# SERVICE QUALITY PERCEPTION AND CUSTOMER SEGMENTATION – A STUDY WITH REFERENCE TO BANK CUSTOMERS IN CHENNAI CITY.

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## INTRODUCTION.

Service quality is an essential marketing tool for every service provider to catch hold of the customers as well as to retain them forever. The main aim of service quality is to meet all the customer's expectations and offered them high satisfaction to create loyalty among their psychology. Especially in banking industry customers expect quick and efficient services to electronic media  as well as direct services in the back premises. The significant difference among the perception of bank customers regarding the service quality are arises when there is a lagging behind of services and poor strategy cup approach of banks. In banking industry services becomes an important component to meet the sustainable competition between public and private sector banks . In most of the cases service quality can be judged by the service receivers and also reduce the quantification whether the services offered to them meet out the expectation of the customers or not.

The economic liberalization and globalization of the Indian economy brought many foreign banks in to the operations and create more competition for public and private sector banks in India. The main aim of the service quality dimensions of foreign banks is to offer best satisfaction to the customers with the profitable charges. Therefore in this juncture the customers differ in their perception and segment themselves with the various expectations. Many studies argued that there is a deep relationship between customer relationship management in banks and the service quality. They argued that service quality is one of the important components for customer relationship management. It gives an optimistic opinion on banks as well as the service providers and are continuously motivate the customers do you expect more perfect services from banks .

Banking services in India obtained the momentum through the activities of state and central governments in the form of financial inclusion and the empowerment. Service quality dimensions can be extracted from the pioneers parasuraman , berry and Zeithmal and they deal with reliability, assurance, empathy, confidence building and responsiveness. Most of the customers of banks expect reliable service from the banks with full transparency and also the expect hundred percent assurance from the banks that all their data are kept confidential. At the same time the bank customers also  expect the bank  ambience and other infrastructural facilities within the premises. The bank

officials are expected to have small interpersonal relationships to retain their customers and to have best management of customer relationships. Customers need a personalized to service within a very short span of time. The customers can be segmented with respect to their perception towards five important service quality dimensions in the backdrop of back services. The present study completely deals with measurement of different segmentations that prevails among the bank customers.

**LITERATURE REVIEWS.**

**BabitaKumar (2000)** the study SERVQUAL scale measuring five basic dimensions Tangible, Reliability, Responsive, Assurance and Empathy of service quality was used to understand the service quality of the hotel industry. It is concluded that no significant differences were found in using SERVQUAL dimensions, but to minimize the gap between customer's perception and expectations by providing basic necessary service.

**Palanivelrajan (2001)** the study is to identify the success of service providers and their level of understanding and delivery of services to their customers. The empirical study trying to focus on the association between the service quality and the behavioral pattern of customers. It is concluded that the value added service quality have a direct influence on the behavioral pattern of the customer by providing the core value, special service quality and overall customer satisfaction.

**Robert Johnston (1995)** the study determinants of quality predominate over others. The personal customers of the bank, the main sources of satisfaction are attentiveness, responsiveness, care and friendliness. The main sources of dissatisfaction are integrity, reliability, responsiveness, availability and functionality. It is understood that the bank realized their main services of satisfaction are attentiveness, responsiveness care and friendliness. The main sources of dissatisfaction are integrity, reliability responsiveness, availability and functionality.

**Prabharamseook-munhurrun (2010)**the study examines the correlation between the customers' expectations their perceptions by applying the SERVQUAL model of service quality dimensions. It is clear from the review that the service quality dimensions meeting customer expectations with its internal process support for the better delivery of service quality.

**C.N. Krishna naik (2010)**the study uses SERVQUAL to analyze the gap between perception and expectations of the customer, concerning with the service at retail units in south Indian state of Andhra Pradesh. Five dimensions of service quality like tangibility, reliability, responsiveness, empathy and

assurance have been considered for this empirical research. This article says that the service offered by retail units has a positive impact and are significant in building customer satisfaction.

