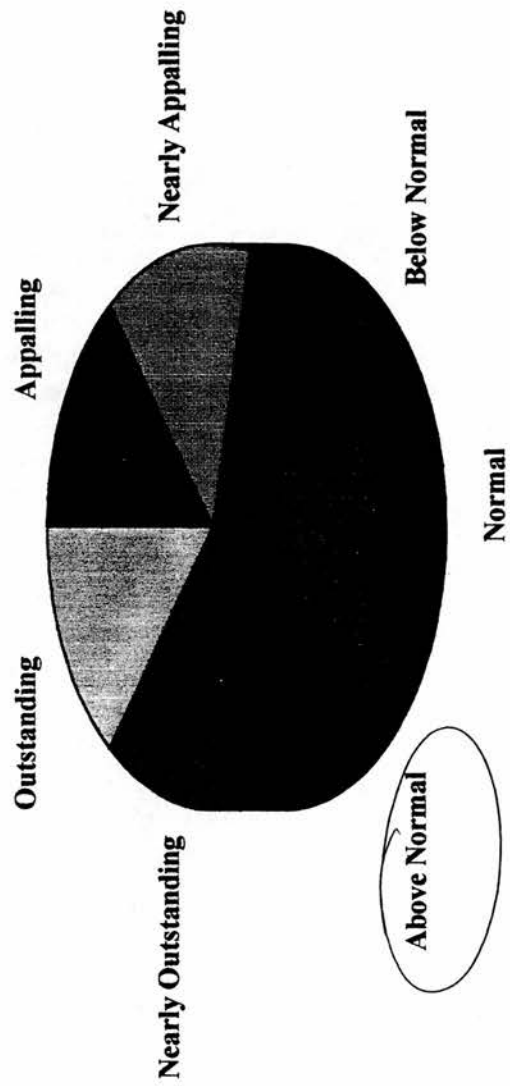
How good was this most recent experience with the bank? Please Give A Score Out Of 100:

Score Out Of 100: 65

Other Information

■ **When was this particular experience with the bank ?**

- Less than 24 Hours
- Within 1 Week
- Within 1 Month
- More than 1 Month

■ **What was the purpose of your visit to the bank on this particular occasion :** DEPOSIT CHEQUES

Personal Information

■ Are you: Male

Female

■ Please give your age: 16-24

25-34

35-44

45-54

55-64

Over 65

■ Please state your household income: Less than £ 15,000

£ 15,000 - 25,000

£ 25,000 - 35,000

Over £ 35,000

■ Which Bank, of which you personally are a customer, do you use most frequently ?
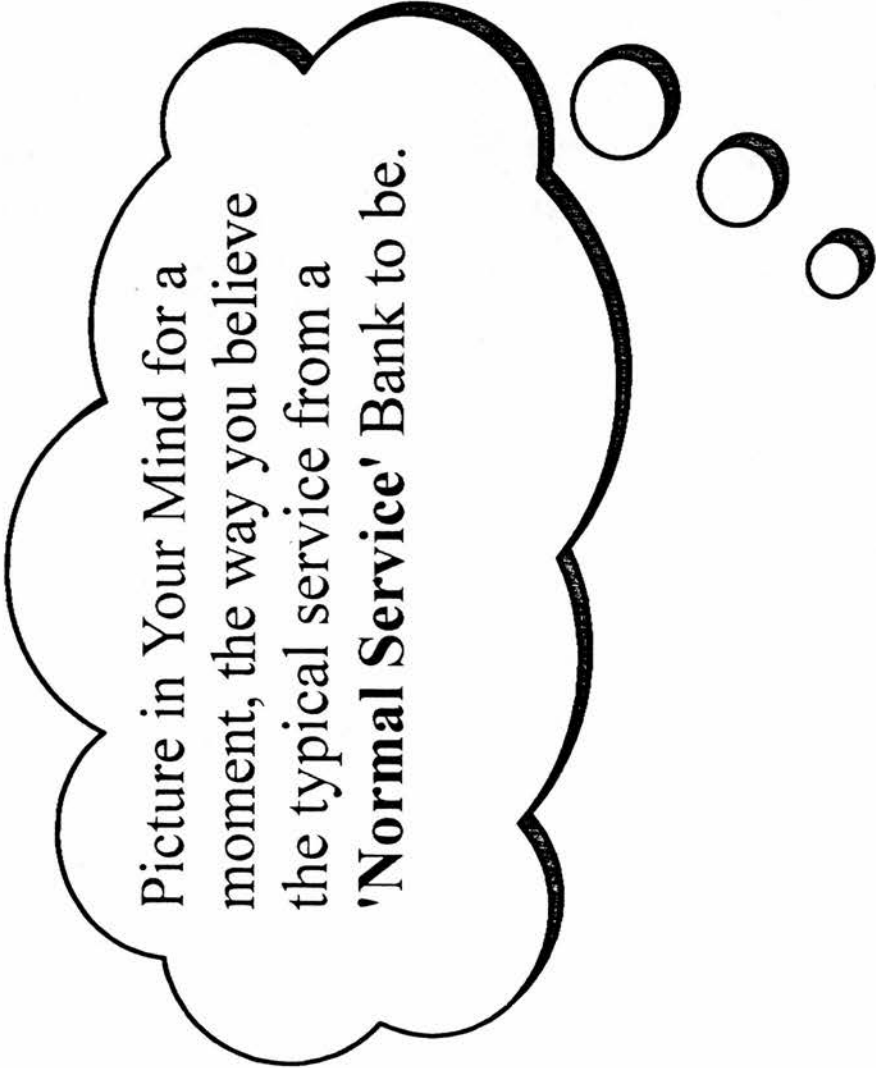
BARCLAYS

Thank you for helping

B3.3 'Generic Narrow' Questionnaire

Questionnaire 2N:

- Thank you for agreeing to answer this simple and short questionnaire. If you have any difficulties please do not hesitate to ask one of the assistants.

- There are No right or wrong answers.

- Your identity will remain anonymous.

In the course of your daily life you experience, and are told about through adverts and word of mouth, the **service** of different Banks.
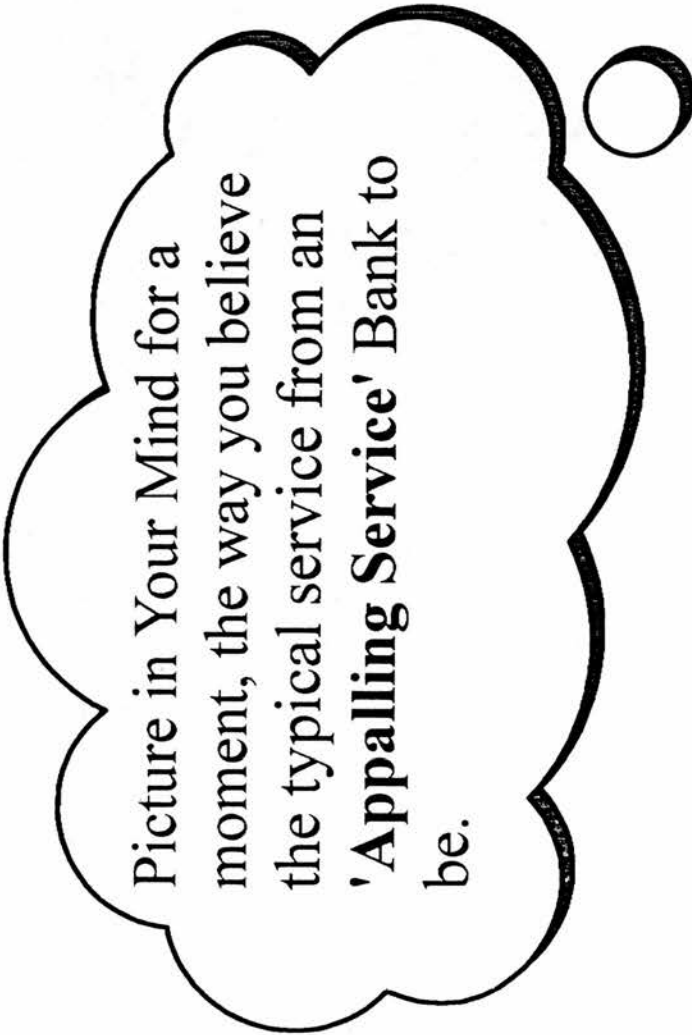
Picture in Your Mind for a moment, the way you believe the typical service from an **'Outstanding Service'** Bank to be.

