Service Quality & Customer Satisfaction
A case study in Banking Sector

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Abstract -

Title: Service Quality & Customer Satisfaction: A case of Banking Sector

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Aim: The aim of this research is to analyze the impact of service quality on customer satisfaction. A sound association is found between customer satisfaction and the quality of service provided by the companies. In business world customers are the source of profit and revenue for the service organizations and improvements in service quality leads to customer loyalty. The study investigates the effect of quality on satisfaction by focusing on the relationship between service quality and customer satisfaction and how quality can be improved in the service firms.

Methodology: Qualitative research method is used to conduct this study. The selection of primary studies is done by conducting interviews in a bank as professional service industry. The research findings are analysed by qualitative data analyses techniques to build analyses and draw conclusions.

Conclusions: Findings reveal that quality of service does effect the customer satisfaction up to some certain level as both concepts are distinct and the relationship found between them is casual. Also the quality of service has significant contribution towards customer satisfaction because it is affected by various factors such as human interaction, physical environment, value, price, performance etc. To improve performance system companies should focus more on introducing employee oriented policies by establishing a service culture followed by a strong strategy in place and by removing gaps between management – employees and its customers. It is found that through proper planning and constant monitoring firms can develop effective strategies to improve quality levels and to retain their existing & future customers.
**Suggestion for future studies:** Same research can be conducted by using quantitative methodology (customer surveys, questionnaire) to know about customer’s perspective on quality and satisfaction. To better generalize the study results, further research could be performed with same concepts but in different service areas i.e. insurance companies or telecommunication industry. Other then service quality, the impact of image factor in relation with customer satisfaction can also be investigated for further research in the same area.

**Contribution:** This study explains the effect of service quality on customer satisfaction by explaining their interrelationship. It also identifies various factors affecting the both constructs. Service firms can adopt various practises as explained in this study in order to improve the quality of service that can best serve existing and future customers. The relationship between service quality and customer satisfaction is not widely discussed in the literature so future research can be done in the same area by using the results of this study. As the study is done in the banks of two different countries, the results may be generalized in the banking sector of service industry.

**Key words:** Customer satisfaction, Service Quality, Service Improvement Strategy, Service Gaps
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1 INTRODUCTION

The first chapter consists of five sections. The first section discusses the background of the study by providing an overview about the topic. Further it discusses the basis of the Research problems by providing the definitions of customer satisfaction and service quality in order to build the concept. The third section presents the aim and purpose of the work followed by the two research questions. The fourth section includes the limitations of this research work. Finally the last part explains the structure/outline of the study.

1.1 Background

The current business environment is becoming competitive and challenging than before. With multidimensional challenges and demand of globalization, the organizations are forced to re-engineer their products and systems to improve the service quality and remain competitive. (Yasin et al., 2004; Rodie and Martin, 2001).

Customer service is considered as an integral part of any facet of industry and it defines the future of any organization. The rapid advances in technology based systems related to internet are leading to fundamental ways in how different organizations interact. This applies same for relation of an organization with its customer. In different services industries the relationship between customer satisfaction and service attributes have been difficult to identify because services nature is intangible (Hong, Goo et al., 2004; Nguyen and Leblanc, 2002).

Due to intangible nature of services it is difficult for the firms to analyse how the customers perceive and evaluate the desired outcome of the service quality (Zeithaml, 1981). As customer evaluate their level of satisfaction by experimenting the service quality, satisfaction with services is related to conformation or disconfirmation of expectations (Smith and Houston 1982). The issue of highest priority today involves understanding the impact of service quality on profit and other financial outcomes of the organization (Zeithaml et al., 1996).
As Organizations are increasingly becoming customer focused and are driven by customer demands. It is becoming equally challenging to satisfy and retain customer loyalty. Research by Oliver (2009) suggests that both service quality and customer satisfaction are two distinct but related constructs. It is particularly true for the services firms where increased level of customer satisfaction results in profit maximization.

Therefore experts say that customer satisfaction should be the fundamental principle of all the service firms as it is the key indicator of firm’s performance. As said by Sakthivel et al., (2005) Customer loyalty and satisfaction is proved to be the major determinant for long term survival and financial performance of the company (Jones and Sasser,1995) also customers are considered as final judges to judge the quality level of product and services offered.

So it can be said that the improvements in quality standards bring positive outcomes for the firm. When service firms well understand this fact that continuous improvements in service quality and offerings effects the satisfaction level of customers, they can better allocate resources to attain quality standards in order to meet their client’s expectations. This research mainly focuses on those improvements and processes to manage the process of quality services delivered to the final consumers and examines the relationship between service quality and customer satisfaction. To get the answers, research was conducted in a service industry (bank) to gather information from practical life. For this purpose two leading banks were selected one in Pakistan (MCB ) and one in Sweden ( SEB).

MCB bank Pakistan is one of the leading bank with around 60 years of experience, founded in July9, 1947. The bank has 1,193 branches operating domestically and 688 ATMs country wide. It is serving 4.7 million customers. The bank has remarked as one of the oldest and most stable financial institution with a deposit base of 491 b PKR and assets range from 653 b PKR.

SEB bank Sweden is the leading investment and corporate bank operating in Nordic region. It is founded in 1856 and recently operating in around 20 countries with 17000 employees. Its head office is situated in Stockholm. The profit margins as calculated in the year 2011 were around 1023 million Sek. The detail information about the two banks is provided under the empirical study section.
In service industry, the concept of quality holds the main position. The relationship with the customer is based on the promise that customer satisfaction is achieved through providing standard quality of service. The high quality demands on customers end is becoming prominent due to the growing fact that high level of service quality leads to sustainable competitive advantage in the competitive business environment (Sureshchandar et al., 2002).

It is not surprising to know that quality level of services is the leading phenomena to plan strategies in the services firms (Khamalah and Lingaraj 2007).

To better understand the concept of quality and satisfaction, we should look into the definitions of the two main concepts of this research customer satisfaction and service quality, which are discussed in detail below.

1.2 Defining Customer Satisfaction

The concept of customer satisfaction has drawn the attention of practitioners and academics from last several years based on the fact that customers are the primary source of Profit for most of the firms operating in the market (Tam, 2004).

According to Churchill and Surprenant (1982) “customer satisfaction is an outcome of purchase and use resulting from the buyers’ comparison of the rewards and costs of the purchase in relation to the anticipated consequences”. It is also defined in terms of an emotional state that usually arises in response of evaluating a particular service (Westbrook, 1981). The former concept highlights the fact that satisfaction is determined through a cognitive procedure by comparing what customers give up to get a service( cost) and what they receive in response ( reward) however the later concept takes satisfaction as a emotional feeling that results during the process of evaluation (Tam, 2004). Consistent with this concept, we can say that “customer satisfaction is defined as an emotional response, which results from a cognitive process of evaluating the service received against the costs of obtaining the service” (Woodruff et al. 1991).

Customer satisfaction facilitates the measure of how service and products provided by company meet customer expectation. It is a key performance indicator in business terms. Typically, service firms monitor and examine the satisfaction level of customers on an ongoing base by using different scales like likert, to measure the level of customer satisfaction which is mainly based on service encounter experienced on their last visit (Peterson and Wilson, 1992).
Quality and customer satisfaction both have long been recognized as crucial role for success and survival in today's competitive market. Considerable evidence exist in literature that supports relationship between company’s performance and level of satisfaction reported by customers (Anderson et al., 1994; Bolton, 1998). Therefore, it is argued that customer satisfaction should be considered the ultimate goal for all firms (Morgan et al., 2005; Mittal et al., 1999).

Empirical evidences has supported that customer satisfaction reduces the likelihood of defection and/or is positively related with retention (Anderson and Sullivan, 1993) repurchase intention (Mittal, Kumar and Tsiros, 1999) and loyalty (Oliver, 2009) (Boshoff and Gray 2004) have mentioned that satisfaction is not inherent in service of product. But satisfaction is mainly present in consumer’s perception of the service or product attributes, that relates to the specific individual. Therefore, different customers will express different levels of satisfaction for the same service encounter or experience (Ueltschy et al., 2007).

1.3 Defining Service Quality

There are many definitions for the term Quality defined by different authors. "Quality can be defined broadly as superiority or excellence“ (Zeithaml, 1988). In literature, the issue on how the service quality should be measured has been discussed by Teas, 1993, Brady and Cronin, 2001. The previous research suggests that quality is not perceived as a one-dimensional concept by customer. But also there is no agreement about how to access the service quality (Cornin and Taylor, 1992).

The concept of service quality is most debated subject in service literatures due to lack of consensus (Gupta and Chen, 1995). Based on previous studies, Parasuraman et al., (1985) proposed three themes on service quality:

1) Difficult and complicated to evaluate as compared to tangible goods quality
2) Service quality perception results from actual service performance Vs consumer expectations
3) Quality evaluation not solely focuses on outcome of service. But also involves the evaluation of service delivery process.

Many services are personnel intensive, customized to suit heterogeneous needs and preferences. These are jointly produced by both producer and customer(s) and are intangible
and heterogeneous (Anderson et al., 1997) This idea is commonly accepted that services are evaluated both by production, outcome and delivery process (Siddiqui and Sherma, 2010).

Gronroos model divides customer’s perception about the quality of a specific service into two dimensions e.i. technical and functional quality (Gronroos, 1994) it is also known as Technical/Functional Quality framework. For example, technical quality might consider the effectiveness of car repair, cleanliness of hotel room. And functional quality might include, the care and manner of personnel involved in processes of service delivery (Lassar et al., 2000).

Also Parasuraman propose the gap model for service quality, that the operationlized service quality is gap between performance and expectations perceptions of customer (SERVQUAL). Parasuraman et al. 1985, SERVQUAL has five quality attributes (Gupta and Chen, 1995, Ooi, Lin, Tan and Chong, 2011). These are Empathy, Responsiveness, Tangibles, Assurance and Reliability.

Different authors have defined service quality models applicable in various industries i.e. medical services by Murfin et al., (1995); Soteriou and Stavrinides, (1997) developed service quality model for bank, technology-based service quality models were proposed by (Zhu et al., 2002; Seth et al., 2008).

To better understand the service quality we need to look into the three main characteristics of services: Invisible, consistent and diverse. Because services are non physical it is hard to determine, record, calculate or to test the service prior to the sale in order to protect the quality on its delivery (Zeithaml et al., 1988). Also it is assumed that due to heterogeneity services various from person to person so performance various at different levels.

Sometimes service is produced and consumed at the same time, its inseparability of service. In most services, quality occurs during service delivery, usually when customer and service employee interacts (Lehtinen and Lehtinen 1982). Research reveals that delivering high service quality produces measurable benefits in profit, cost savings, and market share. Therefore, an understanding of the nature of service quality and how it is achieved in organizations has become a priority for research. (Zeithaml et al., 1988)

For that, companies need to develop an environment inside the organization that is more prone towards meeting service quality standards according to the customer requirements. There are number of organizations actively using some form of customer satisfaction
measurement in developing, monitoring, and/or evaluating product and service offerings, as well as for evaluating, motivating, and/or compensating employees. (Anderson et al., 1994). Success could be achieved only if the internal environment is strong enough to meet the challenges of external requirements.

1.4 Aim of the Study & Limitations

The aim of this research is to investigate the link between service quality and customer satisfaction and the ways through which service firms can improve and manage the process of delivering quality standards to their customers.

For this purpose, the study analyses the effect of service quality on customer satisfaction by discussing their relationship. Also, it highlights and discusses those factors that can have an impact on both constructs. Furthermore, some improvements techniques are examined through which quality of services may be improved in the organization. The aim is achieved by addressing following research questions.

RQ1: Does the service quality have any effect on customer satisfaction?

RQ2: How service quality may be improved in the organization?

The research mainly focuses on the service industry which is a broad term therefore banking sector is selected among other service institutions. Qualitative methodology is used for the purpose of research. Interviews are conducted of managers involved in developing policies or procedures to improve service quality and to serve current and future customers. The hospitality industry is a vast industry in which banking sector is chosen to conduct this research.

The study has certain limitations. Qualitative research methodology is used for this study. For this purpose interviews are conducted of those managers who are directly or indirectly related to quality/customer services. Therefore it is possible that some of the information (collected from those managers who are not directly related to quality/customer service department) could not be marked as expert opinion on the subject matter.

The research is done in the banking sector and the data is gathered from two different banks in two countries Sweden and Pakistan. Therefore the results of this study could be applied up to some extend in the same industry but cannot be generalized for the whole service industry.
Most of the research information collected for this study is based on telephonic interviews. Total of five interviews were conducted for this research.

1.5 Structure of the Study

The study consists of six chapters. The 1st chapter includes the Introduction, background of the study, research problems and aim of the research. In addition to this, it includes definitions of customer satisfaction and service quality. The limitation of the study is provided as well. The 2nd Chapter presents the Literature Framework. 3rd Chapter describes the methodology and data collection techniques used in the study. Chapter 4 discusses the empirical findings. It includes the detailed information about personnel interviews conducted to answer the research problems of the study. The 5th Chapter explains the analysis of the overall work by discussing and linking with the theories used for this study. Chapter 6 concludes the overall work and discusses the results followed by the contribution of the study, suggestions for managers, Reflection of the study and future work.
2 Literature Review

The second chapter discusses the literature review. Related work and theories of different authors are discussed to explain the purpose and to answer the research problems of the study. It starts with analysing the effect of service quality on customer satisfaction by describing the relationship between the both constructs. The relationship is discussed by using Olivers’s and McDougall satisfaction/service quality models. Further it describes the improvement techniques to deliver high quality services to the customer in the service organisation under three headings (1- Developing service improvements strategy, 2- Managing the workforce, 3- Closing the Gaps). A theoretical model is presented in the last of this chapter.

2.1 RQ1 - Effect of service quality on customer satisfaction

To obtain products and service a consumer spends both money and resources in the form of time, energy and effort (Zeithaml et al., 1988). Service or product quality and customer satisfaction both have long been considered crucial for success and survival in today’s competitive market. But it is also important to understand what contributes to customer satisfaction that could be a key to achieve competitive advantage.

Consumers are now demanding higher quality in products than ever before (Leonard and Sasser, 1982). The search for quality is arguably the most important consumer trend of the 1980s (Rabin, 1983). The important feature of service firms is to focus on quality, the way it is produced and being offered to the final customer. It is seen that continuous improvements in the quality of services perceived according to the consumer expectations positively affects the satisfaction level and customer’s perceptions about the company.

However, it is worth noting that there are several distinct conceptualizations of quality. Just as current quality is expected to have a positive influence on overall customer satisfaction (Anderson et al., 1994). So we can say that, the effect of expectations of quality on customer satisfaction is positive and significant (Anderson et al., 1994). Delivering quality service is considered an essential strategy for success and survival in today’s competitive environment (Dawkins and Reichheld, 1990). The primary emphasis of both academic and managerial effort focused on determining what service quality meant to customers (Zeithaml et al., 1996).
Service quality is a determinant of whether a customer ultimately remains with or defects from a company (Zeithaml et al., 1996). In marketing management literature service quality takes a prominent position. It is usually defined as customer’s impression of relative inferiority or superiority of service provider and its service. Also it is often considered similar to overall attitude of customer towards company.

It is also observed that the increased interest in service quality by the firms is due to the fact that service quality is proved to be beneficial to maintain bottom line performance of the firm. Both Service quality and Customer satisfaction terms is being widely used by researchers interchangeably (Sureshchandar et al., 2002).

Studies show that the overall experience with the service quality results in customer satisfaction which leads to customer loyalty. Where the overall service quality (as perceived) is viewed as a combination of core and relational aspects. In the service literature, core and relational quality are the most basic elements of services. Where core is “what is delivered” and relational is “how it is delivered” (McDougall and Levesque, 1992, 2000).

### 2.1.1 Factors Effecting Service Quality and Satisfaction

For marketers or service providers, achieving customer satisfaction is important because it is supposed to be an important motive of customer loyalty, repeated business (with customer) and positive word of mouth (Bearden and Teel, 1983). However quality is not the only factor that effects the customer satisfaction, there are other factors beside quality like Performance, Expectations, (Mohr, 1982) desires and price factor affect the customer perceptions and the overall satisfaction level. Where quality of service is a descendent of customer satisfaction as described by Cronin and Taylor (1992), Service quality is not the only factor that has direct impact on customer satisfaction.