**Jayaramanmunusamy(2010)** the research focused on the measurement of customer satisfaction through the delivery of service quality in the banking sector in Malaysia .Conducted a study on the highlights implications for marketers in the banking industry for improvement in delivery of service quality.

**RESEARCH GAP.**

The national and international literature pertaining to service quality dimension of different services sector clearly revealed that there is a limited number of studies in determining and validating the service quality dimensions of banks. Therefore the researcher intended to venture on this particular research in order to validate the fight dimensions of service quality namely reliability , assurance, empathy ,responsiveness and Technology. Another important  gap is that what are all the perceptual difference among the consumers were not in determined exactly by the previous researchers. Hence the researcher wanted to fill these two research gaps by giving the empirical proof for the service quality dimension and different types of customer segmentation.

**OBJECTIVES OF THE STUDY.**

1. To study and validate all the five service quality dimensions of banks.
2. To identify the customer segmentation among the population of bank customers.

**HYPOTHESES.**

1. Reliability is not a component of service quality dimension.
2. Assurance is not an element of service quality dimension.
3. Empathy is not predicting the service quality dimensions.
4. Responsiveness is not able to predict the service quality dimensions.
5. Technology is not considered as one of the dimensions of service quality.

**METHODOLOGY.**

The study is based on bank customer perception towards various services offered by the banks and their quality. The primary data is derived from their bank customers truly a structured questionnaire. It consist of three parts namely the demographic details of customers, bank details of customers and service quality perceptions. The questionnaire consist of both optional type questions, bipolar type questions and statements in Likert's five point scale.

**PILOT STUDY.**

A preliminary investigation was done to check the reliability and validity of the questionnaire. Therefore the researcher collected 50 responses from different zones Chennai city and applied Cronbach's alpha method. It is found that the Cronbach's alpha value is 0.799 which is about the benchmark value of 0.75. Therefore the researcher come to the conclusion that all the questions in the research instrument are highly reliable and suitable for the main study,

**SAMPLE SELECTION.**

Since the research deals with the perception of bank customers, the researcher appropriately used the convenience sampling method to collect the responses from bank customers distributed to over all the 15 zones of Chennai city. The researcher collected 297 responses from the bank customers. Hence the sample size of the research is 297.

**DATA ANALYSIS.**

In the present research paper the researcher has two intentions namely to validate the service quality dimensions of banks and to find out the customer segmentation with respect to the perception towards service quality. Therefore the researcher applied confirmatory factor analysis, structural equation model and a cluster analysis to verify the objectives and to test the hypothesis.

**ANALYSIS AND DISCUSSION.**

The first part of the analysis is to validate all the five dimensions of service quality in the banking sector namely reliability, empathy, assurance, responsiveness and technology. Therefore the researcher applied confirmatory factor analysis on the total average scores of all the five dimensions. This confirmatory factor analysis would reveal how far these five factors are able to predict the service quality dimensions in banks. The explanatory power of all the five dimensions can be identified by the best fit to model, the diagrammatic representation and which is followed by the fit indices with that benchmarks actually reveal the perfect explanatory power of all the five dimensions of service quality.
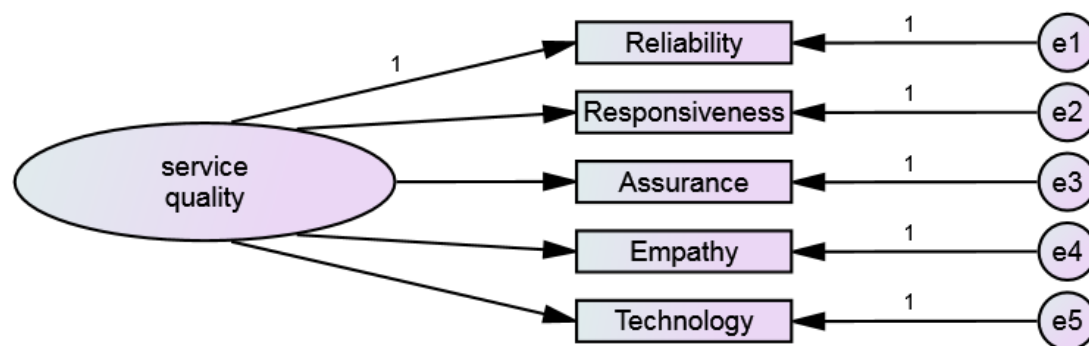
**This model is followed by the values of the  fit indices and their benchmarks**