OK, now turn the page..........

Picture in Your Mind for a moment, the way you believe the typical service from a **'Normal Service'** Bank to be.

OK, now turn the page...........

Picture in Your Mind for a moment, the way you believe the typical service from an **'Appalling Service'** Bank to be.
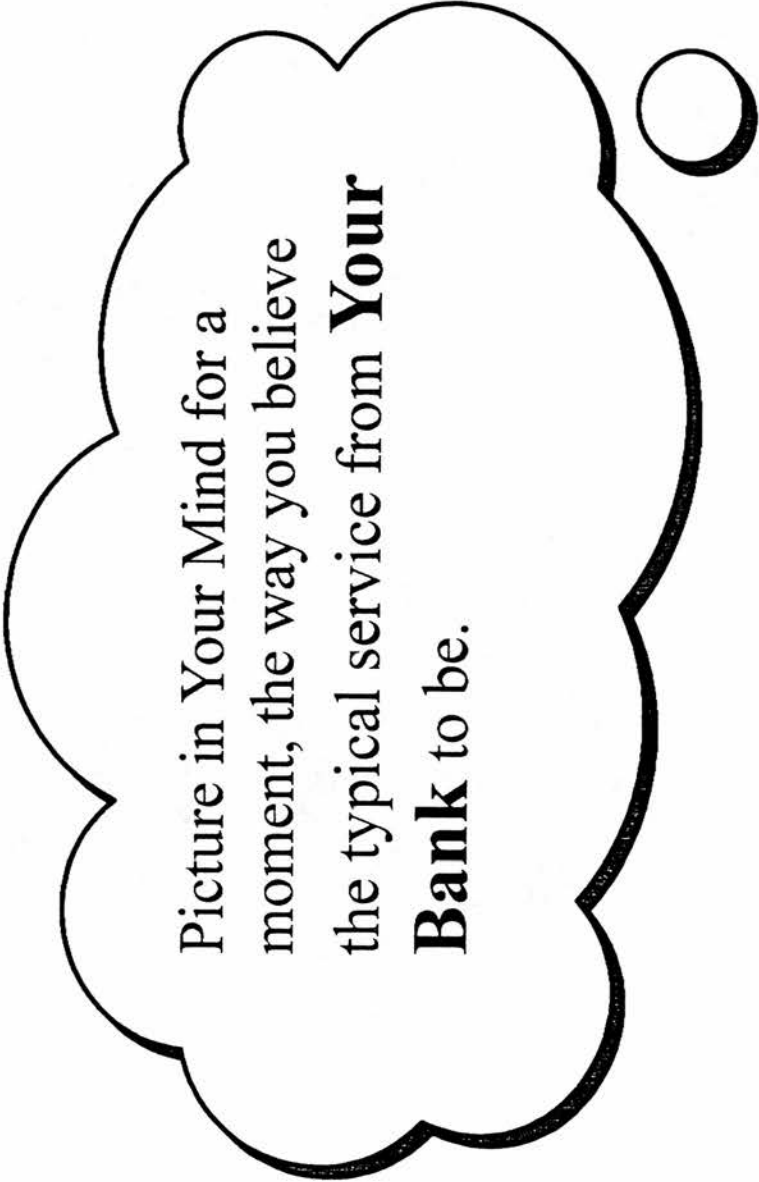
OK, now turn the page...........

Now, thinking of outstanding, normal and appalling service Banks, approximately How Many Banks Out Of (100) do you believe fit the following definitions?
(Scores Must Add Up To 100)

Number of Banks

|	Number of Banks
'Outstanding Service' bank	
Nearly Outstanding Service' bank	1
'Above Normal Service' bank	3
'Normal Service' or bank	3
Below Normal Service' bank	2
Nearly Appalling Service' bank	1
'Appalling Service' bank	
Total	100

Picture in Your Mind for a moment, the way you believe the typical service from **Your Bank** to be.

OK, now turn the page..........

Which ONE of the following words most accurately describes the Typical Service of YOUR BANK?
(Circle The Appropriate Word)
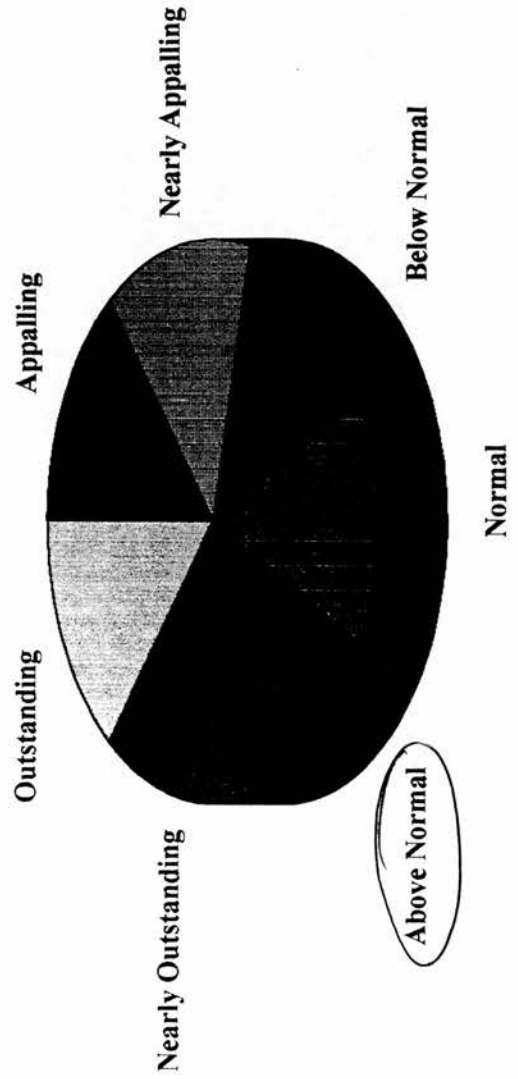
How good is the typical service of YOUR BANK ?

Please Give A Score Out Of 100:

Score Out Of 100: 75

Personal Information

- Are you: Male ☑
  Female ☐

- Please give your age: 16-24 ☐
  25-34 ☑
  35-44 ☐
  45-54 ☐
  55-64 ☐
  Over 65 ☐

- Please state your household income: Less than £ 15,000 ☑
  £ 15,000 - 25,000 ☐
  £ 25,000 - 35,000 ☐
  Over £ 35,000 ☐

