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A STUDY ON TRADING SERVICES, ASSESSING FEATURES, PERFORMANCE, AND REGULATORY COMPLIANCE TO OPTIMIZE SERVICE QUALITY AND MARKET COMPETITIVENESS

Dr. R. Hareesh
Associate Professor
Department of Business Management
Sree Chaitanya College of Engineering
Email: hareeshrebelli@gmail.com

ABSTRACT:

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I.   INTRODUCTION

Today, the majority of service organizations understand that providing exceptional customer service is essential to their business's success, and market research businesses are no exception. It seems that there hasn't been much focus in the academic literature on precisely what matters to the business clients of market research firms. Nonetheless, there is some indication of a quality emphasis in this industry, in addition to the publication of codes of conduct outlining fundamental moral and commercial guidelines guiding the operations of market research firms (Weitz et al., 1993). According to Weitz et al. (1993), their market research firm was among the first of several to obtain BS5750 accreditation. Additionally, they assert that "BS5750 and its international equivalent, ISO 9000, are here to stay; possessing them will become an increasingly important qualification for supplier consideration." As a result, a prospective client may employ the heuristic of only looking at agencies who have obtained BS5750 accreditation, which is a synonym for quality, when looking for one to complete work of high quality.

There also appears to be a desire to understand better the important dimensions of service quality from a client's perspective as demonstrated in the members' survey by the Association of Users of Research Agencies (Market Research Society, 1998). This found that the following features matter most to clients of market research agencies:

- The added value in the research report and presentation;
- Thoughtful research design;
- Listening to clients' needs;
- Attention to detail;
- On-time delivery.

The paucity of published work in this sector provides us with the interesting apparent paradox that businesses charged with gaining an understanding of the requirements of their clients' customers may not understand or be

clear about the service quality requirements of their own clients.

This paper reports the findings of surveys of UK market research agencies and their clients using instruments adapted from those developed in the SERVQUAL approach (Zeithaml et al., 1990). This approach provides an insight into the important service features about which clients have expectations, as well as their perceptions of these features in the service they actually receive. In addition, an assessment is obtained of the understanding which market research agencies have of these client expectations.

This particular study is unique in two ways: first, it is the first time that the SERVQUAL approach has been applied in this sector; second, unlike previous applications of the SERVQUAL approach, it considers the industry's understanding of clients' expectations rather than those of an individual service provider. As a result, industry benchmarks of clients' expectations reported in the study can be used by individual agencies to assess their own performance.

The SERVQUAL approach

The SERVQUAL approach to the definition and assessment of service quality from a customer's perspective has attracted considerable attention since it was first introduced by Parasuraman et al. (1985) and comprehensively described by Zeithaml et al. (1990).

In their seminal work, Parasuraman et al. (1985) defined perceived service quality as the difference between customers' expectations of an ideal service and their perceptions of the service actually received from a specific service provider. Further, their research revealed that there are five dimensions of service quality where `gaps' may exist and the narrowing or eradication of these `gaps' would lead to improved service quality. Five key dimensions by which customers evaluate service quality were identified as:

· Tangibles: the appearance of physical facilities, equipment, personnel and communications materials related to the service.

· Reliability: the ability of the service to perform the promised service dependably and accurately.

· Responsiveness: the willingness of the service to help customers and provide prompt service.

· Assurance: the competence of the service and its security, credibility and courtesy.

· Empathy: the ease of access, approachability and effort taken to understand customers' requirements.

Zeithaml et al. (1990) describe a 22-item survey instrument which measures, on a seven- point Likert scale, the general expectations of customers across these five dimensions. A corresponding 22-item instrument assesses customers' perceptions of the service quality of a particular organization in the service category.

Analysis of survey responses focuses on service quality gap scores between expectations and perceptions both overall and in each of the service quality dimensions given above. Respondents are also invited to indicate, on a scale which sums to 100, the relative importance they attach to each of these dimensions. These weightings are used to establish a single overall weighted average SERVQUAL score for perceived service quality.