Identification of other elements beside quality that effects the satisfaction is critical. The other factors as described by Woodruff & Albert (2002) are value, corporate reputation, Image and transaction satisfaction. On other hand factors that affect the service quality other than those of intangible nature like human interaction in service delivery, rest are of tangible nature, design and décor elements, the effect of atmospherics, employee appearance and appearance of equipment etc (Sureshchandar et al., 2002). A clear understanding of all these factors that affect the relationship between service quality, and customer satisfaction results
in overall performance of the firm and can help to ensure better implementation of resource that firm required putting in place.

### 2.2 Relationship between Service Quality and Customer Satisfaction

During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver and Swan, 1989; Cadotte, Woodruff and Jenkins, 1987; Swan and Trawick, 1980).

In marketing theory, the consumer satisfaction category has the main position. It is based on the premise that the profit is made through the process of satisfaction of consumers’ demands (Dubrovski, 2001). A further debate has considered whether service quality is a cause customer of satisfaction (Cronin and Taylor, 1992), (Parasuraman et al., 1985). It then helps to identify a link between both constructs.

The Increased level of customer satisfaction, decreases the chances that customers will be pointing the flaws in the quality (Anderson et al., 1997). In service settings it would offer a better perspective of the relative importance of service quality determinants by developing more comprehensive models of the drivers of customer satisfaction [Anderson et al., 1997]. A great similarity between the customer satisfaction and service quality is observed, however researchers are careful to say that these two are different concepts (Spreng and Singh, 1993; Oliva, Oliver, and MacMillan, 1992).

In academics both constructs are recognised as distinct and independent (Oliver, 1980). Whereas a wide literature studies shows that both concepts are distinct conceptually but also are closely related to each other (Parasuraman et al., 1994; Shemwell et al., 1998) and any increase in one (quality) leads to increase in another (satisfaction) (Sureshchandar et al., 2002). However there are number of variations found in literature between service quality and customer satisfaction. Cronin and Taylor, 1994; Boulten and Drew 1991 stated that Satisfaction is customer decision after an experience while quality is not.

According to Cronin and Taylor (1992) it is important to have this distinction between the two concept for managers and academics, as there is a greater need to understand either the
firms objective is to perform in a way that satisfies the customers or they should strive to provide maximum level of service quality perceived by its customers.

There are researchers like Hurley and Estelami (1998) who states that that service quality and satisfaction are distinct constructs, and there is a causal relationship between the two, and the impression about the quality of service influence emotions related to satisfaction which, in turn, affect future purchase behaviour. Also customer satisfaction is viewed as the overall assessment of the service provider (Anderson et al., 1997).

The literature related to service quality and satisfaction has emphasized that customers compare the performance of product and services on some standards (Spreng & Mackoy, 1996). Also the quality of service as perceived by the customers is considered as an important factor that affects the level of satisfaction. Due to its relative importance in the service context it became a wide debateable topic and focus of research for academics.

Literature revealed that the difference between perceived service quality and satisfaction is due to the use of different standards of comparison (Zeithaml et al., 1993; Parasuraman et al., 1988) Different authors stated that the standard of comparison to form satisfaction depends on customer’s feelings regarding what will come out (predictive expectations) where perceived service quality defines what customers believe that a firm should deliver, also it is a result of comparing the performance (Spreng & Mackoy, 1996).

Overall what different authors state about these two constructs and consider it as distinct concepts there is a great need to analyse the relationship between the two to understand either these are two different concepts or are similar. For this purpose, customer satisfaction with service quality models (McDougall & Levesque, 2000; Spreng & Mackoy,1996) are discussed in the following pages (p21-23) and based on these models a SQCS models is developed(p23-25) to explain the relationship between the both constructs.
2.2.1 Customer Satisfaction with Service Quality Models

Oliver has developed a model in 1993 to explain the relationship between service quality and customer satisfaction. He states that service quality is developed by comparing performance perceptions and ideals related to dimensions of quality, satisfaction Contradicts with expectations that are predictive regarding both non quality dimensions and quality dimensions. Also perceived service quality originate from satisfaction and disconfirmation (negation) of desires are not related to satisfaction, except through the perceptions of service quality. Oliver’s model also specifies that expectations do not affect the perceptions of performance. Oliver’s model is later tested by Spreng and Mackoy (1996).

**Figure 1: Customer Satisfaction with Service Quality Model**

![Diagram](image)

Source: Spreng and Mackoy (1996)

Figure 1 presents Spreng and Mackoy research based on Oliver’s Satisfaction Quality Model. In their research they stated that, satisfaction and service quality are both distinct constructs. Also expectations are negatively related to satisfaction, but through perceived performance, expectations are positively related to service quality perceived and satisfaction. So managers should always try to decrease the level of expectations in order to provide services that are “better than expected” which will result in higher level of satisfaction (Davidow and Uttal, 1989; Peters, 1987).
Furthermore, their Research states that managers should balance the negative and positive aspects of satisfaction because if firms lower the level of expectations, the customer’s perceptions of performance will also go down and that will decrease the level of satisfaction as well. It shows that lowering the Expectations will also make the satisfaction down. If we talk about desires, Spreng and Maackoy (1996) research shows that desires are compatible (congruency) with satisfaction as desires comes prior to satisfaction. Desires are more straight forward determinant, as a key feature of both service quality and customer satisfaction is to fulfil the desires of customers.

**Figure 2: McDougall & Levesque (2000) Customer Satisfaction with Service Quality Model**

![Diagram](source.png)

**Source:** McDougall & Levesque (2000-p393)

Figure 2 presents another model presented by McDougall and Levesque. It describes customer satisfaction in service settings. The main contribution of this model is the inclusion of perceived value and its importance together with service quality and their effect on satisfaction that leads to future intensions.

This model states that perceived service quality and value influence customer satisfaction which in turn affect the future intensions. Where perceived service quality consist of two dimensions as described earlier, Core, the basic service (as promised) and relational (the way service is delivered). In addition to service quality dimensions Tangibles, Empathy, Responsiveness, Reliability and Assurance that customers use to judge or evaluate overall services (Parasuraman et al, 1985) the core and relational quality leads to overall customer satisfaction or service quality (Zeithaml et al., 1996).

Perceived value is defined as “benefits received relative to cost”. Customers who think that they got something worth spending are better satisfied as compare to those customers who think that did not get something worth spending (money) (Zeithaml et al., 1988).
Customer retention/loyalty that results in repeated transactions is the main goal of service providers as their profit and revenues are linked with it, increased in customer retention and level of satisfaction generate positive word of mouth, more revenues and reduce the marketing cost for the company’s Reichheld (1996) and Heskett et al. (1997). So it can be said that the overall assessment of service provider is viewed in terms of customer satisfaction and future intentions and the customer interests of returning back to the same service provider.

Findings of this research model show that characteristics or nature of service affects the drivers of customer’s intentions and level of satisfaction. So there is a need to develop better understanding about the relative importance of drivers of satisfaction in the service context and how the service characteristics will affect these drivers. However these drivers cannot be generalized when considering a specific service. By determining the influence of such drivers, service providers can focus more on the ways of improving those drivers that can improve the customer satisfaction which ultimately leads to improved sales.

2.2.2 Service quality and Customer Satisfaction (SQCS) Model

It is clear from both models presented above that quality of service is an important factor together with other elements (performance, expected & perceived service) affects the level of customer satisfaction. It also influences the customer decisions regarding repurchase intentions or switching intentions towards the specific service provider.

So a proposed model is developed by considering Spreng and Mackoy (1996), McDougall & Levesque (2000) as well as Parasuraman et al., (1985), models to explain the relationship between service quality and customer satisfaction that ultimately affect the repurchase intentions and results in more revenue for the service firms.
**Figure 3: SQCS Model**

<table>
<thead>
<tr>
<th>Expected Service Quality</th>
<th>Perceived Service Quality</th>
<th>Service Delivery/Performance</th>
<th>Service Quality</th>
<th>Customer Satisfaction</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Word of mouth + Personal Needs</td>
<td>Customer Expectations</td>
<td>Value Perceived</td>
<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favourable response</td>
<td>Repurchase Intentions</td>
<td>Switching Intentions</td>
<td>Unfavourable response</td>
<td></td>
</tr>
</tbody>
</table>

**Source** - Adopted by [Parasuraman et al.(1985); Spreng and Mackoy (1996); McDougall & Levesque (2000)]

Figure 3 presents a Relationship between service quality and customer satisfaction. This model is constructed after going through different models presented by Parasuraman et al.(1985); Spreng and Mackoy (1996) and McDougall & Levesque (2000) related to service quality and customer satisfaction.

According to Zeithmal & Bitner (2000) somehow personal and situational factors also effect the process of customer satisfaction. Personal factors such as personal needs or desires effect the customer perceptions and expectations, whereas situational factors such as positive or negative word of mouth leads to satisfied or dissatisfied customer responses/ opinion about the specific service.

Expectations are developed based on situational and personnel factors. Expectations about the service standards are compared with the value perceived based on price paid or the performance of service delivered. The service management literature argues that customer satisfaction comes from the perceptions related to obtained value” . . . where value is equivalent to service quality perceived in relation with price. . . (Hallowell, 1996). However the role of price in assessing the expectations and performance with regards to satisfaction
level is not very important to consider if service performance is consistent with the paid price (Voss, Parasuraman and Grewal, 1998). Also Oh and parks, 1997 explained the perceptions about the performance of the service provider (the way services are performed and delivered) positively influence service quality perceived, customer satisfaction, positive word of mouth and ultimately repurchase intentions.

According to Jillian, Geoffrey & Lester (1997) during a service encounter, the perception of performance of service quality affect the customer willingness to buy more ...So if the value perceived regarding the performance of quality is according to the expectations, it will lead to satisfied responses by the customer about the service. According to Fornell et al., 1996, For overall customer satisfaction the first determinant is perceived quality . . and the second determinant is perceived value. . . further he supports that the perceived value has positive influence on customer satisfaction.

Undoubtedly service quality has a great impact on customer willingness to buy or afterwards repurchase intentions. If the customer is satisfied with the service standards, he will be more likely to buy the same service again and will become a loyal customer. A Dissatisfied customer would never like to continue the relationship and will switch to other service providers in the same industry.

2.3 RQ2 - How service quality can be improved in the organisations?

Providing excellent services require continuous improvements in the organisational culture, a culture in which people are challenged to give their best and are rewarded and recognised in the company to perform to their full potential.

2.3.1 Developing Service Improvement Strategy in the organization

A firm can improve the quality of its services by developing the service improvement strategy in the organization which requires several steps and measures to trigger improvements in the internal environment. Leonard, Parasuraman et al.,(1994) has explained some steps for managers through which company can improve the service quality. In the following pages (p24-p26) some of the steps from Leonard, Parasuraman & Zeithmal (1994) research are discussed.
Listening

Generally, quality is defined by the customers and it should be improved according to customer specifications not the company. Listening, understanding and spending wisely on customer’s expectations and perceptions can bring improvements in the services of the company as the way customers required and expect. The most common mistake in service improvement that companies do is to spend money in a way that does not improve the services at all. Research shows that company’s strengths and weaknesses from service perspective are better explained by those who have experienced it. In order to improve the service, companies should install an ongoing research system that provides timely and relevant data. Also there is a need to develop service quality information system in the company. The service quality information system basically provides the following information.

- Identify Dissatisfied Customers & frequent service failure causes
- Collect customer feedback on continuous basis
- Create customer forums to get ideas of further improvements
- Improve internal service quality by focusing on employee issues and concerns
- Improve customer services by measuring individual employee behaviour to use in trainings, performance evaluations and rewards
- Analyze the company’s service performance compared with competitors to identify strengths and weaknesses.

Reliability

The five dimensions of services reliability, responsiveness, assurance, empathy, tangibles are used as criteria to judge the quality of the services. Also these dimensions help service providers to understand about customers’ expectations regarding service offerings. Research reveals that among these five dimensions Reliability is the most important one to judge the quality of the service. When firms are failed to deliver the promise and make frequent mistakes in service delivery, customer loses its confidence on the firm’s ability to provide timely and accurate service at the first end.

Service Design

Reliability in service delivery as expected by the customers depends on how the various elements in the service system work well together. These elements include people who
perform the service, equipments that required performing the particular service and the physical environment in which service is actually performed or delivered. Flaws in any part of this service system affect the quality level. Usually people who are delivering the services are blamed for poor quality however the real problem lies in the service system design. Service mapping is considered a way to improve the quality of services. Service mapping is the pattern of performances that makes a service system design.

Service Recovery
When a customer face a service problem, either service firms makes things better with the customer or make it worse sometimes. Three things happen when a customer experience any problem, they remain dissatisfied and do not voice their complains, they complain and become satisfied or become dissatisfied if company does not response well.

Generally customers are reluctant to complain and company should take following steps in such situations,

Encourage customers to voice their complaints and make it easy for them by providing toll free numbers or comment cards.

Problem resolution system needs to be developed very effectively in the service firms.

Response quickly to customer complaints because quick response makes a customer feel that company is concerned about his/her interests.

Surprise Customers
Customers evaluate the service dimension during the delivery process and it is very difficult to go beyond customer’s expectations by providing the reliable services only. Therefore managers must consider the “WOW” factor in their service offerings. To go beyond expectations and delight the customer demands, firms should offer some surprising elements in their service offerings like grace, courtesy, uncommon swiftness, understanding and commitment.

Fair Play
The customer expectation lies under the concept of fairness. As customers expect from the service providers to treat them fairly, fulfil the promises made and be trustworthy. Mainly customer’s expect companies to provide quick services( responsiveness), to offer comfortable service facilities and communication channels ( Tangibles), to fulfil the
commitments (Reliability) to offer personal attention and polite dealing (Empathy) and should provide considerable and competent services (Assurance). Also should provide the guarantee demonstrate fairness towards service offerings. It gives the customer a right to evoke the service and charge the compensation if he becomes dissatisfied.

Servant Leadership
Delivering high service quality demands an excellent leadership often known as “Servant Leadership”. These leaders believe in people capacity to view their own roles as standard of excellence and a direction to achieve their goals by providing necessary equipments, tools and proper freedom to achieve their tasks. These Leaders believe in investing people by listening to their concerns, providing them trainings, coaching, and teach them how to inspire and compete in order to boost company’s productivity and quality standards.

2.3.2 Managing the workforce in the Organisation
For a service firm, employee’s performance has a strong influence on firm’s efforts regarding delivering quality services to its customers. So services cannot be standardizing and up to the mark unless company understand its employees, deals and manage them in an effective manner. Because ultimately employees are the people who carry company’s vision and mission and helps the company to accomplish its objectives. Also they interact and deals with the customers directly. If employees are satisfied and happy they will delightly handle the customers, but if they are not happy the will response otherwise. It simply means that company can be successful only by effectively utilizing the abilities of its workforce and by expanding the scope of their activities. Pfeffer et al., 1995 has explained the importance of workforce and discussed few practises for managing people in the organisations that ultimately helps to achieve organisational goals. In the following pages (p27-p28) some of the practises from Pfeffer et al.,( 1995) research are discussed.

High Wages
Employees are the representatives of the company. If company expect outstanding performance of its workforce it needs to hire outstanding people who can stay for long term. High wage offerings attract more applicants and allows organisations to be more selective in choosing people. People who are provided with best training facilities to become more committed towards company’s objectives. Moreover if company offer higher wages above
the market offerings, employees take it as a gift and they work with more dedication in providing excellent services to customers which obviously enhances customer loyalty.

**Incentive pay**

When people are motivated, they perform with their full potential. However, money is not the only thing to motivate the employees. Studies showed that people are motivated with things like, fair treatment, job security and recognition. Nevertheless if employees are expected to increase the level of firm’s profitability and overall service performance they will want their share in the benefits that organisation earns. So organisations usually seek to reward the performances of its employees by providing them compensations and extra incentives.

**Promotion**

The promotion opportunities increase the employee’s commitment and bind them tightly with the employers. Also it encourages the workers to employ the skills learnt through training and development programs and offers an incentive to good performers. Most importantly it gives a sense of justice and fairness at the work place.

**Training and Skill development**

Training and skill development programs shows the firm’s commitment towards the workers and ensure that the faculty is staffed with highly skilled workers who are specially trained to provide excellent services to the firm’s customers. Well trained staff can perform the customer services with greater efficiency then the untrained staff. Trainings are effective only if the employees are permitted to use and apply the skills learned during such programs. One mistake that mostly organisations do is, they upgrade the skills and abilities of their employees and managers but they do not tend to change the structure that restrict the staff to utilize the skills learnt and to act creatively by introducing new methods and procedures that can enhance company’s profitability and quality standards.