- Which Bank, of which you personally are a customer, do you use most frequently ?
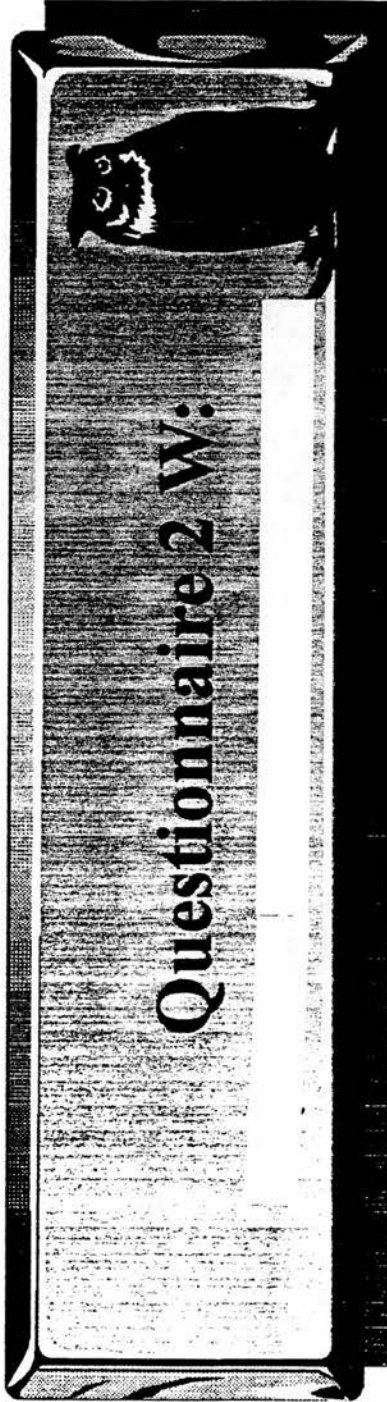 LLOYDS BANK PLC
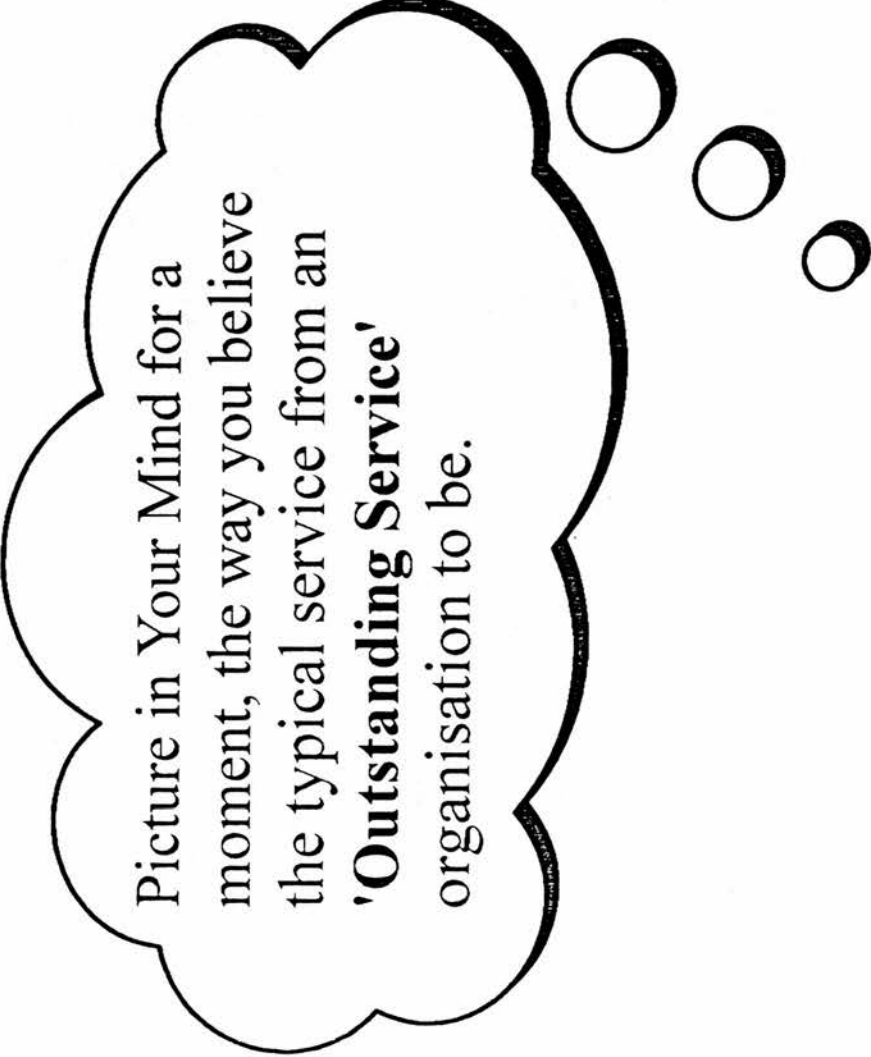
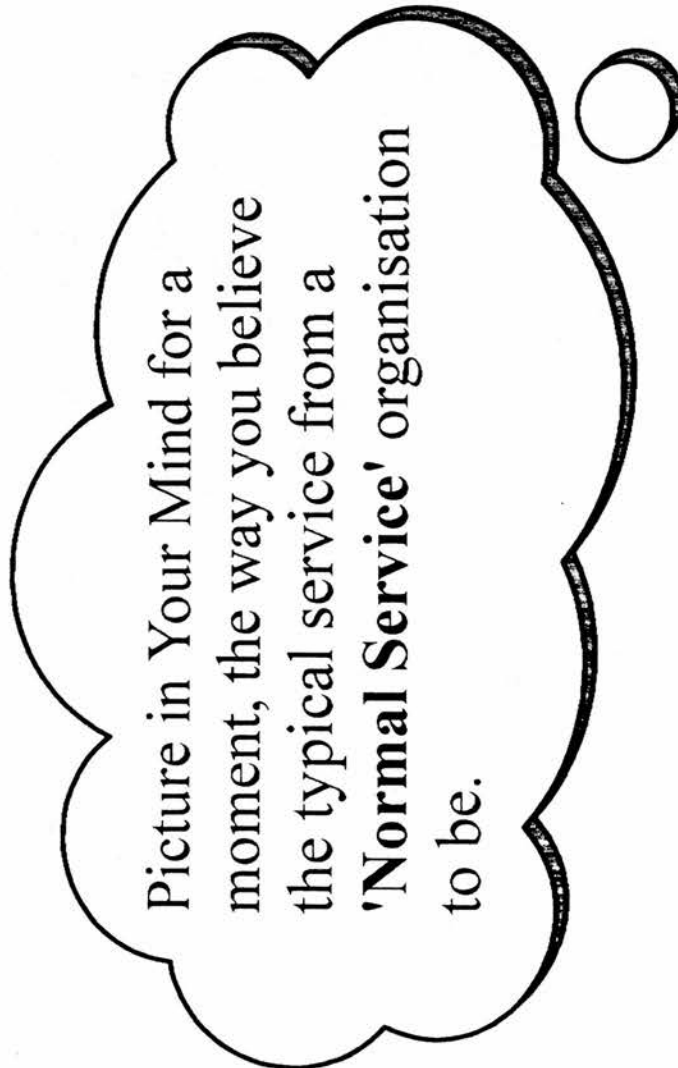Thank you for helping

B3.4 'Generic Wide' Questionnaire

Questionnaire 2 W:

In the course of your daily life you experience, and are told about through adverts and word of mouth, the **service** of all kinds of different organisations, from hairdressers to restaurants, builders to banks and building societies, airlines to taxis, shops to telephone services, doctors and dentists to solicitors, refuse collection to post office services, emergency services to education and from gas companies to garages.

Picture in Your Mind for a moment, the way you believe the typical service from an **'Outstanding Service'** organisation to be.

OK, now turn the page............

Picture in Your Mind for a moment, the way you believe the typical service from a **'Normal Service'** organisation to be.