Several criticisms of the SERVQUAL approach have been advanced over the years since it was first presented (Parasuraman et al., 1985). Indeed, criticism of the SERVQUAL approach is becoming an academic industry in its own right according to Baron and Harris (1995). A key criticism concerns the validity of the five dimensions on which the SERVQUAL instruments are based. For example, Cronin and Taylor (1992) argue that the dimensions may vary according to the type of industry involved. This finding was illustrated by Vandamme and Leunis (1993), where difficulties were encountered in applying the

SERVQUAL dimensions in a healthcare context. Other researchers (e.g. Carman, 1990; Walbridge &Delene, 1993) argue that the SERVQUAL dimensions are the starting point and platform on.

Which additional features such as the professionalism of the service, its value for money and its performance in core function might be built to improve applicability? This focus of SERVQUAL on `process' quality is a second key criticism of the approach. Some authors (e.g. Denburg & Kleiner, 1994) recognize that some SERVQUAL dimensions (e.g. reliability) may indeed be regarded as outcome rather than process. Others (e.g. Donnelly & Dalrymple, 1996) have found that the applicability of the SERVQUAL dimensions in some public sector service contexts appears to be related to the extent of direct payment for and direct receipt of the service involved, concluding that the SERVQUAL dimensions are more appropriate whenever there is a close commercial sector analogue for the service under scrutiny.

Lewis and Mitchell (1990) criticize the SERVQUAL instruments primarily on technical considerations, arguing that separating expectations from perceptions may confuse respondents and may not result in an accurate reaction of the gap in customers' minds as the two related statements are based on ratings made at different times. Cronin and Taylor (1992) go further by suggesting that the two separate sections are not required since there is a substantial body of literature supporting the superiority of simple, performance-based measures of service quality. Other technical criticisms of the approach include the use of the seven-point Likert scale and the instruments' ability to take adequate account of response- drift given that many of the responses tend to be in the 6 or 7 category, especially in the expectations section.

Notwithstanding the importance of these theoretical and technical criticisms, successful applications of the SERVQUAL approach continue to be reported in professional and academic literature, indicating at least a practical usefulness in providing supporting evidence to underpin management intervention to improve service quality.

II. INSTRUMENT DESIGN AND SAMPLING FRAME

The main aim of the study was to investigate clients' expectations and perceptions of the service quality offered by market research agencies in the UK using the SERVQUAL approach with suitably modified survey instruments. A subsidiary aim was to explore the extent to which the market research agency industry understands the importance to their clients of the different service quality dimensions.

Client companies

A random sample of 442 nationally recognized companies operating in consumer markets most likely to use the services of a market research agency was drawn from the 1995/96 Kompass UK Directory. The basic SERVQUAL 22-item survey instrument was modified to react the market research agency service context. Apart from modifying the wording of each statement to contextualize the survey instrument, three statements were removed and six new statements were added.

In the `Reliability' dimensions the statements relating to agencies ``providing services at the time they promise to do so'' and ``insisting on error-free records' ' were replaced by statements inviting assessment of market research agencies' ability in:

· ensuring that research objectives are met;

· conducting a thorough analysis and interpretation of results. It was felt that these items better capture key features relating to the reliability of the work done by market research agencies.

In the `Responsiveness' dimension statements on the following three areas were added:

· giving a clear and effective presentation of results;

· producing comprehensive and clear reports;
· warning of potential problems in advance.

Finally, in the `Empathy' section the statement on `convenient operating hours' was replaced by statements exploring an agency's understanding of the client's marketing issues and business sector. The final 25-item instrument (summarized in the Appendix) and a covering letter were sent to the selected client companies. For analysis purposes the statements were grouped as follows:

Tangibles: statements 1±4;

 Reliability: statements 5±8;

Responsiveness: statements 12±16;

 Assurance: statements 9±11, 17±20; Empathy: statements 21±25

Market research agencies

The sampling frame chosen for the selection of market research agencies was the 1996 Market Research Society Yearbook. An exhaustive sample of all 472 entries was chosen and all companies were sent a 25-item survey instrument, with appropriate modifications to ensure consistency with the clients' survey instrument, again with a covering letter explaining the purpose of the study.

