

## Service Quality Challenges in an Indian Automobile Service Industries

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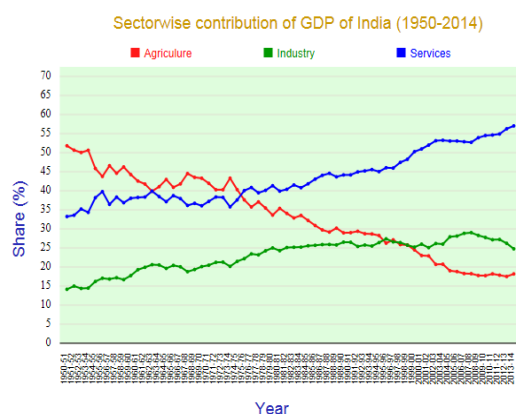
### ABSTRACT

Market scenario in past decade changes very fast due to computation in a market. Changing a technology and launching new models in market are as per customer demand. Providing service quality is a big task to many organizations. Today automobile service sector faces many problems due to increase of customer expectation from branded company. This study overview the challenges faced by an Indian automobile service sector and find the various gaps which will directly or indirectly affects on service quality and factor which affects the service. The paper concludes with the gaps that affects on current position of four wheeler service industries their market share in automobile service industries.

**Keywords:**Service Quality, Challenges, Market Share.

### I. INTRODUCTION

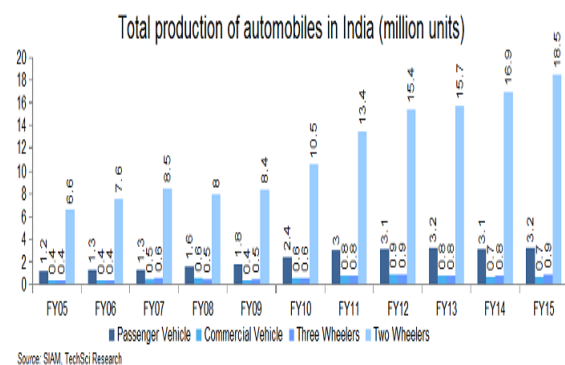
Indian economy is classified in three sectors — Agriculture and allied, Industry and Services. Agriculture sector includes Agriculture (Agriculture proper & Livestock), Forestry & Logging, Fishing and related activities. Industry includes Manufacturing (Registered & Unregistered), Electricity, Gas, Water supply, and Construction. Services sector includes Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial, real estate & Community.



The services sector in India has remained the most vibrant sector in terms of contribution to national and state incomes, trade flows, FDI inflows, and employment. According to the Economic Survey 2015-16, the services sector contributed almost 66.1% of its gross value added growth in 2015-16 becoming the important net foreign exchange earner and the most attractive sector for

FDI (Foreign Direct Investment) inflows. Despite the slowdown in the post crisis period (2010-14) India showed the fastest service sector growth with a CAGR (Compound Annual Growth Rate) of 8.6% followed by China at 8.4%. In 2014 India's services sector growth at 10.3% was noticeably higher than China at 8.0%. As per the ILO (International Labour Organisation) report on "Global Employment and Social Outlook : Trends 2015" job creation in the coming years will be mainly in the service sector.

The Auto Sector in India is set to continue in its growth trajectory for the next five years and India is an increasingly favorite destination for Global Majors looking at emerging market.



The Indian auto industry is one of the largest in the world. The industry accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). As of FY 2014-15, around 31 per cent of small cars sold globally are manufactured in India.

In global way Indian automobile sector, as

- Largest three-wheeler market
- Second largest two-wheeler market
- Tenth largest passenger car market
- Fourth largest tractor market
- Fifth largest commercial vehicle market
- Fifth largest bus and truck segment

But along with record growth, the automobile industry is also facing unprecedented challenges. Consumer expectations are changing. New technologies are dramatically changing vehicles design, from the advent of the 'connected car' and enhanced driver support to better fuel efficiency and new or improved power trains. Automotive manufacturers and suppliers are confronted with ever greater complexity as a result of increasing numbers of products and options, shorter technology cycles, increasing pressure to innovate and global supply networks. And at the same time they need to balance the needs and demands of customers, investors, regulators, non-governmental organizations (NGOs) and even the general public. This discussion paper link between challenges faced by automobile service industries and service quality gaps that will effect on customer satisfaction, customer retention and profitability. Paper briefly discuss on service quality gaps.