OK, now turn the page...........
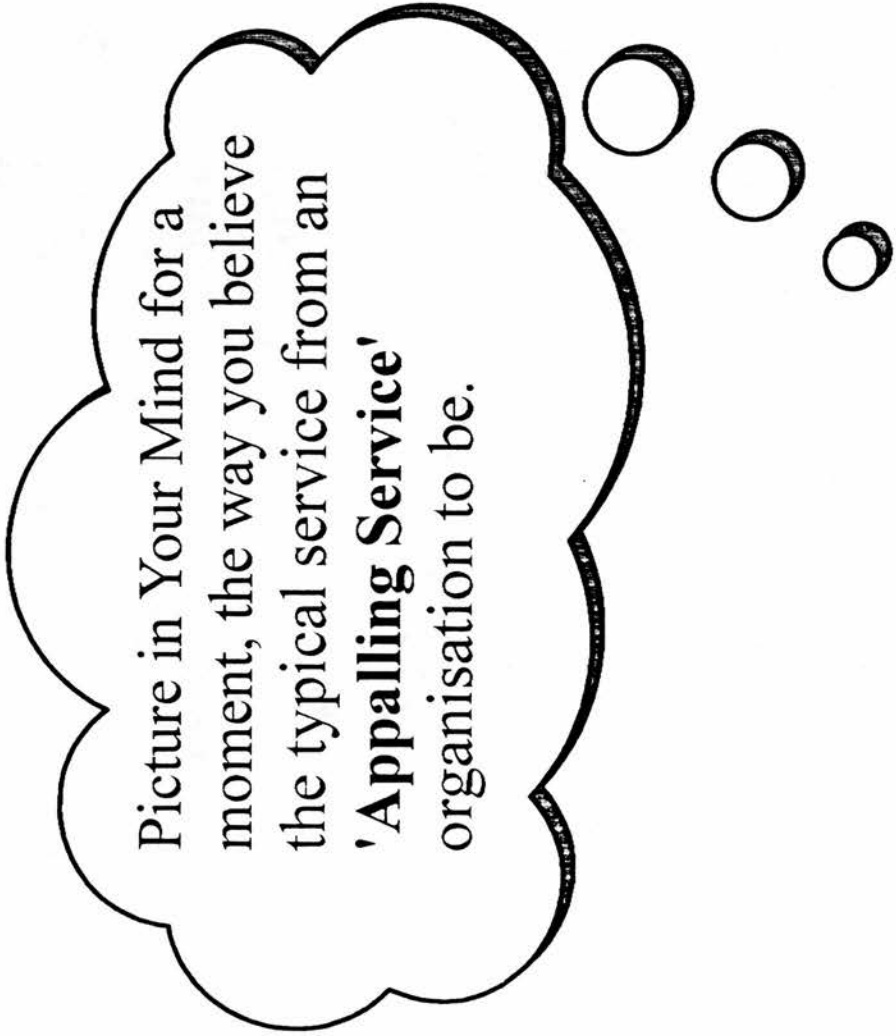
Picture in Your Mind for a moment, the way you believe the typical service from an **'Appalling Service'** organisation to be.

Now, thinking of outstanding, normal and appalling service organisations, approximately How Many Organisations Out Of 100 do you believe fit the following definitions ?

(Scores Must Add Up To 100)

Number of
Organisations

Definition	Number of Organisations
'Outstanding Service' organisation	2
'Nearly Outstanding Service' organisation	10
'Above Normal Service' organisation	20
'Normal Service' organisation	40
'Below Normal Service' organisation	20
'Nearly Appalling Service' organisation	6
'Appalling Service' organisation	2
Total	100

Picture in Your Mind for a moment, the way you believe the typical service from **Your Bank** to be.
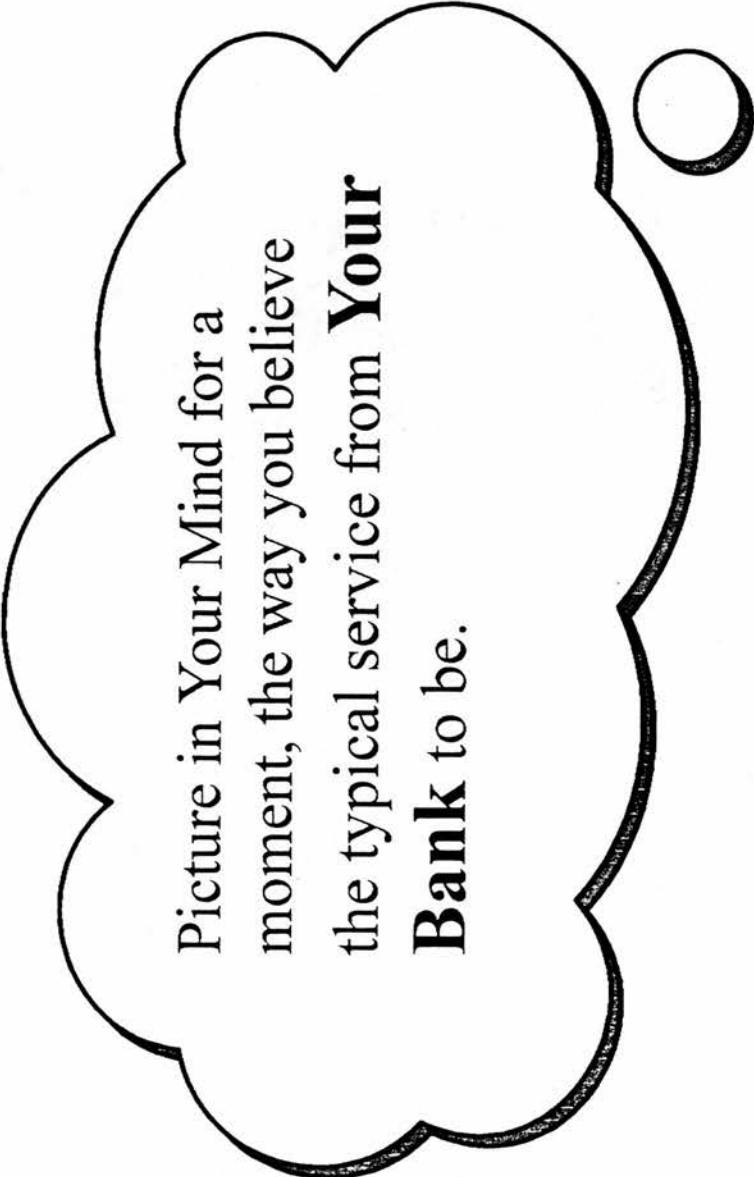
OK, now turn the page.............

**Which ONE of the following words most accurately describes the Typical Service of YOUR BANK ?
(Circle The Appropriate Word)**

Nearly Appalling

Appalling

Below Normal

Outstanding

Normal

Nearly Outstanding

Above Normal
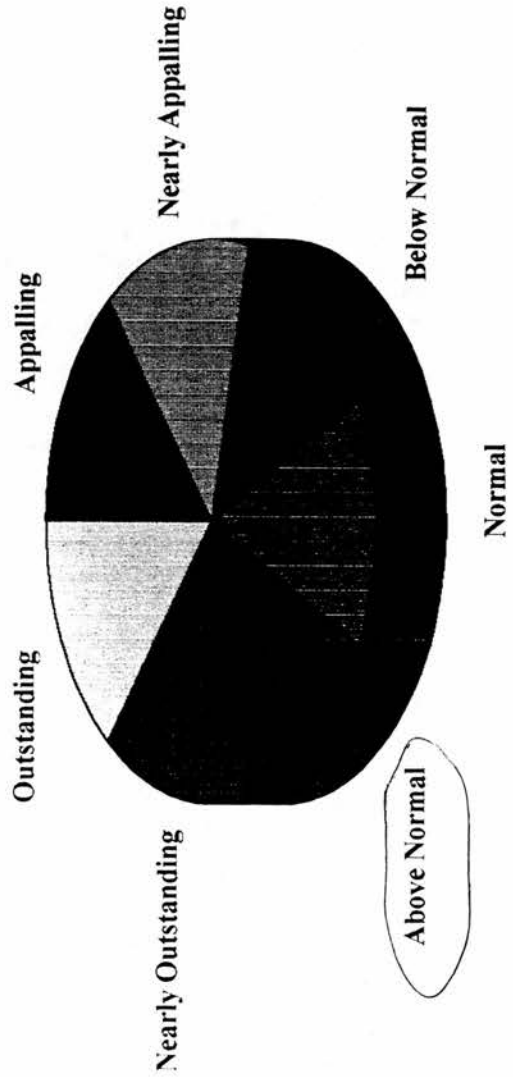
How good is the typical service of YOUR BANK?

Please Give A Score Out Of 100:

Score Out Of 100: 80

Personal Information

- Are you: Male ☐
  Female ☑

- Please give your age: 16-24 ☐
  25-34 ☐
  35-44 ☐
  45-54 ☐
  55-64 ☑
  Over 65 ☐

- Please state your household income: Less than £ 15,000 ☑
  £ 15,000 - 25,000 ☐
  £ 25,000 - 35,000 ☐
  Over £ 35,000 ☐

- Which Bank, of which you personally are a customer, do you use most frequently ?