Sample profile

Response rates A characteristic of postal surveys can be a low response rate of between 30 and 40%. (Crimp & Tiu Wright, 1995). In some business-to-business surveys a response rate of 1±2% has been reported (Pressley, 1983). However, there are techniques which can be employed, such as offering incentives, to help maximize response (McDaniel & Gates, 1999). In this case respondents were offered a chance to win a £100 gift voucher if the completed survey was returned by the deadline. Both client companies and market research agencies were given 6 weeks to return completed survey forms. A usable response rate of 21% (91 returns) was achieved from client companies and 37% (174 returns) from market research agencies. Although a smaller sample, this response rate is at least comparable with that quoted by Parasuraman et al. (1991) when measuring the service quality of five nationally-known companies,

where they state that response rates ranged from 17 to 25% across the five companies.

Client companies

 The client companies' sample consisted primarily of large companies (more than 200 employees) with comparatively large market research budgets (more than £200 000) (Table 1). Just under three-quarters (72%) of the client companies had a dedicated market research

Table 1. Client company size and market research budget

Number of employees	% of sample	Market research budget (£1000)	% of sample
Fewer than 100	2	Less than 50	16
101–200	8	50–100	5
More than 200	90	100–200	13
		Over 200	62

Manager or department responsible for the commissioning and monitoring of market research services

Market research agencies

The largest group of market research agencies in the sample had between five and 10 employees (29%), while nearly one-quarter had fewer than five members of staV (Table 2). Table 2. Agency company size and annual turnover

Number of Employees	% of sample	Annual turnover (£1000)	% of sample
Fewer than 5	24	Less than 500	32
5–10	29	500–1000	23
11–20	16	1000–2000	16
21–40	13	2000–3000	7
More than 40	17	More than 3000	18

The sample is representative of the structure of small, medium and large companies in the industry as indicated by the sampling frame. The annual turnover of the agencies in the sample is variable, with a large proportion of the sample in the lowest turnover category (less than £500 000), while the rest are spread across the higher turnover levels.

III.   SURVEY RESULTS

 Client companies the overall SERVQUAL score, i.e. the perceived service quality score, is minus 0.46 on a scale ranging from 2 6 to +6. Thus, the overall service provided by

market research agencies falls short of clients' expectations. Table 3 indicates that clients' expectations are met or exceeded on average only in the

Table 3. SERVQUAL Gap scores and weights by dimension

Dimension	Expectations	Perceptions	Gap	Weight
Tangibles	4.35	4.73	+0.38	9
Reliability	6.63	5.95	−0.68	44
Responsiveness	6.16	5.68	−0.48	19
Assurance	6.28	5.95	−0.33	16
Empathy	5.98	5.68	−0.30	13
Overall SERVQUAL score:			−0.46	

`Tangibles' dimensions the least important in the clients' view and are not met in the other four dimensions. The largest negative service quality gap is in the `Reliability' dimension the most important feature of the service in the clients' view. This indicates an overall lack of focus by market research agencies even though the `Reliability' dimension attracts the (joint) highest perception score of 5.95. In total, 17 out of the 25 statements attracted an average expectation score of 6 or above. All four of the `Tangible' dimension expectation scores were below 6, with three of the four below 5 on the seven-point Likert scale. There is a significant difference in SERVQUAL scores between the group whose clients have a Market Research Department or function (score 5 2 0.38) and those who do not (score 5 2 0.68). This is re̅ected generally in the component expectations item scores, which are consistently higher for those without a market research function.

Market research agencies (Gap 1)

An assessment was made of how well agencies understand the expectations of their clients. This was done by calculating the overall weighted Gap 1 SERVQUAL score (which takes the weighted agency score for client expectations from the weighted client expectations score). This is plus 0.07, indicating a relatively good match between clients' stated expectations and agencies' perceptions of these expectations (SERVQUAL Gap 1). Agencies generally (though marginally) overestimate the level of client expectations across the five dimensions of service quality. Exceptions to this exist in some of the survey items in the `Reliability',