**Cross Utilization and Cross training**

People who can perform multiple tasks are more beneficial for the organization. The important thing is that doing multiple things can make the work tasks more interesting and it has motivational effects as well. Also variety in job is considered as important job dimension
that has potential effect on how people give response to their work. Multitasking also ensures employment security. Having people at work with multiple skills make it more easier to retain them as they can perform different tasks.

**Measurement of practices**

The process of managing people in the organisation cannot be successful without measuring and evaluating the outcomes of introducing such practices. Measurement provides the feedback to the management in evaluating how well the implementation of different procedures and practices turned out in the organisation. Secondly it ensures that what is being observed and measured will be noticed by the management. Feedback from the measurement helps in developing further implementation ideas and identify the areas which needs to be refined. Also it helps to learn how well different policies are implemented in achieving the desired results.

**Information Sharing**

If employees are considered as the source of achieving organisational objectives, they must be provided with all the relevant information that is required to get the success. The main reason behind not disclosing much information to the employees is that, the information may leak to the competitors. But if the competitors already know the strategy then the employees will be only one who remains in dark and others will take advantage of this situation.

**2.3.3 Closing gaps between firms’ perception and customer perceptions of quality**

Though marketers of tangible goods have defined and measured quality with increasing levels of precision (Parasuraman et al., 1985). It is difficult to describe quality according to the marketers of services. Reason is, services cannot be seen, touched and measured before its is actually delivery to the customer. In most services, quality occurs during service delivery, usually when customer and service employee interacts (Lehtinen and Lehtinen, 1982). For this reason, service quality is highly dependent on the performance of employees. Sometimes what employees consider about service quality is somehow different than what consumers expect about quality. So a gap exists between employee’s perceptions and consumer perceptions about service quality and delivery (Parasuraman et al., 1985).
These gaps are the main hurdles in delivering high performance. A firm should identify and remove these gaps by reevaluating its operational standards. Firms may not always understand what consumers expect from them and what levels of performance they need to meet service quality standards. These kind of service flaws and gaps effects consumer perceptions of quality (Parasuraman et al, 1985).

**Service Quality Management Gap**

The gap between customer’s expectations and managers perceptions about what consumer expects is wider in service industry that produces Intangible goods as compare to firms that produce tangible goods (Gronroos 1982: Zeithaml 1981). This gap occurs in upward communication (extend of communication between managers and employees), levels of management (layers between management and customer contact personals) and research orientation of the company (Less emphasize on marketing research).

**Service Quality Specification - Service delivery Gap**

It is also called as Performance gap. This gap occurs when service providers are unable to perform services as expected by the management. The performance gap can be reduced by focusing on team work, employee job fit, technology job fit, type of supervisory and perceived control over employees and by reducing the role conflict and role ambiguity among employees.

**Difference between Service Delivery and External Communications Gap**

Marketing, advertising and other communication channels effect the perception of customers regarding the service firms. Short falls between external communication and actual service delivery in the form of exaggerating promises can affect the customer perception and expectations regarding the quality of service.

**2.4 Theoretical Model**

After going through the literature review, the impact of service quality on customer satisfaction is identified by using different theories described by Zeithmal, 1996: 1988, Leonard and Sasser, 1982 & Tam, 2004, these theories described the role and importance of service quality that leads to customer satisfaction which is the main objective of all the service firms now days. Also various authors described that quality of service along with other factors positively affect the level customer satisfaction. Literature depicts that quality is
not the only factor that affects satisfaction, there are various other factors that affect the both constructs as described by Moher, 1982; Albert Cruana 2002 and Sureschandar et al., 2002.

To better understand the effects of quality on customer satisfaction, the relationship between constructs is explained by using Oliver’s 1993, satisfaction and service quality model. Oliver’s model is further tested and modified by Spreng and Mackoy 1996, it specifies the effect of desires, perceived performance and expectations on overall service quality and satisfaction. Another model presented by Mcdougall & Levesque 2000, was used to explain the relationship between satisfaction and quality. It specifies the effect of core and relational quality and perceived value on customer satisfaction that ultimately effect switching and loyalty (repurchase) intentions. By considering the models from the literature a model is developed to explain the relationship between the both constructs.

After discussing the importance and factors affecting the relationships between service quality and satisfaction, further it is explained that how organisations can improve its quality standards to retain the customers.

The improvements are described at three levels. For this purpose different theories of Leonard, Parasuraman & Zeithmal 1994; Pfeffer et al., 1995 and Parasuraman et al., 1985 are used.

First, Leonard theory described step by step strategies to improve the service standards in the organisation. However from Leonard et al research seven important steps are discussed in this study.

Second, Pfeffer theory explained the importance of managing work force in the organisation in order to perform services as expected by the customers. Pfeffer theory explained thirteen practises out of which the seven important were chosen to discuss in this study.

Third, the Gap theory as explained by Parasuraman et al.,1985 is considered as most important in the service setting, was also covered in this study. Parasuraman et al., 1985 explained the gaps by describing how these gaps can be reduced in the organizations. These gaps are considered as main hurdles in delivering high performance services.
The Figure 4 presents a model that explains the factors effecting Service quality and Customer satisfaction relationship and improvement strategies. The model is categorized in three parts. The first part explains the relationship between service quality and customer satisfaction, the second part explains the factors effecting service quality and customer satisfaction and the third part explains the service improvements strategies or techniques at three levels.
The model first describes the relationship between service quality and customer satisfaction by describing the drivers of service quality and customer satisfaction that leads to customer favourable or unfavourable responses related to their repurchase or switching intentions.

Secondly the model explains that service quality and customer satisfaction further affected by various other elements, like quality of service are affected by the way service providers interact with the customers, physical environment, design and decor elements, employee appearance and appearance of equipment. On other hand Customer satisfaction is affected by the Firm’s corporate reputation or image, value, transaction satisfaction, performance and price factor.

Furthermore the model describes that quality of service can be improved in the organization at three levels, by developing service improvement strategies, by managing the work force and by closing the gaps between firm’s perception and customer perceptions of quality.
3 Research methodology

The third chapter presents the methodology used to conduct the research. Research approaches are discussed. Qualitative approach is used for this study. Also it explains which sources are used to collect the data and what procedure is applied to analyse the data. Furthermore interview design, advantages of interview along with some information about the interviewees is discussed. The validity and reliability of this study is provided in the last of this chapter.

3.1 Research Approach

Research is a systematic investigation that is used to find the answers for questions raised whereas methodology is a system of rules that are explicit and built upon which the research is based and against which the claims for knowledge are usually evaluated (Nachamias et al., 1996). Research is conducted based on theory which is extracted from deep literature study and it helps to interpret and collect the data. The theory basically serves as a foundation to conduct the research.

The research is conducted by using different methods, techniques and guidelines. However the most appropriate method of conducting a research is qualitative and quantitative approach.

Qualitative Approach analyzes, interprets and collects data by studying people’s behaviour, the way they act and response (Creswell, 1994). It is considered as an inductive approach in which interviews and case study methods are used to collect and analyze data. As Garson (2002) said, “qualitative research design strive for in-depth understanding of subjects, through such techniques participant observation or narrative analysis, or they may strive for in-depth understanding of texts through such methods as exegesis or deconstruction”. The qualitative research approach is non statistical and it is used to understand the motivations and reasons in a qualitative way (Creswell, 1994).

Quantitative approach involved number of respondents, listed questions are raised and response choices are predetermined. According to Svensson (2003) the quantitative research approach is best to investigate the perceptions and problem of the study and to discover the
hidden values, feelings attitudes and motivations. It uses deductive approach; the focus is on testing the theories related to the topic by analysing and collecting the data (Bryman and Bell, 2007).

To achieve the aim of this study qualitative research method was used. The qualitative research method was used to construct the theoretical and industry perspectives. Using this approach open ended and emerging data was collected with primary intent to develop themes from data (Creswell, 2009).

The qualitative methods used in this thesis were literature review and interviews. The state-of-art data was collected through literature review and state-of-practice data was collected through interviews. The key purpose of interviews was to understand the perception of industry about improving service quality through customer satisfaction.

Finally the content analysis was conducted based on the literature review and the interviews.

3.2 Data Collection

There are different sources and methods of collecting the data. The two main sources which are generally used are primary and secondary. For this research, Interview method is used as a source of collecting the primary data whereas secondary data is collected through the literature review.

Primary Source

To relate and validate the results from literature review the topic was further studied in industry through interviews. Interview is commonly used method of investigation in qualitative research (Creswell, 2009; Seaman, 1999). Historical data is collected from interviewee’s memory through interview. Interview can be done in three methods; structured, unstructured and semi-structured.

Telephonic interviews were conducted with professionals from industry. Total five managerial interviews were conducted, two in Pakistani bank and remaining three in a well known Swedish bank. The interviews in Pakistan were conducted through a Skype call whereas Swede officials were contacted via phone.
Semi-structured method was used for collection of the subjective data. Two-way focused conversation was achieved through this method to collect information apart from the questions. The interview protocol was followed to conduct the interview (Creswell, 2009).

### 3.2.1 Interview Design

The interview questions were carefully designed after studying the available literature on service quality and customer satisfaction and with the help of theories used in this study. The questionnaire was peer reviewed and checked by research supervisor of this study to ensure the relevance and quality of questions.

The questionnaire was mainly written in English language as English is widely understood in both countries Sweden in Pakistan. However knowing the fact that English is not the native language for officials in both countries, some of the questions/ academic and research terms were further explained to the interviewees to build their understanding. After finalising the questionnaire it is important to pre-test and translate the questions, especially when the questions carry similar meanings to all respondents. (Saunder et al.2007). During interviews in Sweden the overall conversation was based in English language, whereas interviews in Pakistan were conducted by using the both mediums English and Urdu where it was appropriate.

There were total thirteen questions. Both open ended and closed ended questions were used in the questionnaire. The total approximate time for each interview was estimated from 60 to 90 minutes maximum.

The interview questionnaire started with general information about the respondent age, gender, qualification and experience. Few questions are further subdivided into sections to make it easy for the respondents in order to gain more information. The questionnaire is designed by dividing it into three categories.

In the first category, the first question was divided into 4 sections. The questions related to the relationship between service quality and customer satisfaction and the factors affecting the both constructs were asked.

In the second category, questions related to improvement steps were asked. The questions in this category are developed at three levels,
Question 2 (divided into 7 sections) is about Managing the workforce.

Questions 3, 4, 5, 6, 7, 8 are about the Service improvement strategies.

Questions 9, 10, 11 are about Closing the Gaps (between firm’s & customer perception of quality)

Last two questions (12, 13) were open ended to get the respondent free opinion about future perspectives and other issues related to the same area were asked.

The detailed interview questionnaire is given under appendix.

3.2.2 Advantages of Interview

Interviews are characterized into three categories discussion, accuracy and flexibility.

During telephonic or face to face interview, interviewees and interviewers can make discussions and explain the questions through direct or indirect communications without any interruption. The latest on hand information is gathered and complications in the questions can be further explained and examined (Wolcott, 2009).

It is more accurate way to get information. During the interview both interviewer and interviewee directly communicate with each other without any hesitation. The interviewees feel more relaxed and calm to answer the questions after careful considerations (Holloway and Todres, 2003).

Interviews are more flexible way of gathering the information because it is more feasible and convenient way for both parties, as they exchange and communicate the information mutually (Saunders et al., 2006). Also the interviewer has a chance to design the questions prior to the meeting, which can be changed any time according to the situation and reflection of the interview.

3.2.3 Interviewees

For the purpose of research, total of five interviews were conducted. Two from MCB bank and three interviews were conducted in SEB bank Sweden. Some general information about the interviewees was gathered prior to the interview to make sure that they are experienced enough in the related field to answer the questions.
The first interviewee was Mr. Kamran Jawaid who is working as Assistant Vice President in MCB bank from last 4 years. His total working experience in a bank is around 10 years. Mr Kamran has earned his university degree.

The second interviewee was Mr. Talha Nadeem, working as Assistant Manager Service Quality (MIS and Control) in MCB bank from last 1½ years. His total working experience is 3 years. Mr Talha has earned his university degree in Business Management.

The third interviewee was Mr. Soren Lundgren working as the Head of Service Quality & Service Management in SEB bank from last 6 years. His total working experience in the industry is around 25 years. Mr Soren has University degree.

The fourth interviewee was Sara Berglinds, working as SME Manager from last 3.5 years in SEB bank. Sara has earned her university degree. She has total of 17 years of working experience in the industry.

The fifth interviewee wants her name to be confidential. She has total of 18 years of working experience. From last 1 year she is working as a Manager responsible for strategy planning in SEB bank. She has a bachelor’s degree in the same field.

**Secondary Source** literature review is a secondary study of collected primary studies that aims to improve the understand and establish reliability and validity of the proportions and claims (Kitchenham et al., 2009). It helps to identify, select, evaluate and interpret the literature related to research area.

To identify the studies following steps were conducted;

- Identify the keywords related to research area

- Identify synonyms and terminologies

The collected studies were also scanned for further references. The electronic databases were also used for searching studies like ACM Digital Library, IEEE Xplore and Springer. These databases cover the published research work in any area that one intends to study.
3.3 Data Presentation & Analysis

The data was extracted to produce the valuable results. To process the data Qualitative Data Analysis (QDA) was used. QDA is a range of procedures and processes applied on data that is collected into some form of understanding, interpretation or explanation of people (Lincoln and Guba, 1985 and Merriam, 2002).

Seidel defined the edifice of QDA as three pillars i.e. noticing, collecting and thinking (Seidel, 1998). He developed a useful model to explain the basic process of QDA. The model shows possible interactions among these three pillars. This model is also referred as symphony of noticing, collecting and thinking (Seidel, 1998).

**Figure 5: Three steps of QDA process**

Source: Own Construction

Figure 5 presents the three steps of the QDA process. In the first step, the Information was “Collected” from the interviewees by asking them different questions related to service quality and customer satisfaction. During the interview, interviewees were asked to share some real-time examples, observations and their personal experiences (within the context of the study) to gather maximum information in the relevant fields. The purpose was to develop a better understanding about the banks' internal environment, the way banks (as service institutions) serve the customers by maintaining the quality levels at the same time.

In the second step some similarities and differences were “Noticed” between the two banks. It was noticed that the two banks operating in two different countries have differences in
culture, language and believes but they are striving towards the same goal, “Serving the customer”.

After collecting and noticing, the third step was to “Think” that how collected information could be linked with the relevant theories used in the study in order to create analysis and draw conclusion.

After thoroughly reading the data and pawing it, the analysis was done on basis of Seidel Qualitative Data Analysis methods i.e. thematic/content analysis and connectors. There are two types of content analysis, the relational and conceptual analysis. Conceptual analysis was used to analyse the literature and the interviews done in the banking sector. Relational analysis was used to develop relation between literature and findings from interviews to produce analysis and conclusion for the research questions.

### 3.4 Validity and Reliability

According to Patton (2001) the two factors validity and reliability should be considered by a qualitative researcher in order to judge the quality of the study, designing the study and analysing results.

Generally research approaches are linked with various research philosophies (Saunders et al. 2007). Therefore to ensure the validity of this study the research purpose and approaches were carefully analyzed.

The data is collected by conducting interviews in two service sector banks (Sweden & Pakistan). The reason for selecting two different banks in two different regions was, to gather more advance information about the operations of service industry. To keep the validity of the research, interview questions were developed based on the existing theories and literature in relevance with the topic of the study.

While developing the questions it was targeted to focus on the research questions, research agenda, relevant theories and main purpose of the study. The interview guide and questions were checked carefully prior to the interviewees.

The research focuses on service quality and customer satisfaction and it mainly targets the service industry aiming to improve services standards to satisfy the customers. The results of this study can be implemented in a banking sector or some other hospitality institute (mainly
banks, restaurants, insurance companies etc) but cannot be generalized as such because of the limited area of the research as it is conducted only in two banks.