## II. LITERATURE REVIEW

Initially Persuraman et.al (1985) developed service quality gap model SERVQUAL model and finds five service quality gaps for different service sector. Many researchers use this model in various service sectors for measuring service quality. Service quality with seven gaps model were developed by [1][3][9] which is extension of [11], the three important gaps, which are more important with the external customers are Gap1, Gap5 and Gap6; as they have a direct relationship with customers. The model identifies seven key gaps relating to managerial perceptions of service quality, and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) are identified as functions of the way in which service is delivered, whereas Gap 5 pertains to the customer and It is considered to be the true measure of service quality. The Gap on which the SERVQUAL methodology has influence is Gap 5. Organization often includes customer satisfaction and service quality strategy in their business plan for retaining a customer, profitability and increasing a market share. [14] Link customer lifetime duration with projected profitability.[13] Examine the profitability of long-life customers in a non-contractual setting.

Customer retention has a major impact on market share but this is a not single factor which

affects market growth rate, competitors in market, effective marketing all play important role for increasing market share. A business will not be successful in satisfying customer needs if it is not focused on the customer, or if it does not understand the value of building relationships with its customer's. When poor service is experienced, both the firm and customer are negatively impacted, the customer receives poor service and the firm loses future potential sales. Satisfaction has a positive impact on post-purchase behavior Oliver (1980) and Service quality directly and indirectly exerts influence on repurchase intention through its influence on satisfaction [7].

## III. SERVICE QUALITY

[5] Defined service quality as a comparison between the perceived service and the expected service. ensure customer, both internal and external and get what they [18] defined service quality as "a measure of how well the service level delivered matches customer expectations; [12] defined service quality as "the consumer's judgment about a product's overall excellence or superiority". [6] defined service quality as "the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs". [8] A service is an act offered from one party to another. Many companies routinely measure customer satisfaction rather than service quality. [2] link customer satisfaction with business performance.. If the customer perceives the service to be high quality, then the customer will be satisfied with it. [15] Developed model which link service quality and satisfaction level relationship –oriented outcome. If the service provided by an organization does meet a customer's expectations, then this lead to higher customer satisfaction [4][12][17]. Good service means listening to the needs of a customer and knowing possible solutions or making agreeable recommendations.

## IV. CHALLENGES IN AN INDIAN AUTOMOBILE SERVICE SECTOR

Due to foreign collaboration and direct investment in this sector now market becomes more competitive. It is a challenging task to fulfill customer requirements as per their expectation.

### A. Customer Expectation

Customer expectation is what the customer expects according to available resources and is influenced by cultural background, family lifestyle, personality, demographics, advertising, experience with similar products and information available. It is necessary to study

- Current mood of customer
- Competitors offer

- Current market scenario
- Understand customer needs
- Provide excellent service quality

#### **B. Advanced Technology**

Every organization would like to focus on updating new technology so that they can retain in market as well as attract customers. It is necessary to update technology by

- Developing new design
- Use of standard parts
- User friendly products
- Reduction in cost
- Alternative fuel variants
- Advance safety features

#### **C. Vehicle life cycle**

Product life cycle is an important aspect while purchasing a new vehicle which will affect resale value of the vehicle.

- Design should be robust.
- Maintenance should be easy
- Use of standard parts
- New model development
- Competitors model in market
- Product resale value

#### **D. Train manpower**

Automotive service providers today face several challenges. The top of mind issues for service executives across different segments have to do with service manpower. Acquiring, training and retaining a highly skilled workforce is a constant challenge. Managing high levels of manpower is the single biggest challenge.

- Continuous need to recruit and train people, just to maintain current levels of service.
- The need to expand the network creates additional pressure.
- Continuous skills up gradation for existing service manpower, players also need to provide training for new joiners.
- Given the high levels of churn and need for expansion, several players feel that their service capacity – number of training facilities, instructors, etc – are likely to be under pressure to meet future training needs.

#### **E. Effective Service Network**

As number of vehicle increases, the need for an efficient service network becomes important. Every year, the new vehicles sold add in overall vehicle population that needs to be serviced and maintained. As scrapping of vehicles is low. In addition, rapid improvement in vehicle technology

and the number of new model introduced each year, add to the challenges of providing efficient service.

- Service infrastructure- adequate workshops at the right locations, with proper machinery, tools and other facilities.
- Availability of spare parts.
- Availability of skill manpower.