`Responsiveness' and `Assurance' dimensions (the top three dimensions in terms of client expectations). The relative importance of each SERVQUAL dimension indicated by the weight scores in Table 4 was confirmed directly when respondents were invited to identify the most important, the second most important and the least important dimensions. Both clients and agencies agreed to the dimensions in each category as shown in Table

Table 4. SERVQUAL Gap 1 scores by dimension

Dimension	Client expectations	Agency view of client expectations	Gap	Client weight	Agency weight
Tangibles	4.35	4.99	+0.64	9	9
Reliability	6.63	6.68	+0.05	44	40
Responsiveness	6.16	6.21	+0.05	19	19
Assurance	6.28	6.39	+0.11	16	16
Empathy	5.98	6.11	+0.13	13	15
Overall gap 1 SERVQUAL score:			+0.07		

Table 5. Client and agency choice of most important, second most important and least important dimension

Dimension	Clients	Agencies
Reliability	99 % of clients said this is the most important dimension	79 % of agencies said this is the most important dimension
Responsiveness	63 % of clients said this is the second most important dimension	92 % of agencies said this is the second most important dimension
Tangibles	67 % of clients said this is the least important dimension	73 % of agencies said this is the least important dimension

Thus, agencies appear to have a broadly accurate understanding of client views of the relative importance of the SERVQUAL dimensions in general. Moreover, the small but consistent overestimation of the level of client expectations in each of the SERVQUAL dimensions (Table 4) perhaps indicates that agencies set high standards for their organizations in meeting their clients' needs.

The SERVQUAL items and dimensions

Analysis was conducted on the SERVQUAL perceived service quality difference scores to investigate the item reliability within each of the assumed service quality dimensions. Table 6 shows that all of the dimension Cronbach-a values are good, indicating high item reliability within the modified SERVQUAL dimensions. The exception is the `Tangibles' Cronbach-a value which, at 0.67, is on the borderline of acceptability. With the exception of item 12 in the `Assurance' dimension, the Cronbach-a value for all of the dimensions could not be increased with the forced removal

of any individual item within the dimension. The removal of item 12 from the `Assurance' dimension results in a very marginal increase in the value of Cronbach-a from 0.879 to 0.880. Considering the instrument overall it was found that the Cronbach-a value of 0.92 (excellent reliability) could be marginally increased to 0.94 with the deletion of all of the `Tangibles' dimension items. Exploratory factor analysis conducted on the diVerence scores resulted in six factors being identified. Figure 1 illustrates the pattern matrix, showing the loading of each of the survey items along with an indication of the a priori factor assumptions for each item. (Items with values less than 0.3 in the pattern matrix have been excluded to aid clarity.)

Table 6. Cronbach-a values for assumed dimension item groupings

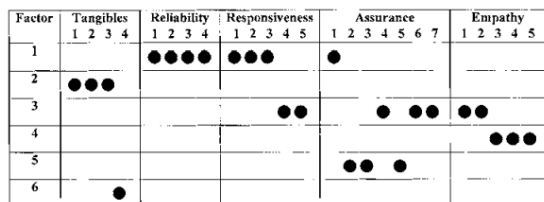| Dimension	Cronbach-α
Tangibles (items 1–4)	0.67
Reliability (items 5–8)	0.86
Responsiveness (items 12–16)	0.87
Assurance (items 9–11; 17–20)	0.80
Empathy (items 21–25)	0.85

Figure 1. Pattern matrix for exploratory factor analysis of diVerence scores (items with a coeYcient less than 0.3 have been omitted for the sake of clarity).

It can be seen from Fig. 1 that the `Tangibles' and `Empathy' dimensions appear relatively unambiguous but that there is an overlap between the other three a priori factors. Factor 1 includes all of the `Reliability' items along with items 12, 13 and 14, which relate to the timeliness of service delivery and warning of potential problems. We might speculate that in this context timeliness is a key service reliability feature. Factor 3 includes three of the seven items from the a priori `Assurance' dimension along with items 21 and 22 from the `Empathy' dimension and items 15 and 16

from the `Responsiveness' dimension. Items 15 and 16 relate to the willingness and availability y of staff and items 21 and 22 to giving individual attention and having the clients' best interest at heart. All four items might be regarded as providing a professional, tailored service to clients, arguably contributing to the perceived assurance of the service. Factor 5 includes items 10 and 11, which relate to the clarity and effectiveness of presentations and reports to the client and the confidentiality of the service provided. The sixth factor-with only item 4 (the quality of presentations and reports) converges with factor 5 when a five-factor solution is insisted on. These results therefore suggest a slightly different orientation of the original SERVQUAL dimensions, perhaps into the services:

- Reliability and Timeliness;
- Tangibles;
- Professionalism;
- Empathy;
- Reports and Presentations.