The reliability of the study is considered high because all the information is gathered mainly from interviews and relevant theories. The respondents selected for interviewees are all senior managers with vast working experience and knowledge in the service industry. The research work is done by following a proper structural process at each stage for better understanding that confirms the reliability of the study. The concept of Reliability in quantitative study is to evaluate with a “purpose of explaining” whereas in qualitative study the concept of quality is “generating understanding (Stenbacka, 2001).
4 Empirical Study

This chapter consists of two sections. The first section presents the introduction about the company and the interviewees’. The second section discusses the findings derived from the respondents in relation with service quality / customer satisfaction interrelationship and improvement techniques.

4.1 SEB Bank Sweden

SEB has a long history. SEB is serving financial institutions, large corporations, trading and capital markets, commercial real estate clients with corporate banking and providing transaction services globally.

SEB has 2700 corporate and institutions. Several services are also designed for entrepreneurs and small business holders. For that SEB offers medium and small size corporate firms several products that can be customized and are developed in cooperation with large corporate customers of SEB. SEB is serving 400,000 SME customers and 4000,000 private customers. It provides services such as loans, savings, services and products for daily finances, life insurance and wealth management to its private customers.

Due to SEB’s unique business strategies with main emphasis is on developing long term relationship with the customers in Baltic countries, Germany and Nordic region and its corporate banking functions provided it a competitive edge in the market.

The bank’s general statement which is more of a vision is stated as “We focus on people who want to develop their finances. In everything from small, everyday matters to large-scale future plans. Which is why we are well equipped to meet new needs from an increasingly fast-moving market. It is also our ambition to make the most sophisticated products user friendly. Our principal aim is to provide a tailor-made service that meets all your requirements and makes the process as straightforward as possible.”

4.2 MCB bank Pakistan

MCB bank has a remarkable history for more than half a century of maintaining a competitive positioning gaining height of success by creating professionally leading
management and remarkable work methodologies, quality banking and through technological developments.

The core values of the bank stated as Integrity, Excellence, Respect, Innovation and Customer Centricity has lead MCB towards the height of remarkable success and competitive positioning. Why MCB is so successful today? It is understood by the following statement “We are the trustees of public funds and serve our community with integrity and for that we created an environment where each individual is enabled to succeed. We are a performance driven, result oriented organization where merit is the only criterion for reward and our customers are at the heart of everything we do. We make every effort to exceed customer expectations through superior services and solutions. Our teams work together for the smooth and efficient implementation of ideas and initiatives”.

MCB is the first bank in Pakistan that launched GDR (global depository receipts) in the year 2006 and developed strategic foreign partnership with a bank in Malaysia named May bank. MCB has indirect international regional presence in Bahrain, Dubai, Sri Lanka and Hong Kong.

The bank has achieved several awards and prestigious recognition by The Asset and The Asian Banker, Euro money, SAFA (SAARC), MMT, Asia Money. The bank’s vision and mission statements are stated as

“To be the leading financial services provider, partnering with our customers for a more prosperous and secure future”.

“We are a team of committed professionals, providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers. In doing so, we ensure that our shareholders can invest with confidence in us”.

4.3 Interviews

The responses from the interviewees are described below
4.3.1 Effect of quality on satisfaction & their Interrelationship

According to the 1st Interviewee Quality of service has significant contribution towards customer satisfaction. Why significant contributions not total contribution? The reason is customer satisfaction doesn’t solely depend on quality of service.

On asking the question ”Are both factors quality and satisfaction related to each other or not?” He responds, up to some extent only they are related to each other. Furthermore he said Quality of service has some certain contribution towards customer satisfaction but other factors effect as well.

2nd Interviewee said quality of service does affect customer satisfaction level. The way it is delivered and the way CSR deals with customer queries does affect the satisfaction level. In Pakistan there are 3 categories of people some are highly qualified, some are at middle level and some are even not literate so they want the customer representative to deal and communicate with them according to their mental level and feasibility. He said that if the customer is not satisfied he will not prefer continuing relationship with the bank.

He further added that the concept of service quality began to rise in the early 90s when international banks (City bank, Barclays) started operating in the local markets of other countries. These banks opened new doors of quality expectations at the customer’s end. Before local banks were not emphasizing much on quality and customers were not having much options as well.

On asking the question “Are both factors quality and satisfaction related to each other or not?” He responded, Quality of service is very important with concern to the customer satisfaction, but there are other factors as well. If the bank doesn’t fulfil customer expectations regarding the promises made, customer will be disappointed and can switch the relationship.

3rd Interview explained the concept more clearly. According to him, quality of service does not affect customer satisfaction. He said that there is a definition problem. In general customer satisfaction is described and measured most commonly. He gave an example that if you apply Swedish quality in American customer satisfaction market; you will see that up to 56% impact will be of image according to the definition of customer satisfaction. He further
explained that if you ask me that do the quality of service has any effect on customer experience: my answer would be yes.

On asking the question “Are both factor quality and satisfaction related to each other or not?” According to him they are not related to each other. He said, customer satisfaction is not a common measure of quality. In academic literature there is no correlation found between customer satisfaction and repeat business.

According to the 4\textsuperscript{th} Interviewee, quality of a service does effects customer satisfaction. She explained, we are depending on delivering quality services to our customers. For me quality of a service is to deliver the way customers want or the way you yourself want to be treated when u visit a bank. She stressed that try to deal customer immediately as he enters the office even if you are occupied with some work or give him a node so he feels he is being recognised. She said, I always tell my colleague we are working on stage and customers do not have to do anything else except watching us, how we are collaborating and working.

On asking the question “Are both factor quality and satisfaction related to each other or not?” She said yes, both factors are related to each other; however there are some other factors as well beside quality that effects the customer satisfaction.

The fifth interviewee said quality of service affects the levels of customer satisfaction up to some certain extend. According to her it’s more like a hygiene factor that quality of service should be there at some certain level because otherwise customer can’t be satisfied. Also there is a level how much more customer can be satisfied.

On asking the question “Are both factor quality and satisfaction related to each other or not?” She replied, they both are related to each other. But there are other factors as well.

On asking the interviewees regarding customer expectations and perceptions about the quality they explained the following factors affect the level of customer expectations and perceptions,

\textit{Word of mouth (Positive or negative)} 1\textsuperscript{st} Interviewee replied, Word of mouth really affects a lot. He said, being a customer if I got to know from some friend that some x y z bank has very poor customer services and they do not deal the customer very well I would never prefer to make a relationship with such bank. Furthermore he described, if I myself experienced a bad service, it would turn into a negative word of mouth for as many people as I know.
He explained it with an example; he said in a bank we have some strict guidelines or policies to follow which customers do not understand. If customer comes up with some problem or wants to withdraw some cash from his account but his signature doesn’t match we have to deny the request or have to ask him to follow some process. But customer becomes annoyed and doesn’t want to follow the process. He will come up with negative feelings or word of mouth about the bank and will tell 10 people about the misdealing he observed by the bank. Even if he is faulty, people will believe him more. So the negative word of mouth is really dangerous. He further explained, we try to accommodate the customer and we never say No straight. We know the fact that what people tell to others about our services even positive or negative matters a lot rather what bank says itself. According to him negative word of mouth takes the business out and positive word of mouth brings the business in.

3rd Interviewee said that positive or negative word of mouth is effected by social media as well but If you are measuring it in the means of recommendations. According to him word of mouth really effects the perceptions and expectation about the bank and its service.

4th Interviewee explained that the word of mouth has a big effect both positive and negative as it’s a best way to get new customer through other customer. He said, I believe a happy customer tells other customers that we are very good and he recommends our services to others. It has a big impact as compare to other way if he is not happy he will switch to other banks. He further revealed that a good rumour has a big effect then a bad rumour but it doesn’t change the other customer if he has already heard that we do not treat our clients well.

According to the fifth interviewee, it’s important that what people say to others about bank services and discuss their relationship with the bank. What people hear from others affects their level of expectations and perceptions about the bank. She further added that negative word of mouth has more strong influence on people’s perceptions as compare to positive word of mouth.

**Personal needs and desires** According to the 1st interviewee if the company is providing customize services to fulfil needs and desires of its customer it would be a plus point.

2nd Interviewee said, If customer is coming in a bank for some certain reason or to fulfill some need, like he wants to open a saving account for the purpose of future savings in mind, here
what matters is commitment from the bank if bank commits or promise something and
doesn’t fulfil that the customer trust on bank will break and he may will discontinue the
relationship by closing the account. He stressed that if managers do not over promise or miss
commit to the customers they are better able to fulfil customer expectations or desires.

3rd Interviewee explained, I would call desires as expectations because when u enter in a bank
you do it because you have a purpose or need or something that you really want, anything
range from cash or loan for your business. So need and desire factor really effects.

4th Interviewee explained it with and example that if customer wants to buy a house and he
has a strong need of loan and maybe he is in a sort of hurry and expect a fast dealing. So if
bank fulfil his need according to his expectations it effects in a positive way. She further
added that If you talk a customer who haven’t got any need there is no point that he will
switch to other bank because he is happy the way things are going. She pointed that when a
customer got a need he has to find someone who can solve it. According to her both positive
or negative word of mouth and need are really good things for us.

Fifth interviewee said that personal needs and desires do not affect customer perceptions and
expectations that much. Because all the banks are almost offering the same services. She
explained that we try to fulfil the customer need but that is what all other banks are doing as
well.

Service Performance According to the 1st interviewee the way services are delivered and
performed does affect customer’s perceptions about the organization.

2nd Interviewee said that customer surveys are conducted every month in the bank by
randomly picking few customers to get to know how well the staff is performing.
Furthermore we ask question about staff behaviour, dealing, service performance, transaction
time and about the environment. Then we cross check this information and identify the areas
of improvement. He stressed that continuous improvements in service performance effects
the customer expectations and perceptions about the bank in a positive way.

According to the 3rd interviewee, Service performance effect more then 80 – 90% because we
have one chance to deliver and in that case we must deliver our best.

4th Interviewee said that service performance effects allot. She explained that the way you
look at people, the way you great them, the way you deal, the way you talk to other
customers, colleagues, and the way you explain things to customer whether you can do something or why you can’t do something really effects a lot. Also people who visit the bank are of different ages range from 20 - 60 so we try to deal them in their way according to their comfort level.

According to the 5th interviewee the service performance matters a lot. She said that if we don’t fulfil what we promised and do not perform well as customer expects from us, he will be disappointed.

**Customer Response favourable/ unfavourable** Upon asking the question that how customer behaves and response if he is satisfied with the services and his expectations and perceptions are fulfilled. The Interviewees explained,

The first interviewee described, if the customer is happy and satisfied, we expect long term loyalty.

2nd Interviewee said, we expect long term relationship with the customer. If he is satisfied with the service he will be more loyal. Furthermore such customers bring more business for the bank as they recommend many other people like friends and family to use the bank services. He pointed that in bank branches where we improved the service quality we observed a great response from the customers and bank generated more revenue than before.

3rd Interviewee said that customer satisfaction is a tricky concept and if you are measuring it you will see customer satisfaction has an impact on attitudinal loyalty. However I and business don’t care about attitudinal loyalty I care about real loyalty from the customer which leads to repeat purchase and increase in volume. He further explained that If customer has bad experience with us it will decrease our sales volume within 6 months. He stressed providing good experience to the customer can increase the business volume within 3 months. Customer experience has a direct impact on our business volume.

4th interviewee explained that it is difficult to judge the customer response. She explained mostly a quite customer is considered as a happy customer and if he is not he will let us know. There is a system in SEB in which an email is sent to the customer and few questions are asked either he is happy with his last visit or not. Then customers are able to describe why they are happy or not. If the customer comes to us and he is happy with our services we will try to make him happier by asking what he expects from us. She further explained that if
customer is not happy he will switch to other bank and if he is happy he will continue the relationship. But if he is not happy we try to figure out why he is unhappy before it’s too late.

According to the 5th interviewee, if a customer is satisfied with the service he will continue the relationship and will become a loyal customer. She said the situation would be otherwise if he is not happy, he would defiantly switch to another bank.

4.3.2 Factors Effecting Service Quality & Satisfaction

According to the 1st Interviewee, the product we offer, the way we present it, environment and time frame within which we offer, the way it is designed, the way it is provided to the customer and the way it is marketed effects as well. He added, everything has some significant contribution. Also the departments which are engaged in manufacturing the product like raw material etc… If they are following some certain amount of service quality measures and monitoring system they can achieve level of quality.

2nd Interviewee said other factors that effect is the bank internal and external environment. Branch outlook, available equipment (heating, air-conditioning), cleanliness, the way employee dressed, the way they handle customers, the way they speak and how quick the services are. He pointed that a customer usually doesn’t like to wait much.

He further explained, there are two types of customers, customers with high expectations, and customers with low expectations. If the bank is opened in some commercial area obviously customers will be more demanding in these areas. If bank is located in some rural area where there are no other banks, obviously customers will not be having much choice so they will expect less. Furthermore all what they expect in such areas is, how conveniently (safely) they can reach to the bank, how close it is located. If the customer has good relationship with the CSR it will matter a lot in these areas in spite of the physical environment (cleanliness, air-conditioning, and sitting arrangement) transaction time or employee dress code.

3rd Interview said that both constructs (quality and satisfaction) are affected by other factors like brand or company image and customer experience. He further explained customer can or cannot be satisfy to stay with us however if we constantly give customer a good experience then we can measure the loyalty affect very quickly.
According to the 4th Interviewee other factors that affect the both constructs are way of dealing the customer, service performance, Fast service, Cleanliness, Physical Environment and surroundings (temperature, drinks, sweets etc) and most importantly behaviour of the service provider effects a lot.

5th interviewee explained the Price, service availability, understanding of customer needs and the environment in which services are offered matters to customer.

### 4.3.3 Managing the Workforce

According to the 1st Interviewee if the workforce is not working very well and they are not managed properly as desired the quality of service will suffer.

2nd Interviewee said job satisfaction is very important. If person is not satisfied he cannot work with full potential or can’t show any dedication towards the job. Where job satisfaction lacks company policies regarding improving quality standards and all that cannot be achieved. He stressed that job rotation plans should also be introduced by rotating or shifting people at different places to avoid such situations.

He further explained that Employees can be managed well by motivating factor. Managers should motivate the subordinates by developing and creating their interests on continuous basis.

According to the 3rd Interviewee the importance of managing workforce to raise quality standards cannot be done by setting service standards. He said that, “I assume that employees should enter in a bank on time; I assume they dress well and behave well. You don’t have to tell them that “. It’s all about coaching and feedback nothing else.

4th Interviewee explained, It is very important to deal and manage the workforce in a good way. People are the most important part of the company. They should be motivated enough. You have to treat your employee really good. The best thing is, they will give good service if they feel good about the company. She further described, “ as a manager I make sure to give time to my employees every day to listen to their problems and issues carefully. If they need help I will be there always”. She stressed that listening to employees help you to figure out where the problem lies. The way you treat them maters a lot.
According to the 5th Interviewee, It’s important to manage workforce effectively to achieve the quality standards in the organization but on other hand it will demand higher cost. Furthermore she said managing the workforce is important for other purposes not for the sake of increasing service quality in my opinion. “I don’t think so workforce effectiveness has a highest impact on quality”. She stressed a firm should focus or invest on other things before coming to this.

**High Wages, Incentive pay & Promotion**

On asking the interviewees about importance of employee’s benefits as a part of improving performance system in the company, they explained...

According to the 1st interviewee it’s all about motivation that affects the most. If employees are motivated enough they will give their best towards the organization. Also the level of their productivity will be far high. So if your organization has introduced employee oriented policies it will positively effect and will improve the performance system.

2nd interviewee said that company can improve the performance system by showing employees that their performances are measured and they will get reward of their performance. Also by telling them that if they will achieve their targets as expected, they will be promoted to higher level will get more incentives and higher wages.

According to the 3rd interviewee, the employee benefits do not really help company to improve the overall performance system. He further explained that, it’s a basic hygiene paying people with good salary (wages) but about incentives and bonuses, we don’t offer that in a bank. You must have people who are interested in serving other people (the customers) and motivated by leaders or by themselves. They shouldn’t be drive by money factor.

4th interviewee said that the salary or wage is just one factor that can improve the employee performance. If they are getting financial help in the sort of extra money incentives etc. the employee really appreciate that.

According to the 5th Interviewee, to certain extend employee benefits help company to improve performance system. Although, the employee benefits are often related to sales. If you want to promote service quality it’s possible that you may be able to achieve it by offering incentives and promotions to employees.
Training, Skill Development & Cross Utilization Programs

1st interviewee said, In order to improve quality trainings, innovation and skill development programs help very much to raise the quality standards. He gave the example of his company that they have introduced different types of training and skill development programs for the employees to keep them motivated and to increase their productivity.