MIDLAND

Thank you for helping

B4. Four Interviewer Questions And Answers Sheets, One For Each Questionnaire Version

(photocopies of used originals)

FINANCIAL SERVICES - CUSTOMER SERVICE

TOPIC GUIDE

<u>QUESTIONNAIRE 1N</u>

1. **Introductory Explanation**

   Any problems with these pages?

   None.

   Do you feel all the points were clear? If not, why?

   Yes.

   Any other comments?

   No

2.   'Picture in your mind Outstanding Service..........'

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

efficient   service

Any particular difficulties in answering this question? Any problems in picturing Outstanding Service from a bank?

None   really

3. 'Picture in your mind Normal Service..........'

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

Fast efficient service

Any particular difficulties in answering this question? Any problems in picturing Normal Service from a bank?

NO

4.   **'Picture in your mind Appalling Service..........'**

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

inefficient service
holding you up. not knowing
what their doing

Any particular difficulties in answering this question? Any problems in picturing
Appalling Service from a bank?

None

5. **'Approximately how many times out of 100.....?'**

How easy is it to give scores out of 100? If not, why? What would be easier?

*its was tricky | I dont go that
often to the bank | its too complicated
to make it easier, to give it
less catergories |thats all*

Any other comments? Any other problems with this question?

No

6.   'Think of the most recent occasion you have visited a branch of *Your Bank.*'

Any difficulties thinking of the most recent visit?

No   not atall

Any recollection of the *purpose* of the visit?

yes. to pay in a cheque.

Any problems in deciding which bank or branch was *their bank* or *branch*?

No   none,

7. 'Which of the following most accurately describes this most recent experience....?

How easy was it to find a word which described the most recent visit? If not, why not?

easy. it was just normal

Any suggestions for alternative words? Could other words or phrases better describe the visit? Could the seven words be changed to something more suitable/meaningful?

None

Any other comments?

None only it seems difficult to class a banking experience a being outstanding / that all

8. Other Information/Personal Information

Any difficulties in giving this information? Anything you felt reluctant to put down? (eg age, income, etc). Anything you found difficult to think of? (eg purpose of most recent visit)

the income I had to guess the household and not my own.

9. General Comments

What does the word *service* mean to you?

- the way staff behave
- the whole process
- the whole thing/a combination of everything
- nothing in particular

efficient friendly Service

How far do you think price or cost is part of service?

No idea th cost nothing
to be friendly

10. Final Comments

Any other problems or difficulties in completing the questionnaire? Anything I haven't mentioned yet? Perhaps things that you found ambiguous or confusing. Anything irritating?

NO | No

THANK RESPONDENT AND CLOSE

FINANCIAL SERVICES - CUSTOMER SERVICE

TOPIC GUIDE

<u>QUESTIONNAIRE 1</u>

1. **Introductory Explanation**

    Any problems with these pages?

    No they were perfectly clear to me.

    Do you feel all the points were clear? If not, why?

    Maybe you switch off halfway through the second page / apart from that its O-K.

    Any other comments?

    No//

2. **'Picture in your mind Outstanding Service..........'**

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

one specific event because it
does not happen very often / certain
amount of clothes shops and some
restaurants give outstanding service
but apart from that its quite rare /.

Any particular difficulties in answering this question? Any problems in picturing Outstanding Service?

No /.

3. 'Picture in your mind Normal Service..........'

What kind/s of service did you imagine?

   - one specific event/occurrence/experience?
   - or more general things?
   - or both?

Just polite and efficient / no just that

Any particular difficulties in answering this question? Any problems in picturing Normal Service?

No/

4. **'Picture in your mind Appalling Service..........'**

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

Assistants that hardly acknowledge that you are there / some times they can be very rude / if I have to wait a long time in a queue in a shop or bank I walk out //

Any particular difficulties in answering this question? Any problems in picturing Appalling Service?

No / quite easy to imagin / because it happens quite frequently. / I used to work in M+S so I know what good service is //

5. **'Approximately how many times out of 100.....?'**

How easy is it to give scores out of 100? If not, why? What would be easier?

Its OK but it would be easier.
If you could rate them from 1 to 7.
May 1 for the one you recieve most
frequently and 7 for the one least or
Visa versa.//

Any other comments? Any other problems with this question?

No//.

6. 'Think of the most recent occasion you have visited a branch of *Your Bank*.'

Any difficulties thinking of the most recent visit?

No it was only the other day!

Any recollection of the *purpose* of the visit?

To transfer some money between accounts.

Any problems in deciding which bank or branch was *their bank* or *branch*?

No there is only one.

7. **'Which of the following most accurately describes this most recent experience....?**

How easy was it to find a word which described the most recent visit? If not, why not?

Very easy (she was very friendly. and very cheerful (although thinking about it) it was probably a little above normal but that is the service I would expect as normal /.

Any suggestions for alternative words? Could other words or phrases better describe the visit? Could the seven words be changed to something more suitable/meaningful?

Maybe the word acceptable instead of normal but apart from that no //

Any other comments?

No its easy to understand /,

8. Other Information/Personal Information

Any difficulties in giving this information? Anything you felt reluctant to put down? (eg age, income, etc). Anything you found difficult to think of? (eg purpose of most recent visit)

Some people may find it unacceptable to be asked why they went to the bank my be if they were overdrawn/ no //

9. General Comments

What does the word *service* mean to you?

- the way staff behave
- the whole process
- the whole thing/a combination of everything
- nothing in particular

I immediately think of service in a shop/ help to make your purchase/ the way the staff behave/10.

How far do you think price or cost is part of service?

I suppose you want value for money, in that the product you get is worth what you pay but if you are getting quality service I don't mind paying a little extra In particular restaurants and hairdressers

10. Final Comments

Any other problems or difficulties in completing the questionnaire? Anything I haven't mentioned yet? Perhaps things that you found ambiguous or confusing. Anything irritating?

No.//..

THANK RESPONDENT AND CLOSE

FINANCIAL SERVICES - CUSTOMER SERVICE

TOPIC GUIDE

<u>QUESTIONNAIRE 2N</u>

1. **Introductory Explanation**

   Any problems with these pages?

   none.
   Could not be much simpler.

   Do you feel all the points were clear? If not, why?

   yes.

   Any other comments?

   no

2. **'Picture in your mind the typical service from an Outstanding Service bank..........'**

What kind/s of service did you imagine?

     - one specific event/occurrence/experience?
     - or more general things?
     - or both?

prompt service,
polite
This is what happens each visit

Any particular difficulties in answering this question? Any problems in picturing Outstanding Service from a bank?

3. **'Picture in your mind the typical service from a Normal Service bank..........'**

What kind/s of service did you imagine?

      - one specific event/occurrence/experience?
      - or more general things?
      - or both?

A bank that performs the task it has to
but not particaly frendy or quick

Any particular difficulties in answering this question? Any problems in picturing Normal Service from a bank?

no

4. **'Picture in your mind the typical service from an Appalling Service bank..........'**

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

midland Bank!

Slow to respond to requests
which can cost money
Inflexible

Any particular difficulties in answering this question? Any problems in picturing Appalling Service from a bank?

5. 'Approximately how many times out of 100.....?'

How easy is it to give scores out of 100? If not, why? What would be easier?

depends

I found it easy being with several banks
But if you only ever had the one bank
might be difficult

Any other comments? Any other problems with this question?

OK.

6.   'Picture in your mind the way you believe the typical service from *your bank* to be...'

Any difficulties thinking of the typical service? If so, why?

no .

Any problems in deciding which bank or branch was *their bank* or *branch*?

no

7.   'Which of the following most accurately describes the typical service....?

How easy was it to find a word which described the typical service? If not, why not?

easy.

Any suggestions for alternative words? Could other words or phrases better describe the service? Could the seven words be changed to something more suitable/meaningful?

no.

Any other comments?

Don't know why a pie chart has been used - not needed

8. **Personal Information**

Any difficulties in giving this information? Anything you felt reluctant to put down? (eg age, income, etc). Anything you found difficult to think of? (eg bank visited most frequently)

nothing.

some people won't put age
others their salaries

9. General Comments

What does the word *service* mean to you?