There are dangers in drawing firm conclusions from this survey data regarding the precise service quality dimensions by which agencies might be assessed. A key issue in this is that the perceptions data incorporated in the diVerence scores in this study do not all relate to the same service provider since the client sampling frame did not require respondents to use one particular market research agency. There is therefore an additional source of variation from across the diVerent service providers incorporated into the diVerence scores which could arguably cloud the dimension definitions. Moreover, using performance data, especially when these are not comparable, to determine performance factors is questionable theoretically since it is circular and runs the risk of obscuring the true picture of how clients would assess or evaluate an existing agency against an ideal or excellent service provider. Parasuraman et al. (1991) themselves question the value of the expectations data and validity of analysing difference scores. For these reasons it was decided to explore the expectations scores

separately using factor analysis. The results of this analysis are given in Fig. 2. From Fig. 2 it can be seen that a noticeably different picture emerges, with: the `Responsiveness' and `Assurance' dimensions converging; the `Tangibles' and `Empathy' dimensions remaining fairly unambiguous; and the `Reliability' dimension along with items 9±11 (effective reporting and presentation of results) spreading over the remaining three factors. Parasuraman et al. (1991) reported similar results in relation to the converging of the `Responsiveness' and `Assurance' dimensions when considering only Expectations data. In the marketing research agency context one might argue that service professionalism relates more to `Assurance' and `Responsiveness' than to `Reliability' and `Assurance' since service `Reliability' could be regarded as a part of the service content or product. With this interpretation then we might speculate on the following service quality dimensions based on an analysis of the Expectations data:

· Professionalism;

· Tangibles;

· Empathy;

· Service content including reliability

Factor	Tangibles 1 2 3 4	Reliability 1 2 3 4	Responsiveness 1 2 3 4 5	Assurance 1 2 3 4 5 6 7	Empathy 1 2 3 4 5
1			● ● ● ● ●	● ● ● ●	●
2	● ● ● ●				
3					● ● ● ●
4				● ● ●	
5		● ●			
6		● ●			

Figure 2. Pattern matrix for exploratory factor analysis of expectations scores (items with a coefficient less than 0.3 have been omitted for the sake of clarity).

IV.   CONCLUSIONS

Using the SERVQUAL method, this study examined how market research firms' corporate clients viewed the quality of their services. An industry picture shows that market research firms generally fall short of achieving the expectations of their corporate clients. Despite receiving the best score for client perceptions, the biggest disparity seems to be in fulfilling the "reliability" requirements of the clients. There is evidence that suggests client organisations without a manager, department, or function dedicated to market research may have higher expectations overall, and that these expectations are not as well satisfied as those of client companies with such specialisation. A very slight discrepancy in the market research organisations' comprehension of their clients' expectations was found in the survey. If anything, agencies have a tendency to overestimate their clients' expectations in every significant aspect of service quality. This is particularly true for the "tangibles" dimension, which is the least significant aspect of service quality in the eyes of customers.

Overall and in each dimension, the SERVQUAL instrument that has been modified exhibits great reliability. However, an exploratory component analysis of the "differences" and "expectations" data shows that the "Assurance," "Reliability," and "Responsiveness" dimensions overlap. Further research is required to confirm the tentative conclusion that "responsiveness" and "reliability" might be viewed as an outcome quality feature rather than two separate process dimensions, as the study used aggregate industry data from a variety of service providers as well as corporate clients. Additionally, more qualitative research is needed to determine the other crucial aspects of the service that are related to the product, like the calibre and promptness of reporting.

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