2nd interview explained, Training and development programs also increase employees’ moral in developing their interests in their jobs. Furthermore trainings other than those of technical or basic job purpose are more effective to trigger the motivation level of employee like training on stress management, conflict management. Also the staff who deals at the front end should be highly trained because sometimes they have to make sittings for long hours, they deal with different type of customers. He stressed that front end staff dealings and behaviour should be very good and for that they need continuous trainings to improve their presentation and management skills.

He gave example of his organization by explaining that they have introduced different types of trainings like, stress management, conflict management, time management, behavioural trainings and they also introduced a program named seven habits of highly effective people.

According to the 3rd interviewee, training, cross utilization and skill development programs help Company to achieve high service quality standards. It’s the basic factor other than leadership. He further explained that they have introduced customer experience program since 2007. It is a complete system or framework and part of organizational culture. It is practised every day because there is a need to measure customer experience on daily basis and branch manager is responsible to provide coaching to the members to make things done as required.

4th interviewee said that trainings, Promotion and feedback about their work makes people grow. Feedback really helps employees to increase their moral. He said, “We introduced skill development programs. We try to educate people by giving them more training. We have lot of educational trainings programs for our employees. She revealed that Both basic job training (technical aspect) and other trainings should be introduced on continuous basis to educate employees at every level to make them learn new things.

5th interviewee said, Training and skill development programs make it easier for employees to understand the company and its business. Trainings related to customer relationship
management is very important in the area related to customer services. She explained that “We introduced training programs in our bank and cross utilization is a part of it in order to spread the information and knowledge about different things we do”. According to her mostly employees who directly interact with customers undergo in training programs more often than employee in other departments.

**Measurement of practices**

1st interviewee said that capacity planning (the extent to which an employee can perform) is linked with employee performance. Other than that performances can be measured by checking the targets achieved. If the set criterion is to achieve 90% targets in a year and one employee achieved less than that, he is considered as an average employee and on above 90% achievement we will consider him as a highly motivated employee.

2nd interviewee said it is really important. This way employee find opportunities to get financial benefits and grow in the organisation as ultimate purpose is not just to do a job only you should have opportunity to grow in your career. He explained in every organisation there should be some defined criteria to evaluate employee performances. If it’s not there you won’t observe dedication and commitment and there will be more corruption.

He further described it by giving the example of his organization, “We introduced different awards in our organisation like reward award, spot award, employee of the month, team of quarter, cash prizes for successful employees. This way they know that their performances are measured. Furthermore evaluations are usually done on the basis of job description. Job description is a criterion on which performances are evaluated. He pointed that there is a scale from 1----10 on which performances are evaluated. Based on the points scored on a scale, the employee get rewards, financial benefits, growth and promotion.

3rd interviewee explained that every time customer contacts us we take the feedback through a questionnaire within 24 hours and it include 7 questions in every segment. The feedback is received by the manager. This way employee gets to know how customer feels about their performance and they are evaluated base on that feedback. He pointed out that Its not important to measure and evaluate employee performance. The important thing is to measure organisational overall performance. It’s really important for customers that are in contact with us. He said that it’s a responsibility of everyone in the organization not just employees to see what kind of experience we created.
According to the 4th interviewee, there is a system that evaluates employees. She explained, “as a manager I have time for coaching them twice a month and discuss with them and give them feedback about their work. I meet all of my employees one by one for 30 min and talk about what they did in last 2 weeks and what they should do in the next 2 weeks, what is good or bad they observed, how they feeling and then I try to figure out are they stressed or relaxed”.

5th interviewee said that it’s important because we want to make improvements in our performance system and services. Performance evaluations help to understand the problems and then can better be resolved and discussed. She further explained that there is a system to measure employee performances for development purposes in a bank. It’s the part of the internal system and development process which we don’t disclose.

**Information Sharing**

First and fifth interviewee explained the importance of sharing information in the company. According to them in order to achieve high quality standards, employees should be well aware about their tasks and duties and the way they can achieve them on time. Furthermore they explained that employees can be managed well if company provide them enough knowledge and information about the work they do and tasks they perform.

### 4.3.4 Developing Service Improvement Strategies

1st interviewee explained, if the product passes through several channels or quality Checks Company should continuously strive to improve those channels. He further explained that services can be improved by taking several steps,

First, the capacity planning is the key thing. Services can be improved by organizing the functions of all the departments and the intercommunication between cross functional departments is working fine and in timely manner. If the capacity planning is not in a right way and your employees are stressed and over burden, the quality will suffer.

Second, If you set the standards for the employees to be achieved per day the overcapacity and under capacity of his work can be analyzed.

Third he said, the measurement of employee performance is necessary. He explained there is a saying that” anything you can measure can be improved”. If the capacity planning of
employees is planned that how much they can deliver, company can better set the standards of performances to be achieved and then the performance can easily be measured according to those standards. He stressed that the constant monitoring of employees is very important. “We constantly monitor our employee performances on daily, monthly and quarterly basis to improve our service quality standards”.

Fourth he explained the last most important thing is reward system to motivate the employees. If they are performing well they should be rewarded to keep them motivated.

According to the 2nd interviewee, through managing workforce, customer feedback, market survey and market analysis service quality can be improved. He said market research and analysis is very important to get to know about competitors moves. If competitor have introduced something new or unique to capture the market we have to make our move by introducing something creative to attract our customers if we do not do that we will lose the market.

He further explained quality checks on monthly or yearly basis are important. He said that “we do internal and external audit every year to check that quality standards are met or not and how much we improved and where are the lope holes”.

He identified a technique used in a bank is mystery shopping. He said “we have hired an external company for this purpose. They visit our branches at different locations as mystery shoppers. They careful make analysis of the overall branch environment and working situations (how the staff is dealing, behaving, dressed up)”. He pointed that the employees/managers are not aware that they are being observed by some customers who are actually mystery shoppers. Afterwards these mystery shoppers prepare a report on mystery shopping and email it to service quality department. He explained the results reach to the president level and immediate actions are taken to make improvements where required. This exercise is done on monthly basis in a bank.

Furthermore he explained different branches of the bank are ranked based on the results of quality checks and measurement. A strict warning is usually given to the Branches (by district head) which score less than 60% on the scale.

He said, “we emphasize much on customer services. We are told that when customer enters in a bank and you are busy with something or with other customers, just give him a node (by
telling you will get back to him) so that he feel that he is important and being noticed and he will be able to wait for his turn”.

According to the 3rd interviewee, developing a service improvement strategy depends up to the local management how they handle quality to enhance customer experience. It’s different in every region and branch. He said, “We don’t gather all the solutions that are invented locally. It’s up to the local management to find out what works best for them”.

4th interviewee explained, “if I talk about my department when I started this office as a manager I gathered all my employees and talked to them what I think is important and how we should work together. I talked them about cooperation, flexibility and I told them whatever role you have you are here because of customer”. She said this way a framework is set to follow by everyone and it’s really important.

She further explained that “we tried to set example of behaviours by explaining the examples to make sure that we all are on same line. If you feel someone is outside of that frame you could always relate his action to the agenda of the first meeting”.

**Listening**

According to the 1st interviewee, “Our ultimate goal is to satisfy our customer and for that we should give our best to fulfil the commitments we have made on time. We are much innovated towards our services and the way we offer our product to our customers is our competitive edge”.

2nd interviewee said, understanding the customers and fulfilling their needs and expectations is the basic thing for a service provider. Furthermore he explained that the bank analyse and want to fulfil the customer needs and for that many new branches are opened in remote areas with more facilities, new insurance services are launched for customers (education plans for children), much emphasis is given on marketing, promotion and advertisement campaigns. He pointed that usually customers emotionally attracted with the type of marketing Promotion Company deliver through ads and it effects the customer perceptions as well.

3rd interviewee said, the bank has a public statement which says “we are going to keep the relationship back for people with aspiration”. It’s the only comment we have and we are focusing at a special target group and using relations as a main differentiation tone”. He added that the only thing customer cares about is the relationship with bank. Marketing has nothing to do with the loyalty factor. The only impact of marketing is to acquire new
customer. He said “you can’t create loyalty campaign because loyalty came from constant
data we are creating, a deep relationship with the customer it’s not a tool it’s a philosophy
and culture I would say”.

According to the 4th interviewee customers concerns are really important to be successful in a
service industry. She said every day morning meeting is conducted where whole group sit
together and talk about day before and everyone talk about are they succeeded in satisfying
the customer? Every individual try to share each other what he/she is doing to make happy
customers. This way employee learns from each other.

5th interviewee said that customer satisfaction is important to measure on continuous basis to
analyse what make customers more or less satisfied. She stressed on problem solving
methods and techniques to find the solutions and to understand why customers are satisfied or
dissatisfied. All such activities are related to the customer and their concerns. She said
“adopting a customer focused approach can help us to improve our service quality”.

**Reliability**

According to the 1st interviewee undoubtedly service reliability is considered as a valuable
feature of the service but it is a tricky part. There are other things as well which customer
considers important. He explained for different people the satisfaction level is different. He
said, “If your end product is fine, you are providing on time delivery and focusing on after
sale services, the customer will value that”. He pointed especially after sales services and
continuous monitoring of the product performance matters a lot for customers.

2nd interviewee explained three things that make services reliable for customers first: Fast
service (by reducing transaction time, ease of transaction), second Feasibility (to open an
account, to access the person and information) and third Reliability of service (because
customer want services on first hand basis he don’t want to visit the bank for the same query
again and again) is the most important feature of service offering that customer wants.

4th interviewee said, “I gather email from the customers who are happy with us and to know
the most important feature to makes our service more reliable for the customer. The most
common thing (99% reported) is how they are treated by the person. customer considers the
factors like if customer representative was a good listener, how things are explained to them,
how much time representative took”. She stressed that It’s all always about the people
customer meet.
5th interviewee said, to understand what customer really want from the service is important. She explained understanding the customer needs and preferences by asking them questions help to figure out what customer actually expect and how we can make the service more reliable.

**Service Design**

According to the 1st interviewee developing a service framework or design is very important if you want the employees to produce well. He stressed that if equipments are not working fine, physical environment is not good and employee performances are not according to the set pattern the service quality cannot be improved. The organisation should work by mapping the services to improve the overall service system design.

2nd interviewee said “we developed SMP( Service Management Program) guidelines, which includes a manual that describes how to maintain and measure the service; pattern of performances including performance criteria is mentioned in it”. Further more employees are rewarded depending on the extent to which they follow the protocol guidelines. Based on those guidelines trainings are conducted of each individual employee and then they are offered rewards accordingly.

He said that It is the duty of general service department to provide employees with all the equipment they need to perform their tasks. The department access the need and then they provide the required equipment on urgent basis. Providing a feasible environment along with all the equipment and guidelines (pattern of performance for employees) is important to improve the overall service system in a company. Without this the company and the employees can’t work up to the level as required.

He further described service mapping is really important, to improve the overall service. SMP system is introduced for this purpose. He said every quarter trainings are provided to all the new hires and existing employees, in which employees are briefly explained what are the guidelines and procedures for maintaining service standards in the bank. Other than this we talk about customer dealings and customer management (reduce transaction time, dealing customers under stressful situations).

3rd interviewee said service mapping improve the service system. Service design and mapping is followed more in internet banking, mobile banking area. He pointed that they are not using it very much inside the branch.
4th interviewee said a system of guidelines is developed in their bank to follow and that is called as the SEB way. The pattern of performance expected from employees is explained in the system, like how they should treat customers, how to get feedback and how to dress up. It’s more like a small folder. She further explained that the environment with all the facilities that employees need is very important to improve services. She said, “we try to provide flexible environment for employees. You have to trust your employees it makes them grow”.

5th interviewee said that develop the service by measuring, following and mapping is a good way to improve the overall service system in the company. By providing employees comfortable environment, with all the required equipment and setting their pattern of performances is really important to develop a service system in the company.

Service Recovery

1st interviewee said customers are reluctant to complain. Research says that 80- 85% people visit customer service departments with negative approach that their concerns will not be valued and purpose will not be achieved. He further explained the reason that people do not read carefully the terms and conditions stated in the agreement that under which situation or conditions customer can claim the warranty or can approach the company. He said this is the time when service provider can gain the customer trust on peak. It depends on how company handle and take care of the customer concerns, by figuring out the exact problem and by resolving it according to the time and commitment made; company can gain the utmost trust of the customer.

Furthermore he pointed that mostly customers are not aware how to contact the company in case of complain. “No one has time to visit the bank to resolve specific problem. They want it to be resolved without any hazel and want the service to be convenient”.

2nd interviewee said customers are reluctant to complain because they are too busy now days and they think making a complaint is wastage of time. According to him complaint resolution system is a very important aspect in service firms. He explained that mostly customers don’t know how to record the complaint and they feel shy to express. So the bank tries to approach such customers by calling them personally.

He further explained that there is a turnaround time to resolve customer complaints in the bank. The standard time is seven days. If it’s not resolved in seven days then it moves one step above to the senior level (team lead) and If it’s still not resolved by TL within seven days
it goes to unit head. He pointed that if the complaint takes above 45 days for resolution it can
go up to the president level. Major complaints which are of complex nature are usually
resolved within 30 days. He said “we have provided different mediums through which
Customer can complain, through help line, by visiting branch, by emailing or calling directly
to the head office etc.

According to the 3rd interviewee a reason customer doesn’t complain is they think it’s not
worth complaining which is really horrible because complain is customer feedback. He said
customer usually complains when they feel that company will council the problem. In the
times when bank is progressing, first thing that can create a better relation is that level of
customer complains can increase. He further expressed “we have an inner system / circle that
how to deal with those complains. We have a process of fixing the problems so that they
don’t occur again”. He highlighted within the period of 5 years now bank have lowest level
of complains by the customers. Because bank is constantly working to resolve the problems
and make sure that it doesn’t happen again.

4th interviewee said if customer has a bad experience in the past it is possible that he will not
complain if came across some problem in future. As they think nobody will listen to them.

5th interviewee said “we have a system and a group that work with customer complain
system”. She explained people are reluctant to complain because they are shy to express and
they prefer quitting the relationship if they have a complain because it’s more easy for them
rather voicing their problems.

Interviewees also explained how customers can be encouraged to voice their complaints,

According to the 1st interviewee company should briefly explain the customer through
different ways (providing exact information, contact number of persons in service
departments and help line) that how they can approach the company in case of any problem.
He stressed that company should try to address and resolve the customer issues on time and
by taking quick action. Customer service departments should be easily accessible and user
friendly process should be introduced.

2nd interviewee said, “we have placed different posters or pamphlets in each branch stating
that we need your feedback to provide you a better service. This way we encourage customer
to record their issues”. He further described that in their bank customer service department
call the customers personally and ask them if they have any issue with the bank services. He
stressed when service provider reach customer personally they usually give positive response by explaining the problem or issues they have faced. He said the bank conduct customer survey on regular basis by selecting few customers. Different types of questions are asked through the survey questionnaire to judge the week areas where problem lies and bank try to resolve that immediately.

3rd interviewee said customer does complain if they have a reason to complain. One should try to find the root cause of the problem and should fix the root causes.

According to the 4th interviewee, the most easy thing customer can do is to email the senior employee or the manager to resolve the issue. If customers are not treated well by front desk employees they always have a choice to reach to the manager. She said, “I prefer that if customer sends me an email I will response them fast if they will not I can’t get to know they are disappointed. It’s difficult to encourage such customers who never show up as we don’t know who they are. I can help only if they will report and we have explained how they can report to get a fast response”.

5th interviewee said, “we need to show the customer how we can make a change and what we can do for them if they have a problem. This way we can win their trust and can encourage them more to voice their issues”.

**Surprise Customer**

1st interviewee said going beyond customer expectations can make him surprise which is a plus point. He further explained that all the customer service centres are created by the companies to cover the loop holes in the services. It’s a human error as well. He gave an example of Airline industry. He said airlines are charging a heavy amount to make the journey comfortable by offering services such as meals etc. “Suppose I approach a cheap airline who doesn’t offer any kind of meal. When I reach in the departure lounge the airline offers me a cup of tea or coffee free of cost, I will say that is the actual definition of service”. He stressed by offering customer something that he does not expect at all company can earn an extra advantage and long term customer loyalty.