In this scenario, providing effective after sales service for vehicles has assumed increased importance for automobile manufacturer in India. Not only do manufacturers need to provide a range of services and have a widespread service network to cater to the ever increasing number of vehicles on the road, but also ensure high levels of service quality and delivery, to retain customers.

#### **F. Local garage**

At the same time, feedback from industry players indicates that most customers do not depend on the authorized service network for vehicles beyond about 7 years of age, but switch to local garages. Given the sizeable vehicle population in this category, it is evident that automotive servicing in India is still largely unorganized. Estimates put the share of authorized service outlets at around 46 percent, 53 percent by the unorganized sector, and only one percent by multi-brand service center.

#### **G. Multi-brand service providers**

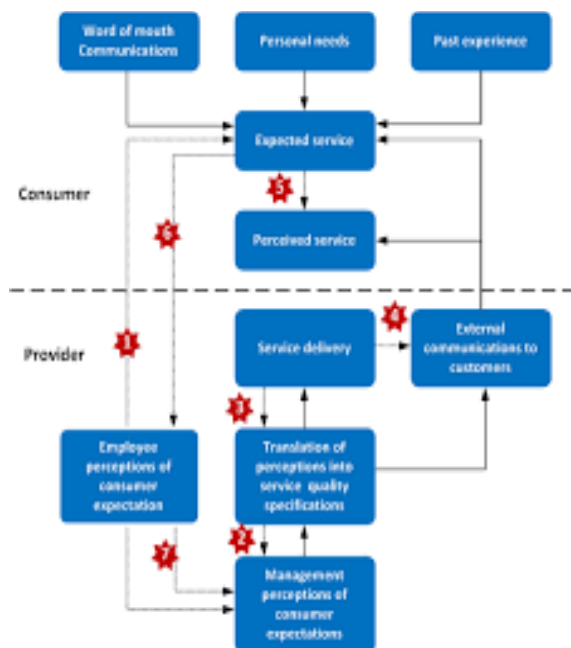
Independent players have also entered the organized automotive service sector, through offering post warranty services for multiple vehicle brands. Such independent players pose competition to authorized service outlets who seek to retain their customers throughout the vehicle lifecycle. At the same time, they seek to address an anticipated demand-supply gap between the required service capacity in the industry, and the capacity of authorized serviced outlets. Around 8 percent growth in shares of multi-brand organized servicing players expected by 2020.

#### **H. Service Quality Gap**

[11] Find five service quality gap latter it is modified in seven gaps by [1][3][9] which is extension of [11].

Gap1: Customers' expectations versus management perceptions:

- Lack of marketing research orientation,
- Inadequate upward communication
- Too many layers of management.



**Figure 3.** Model of service quality gaps ( Parasuraman et al., 1985; Curry, 1999; Luk and Layton, 2002)

Gap2: Management perceptions versus service specifications:

- Inadequate commitment to service quality,
- perception of unfeasibility,
- Inadequate task standardization
- Absence of goal setting.

Gap3: Service specifications versus service delivery:

- Ambiguity and conflict,
- Poor employee-job fit and poor technology-job fit
- Inappropriate supervisory control systems,
- Lack of perceived control and lack of teamwork.

Gap4: Service delivery versus external communication:

- Inadequate horizontal communications
- Propensity to over-promise.

Gap5: The discrepancy between customer expectations and their perceptions of the service delivered:

- Influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider.
- Customer expectations are influenced by the extent of personal needs,
- Word of mouth recommendation
- Past service experiences.

Gap6: The discrepancy between customer expectations and employees' perceptions:

- Differences in the understanding of customer expectations by front-line service providers.

Gap7: The discrepancy between employee's perceptions and management perceptions:

- Differences in the understanding of customer expectations between managers and service providers.

## V. CONCLUSION

As a consequence of globalization, technology used in vehicles is of international standards and use the latest components like mechanical, electrical and electronics. Increasingly, auto service centers are also focusing on bringing in equipment from developed nations to enhance the effectiveness of existing service.

Service centers that cater to the post-warranty market, especially for the non-premium cars, need to enhance their skills to be able to compete effectively. The key to their success will be their skill levels of the manpower.

The changing Auto environment in India requires a following set of skills:

- Skilled manpower training, motivation, management and retention
- Customer service delivery and management policy
- Marketing and customer loyalty
- Spare parts management
- Skills for servicing special vehicle segments like luxury vehicles and green vehicles

These skills are currently being addressed in a sporadic manner by private training institutes.

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