- the way staff behave
- the whole process
- the whole thing/a combination of everything
- nothing in particular

People responding to your requests providing information or the product you want.

How far do you think price or cost is part of service?

not really.
you can extra for a better service.
Sometimes you have to pay extra
+ sometimes you don't its not really
linked

10. Final Comments

Any other problems or difficulties in completing the questionnaire? Anything I haven't mentioned yet? Perhaps things that you found ambiguous or confusing. Anything irritating?

nothing

THANK RESPONDENT AND CLOSE

FINANCIAL SERVICES - CUSTOMER SERVICE

TOPIC GUIDE

<u>QUESTIONNAIRE 2W</u>

1. **Introductory Explanation**

    Any problems with these pages?

    No it was pretty clear/.

    Do you feel all the points were clear? If not, why?

    No7.

    Any other comments?

    No7

2. **'Picture in your mind the typical service from an Outstanding Service organisation..........'**

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

I was thinking about my work and the restaurant trade that was the first thing that came to mind / good friendly service. quick. efficient service /,

Any particular difficulties in answering this question? Any problems in picturing Outstanding Service?

3. **'Picture in your mind the typical service from a Normal Service organisation..........'**

What kind/s of service did you imagine?

 - one specific event/occurrence/experience?
 - or more general things?
 - or both?

That you get what you pay for if you want. outstanding service you have to pay for it / normal service makes me think of my work place / it's 3 star hotel and I regard that as normal whereas a 5 star would be outstanding.

Any particular difficulties in answering this question? Any problems in picturing Normal Service?

No/

4. **'Picture in your mind the typical service from an Appalling Service organisation...........'**

What kind/s of service did you imagine?

- one specific event/occurrence/experience?
- or more general things?
- or both?

Places like night clubs where it takes 20 mints. to get a drink / no? /

Any particular difficulties in answering this question? Any problems in picturing Appalling Service?

No //

5. **'Approximately how many times out of 100.....?'**

How easy is it to give scores out of 100? If not, why? What would be easier?

It quite hard / there are just so many different categories its something that you would need to sit and think about to give a good answer /.
Have specific services and put a mark for each specific service /.

Any other comments? Any other problems with this question?

Thats about it //

6. **'Picture in your mind the way you believe the typical service from *your* bank to be...'**

Any difficulties thinking of the typical service? If so, why?

I have only been with them for a couple of months so its a bit difficult to say but so far they have fine /

Any problems in deciding which bank or branch was *their bank* or *branch*?

No none /

7. **'Which of the following most accurately describes the typical service....?**

How easy was it to find a word which described the typical service? If not, why not?

Very easy (I've not found any fault with them yet/

Any suggestions for alternative words? Could other words or phrases better describe the service? Could the seven words be changed to something more suitable/meaningful?

No I think. thats fine could. not be altered in any way its quite clear as it is.//

Any other comments?

No.

8. **Personal Information**

Any difficulties in giving this information? Anything you felt reluctant to put down? (eg age, income, etc). Anything you found difficult to think of? (eg bank visited most frequently)

No/ nothing/,

9.   **General Comments**

What does the word *service* mean to you?

- the way staff behave
- the whole process
- the whole thing/a combination of everything
- nothing in particular

Service is just doing something for some one else (doing a duty for some one else)

How far do you think price or cost is part of service?

As I say you get what you pay for the better the service the more you pay //

10.   Final Comments

Any other problems or difficulties in completing the questionnaire? Anything I haven't mentioned yet? Perhaps things that you found ambiguous or confusing. Anything irritating?

No! Just the score of 100. Section 1 could not do it properly off the top of my head!

THANK RESPONDENT AND CLOSE

APPENDIX C

Explanation:

This appendix contains a copy of a paper which was written by myself and published in the following book:

Edvardsson B., Brown S.W., Johnston R. and Scheuing E.E., *"Quis 5 - Advancing Service Quality: A Global Perspective"*, International Service Quality Association (ISQA), 1996, p.257-265, ISBN 0-9652482-0-8.

Understanding the process of Customer Service Quality Evaluation:
An extension through psychology and empirical study

Philip E. Lewis
University of Edinburgh, UK

ABSTRACT

There is undoubtedly a psychological basis to the process of customer service quality evaluation (CSQE). By looking at the fundamental psychology framework as a whole, in the context of CSQE, it is possible to identify additional suggestions to the process of CSQE. This paper reports research by the author, which suggests that the customer's service quality evaluation, for both a service experience and a service provider, is derived by that customer using one or more of at least three heuristics. These suggestions do not contradict the major previous theories of CSQE, as much as they build on them.

INTRODUCTION

Customer service quality evaluation (CSQE) is the result of a process. It is a customer's comparison, summarised in an attitude, of the believed goodness or badness of all dimensions of a particular service experience or service provider, in relation to expectations including other services or service providers within a market.

In order for a service provider to maintain, improve, or maximise the CSQE of its customers, it must first be able to understand and measure the process of CSQE. The more understanding it has, the more accurate its measurement can be, and the more appropriately it can take measures to control CSQE.

The fundamental psychology framework supported by the psychology literature, is supportive of current understanding suggested by the business literature. Current business understanding is not the aim of this paper, and therefore will not be explained here. However, the psychology literature also suggests an extension to current business understanding.

Research has been conducted by the author into this suggested extension of business understanding. This research has three components. The first component is the development of an extended theory of CSQE. The extended theory was developed through using understanding from psychology literature, in order to suggest a process of CSQE. This process supported, clarified and expanded upon the process of CSQE suggested by the business literature. The second component is a major piloted empirical study, testing new hypotheses derived form the extended theory of CSQE. This empirical study contained mainly quantitative but also some qualitative elements. The third component concerns practical suggestions for the use of the extended understanding of CSQE, in the CSQE measurement and control strategies used by service providers. The first two components will now be briefly explained by this paper.

We know, through simple observation, that customers often speak of how a service or service provider is better or worse than expected, better or worse than usual, could be better or worse, the best or worst, unbelievably good or bad, and relatively good or bad. Comments such as these suggest there are many reference points in memory which are used by customers, not just two reference points as suggested by the 'Zone of Tolerance' of Berry and Parasuraman (1991). Whilst this is not scientifically tested evidence, we all know that every one of us have made and heard comments such as those mentioned above, on numerous occasions. Such evidence therefore, provides us with a common sense hunch, and sense of direction, concerning the nature of what is taking place in the minds of customers when evaluating the quality of service experiences or service providers. This hunch is supported by the logical conclusions, backed by some imagination, which can be drawn from the fundamental psychology framework.

The fundamental psychology framework suggests that following attention, perception, storage in memory and manipulation of service experiences and all other relevant interacted information, expectations in the form of schemata can be formed as a means of comparison for specific service experiences. This use of expectations does not deny the existence of prediction expectations. On the contrary, prediction expectations are proposed both by the business and psychology literature.

To be of any use however, schemata should cover the whole range of experience in order to allow a service experience to be compared relatively with all other experiences. This requires at least a schema for the upper limit (best service) and a schema for the lower limit (worst service). The distribution of service experiences between the upper and lower limit would be required however, in order to give an accurate position of a service experience within any given comparative distribution. A schema for typical service, together with a knowledge of how many experiences are similar to each of the schemata, is therefore beneficial.

A customer can gain knowledge of how many experiences are similar to each of the schemata, by conducting an audit of how easy it is to recall experiences of a similar nature of positiveness to the schemata. The easier it is to recall experiences, the more experiences that there are believed to be. This type of psychological process is known as the Availability Heuristic (Tversky and Kahnemann, 1973; Gabrielcik and Fazio, 1984). A very similar method has been shown to be used for the placing of events in chronological time (Brown, Rips and Shevell, 1985). The evaluation of the number of experiences which are similar to each schemata, could also take place using the knowledge of such facts held in memory.