He further explained customer expectations are different. Level of expectations depends on product rapping, courtesy and behaviour of service provider, product features and organization good will in the market affects the level of expectations. According to him any organization can go beyond expectations by offering something to the customer other than
the standard offer. He pointed that by adding personnel touch in the services makes customer feel that you care about him.

2nd interviewee said, “I believe that we should go beyond the expectations to surprise our customers. But it’s not possible every time because we have some limitations and we have to offer them best within our boundaries”. He said a scheme started by the bank in the areas where bank opened new branches. Several gifts are offered to the customer to surprise them and to encourage them to start a relationship with the bank (by opening an account). He said We also try to add new features in our services on continuous basis, now customers get an automatic SMS from the bank on every transaction he/she make.

According to the 3rd interviewee a company should never go beyond expectations because it’s not affordable for long term. He said meeting basic customer expectations are just enough, “If I would go beyond expectations what would happen when you enter a bank next time? Your expectations are increased and higher level of expectations will kill us”. Furthermore he said from bank perspective all the banks in the market have the same product. The only competitive advantage is how good the service is and the way we produce it.

According to the 4th interviewee fulfilling basic expectations are just enough. Off course if company can go beyond their expectation to surprise its customers it’s better. She said “I ask my colleagues, before meeting the customer call them beforehand to know what their main expectations are and after the meeting call them again and ask them that did I fulfilled your expectations to make sure that they are happy”. She said this way customer would be surprised and he will think that we care about him.

She further explained ways of surprising the customers by offering them some extra benefits to make them happy. She said “We have Christmas presents, we invite them often for seminars of their interests, we have small gifts, in snow season we offer them a voucher to clean snow from their window or from their car, we offer them coffee when they come to visit us. There are many small things to surprise them and to make them happy”.

5th interviewee said going beyond expectations will increase the customer level of expectations. Bank still need to do much more to go beyond expectations. She stressed that fulfilling basic expectations are good enough. But by being quicker and more responsive to understand customer needs can lead the bank to go beyond customer expectations and surprise factor can be created to make them happier.
Fair Play
According to the 1st interviewee customer basically expects how convenient is to approach the service. Customer expects the service provider to fulfil the commitment and promises made on time.

2nd interviewee said customer want the Ease of service. For that new features should be introduced on regular basis. Furthermore he said now customer does not need to visit the bank for transferring funds they can do that by using their mobile phones. They can check their account statement and account balance by using mobile service. He stressed that customer wants Quick response on complaints and queries.

According to the 3rd interviewee it really depends on customer segments because every segment of customer is different. Furthermore trust is the most important feature for a bank because if customer doesn’t trust a bank he will leave that bank. He stressed that trust could be gained only if the bank is providing excellent service over and over again.

4th interviewee said customers don’t have just one they have big expectations. Basically they want the service provider to be honest and fair because otherwise they know they have other options.

According to the 5th interviewee service provider should focus on fulfilling the customer need which brought him to contact the service provider. She further explained that customer wants the service to be convenient to approach and handle.

Servant Leadership
Only two interviewees respond to this question,

1st interviewee said that Even if you have best educated employees, adequate resources, better environment but you do not have effective leadership, your workforce is not warmed up, and they are not provided with continuous learning and training from their managers they cannot perform well. Furthermore if managers are not properly dealing with the staff, they do not focus on motivation factor, rewards, compensation and trainings are not properly adopted company cannot succeed in long run.

3rd interviewee said, the secret behind the success of top service providers in the market is all about coaching feedback and extremely effective leadership. Bad management and bad leadership will cause the staff dealing badly with the customers. Good leaders that are hiring
best people are going to attract more customers. It’s the responsibility of central management to develop trainings at every level to keep employees motivated. He stressed that good management is not about finding errors good management is about supporting good service and good experience of the employees to increase their productivity.

4.3.5 Closing the Gaps

Service Quality Management Gap

1st interviewee explained it with an example, he said “I will talk about an ideal situation in which I launched a product; I have all the adequate resources, motivated staff, ideal infrastructure, I have absolute sales predictions and the no of sales volume is matching with operational capacity than I would not be failed”. Furthermore he said the situation gets worst if your predictions and strategies do not match as planned. Here you need to plan out everything properly by analysing all the possible situations ranging from best to worst. You should be a keen observer and excellent planner as a management person.

2nd interviewee said, it doesn’t happen in that way because we do proper marketing research and make analysis of customer needs and desires before launching or introducing any product or service. We do customer surveys and sometimes we test the service or product on customers before launching in the market.

According to the 3rd interviewee they have 1.7 million customers so basically they have 1.7 million expectations. The bank trained the local staff so that they can analyse what are the basic expectations of customers. He said “the basic thing is what do we want the customer to expect from us and then we can make our move”.

4th interviewee said, this gap occur when you haven’t carefully listened to customer and did not collect much information. Also If the employee is stressed he can’t handle the customer very well. According to her marketing analysis is not much important to overcome such issues rather customer should be handled through one to one communication.

5th interviewee said, “It happens when we don’t ask much questions from the customer and we don’t collect feedback through different ways then we fail to predict or fully analyze about customer expectations”. According to her customer analysis is really important. The bank use different channels internet, email, media, and advertisement on TV etc and in the
Dealing with the Gap According to 1st interviewee being working in competitive market, company should make a proper market analysis by constantly monitoring each and every trend coming to its way. He stressed that capacity planning should also be considered here to make the employees produce what is desired.

3rd interviewee said, such situations can be deal with proper marketing research, by developing service design, service mapping, database analysis and customer general mapping to understand the customer and what customers are expecting and what company can do about it in a professional manner.

4th interviewee said, “in such situations I help my colleague by handling the customer myself and I try to start the conversation from the beginning to figure out where the problem lies and to make situation better”.

Service Delivery and External Communications

4 interviewees respond to this question.

First interviewee briefly explained the concept he said, if we talk about ideal scenario, whatever we commit to the customer we fulfil it 100%. He described it with an example that If you are working in an ideal situation where any internal and external factors and atmospheric conditions (natural causes) are perfect, you are spending valuable time on your employees, your staff is highly motivated, their skills are polished through training and development programs, you have introduced a reward system, you have done a proper market analysis and you are aligned with latest market trends you can deliver 100% to the customer.

He further explained that in overall service delivery process there are cross functional departments involved, human resource involved, systems like IT infrastructure is involved there are so many other things. He said “if you add 1-5% tolerance level or expected loss in such situation like the energy level of an employee is not same in the start of day till the end. There will be ups and downs”.

He also pointed the gaps occur from management and employee side. He said management do not directly interact with the customers but they are interacting with employees which are the driving force to satisfy the customer and to give them 100%. He stressed that If the
management is not clear about their vision and mission statements, govt rules and regulation (on them) are changed and due to other external factors it’s possible that they may not perform up to the mark. He pointed that in such situations employees’ only get 60- 70% of what is communicated to them. Even if employees are delivering their best still there is 20- 30% of lacking. That is why we could not deliver 100%. He said there are ups and downs, “you can’t provide 100% throughout the year. Sometimes you are good sometimes you are not good and it varies because of various internal and external factors and causes”.

On asking the question about what are the reasons and problem due to which such gaps occur, he explained that it’s because of human error up to some level. Even human error is found in the projects of NASA. In hospitals where the tolerance level is 0% as it’s a matter of life, sometimes because of some internal, external factors and due to natural causes you are unable to deliver your 100%.

According to the 2\textsuperscript{nd} interviewee they try their level best to fulfil all the promises and commitment they make with the customers. He said “What message we deliver through advertisement is conveyed by a whole system, a big team setup is working on the backend so such commitments are always fulfilled at all levels.

On asking the question about what are the reasons and problem due to which such gaps occur, he explained that it’s because of miss commitment or exaggerates promises by the employees which cannot be fulfilled. Sometimes employees do not provided with much information, they are not aware of certain procedures or they are not well trained as was required so such person might can give false statement or miss guide the customer.

3\textsuperscript{rd} interviewee said, in those segments where they make promises with the customer they follow them up on monthly basis to know how well employees are performing. There is a whole process which is connected to customer feedback process.

He further explained that the statements can vary at different level of management. Customer expectations are individual that means we have 1.7 million customers and 1.7 million expectations to handle. He stressed that at local level it’s the responsibility of advisor to find out what expectations would customer have. He said we need to handle the customer expectations on long term basis so we have to generalize it. It’s a long term process to decide how to handle and manage customer expectations at different levels. Furthermore It’s about
analysing the right level of expectations and that is what management decides and it’s about brand very much.

According to the 4th interviewer they don’t use media advertisement as such rather they prefer to talk to the customers directly. She said” I believe media and advertisement have big impact on customer and what we say is not that important but what perception they get from media effects more”. She further explained that what we commit through advertisement we fulfil that always. “If I talk about individual branch what we commit we fulfil that upto 90%. If somehow we are not able to fulfil the commitment we try to compensate the customer”.

On asking the question about what are the reasons and problem due to which such gaps occur, she said that one should ask more questions to the customer to be clear that what he requires. She further explained that sometime what we promised is coming late in the future and we are unable to finish it. Sometimes you promised to get back to the customer but you are caught by some sudden problem (illness) and customer get disappointed. “So you have to clear the reason to the customer in such situations”.

Dealing with the Gap On asking the interviewees that how to deal with such situations due to which service quality gaps occur at different levels, 1st interviewee said “ keep on evaluating yourself on consistent basis. You should always have a backup plan whatever is the situation”. He further explained that in a situation a person working on the front end is absent, you should have someone trained who could deal with the customer (even he is not involved in customer dealings) in absence of that particular person. He stressed that if every individual in the company is motivated enough, energised and happy off course he will take the ownership to deal in uncertain situations.

Furthermore he said you should be able to describe the customer why you couldn’t fulfil the promise on time. If the reason is genuine customer would definitely understand and will not be angry. He said if due to some reason you got to know that you will not be able to fulfil the commitment, try to reach the customer prior to the deadline and apologize in advance.

2nd interviewee said employees should be provided with required information and training to avoid such situation. Bank is not responsible for monetary compensation. Bank usually conveys a humble apology to the customer to make him feel good.
According to the 3rd interviewee if there is an issue at front end its local management responsibility to handle it. If its generalize problem in all branches then it’s a centralize problem and there is a need to conduct proper training.

**Service performance Gap**

1st interviewee said people involved in dealing the customers are actually representing the overall company. Unfortunately not much emphasis is given to them while company plan to allocate budgets, infrastructure and resources. Although they should be facilitated more well than others.

He further described that management expects that People who are involved in customer dealings should be more adaptable and flexible. When they do not perform as expected, is because lack of training and lack of experience and information. If ERP( enterprise resource planning systems are well aligned in the company we can exactly figures out where and in which department problem exists ( related to resources human and physical, budgets, un expected damages, system failures) and how to deal with it.

2nd interviewee said, the main reason is ignoring the importance of training and development needs. Furthermore sometimes management do not have enough budgets or they do not want to spend on employees. Trainings are equally important for the existing employees as well as new employees and should be done every after 6 months. It increases employee motivation and moral towards their job tasks.

He pointed that often employees have issues in their teams or with the management which affects their performance. Also employees who are working in the front end or dealing with the customer might have different background (education or experience) or they do not have aptitude in customer dealings in such situation they cannot perform as required.

According to the 3rd interviewee “what our management says to the staff is; you are going to deliver service as expected by the customer so meeting the customer expectations is your main objective”. He further explained that there can be a situation in which a student comes and ask for loan to buy a house, we would obviously say him NO. At this point we didn’t fulfil customer expectations but we did the right thing for bank. He said the management is very clear in saying that we are a bank first and we should make decisions that are good for bank but also good for customer. According to him the situation is different in other service
industries like in hotel industry etc because bank has a legal requirements to ask questions and there is a big difference between banking and other service industries.

Furthermore he said that there can be other reasons as well when employees cannot perform well, like if they have a bad day, they are new and don’t have enough information and if they have a bad attitude etc. He stressed that the interesting questions is not finding out when people can’t perform because if a manager constantly focusing on employee mistakes then we will have a scared organization and it will not be able to perform well in service industry. Instead managers should try to find out something that is really good about employees.

4th interviewee said, If the employee do not have much information and they failed to answer the customer they get stressed and if they are stressed they might do something wrong or unable to perform up to the level.

5th interviewee said, Employee don’t perform at a level as expected when they don’t have enough time or information available to handle customer queries or they don’t have enough power to decide what to offer the customer. Furthermore it also happens if they don’t understand the value and importance of customer services and it’s because of lack of training needs.

**Dealing with the Gap**  According to the 1st interviewee by introducing ERP systems, by improving IT infrastructure and by introducing refresher courses in each quarter can help to reduce the gap. He said job rotations are important. “You need to make sure that employee specially front end staff is utilizing and getting their mandatory leaves which are very important to energized and refresh their minds”.

2nd interviewee said, through training and development, Job rotations, by motivating, encouraging and appreciating them, offering rewards and compensation to increase job motivation and moral, by providing them counselling when needed and by properly addressing and resolving their issues and conflicts performance gaps can be reduced.

According to the 3rd interviewee the management should not always focus on and criticizing the bad performances of the staff rather they should highlight their good qualities to encourage them. He said that “it’s the quickest way to overcome performance gaps”.
4th interviewee said, if front end staff is not able to deal the customer somehow she usually take the customer to her office and try to accommodate or help her colleague in such situation.

### 4.3.6 Future Plans

Only 3 interviewees expressed about their company’s future plans,

2nd interviewee said they are developing strategy for the coming year 2013. Currently they are operating in all the big cities country wide. The bank is aiming to access customers in remote areas by opening new branches and trying to improve and maintain services in those areas.

4th interviewee said, SEB is already working to improve its service constantly. She said “we don’t need to change everything”. She described that her office is considered as the most successful in satisfying the customer and providing customer services in whole Sweden. So she don’t see to make any changes in the future”. According to her if the employees are happy they will make customers happy. She said “I think if everyone is doing what I am doing like talking in morning and evening and every day about customer that would be good enough. SEB has very good system but it only works if everyone uses it and follows it”.

5th interviewee explained that her company is looking to improve its customer feedback system in the future to understand more about the customer needs and wants.
5 Analysis

This chapter discusses the results of the empirical findings in relation with the theoretical framework as presented in the second chapter of this study. Further it describes the relationship between quality and satisfaction followed by factors affecting the both constructs. Furthermore, service improvement techniques are discussed under three main headings 1) Managing the workforce, 2) Developing service improvement strategies & 3) Closing the gaps.

5.1 Effect of quality on satisfaction and their Interrelationship

The empirical findings of the research shows that quality of service does effect the customer satisfaction and both factors are related to each other up to some certain extent. Almost all the respondents agreed on that except the 3rd interviewee. According to him quality of service does not affect customer satisfaction rather what customer experience effects his satisfaction. According to Cronin and Taylor (1994); Boulten and Drew (1991), the overall experience with the service quality results in customer satisfaction and satisfaction is customer decision after an experience while quality is not. Also he thinks that customer satisfaction is not a common measure of quality. According to him there is a definition problem and there is no correlation found between customer satisfaction and repeat business. Because of that it is driven by image factor. In academics both constructs are recognised as distinct and independent (Oliver, 1980) but on other hand they are also closely related to each other (Parasuraman et al., 1994; Dabholkar, 1995; Shemwell et al., 1998). The findings also support this argument that both constructs are distinct but also there is a casual relationship found between them because both factors affect each other up to some certain level.

If I talk about the effect of customer perceptions and expectations on the service quality findings depicts that positive or negative word of mouth, customer needs & desires and service performance effect the level of perceptions and expectations. The interviewees revealed that positive or negative word of mouth has the biggest impact in the means of recommendation on customer perceptions about the services. According to Reichheld (1996)
and Heskett et al. (1997) positive word of mouth generates more revenues and reduces the marketing cost for the company.

The findings also prove that positive word of mouth or a good rumour brings more business for the company. Although majority of interviewees think that negative word of mouth has more strong influence on customer expectations and it grows faster. Customer believes more on what other people say about the service and his expectations and perceptions changes accordingly inspite of what banks promote.

