

# Chapter 1

## Understanding Customers' Expectations: Perspectives From SMEs

### **ABSTRACT**

*The chapter seeks to provide insight into service quality by illustrating influential models in service marketing discipline: SERVQUAL and GAP model. Moreover, the authors provide literature support of both SERVQUAL and GAP model by inducing their evolution, usage, and limitations. The authors undertook qualitative research on 10 SMEs to understand the gap between consumers' expectations and service delivery. The finding indicates experience economy as a mediating factor in minimizing gaps between expectations and behavior intention on consumers. Moreover, after conducting 30 documented observations of provider-customer interactions, it was also revealed that the role of empathy plays a vital part in moderating the components (dimensions) of service quality. The authors then provide a conceptual framework based on the results revealed. As the research was conducted via qualitative approach, the limitations of the study center around the small sample size used and lack of empirical procedure, which the authors suggest be conducted as avenues of future study.*

## **INTRODUCTION**

Customer expectations are regarded as “beliefs about a product” (Olson & Dover, 1979) prior to testing (i.e. trial or experience) and many prominent scholars have stressed upon the importance of minimizing the incongruities between expectations (of consumers) and performance of the product (Cadotte, Woodruff & Jenkins, 1987; Spreng, & Olshavsky, 1993). For example, authors Cadotte, Woodruff, and Jenkins (1987) identified standards which meet a specific need or want; naming it “experience-based norms” (p. 306). These experience-based norms are categorized in two ways; i.e. “product type norm and best brand norm”. The first type of norm is reflected upon the past experiences with the product class, whilst the second is dependent on the consumer’s favorite brand. Since customers draw a comparison between their perceptions (pre-conceived) and prior expectations, they create specific standards (or reference points) which the product (and service) is then evaluated (or judged) upon (Zeithaml, Berry & Parasuraman, 1993).

Therefore the nature and management of services are linked with expectations (Coye, 2004), where service quality deemed to be satisfactory when the difference between customer’s expectations and their perception of actual service is low (Solomon, Surprenant, Czepiel, & Gutman, 1985; Zeithaml, Berry & Parasuraman, 1993; Walker, 1995). Needless to say, the concept of expectations plays an important role in most marketing literature, specifically centered towards service quality. Prior Literature have focused on many varying avenues of customers’ expectations including determinants of expectations (Zeithaml, Berry & Parasuraman, 1993), antecedents of expectations (Clow, Kurtz, Ozment, & Ong, 1997; Fache´, 2000; Oliver, 1980; Parasuraman, Berry, & Zeithaml, 1991b), measuring expectations (Parasuraman, Zeithaml & Berry, 1994), impact of satisfaction on expectations (Oliver 1981; Bolton & Drew, 1991) and on service quality (Gronroos 1982).

Other scholars have highlighted the service delivery process as a key aspect of attaining satisfaction via service encounters. For example, authors Bitner and Hubbert (1994) proposed three concepts of customer satisfaction matching actual performance to customer’s expectations as: 1.) service encounter satisfaction; 2.) overall service satisfaction, and; 3.) service quality. Service Encounter satisfaction (or dis-satisfaction) resides in the “point of delivery” (Coye, 2004, Pg. 55) whereas overall service quality and customer satisfaction are influenced by the expectations of the customer. As the authors describe “service quality is the overall evaluation of a specific service firm that

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