These comparison expectations could be made more accurate through the use of four additional points of reference: 'similar to but worse than best schema', 'similar to but better than norm schema', 'similar to but worse than norm schema', 'similar to but better than worst schema'. This could be possible since typicality and familiarity are features of the perception system (Gregory, 1986; Goldstein, 1989) and memory systems (Kohonen, 1984; Kintsch, 1980). A knowledge of the number of experiences which are similar to each of these intermediate service levels would also assist accurate evaluation of service.

Since the customer knows approximately how many past direct and indirect experiences correspond to each level of service, the customer can now know approximately how many comparative experiences are bettered by the experience in question, and therefore comparatively how good the experienced service was in relation to all other service experiences. In this way a service quality evaluation can be obtained.

The logistical problem which still exists following the formation of comparison expectation schemata, is the question of how to turn the customer's schemata, as well as memory for the service experience, into compatible units for comparison. Schemata would appear to consist of many elements. Schemata are generalisations of procedures, social events and social behaviour, and are thus cognitively and evaluatively complex (Rumelhart, 1975,1980; Rumelhart and Norman, 1985). The memory for a service experience is also complex. For comparison of schemata and memory for a service experience to be possible, both must be made evaluatively simple so that a single value for each of the schemata, and a single value for the memory for the experience, can be compared with each other. The only cognitively complex and evaluatively simple stores of information known to psychology, that would be relevant to this situation, are attitudes. The schemata and service experience memory therefore need to be turned into attitudes if they are to be compared.

Attitudes have an evaluative nature (Judd, Ryan and Parke, 1991; Bem, 1970; Edwards, 1957; Fishbein and Ajzen, 1975; Hill, 1981; Osgood, Suci and Tannenbaum, 1957; Oskamp, 1977), and according to Baron and Byrne (1993), attitudes have some degree of abstractness. Attitudes can relate to almost any consideration (Fazio, 1989). Most attitudes are as evaluatively simple as they are cognitively complex. The overall orientation of an attitude, the sum of the attitude's cognitions and affect, is simply a feeling of the extent of favourability or unfavourability towards an affect, idea, person or people (Anderson and Jacobson, 1965). Attitudes can be formed as and when, and only when required (Baron and Byrne, 1993). People will form attitudes if and when they need or expect to need them. This was shown in a series of studies by Fazio, Lenn and Effrein (1984). People can also retrieve previously formed attitudes, either automatically in response to a strong stimulus (Fazio, Sanbonmatsu, Powell and Kardes, 1986), or deliberately (Fazio and Williams, 1986; Shiffrin and Schneider, 1977).

Once the attitude towards the service experience and those for expectations have been formed, and any resultant cognitive dissonance reduced if possible, a comparison between the two can be made. This comparison, together with the knowledge of the number of service experiences similar to each of the expectations schemata, will result in the CSQE.

One question which remains however, is the question of exactly how the comparison between the service experience and comparison attitudes takes place. A customer, in her or his mind, could place the service experience attitude as equal to the middle of a specific schemata category, believing that the service is typical, and therefore somewhere in the middle of all service experiences provided in that category. We will call this the Half CSQE Heuristic. Alternatively, a customer could place the service experience attitude as equal to the top of a schemata category, believing that the service is as good as any service experiences in that category. We will call this the Full CSQE Heuristic. As a third alternative, a customer could make a simpler, though probably less accurate CSQE, by comparing a service attitude only with the comparison schemata and intermediate service levels, rather than also with the incidence of occurrence at each of those schemata and intermediate service levels. We will call

this the Basic CSQE Heuristic. Perhaps two or all three of these CSQE heuristics are used, but at different times, or by different customers. Perhaps none of these heuristics, or slightly different ones are used. These three CSQE heuristics are illustrated by Diagram 1.
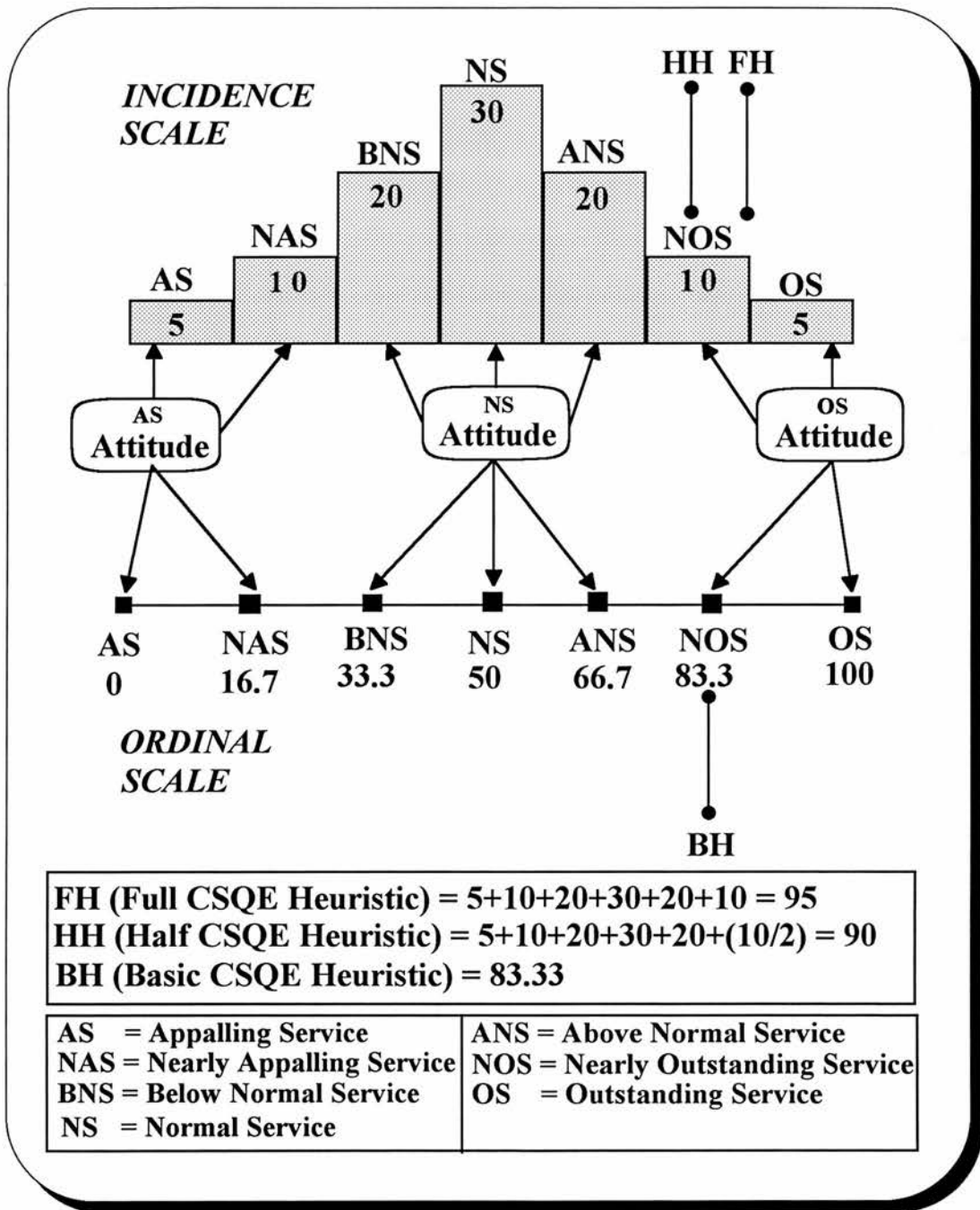
DIAGRAM 1.

Diagram 1 shows the two scales of comparison, a full incidence scale and an ordinal scale, that can be derived from the same information, namely three schemata and four intermediate service levels. The diagram shows how a full and half CSQE heuristic can derive a value for CSQE from the incidence scale. It also shows how a basic CSQE heuristic can derive a value for

CSQE from the ordinal scale. The diagram assumes that the customer equates the service experience with nearly outstanding service on either scale.