Spreng and Maackoy (1996) research shows that desires congruency does effect the satisfaction level and it is an important antecedent of satisfaction. The findings tell that customer needs and desires drive him to buy the services and it’s really important to fulfil them. It’s a plus point if the company offers customize solution to customer desires. Also customer need/ desire can be viewed as expectations that can bring the customer in or out. Second interviewee said, if service provider fails to fulfil customer expectations or desires or breach the promises made customer gets disappointed and he may discontinue the relationship. When service providers make commitments or promises through different ways it increases customer expectation about the services. So the managers should try to decrease expectations to provide services that are better than expected in order to increase satisfaction (Davidow and Uttal, 1989; Peters, 1987).

Interviewees explained different ways to improve service performance like monthly or weekly customer surveys and reviews etc. Also the way service staff look, great, talk or deal customers and the way they explain things everything affects the performance of the service.

Upon asking the interviewees about favourable or unfavourable customer response that leads to switching or loyalty intentions by being satisfied or unsatisfied with the services, majority of interviewees respond that if customer is happy and satisfied he will continue the relationship and it will result in long term loyalty and commitment.

Findings say that increase in customer loyalty increases the business volume and generates more revenue for the firm. According to Oh and parks, 1997 the perceptions about the performance of the service provider ( the way services are performed and delivered) positively influence service quality perceived, positive word of mouth , customer satisfaction and ultimately effect customer repurchase intentions.
Also during a service encounter, the performance of service quality affects the customer willingness to buy more (Jillian, Geoffrey & Lester (1997). The findings also support the facts, the interviewees said that the way services are delivered and performed affect customer’s perceptions to decide whether to continue or discontinue the relationship. Third interviewee said that, service performance effect more then 80 – 90% because being a service provider we have one chance to deliver and in that case we must deliver the best. Furthermore it is assumed that continuous improvements in service performance effects the customer expectations and perceptions in a positive way. Interviewees explained different ways to improve service performance like monthly or weekly customer surveys and reviews etc. Also the way service staff look, greet, talk or deal customers and the way they explain things everything has some significant contribution.

So it can be said from above findings that word of mouth and service performance are the most important elements that can lead the customer towards favourable or unfavourable decision. If customer response is favourable customer tend to buy more from the same service provider and it results in repeat purchases (repurchase intensions) and long term relationship by becoming a loyal customer. On other hand if customer response is unfavourable and he is not satisfied with the services he will probably discontinue the relationship and will switch to other service provider.

Findings also depicts that quality of service is not the only factor that leads to overall customer satisfaction, there are other factors as well. Interviewee revealed that quality of service has some significant contribution (not total) towards customer satisfaction. Furthermore they said that customer expectations differ at different levels and quality expectations of the customer effects accordingly. In the literature, the effect of expectations of quality on customer satisfaction is considered as positive and significant [Anderson et al., 1994].

In the service literature, core and relational quality are the most basic elements of services. Where core is “what is delivered” and relational is “how it is delivered” (Gronroos, 1985; McDougall and Levesque, 1992, 2000). Basically service industry survive on customer therefore most of the interviewees described that the most important thing for the customers is the way they are dealt by the service provider, then comes how the service was delivered to them. According to Dawkins and Reichheld, (1990) delivering quality service is considered an essential strategy for success and survival in today’s competitive environment. So we can
say that customer does not just want the quality of service but the overall service quality together with all other factors core and relational to achieve satisfaction.

5.1.1 Factors Effecting Service quality and Satisfaction

According to Cronin and Taylor (1992), satisfaction is an antecedent of service quality, but service quality is not the only factor that has direct impact on customer satisfaction. There are several other factors as well that affect the both constructs. Findings describes other factors that affect service quality and satisfaction are brand or company image, customer experience, price, bank internal and external environment like branch outlook, available equipment (heating, air-conditioning), cleanliness, service delivery/ performance (fast or slow) and the behaviour of the service provider. The views from the findings correspond with the literature as described by Albert Caruana 2002; & Sureshchandar et al., 2002.

According to the first interviewee everything has some significant contribution like the departments which are engaged in manufacturing the product raw material etc If they are following some certain amount of service quality measures and monitoring system they can achieve level of quality.

Furthermore findings revealed that the product, way of presenting it, time frame within which it is offered, the way it is designed, the way it is marketed, the way employees dresses up, the way they speak and handle customers everything matters a lot for the customer. In fact customer judge the quality of the services by considering all other factors that can make him satisfy. So the core and relational aspect of services beside the quality to measure customer satisfaction are considered important.

5.2 Managing the workforce in the Organisation

Findings stressed on the importance of managing the workforce effectively because employees are the internal customers of the bank. If they are not satisfied they can’t make external customers satisfied and they can’t make customers happy. Findings revealed that job satisfaction is very important for successfully implementation of the policies regarding quality improvements. Employees should be motivated enough to show potential and dedication towards achieving organizational objectives. Necessary coaching, feedback and
reward system helps to trigger the motivation factor. On other hand according to 5th interviewee workforce effectiveness doesn’t help to raise quality standards. It is important for other purposes but it’s not very cost effective way to improve the quality.

Workforce can be managed in several ways described in the literature and are further justified in the findings.

**High Wages, Incentive Pay, Promotion**

According to Pfeffer et al.(1995) high wages increase employee dedication in providing excellent services to customer whereas findings don’t support the high wage concept to improve employee performance. Pfeffer et al.(1995) research stress on employee motivation which can be created by offering employees rewards and recognition as money is not the only factor to motivate employees. The findings also support the view, according to the interviewees it’s a basic hygiene paying people with good salary and it is just one factor that can affect the performance system up to some extend only however interviewees also mentioned that employee motivation is the main thing. Company should have employees who are interested in serving other people and should be motivated enough by their leaders not because of money factor. So in order to improve performance System Company should focus more on introducing employee oriented policies in place.

Furthermore according to Pfeffer et al.(1995) research, employees want their shares in the benefits organization earns and want fair treatment and reward in terms of extra incentives and promotions to make them encouraged. Findings also reveal that employee really appreciate if company offer them rewards of their performance by offering them extra incentives and promotions. Also they claimed that it actually helps to improve performance system and promote service quality.

**Training, Cross Utilization and Skill Development Programs**

According to the findings, training and development programs improve service quality and increase employees’ moral in developing their interests to do their job. Pfeffer et al.(1995) research also claim that training and skill development programs helps in creating skilled workforce which can provide excellent services. Also trained staff works with more efficiency then untrained staff. Findings revealed that trainings specially related to customer relationship management are very important in the area related to customer services.
Furthermore other than basic job trainings firm should introduced other training facilities on continuous basis to educate employees and to increase their moral by developing their interests in their jobs. This could be done by introducing different training like training on stress management, conflict management, time management, behavioural trainings, training programs like seven habits of highly effective people and customer experience programs are really effective.

Also the trainings of the front end staff involved in direct interaction with the customers have direct impact and they should undergo on regular trainings more often than others.

According to the 4th interviewee customer experience programs is a complete framework and it should be the part of organizational culture and should be practised every day because there is a need to measure customer experience on daily basis. Moreover developing a system is not just enough managers should be responsible to provide necessary coaching to the staff to make sure things are done as desired.

According to Pfeffer et al. (1995) one mistake that mostly organisations do is, they upgrade the skills and abilities of their employees but they do not try change the structure that restrict the staff to utilize the skills learnt.

**Measurement of practices**

According to Pfeffer et al. (1995) evaluations ensure employees that what is being observed and measured is noticed by the managers. Furthermore it helps the management to figure out the outcome of the implemented policies and the feedback from such practises helps for further improvements in the company. The interviewees stressed the importance of introducing evaluation practises in the organization.

If employee performances are continuously monitored throughout the year then it’s easier to get the exact figures about the level of performance they delivered. Findings shows that through feedback and evaluation employee get to know that their performances are properly checked and measured. Also such practises provide employees the opportunity to grow in their careers and it actually helps to improve the performance system of the company. Evaluations help to understand where the problem exists and how it can be resolved accordingly.

Furthermore it is important to develop some criteria to evaluate employee performances. If it’s not there will be less dedication and commitment and there will be more corruption in the
organization. On other hand findings also stressed on the importance of measuring organisational overall performance rather than the judging employee performance only, if company wants better results.

Furthermore findings revealed the most effective ways of measuring employee performances usually practised in organizations like Consistent Capacity planning (the extent to which an employee can perform) to know their highest and lowest performance levels, providing feedback to employees during monthly or weekly meetings, evaluations based on job description, and evaluations based on customer feedback and surveys etc. According to the interviewees offering different rewards to employees based on the result of their performance evaluations, trigger the successful implementation of these practises.

**Information Sharing**

Sharing the information regarding work processes among the employees has several benefits. Pfeffer et al. (1995) research shows that in order to become the best service provider it is important that employees should be provided with all the relevant information. The findings explain that sharing information helps to achieve high quality standards. Also employees can be managed well if they have exact information about their tasks and duties and the ways of achieving them on time. As employees are the main source through which organization can achieve its objectives

5.2.1 Developing Service Improvement Strategy in the organization

The overall goal to improve service can be achieved if the functions of all the departments involved in creating services are well organized. Findings stressed on improving those measures/ steps which are briefly explained in the literature.

**Listening**

A fact that can’t be neglected that the service industry lies on its consumers and their expectations and concerns are equally important to gain success. Leonard, Parasuraman & Zeithmal (1994) research shows that quality should be improved according to the specification of customers rather than the company. It can be done only if company understands, listen and spent wisely to understand the expectations and requirements of its customers. The findings from the banking industry also support the views. It states that
Understanding and fulfilling customer needs and expectations is the basic thing for a service provider because for a service industry the ultimate goal is to satisfy the customer. Also it is important to measure the customer satisfaction on continuous basis to analyze what makes the customer more or less satisfied. Leonard, Parasuraman & Zeithmal (1994) research also support the argument by explaining that customer feedback should be collected on continuous basis to Identify Dissatisfied Customers and to get ideas of further improvements. This could be done by developing service quality information system.

Findings also explain the ways of improving the quality to develop better understanding of customer desires. By being innovative and offering new services with more facilities. Because the only thing customer cares about is the relationship with the bank. To strengthen the relationship and to create loyalty factor companies spent in marketing and advertisement campaigns. Generally it has been observed that usually customers becomes emotionally attracted with the type of marketing Promotion Company delivers through different mediums. However sometimes marketing techniques are used to acquire new customer only as it doesn’t help much in generating loyalty factor. According to Leonard, Parasuraman & Zeithmal (1994), most common mistake in services improvement that companies do is to spend money in a way that does not improve the services at all.

Furthermore the culture of the company has the main role in developing a strong relationship with customers. Findings shows that a culture can be developed by having a customer focused approach. This could be done by generating problem solving sessions and by conducting every day meetings with the employees where they sit together and everyone talks about customer experience and shares what he/she is doing to strengthen the relationship.

Reliability

According to Leonard, Parasuraman & Zeithmal (1994) the five dimensions of services reliability, responsiveness, assurance, empathy, tangibles are used as criteria to judge the quality of the services. Among these five dimensions reliability is considered as the most important element to judge the quality of the service. However the findings express some different views. According to the interviewees Reliability is an important element but there are other things as well which are more important. The reason is that for different people the satisfaction level is different. What customer values the most is Responsiveness- the way they
are treated by the person (customer representative), how fast is the service :before and after
sale services, Empathy : the level of feasibility and ease of service, and then comes the
Reliability as customer want the accurate service on first hand they don’t like coming for the
same query again and again. Then it is Assurance of the service which could be achieved by
continuous monitoring of the product performance as it matters a lot for the customer.

Service Design
According to Leonard, Parasuraman & Zeithmal (1994), flaws in any part of service
design/service mapping affect the quality level. Also if service providers want to delivery
reliable services to their customers depends on how well the various parts in the service
system work together. Findings also stressed on the importance of developing a service
framework at the work place. There are different ways of mapping the services inside the
company like introducing service management programs (SMP ) which includes a system of
guidelines describing the pattern of performances and ways of maintaining & measuring the
services.

Other then this to improve the functionality of service system design employees are provided
with all equipments, manual of guidelines, necessary trainings and flexible environment.
Findings reveals that mapping the service by providing employees a flexible working
environment equipped with all the desired elements of service framework which is further
linked with reward system is really helpful to improve the overall service system. After
mapping the services for employees it is important to develop a level of trust with them in
order to achieve the desired objectives and to make them grow. Furthermore as study is done
in a banking sector it is also observed that in some banks service design and mapping is
followed more in the areas of mobile banking and internet banking. However a system of
guidelines including a pattern of performances to be followed by employees is there in almost
all the sectors.

It is also seen that usually employees are blamed for delivering poor service quality however
Leonard, Parasuraman & Zeithmal (1994) research revealed that the real problem exists in the
service design.

Service Recovery
It has been observed that people approach the customer service departments with a negative
approach that either their concerns will not be valued or the purpose will not be achieved.
Findings revealed that this thing happens if they had a bad experience in the past or when people don’t read the terms and conditions very carefully regarding the claims. Also some people are reluctant to complain because they are shy to express and they think complaining is a wastage of time. There can be many reasons depending on the type and nature of the customer.

Dealing with a dissatisfied customer is a tricky part. According to Leonard, Parasuraman & Zeithmal (1994) service firms can make the things better with a complaining customer or make it worse. Findings shows that a firm can make the things better by developing a complain resolution system which helps to figure out the exact issue and resolve it on time. If customer remain dissatisfy he stop giving the feedback and this can be more worst for service providers. Leonard, Parasuraman & Zeithmal (1994) research also stress on getting customer feedback on regular basis as it helps to improve the service system. For this purpose customers should be encouraged to voice their issues and complaints. There can be different ways to encourage the customer and to make the overall process convenient for them.

As facts were collected from a banking industry findings revealed that putting posters and pamphlets in the branch to collect customer feedback is a good approach. Furthermore conducting surveys and personally calling the customer to get their opinion on services is found to be an effective way. Beside all this customers have always an option to directly approach the senior management by emailing or calling them if they want a quick response.

**Surprise Customers**

To increase the service quality and gain customer trust it is important to add personnel touch in the service to make customer feel that you care. Interviewees in market stressed to go beyond customer satisfaction and give a surprise. By being more responsive and quicker to understand customer needs can help to make customer surprised. Giving them gifts and free services are also among it. Also company can go beyond expectations by offering something extra other than the standard offer. This strategy aligns with the Leonard, Parasuraman & Zeithmal (1994) research to consider the “WOW” factor in service offering.

Leonard, Parasuraman & Zeithmal (1994) research also focuses on providing the best to the customer and gain service trust and loyalty. But it might not be possible every time because of limitations and not affordable for long term. It is more important to meet customer basic
expectations. Findings revealed that if more surprises are given then the expectations are raised next time and it will be difficult to sustain them.

In banks sector, all the banks provide the same services because they have same product. The only difference is how good the service is. But it is always good to provide seasonal gifts to make customer happy.

**Fair play**

The most important in service delivery is to treat customers with fairness. According to Leonard, Parasuraman & Zeithmal (1994) customer seeks ease of service that connects with the literature as responsiveness. For that service providers should introduce new features to their services on regular basis. Findings reveal that customer expects the service provider to fulfil commitments (Reliability) on time. But on other hand every customer segment is different so the expectations vary as well. If we talk about the banking industry trust is considered as the most important element and it could be developed only by offering excellent service over and over again.

Both literature and industry shows that customer expects service provide to be responsive, have tangible communication channels, and dealt politely. But customer wants to have quick response for complains and queries, the service to be convenient to approach and handle.

**Servant Leadership**

The importance of servant leadership is stressed both in literature and interviewee’s comments. Findings show that even if the company has educated employees, resources, best environment. The effective leadership is required to harness the employees’ effort the best way. Servant leadership is required to understand the roles of each employee and enable and equip them with tools, training and freedom. If it lacks then the workforce is not warmed up. Furthermore, managers also need to be properly dealing the staff to motivate, reward, train and compensate.

According Leonard, Parasuraman & Zeithmal (1994) good leaders believe in investing people and teach them the techniques to enhance productivity and quality standards. Findings say that, to achieve the purpose good leaders hire best people to attract more customers. Good management is about supporting good service and increase productivity.
5.2.2 The Gaps in Service Quality

According to the interviewees, in order to improve and manage the process of delivering value services, first firm’s needs to identify those areas where these gaps exist and then should try to eliminate or close these gaps. The gaps are discussed below in detail by the interviewees.