The structural model which comprises all the 5 hypotheses are clearly established. The following

diagram under that goodness of fit is verified by the following predominant fit indices as stated in the

following table

**Table 1.Fit indices in Confirmatory factor analysis.**

| S.NO | Fit Indices | Values | Bench marks |
|---|---|---|---|
| 1 | Chi-square with Significance | 4.552, P=0.471 | Greater than 0.05 |
| 2. | Goodness of fit index | 0.953 | Greater than 0.9 |
| 3 | Comparative fit index | 0.944 | Greater than 0.9 |
| 4 | Normed fit index | 0.952 | Greater than 0.9 |
| 5 | Root mean square error of approximation | 0.08 | Less than 0.08 |

From the above table it can be deduced that all the five fit indices satisfy the required benchmark values it shows that all the five dimensions namely reliability, empathy, assurance, responsiveness and technology are very important to determine the service quality dimensions in their perception of bank customers. The researcher also used to test the above-mentioned five hypothesis. Therefore the researcher concludes that all the five hypothesis were rejected at 5% level and concluded that all the five dimensions reliability, empathy, assurance, responsiveness and technology are very important determinants of service quality dimensions with respect to customers of banks. These five service quality dimensions are able to determine the prevailing service quality in banks.

After validating all the five service quality dimensions, the researcher applied cluster analysis on the total average scores of the five dimensions of service quality in banks namely reliability, assurance, empathy, responsiveness and technology and obtained the following results

## Table 2

## Final Cluster Centers

| FACTORS | Cluster | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| RELIABILITY | 4.47 | 2.75 | 3.32 |
| EMPATHY | 4.21 | 1.00 | 3.58 |
| ASSURANCE | 4.58 | 1.33 | 3.41 |
| RESPONSIVENESS | 4.33 | 1.00 | 3.26 |
| TECHNOLOGY | 4.49 | 1.00 | 3.92 |

## Table 3

## Number of Cases in each Cluster

| Cluster | ACTIVE CUSTOMERS | 162.000 | 54.5% |
|---|---|---|---|
| | EXPECTANTS | 65.000 | 21.9% |
| | REGULAR CUSTOMERS | 70.000 | 23.6% |
| Valid | | 297.000 | 100% |

From the above table it can be identified that the sample unit consist of 54.5% active customers of banks was strongly agreed that the service quality of banks contains excellent reliability, appreciable empathy, promised assurance, willful responsiveness and augmented technology. Therefore this group of customers can be named as active customers. Similarly 21.9% bank customers in the sample unit are not satisfied with the all the service quality dimensions. The mean values in the cluster centers are all  than three, this implies they strongly disagreed the existence of good service quality in their banks. Therefore this group of customers can be named as expectants. It is meticulously observed by the researcher that 23.6% of bank customers expressed their moderate agreeability towards all the five service quality dimensions. This shows that an ambitious spirit, mechanically using bank services at regular intervals,  hence they can be named as regular customers..

**FINDINGS AND CONCLUSION.**

It is concluded from the empirical research that the service quality dimension in Banks is not unique phenomenon but it is a congregation of five important service quality dimensions namely reliability, empathy, assurance, responsiveness and technology. The customers always expect perfect and quick service quality in their banks to raise their point of culmination in their satisfaction level. In every population of bank customers that are three types of customers who are highly satisfied with the service quality, moderately satisfied with the service quality and expressed dissatisfaction in the service quality. It is further concluded that the demographic details and that the banking details of the customers are very important to decide that perception towards service quality. In particular the study argued that the segmentation is based on demographic and it is well associated with the customer's perception on banks especially towards service quality dimensions.

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