It seems reasonable to argue that the memory system provides individuals with the ability to derive the information necessary to form an attitude towards a particular service provider. Similarly it should also be possible for an individual to derive the information from memory necessary to form schemata and attitudes about similar service providers' service. If this is the case, then all of the elements of the process of CSQE mentioned above, related to service providers rather than service experiences, should also apply to CSQE of a particular service provider.

One question which still remains is the issue of how wide are expectations. By this I mean do expectations contain just the relativity of lets say 'other banks', or the wider relativity of 'other service providers', or something in between?

It is believed that this proposed process of CSQE generally applies to customers regardless of demographic, experience and situational factors.

THE EMPIRICAL STUDY

The above theory was tested through an empirical study. This empirical study took the form of postal distributed questionnaires concerning the CSQE of retail banks. The questionnaires which were distributed were very different in appearance from any previous questionnaire. This was done for a number of reasons including the improvement of response rates, reducing completion errors, and preventing subjects from looking at questions in the wrong order. This empirical study was developed through consecutive early pilot studies covering a total of 120 subjects, followed by a final pilot study containing four hall studies in four different locations around Britain. The final pilot study tested 210 demographically variable subjects by questionnaire, of which 45 took part in ten minute in-depth interviews to establish the validity of the questionnaire design.

Questionnaires for the empirical study, were distributed to 4000 subjects who had been randomly selected from a demographically diverse database of one of the UK's top opinion poll agencies, NOP. Questionnaires were distributed to subjects from around Britain (England, Scotland and Wales).

All recipients of questionnaires were informed of a £1000 prize draw for all those returning questionnaires before a given date. The prize draw entry form was on a separate piece of paper, and subjects were assured by the distributing agency which they knew, that their responses were anonymous. It was hoped that these measures would improve response rates.

Values for each of the three CSQE heuristics, for each subject were achieved by calculating CSQE in the three ways suggested by the three CSQE heuristics. Firstly in order to achieve this, the position of the service relative to best, worst and normal schemata, and four intermediate service levels, was obtained through a series of questions in questionnaires. Secondly, the proportions of experiences (or service providers in the case of generic service

quality) out of ten or 100, in the minds of subjects, which were similar or equal to each of the schemata and intermediate levels, were then obtained through further questions in the questionnaires. Thirdly, from this information, the proportion of experiences less good than the experienced service (or the proportion of service providers less good than the service provider being evaluated, in the case of generic service quality) was calculated.

Full CSQE heuristic values included all of the incidence of experiences or service providers similar to the comparison schema or intermediate levels with which a subject equated service, together with the incidences for all lower schemata and intermediate levels. Half CSQE heuristic values included the same as the full CSQE heuristic, except that half of the incidence for the schemata or intermediate level with which the subject equated the service was subtracted from the prediction. Basic CSQE heuristic values were calculated by allocating an equal space interval value to each successively higher comparison schemata and intermediate level, starting at zero for appalling service, with five for normal service, ten for outstanding service, and so on for the four intermediate comparison points.

To see if any or all of the CSQE heuristics are an accurate predictor of 'Stated CSQE', the CSQE stated by the customer was correlated with each of the three CSQE heuristic values.

A variety of demographic and other variables of subjects were also measured, including age, sex type, household income, whether subjects were students or not, recency of the experience, the type of service used, the amount of similar experience by the subjects. These measures were taken to ensure a broad population sample.

Four questionnaire versions were distributed for the empirical study. One questionnaire version concerned specific experience CSQE. It tested whether the proposed process of CSQE applies to specific service experiences of retail banks. This questionnaire version was split into two sub-versions. These two sub-version questionnaires tested if expectations are as specific as, or more than, just 'banks' for specific CSQE. These two sub-version questionnaires were named 'Specific Narrow' and 'Specific Wide' respectively. Another questionnaire version concerned generic CSQE. This concerned customers evaluations of retail banks. This questionnaire version was also split into two sub-versions. These two sub-versions tested if expectations are as specific as, or more than, just 'banks' for generic CSQE. These two sub-version questionnaires were named 'Generic Narrow' and 'Generic Wide' respectively.

For each of the four questionnaire types, 1000 questionnaires were distributed to a random sample of subjects. This meant a total questionnaire distribution of 4000. Of these 4000 questionnaires, 34 per cent or 1363, were returned to the researchers. A further two per cent or 66, were returned more than two and a half weeks after the return date requested on the questionnaire. These 66 questionnaires were returned too late to be analysed, but increased the total response rate to 36 per cent. The proportions of questionnaires returned in time were very similar for each of the four questionnaire types. The responses of 8.7 per cent or 119 of those subjects who had returned questionnaires, were rejected for a variety of reasons. Responses were only rejected if they were incomplete to an extent that did not allow any one or all of the CSQE heuristics to be calculated. The responses of 91.3 per cent, or 1244 of those subjects who had returned questionnaires, were accepted for further analysis. This represents 31.1 per cent of all distributed questionnaires. Similar proportions of each of the four questionnaire types were accepted and rejected. Consequently, it can be seen that of the 1000

questionnaires distributed for each of the four questionnaire types, the numbers of returned questionnaires used for analysis were significant and very similar.

The findings of the empirical study suggested that customers use one, sometimes more than one, of at least three heuristics, both during CSQE of specific experiences and generic service providers. The three heuristics suggested by this research are in keeping with the three suggested by the extended theory of CSQE. In the case of the 'Generic Wide' questionnaire, the three heuristics each correlated with actual stated CSQE at between .67 and .78 for males, and .56 to .7 for females. In the case of the 'Specific Wide' questionnaire, the correlations ranged from .5 to .63 for males, and from .44 to .57 for females. Graphs plotting the heuristic predictions of CSQE against actual stated CSQE, clearly showed the correlation between the two. The graphs also showed that heuristics were predictive of extreme as well as moderate actual stated CSQE. What the graphs also clearly showed however, was that the three heuristics were generally accurate at different times. For both the 'Specific Wide' and 'Generic Wide' questionnaires, each of the three heuristics were generally able to predict actual stated CSQE to within five percent in approximately one third of cases. However, at least one of the heuristics were able to predict actual stated CSQE to within five per cent in nearly two thirds of cases, despite the heuristic predictions varying greatly between different subjects and in comparison to the predictions of the other heuristics. Use of heuristic depends in part on the age and sex type of a customer. It is not known however, to what extent specific customers use the same or a different one of the three heuristics for different CSQEs, to what extent and why.

The final empirical study also suggested the use of 'Wide Expectations' by most customers evaluating specific service experiences and generic service providers, and also narrow expectations by some others when evaluating specific service experiences. Use of these two widths of expectations depends in part on the age of a customer. However, it is not known to what extent specific customers use the same, or a different one of the two widths of expectations, for different CSQEs, and why.

Sometimes none of the three heuristics appeared to be used. Once again, the reason or reasons for this are not known. Perhaps it is because other heuristics may be used by some customers, or by all customers at certain times for certain reasons, or because specific customers use narrow expectations or even wider or narrower expectations, for all or some CSQEs.

The empirical study was conducted on a wide variety of demographically and otherwise different subjects, suggesting appropriateness of the heuristics to a broad population sample. In particular, the population sampled was considered representative of the current account customer base of large retail banks in Britain.

CONCLUSION

The empirical study therefore appears to have supported, to a satisfactory degree, much of the extended theory of CSQE. There is a need to support this evidence however, with more similar research. There is also a need to research the unanswered questions and issues which have been raised or suggested by this research.

The consequences of this research for the measurement and control of CSQE are wide reaching. By understanding the reasons for why customers give the evaluations of service that they give, it should be possible to understand what can be done to quantify those reasons. If those reasons can be measured, the ones which need to be and can be controlled, can be identified. If this research has extended understanding concerning the process of CSQE, then it should also have improved our ability to measure and control CSQE. As part of the above research, the author has carefully considered the consequences for the measurement and control of CSQE, although there is not room within this paper to do justice to such considerations.

This paper has presented a simplistic overview of a far more complex piece of research. The essence of the research has nevertheless been conveyed.

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