Service Quality Management Gap

According to Parasuraman et al, (1985) this gap develops due to the difference between managers perceptions about what customers are expecting. There are different factors that produce management gap in service quality. Findings depicts that such gap also occurs when the customer is not perceived correctly and feedback process is delayed. It might be caused when the company does not concentrate on marketing research and customer analysis is not done before introducing any product/ service. However according to the 4th interviewee market analysis is not much important to overcome such situations rather customers should be handling through one to one interaction. It is also important to collect much information from the customer through different channels internet, email, media and advertisement (in banks specially) to build the same understanding and avoid confusion.

Different measures are practiced in the industry to avoid such gaps. Parasuraman et al. (1985) research stressed that this gap occurs when firm does not emphasize much or marketing research, due to several layers of management and extend of communication between managers and employees. However Findings revealed that through database analysis, service design and customer general mapping, customer expectations could be predicted and gap can be minimized.

Other than this capacity planning should be considered important to make employees produced what is desired. According to the findings firms should constantly monitor every new trend in the market. Predictions and strategies are considered very important in this regard. It is also important to analyze the possible situations ranging from best to worst. One should be excellent planner and keen observer as a management person to avoid such gaps. As the number of customer increases does the possible expectation from customers as well. So the local staff should be trained enough to analyze the basic expectations of the customers.
Findings suggest that collecting customer surveys by testing the products before their launch can help to reduce such gaps.

**Service Delivery and External Communications Gap**

According to Parasuraman et al. (1985) that this gap occur because of the difference between external communication channels (Marketing, advertising) and actual service delivered by the firm. It happens when firm give false statement through exaggerating promises. The findings from the industry reveal that such gap occurs when management isn’t clear about their vision/mission statements so they cannot communicate properly with the staff. But findings shows that somehow companies manage to deliver 90% of what they promise through different channels.

Every company tries best to provide the service which they communicate to customer. It is important not to exaggerate promises but keep a good profile. According to the findings It is only possible in ideal situation where proper market analysis is done, staff is highly motivated, well trained and atmospheric conditions are perfect. to give 100% of promised but there is a need to consider the factors that might affect it both as internal and external reasons. The energy level of employees cannot be same from start to end of the day as there are ups and downs. Also if the management is not directly communicating with the customer then they don’t know what the expectations are from customer. The employees can only give 60-70% and there is always room for human error. IF such issues occur at front end then local management is responsible however if its a centralized problem then there is a need to conduct training session in all branches.

This gap can be filled by analysing right level of customer expectations on long term basis, doing regular self-evaluation and creating backup plans by training resources from cross departments. It is vital to have an energized and happy environment so the people are motivated to take ownership and steps for providing customer satisfaction. Always communicate matters clearly (by collecting more information) to the customer before any deadline and apologize in advance if any problem occurs.
Service Performance Gap

According to Parasuraman et al. (1985) this gap occurs when service personals failed to perform services up to the level as management expect them to perform. Facts from the findings say that the employees involved in service providing job act like a bridge between management vision and customer satisfaction. These persons are representing the image of company. This gap is highlighted both in literature and industry.

Findings revealed that this gap arises because company plan doesn’t include enough budget, infrastructure and resources. Management expects employees to be more flexible and adaptive but training, experience and information and development needs are ignored. Issues within teams and toward management also contribute to low performance. Other then this, when people hired for job, have different background or they have lack of interest in the particular job they cannot perform well. It can also happen that employee is stressed or might have a bad day and could not perform as expected. Sometimes employee cannot decide between the customer first and management limitations and unable to satisfies the customer. If we talk particularly about banking industry its different then other service institutions because banks have some legal requirements to look first. So they have to make decisions that are good for bank and their customers.

Findings revealed that such situation can be handled if enterprise resource planning systems are aligned in company. Employees training and job rotations can also help to build an aptitude to handle all kind of customers. The most important is to provide as much information to the person that a good service can be provide to customer despite saying no or yes. It will help to face customer confidently and not feeling stressed. Employees must be trained to understand the value of customer service and their concerns should be valuable for the management. Also managers should make it sure that employees are taking their mandatory leaves to refresh their energy levels. Study suggests that the quickest way to reduce performance gaps is to highlight good performances of employee’s rather bad ones.
6 CONCLUSION

This chapter presents the conclusion derived from the study. The answers of the research questions are discussed followed by the contribution of the study and suggestions for Managers. Further, it also provides reflection f the study along with recommendations for future research in the area of customer satisfaction and service quality.

6.1 Answers to the Research Questions

A winning strategy now a day is to deliver excellent services. Quality service is essential to gain competitive advantage in the market place also it helps to sustain customer’s confidence (Leonard et al., 1994). Companies develop different strategies in order to meet the quality expectations of its customers and to ensure the smooth service delivery they continuously engage themselves in improving the quality standards. To develop effective strategies that leads to increased level of satisfaction and customer loyalty, companies need to know how quality effects the satisfaction level, its role and cost to assess the customer value and its relationship with customer satisfaction. (Tam, 2004).

Profit strategy is always linked with excellent services as it results in more business with existing and new customers. The focus of this research is to identify the ways through which companies can improve the quality of their services and extend to which the quality affects the satisfaction level of customers. It was analysed that the quality of service and customer satisfaction both are crucial factors for success in the business world. However quality is not the only aspect that customers demand to get satisfied. There are other factors together with the quality that effect customer perceptions and expectations about the services. These factors (as identified in the findings) are brand or company image, price, physical environment, customer experience, available equipments, performance and human interaction.

Different practices are used both in academic and industry to improve quality internally and externally in the organization. It was found that quality can be improved on consistent basis through constant monitoring and evaluating all the aspects that directly or indirectly affect the customer.

The first research question is about the effect of service quality on customer satisfaction. The result shows that quality of service does effect the customer satisfaction, but up to some extent only as both concepts are distinct and the relationship found between them is casual.
The relationship between both constructs in this research is explained in terms of customer expectations and perceptions about the quality of services and the way it is performed/delivered, together with the influence of word of mouth/personal needs and the factors affecting the both constructs.

Results show that needs and word of mouth affect the level of customer expectations and perception about the quality of service which leads to overall customer satisfaction/dissatisfaction. A need drive the customer to buy whereas word of mouth has the power to change customer perception and expectations regarding the service. It was found that Service performance and (negative) word of mouth has the strongest impact on customer decision regarding continue (repurchase intension) or discontinue (switching intension) the relationship with the particular service provider.

Findings revealed that quality of service has significant contribution towards customer satisfaction because there are other factors as well. Those factors are brand or company image, customer experience, Price, bank internal and external environment, service delivery/ performance (fast or slow) the behaviour and appearance of the service providers effect the most. It can be concluded that customers demand the quality of service together with all factors that directly or indirectly effect the services to make him satisfied.

The second Research Question is how the quality of service may be improved in the organizations. Results reveal that highly motivated workforce can help to raise the quality standards. For this purpose it is important to manage the workforce through constant monitoring and evaluating and by offering them rewards based on performance evaluations. Quality checks on monthly or yearly basis can also help in this regard. Workforce can be managed well by developing a strong strategy in place. This could be done through capacity planning training, innovation, automation, use of IT, reengineering the systems and by developing a culture in which customers are the main focus. The importance of customer services can’t be neglected in this regard. Findings depict that Responsiveness (the way they are dealt by the service provider) is the most valuable element for the customer in service settings. Also it is observed that companies need to work more on complaint resolution systems to make their services more reliable. As the whole service industry lies on the concept of fairness, fulfilling the commitments on time is important to win the customer’s trust.
To improve performance system companies are striving to focus more on introducing employee oriented policies by removing the gaps between management – employees and its customers. There are three main gaps described in the study. Service quality management gap can be removed by planning the activities, through research and analysis and by arranging the staff properly company can analyze and predict customer expectations. Also it is important to develop data base analysis, customer general mapping, capacity planning and emphasizing on marketing research and analysis to gather information about latest market trends.

Service delivery and external communication gap can be reduced if employees are trained enough from cross departments (as a backup) and should have enough information to handle customer queries. All matters with the customers should be communicated clearly and over exaggerations through false statements should be avoided. Through proper planning and constant monitoring one can overcome the issues.

Findings revealed that hiring right person at right time at right place can help to reduce the performance gaps. Also by introducing ERP (enterprise resource planning) systems, by improving IT infrastructure, by dealing employee complain management system and by providing necessary trainings and refresher courses in each quarter performance gaps can be minimized.

Other than this, there is a need to focus on technological based services for customer support. The most important issue to win customer’s trust is to focus on developing customer complaint resolution system. As the main focus is on satisfying the customer which demands to put an extra effort to understand their concerns. Sometimes a little note or a smile can make a customer feel valuable. There are small things like gestures, way of dealing even dressing can be used as inspirational technique. Also it’s important to deal the customer in a way he/she understands. If we consider banks particularly, people who visit the bank belong to different age groups so bank should deal them in their way according to their comfort level.

Also firms need to establish a service culture followed by a strong strategy in place. Service providers must be able to design customer experience and must be able to measure customer experience, and then they should utilize the results in a positive way. It’s all about forming a service culture in the organization that requires a method to be followed. Establishing a service culture is important where the actions of all the employees are under similar
framework. Nevertheless employees are the most important asset of the company, happy employees lead to happy customers.

### 6.1 Contribution of the Study

The study identifies and discusses the effect of service quality on customer satisfaction and the factors affecting both constructs. It also describes different ways to develop service improvement strategy in the organization. The relationship between service quality and customer satisfaction is explained by developing SQCS (Service Quality and Customer Satisfaction) model. The relationship between both constructs is not widely discussed in academics as various authors didn’t relate quality with satisfaction. However service quality and customer satisfaction both are discussed as distinctive concepts in the literature. This study has a unique contribution in this regard and future research can be done on the basis of this study to examine the effect of service quality on customer satisfaction.

The study also contributes for service firms aiming to improve the quality standards to satisfy their existing and future customers. Some improvement methods are discussed in this study which can be implemented in different sectors of service industry.

The results of this study are considered reliable and scope is wide. As the research is done in two different banks in two different countries. Therefore the results can be generalized up to some extent particularly in the banking sector.

### 6.2 Suggestions for Managers

Service quality and customer satisfaction are proved to be the important determinants to maintain the overall performance system of the firm. There are some suggestions for service managers derived from the findings of this research.

Managers should consistently monitor and improve all channels through which product/service pass regularly. For this purpose capacity planning of employees is necessary to avoid stressful situations. It can be done by setting employees targets to be achieved daily to measure over and under capacity of their work. Capacity planning help in setting targets and measuring the performance by evaluating the amount of work employee can deliver each day.
Thus services can be improved by aligning the functions of all the departments and by organizing the intercommunications between cross functional departments in timely manner.

Also it is necessary to measure employee performances on monthly or quarterly basis. Quality checks and measurements on monthly basis can help to raise the quality standards. For this purpose mystery shopping is a useful technique in order to be updated about various branch operations.

Employee motivation is a key thing to achieve organizational goals and objectives. To trigger employee motivation, reward system should be introduced at the work place. Developing a framework for employees by setting the example of behaviours to be followed by the managers can really help in this regard.

Furthermore, the importance of proper market research and analysis cannot be neglected to know about competitors move and to capture the market.

In last, managers should always consider the fact that a good customer service can cover the flaws or loop holes of overall service system.

### 6.3 Reflection on the study and Future work

Current research is based on banking industry from only two countries, Sweden and Pakistan. When we talk about money transactions, the majority of world's economies both corporate and basic consumers rely on banking industry. Therefore, a future research can be performed within the context of study in banking sector of different countries and the results (including this research) can be compiled to develop better techniques and suggestions to serve the consumers by improving overall quality standards. It would be a great contribution for banking sector and its customers.

Qualitative research methodology is used in this study to gather information from manager’s perspectives. For this purpose, managerial interviewees were conducted from the banking industry to get an expert opinion. However if this research will be done by using quantitative methodology (surveys & questionnaires) more interesting results could be examine from customer’s perspective regarding service quality and customer satisfaction.

Further research can be performed with similar concepts in different areas of service industry (insurance companies or telecommunication industry) to better generalize the results. This
investigation would also help to analyze different ways to serve the customer by improving the service quality and produce more revenue for the companies.

As customer satisfaction is not a common measure of quality, another suggestion for future research is to use the impact of image in relation with customer satisfaction. Because now day’s businesses are driven by image factor however it is observed that what customer experience, is somehow different.
References


Appendix

Research Questionnaire

I am a student of Master program in the University of Gävle, Sweden. I am conducting research for my Master degree thesis on the topic **How Improvements in Service quality leads to Customer Satisfaction**. The main purpose of this research is to study the impact of service quality on customer satisfaction.

The purpose is to investigate how companies can improve and manage the process of delivering high Service quality standards to their customers in order to achieve high level of customer loyalty or satisfaction. Also the study will analyse the effects of service quality on customer satisfaction by discussing the relationship between the both concepts. For this purpose I have selected a Banking Industry to conduct interviews of Managers mainly involved in developing policies or procedures to improve service quality that can best serve the customers in a bank.

My research supervisor is Dr. Maria Fregidou Malama, Assistant Professor and international departmental coordinator, Department of Business and Economic Studies at the University of Gävle, Sweden.

I will be very grateful if you could answer the questions mentioned below so I can accomplish the research objective.

Thank you for the cooperation.

**Research student:** Sara Qadeer  
University of Gavle, Sweden  
**eea12sqr@student.hig.se**

**Supervisor:** Maria Fregidou-Malama,  
Ph.D. Assistant Professor University of Gävle  
Department of Business and Economic Studies  
SE-801 76 Gävle
Gender:

Name (if want to disclose) optional:

Age:

Designation:

Qualification:

Total years of experience in a bank:

Experience at current position:

1) In your opinion does the quality of a service has any effect on customer satisfaction?

    a) Are they both related to each other? OR You think there are other factors as well (beside quality) that affect the level of customer satisfaction, name them?
    b) What differentiation strategy is used in your organisation that makes a customer loyal towards the service offerings?
    c) What response you expect from a customer if he is satisfied with your services?
    d) To which extend the following factors can affect the customer perceptions and expectations about the service?

    1) Positive or negative word of mouth
    2) Personal needs and desires
    3) Service Performance
2) How important is to manage the workforce effectively in an organisation?
   a) How they can be managed well to in order to achieve high quality standards?
   b) Do offering employee benefits (such as wages, incentives, job security, and promotion) help Company to improve the overall performance system and how?
   c) To which extend the training, cross utilization and skill development programs help Company to achieve high service quality standards in the organisation?
   d) Did the management introduce such programs in your organisation?
   e) How employee performances are evaluated in your organization?
   f) Why it is so important to measure and evaluate employee performances?
   g) To which extend employees work related issues are properly addressed and resolved in your company?

3) Describe some of those methods through which organisations can make improvements in the service quality?
   a) Are these methods effective in your organisation?

4) Do you consider service mapping (equipments, pattern of performances, physical environment) a way to improve service system design?
   a) Does your organisation work by mapping the services to improve overall service system design?

5) Which is the most important feature of a service offering that customer value most and should be highly focused by the firms in delivering services to the customers?

6) How important is to develop efficient customer services in the organisation? And why?

7) What customers basically expect from service providers/ firms?
a) Do you believe that fulfilling customer’s expectations are just enough or company should do something to go beyond the expectations?
b) If yes, how company can go beyond the customer’s expectation in order to gain competitive edge?
c) Studies show customers are reluctant to complain in general, why is like that in your opinion?
d) In your opinion what can be done to encourage customers to record their voice or complaints?

8) How much customer feedback system helps the company in improving service related expectations and quality standards?
   a) How is customer feedback system handled in your organisation?

9) To which extend your organization fulfil the promises that are made with the customers through different channels (by employees, management, media, advertisement)?
   a. If it’s not 100%, what are the reasons/ problems?
   b. How to deal with these reasons/ problems?

10) Sometimes Management in the organisation failed to predict or fully analyze what customers are actually expecting from the services, why it happens and what are the reasons behind?
   a) How to overcome or deal with such situations?

11) Sometimes Employees or people dealing at front end are unable or failed to perform the service as expected by the management, why is like that and what are the reasons in your opinion?
   a) How to overcome such performance gaps? Suggestions?
12) Would you like to highlight other issues which are not covered in the questions?

13) What do you plan to do in the future in order to improve the service quality that can best satisfy the customers in your organisation?

Thank you for your time and consideration