

Understanding Customer Expectations of Service

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SOME COMPANIES have more than just a competitive advantage in customer service, they have unwavering customer loyalty. How do they do it? The authors argue that the key to providing superior service is understanding and responding to customer expectations. Through their research, two different kinds of expectations emerged, both of which can change over time and from one service encounter to the next for the same customer. By responding appropriately to these expectations, managers can be on their way to developing a "customer franchise."

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UNDERSTANDING CUSTOMER expectations is a prerequisite for delivering superior service; customers compare perceptions with expectations when judging a firm's service.¹ However, the nature of customer service expectations and how they are formed has remained ambiguous. Researchers have defined customer service expectations in a variety of ways but with no conceptual framework to link different types of expectations or indicate their interactions in influencing perceptions of service performance.²

Motivated by the pivotal role of customer expectations in service quality assessments, and by the limited knowledge about their structure and formation, we have undertaken a study designed to answer several fundamental questions:

- What is the nature of customers' service expectations? Are there different types of expectations?
- What factors influence the formation of these expectations?
- How stable are the expectations? Do they change over time? Do they vary across service situations and across customers?
- How can companies manage expectations to enhance customers' perceptions of service?
- What can companies do to exceed customers' expectations?

To answer these and related questions we con-

ducted sixteen focus group interviews with customers in six service sectors (automobile insurance, commercial property and casualty insurance, business equipment repair, truck and tractor rental and leasing, automobile repair, and hotels). Eight of our focus group interviews were with business customers and eight were with consumers. We describe our research approach in more detail in the Appendix.

The research reported on here is the latest phase in an ongoing stream of research on service quality. We have been systematically studying this subject since 1983 through a carefully designed sequence of research phases, each building on, adding to, and refining insights from preceding phases. Our research protocol has been to explore questions through qualitative research, model what we find, and then test the relationships within the model through quantitative research.

In this article we discuss key findings from our most recent research phase. Since this phase was a qualitative phase (see Appendix), our results are more in the form of preliminary conclusions than empirically verified inferences. We intend to explore these conclusions quantitatively in our next research phase. Nevertheless, the insights we discuss here are based on *consistent* patterns of responses obtained from sixteen focus groups in five cities representing various industries and customer types. We interviewed both end-customers (consumers) and business customers because we thought one group's expectations might differ from the other's. We found minimal differences. Our discussion is

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built around only those findings that have the strongest, broadest-based support from our research. After discussing our principal conclusions, we examine their implications for managing expectations and improving quality of service.

Major Conclusions

Customers Expect Service Basics

We began each focus group interview by asking participants what they expected from the service

industry under discussion. We then asked them to identify their single most important expectation. Table 1 captures customers' principal service expectations. In conducting the interviews, and in reviewing the detailed transcripts they produced, we were struck by the basic nature of customers' expectations. Simply put, customers expect service companies to do what they are supposed to do. They expect fundamentals, not fanciness; performance, not empty promises.

Insurance customers want companies to provide expertise and pay up when there is a claim. Hotel customers want a clean and secure room and a smile from the staff. Repair customers want competent technicians to fix the product properly the first time. If customers' service expectations have risen in recent years, as many observers claim, they have not risen beyond the boundaries of reasonableness. We found little evidence of extravagant or extreme expectations.

One key influence on customers' expectations is price. Many customers believe that the more they pay, the better the service should be, although they do not believe that a low price is a legitimate excuse for poor service. The idea that you should get what you pay for underlies numerous comments in the interviews:

When you pay more you expect more.

—Hotel customer

A car today costs more than a house cost twenty years ago. You pay a lot these days and therefore I expect a lot from the dealer.

—Auto repair customer

My expectations are influenced by the premium I pay and the fact that I work very hard to be able to pay the premium.

—Auto insurance customer

If you are paying big bucks for these pieces of equipment, you expect more in the way of service.

—Business equipment repair customer

In essence, customers want service companies to play fair. Customers are paying good money, and the company should provide good service in exchange. When companies don't play fair, the result is customer resentment and mistrust—both of which were much in evidence in our research. A hotel customer commented, "You get charged when you don't show up but there is no reverse penalty when they don't have your guaranteed room." A

Table 1 Service Customers Want the Basics

Type of Service	Type of Customer	Principal Expectations
Automobile repair	Consumers	<ul style="list-style-type: none"> • Be Competent. "Fix it right the first time." • Explain Things. "Explain why you need the suggested repairs—provide an itemized list." • Be Respectful. "Don't treat me as a dumb female."
Automobile insurance	Consumers	<ul style="list-style-type: none"> • Keep Me Informed. "I shouldn't have to learn about insurance law changes from the newspaper." • Be on My Side. "I don't want them to treat me like I am a criminal just because I have a claim." • Play Fair. "Don't drop me when something goes wrong." • Protect Me from Catastrophe. "Make sure my estate is covered in the event of a major accident." • Provide Prompt Service. "I want fast settlement of my claims."
Hotel	Consumers	<ul style="list-style-type: none"> • Provide a Clean Room. "Don't have a deep-pile carpet that can't be completely cleaned. . . . You can literally see germs down there." • Provide a Secure Room. "Good bolts and peephole on door." • Treat Me Like a Guest. "It is almost like they're looking you over to decide whether or not they're going to let you have a room." • Keep Your Promise. "They said the room would be ready, but it wasn't at the promised time."
Property and casualty insurance	Business customers	<ul style="list-style-type: none"> • Fulfill Obligations. "Pay up." • Learn My Business and Work with Me. "I expect them to know me and my company." • Protect Me from Catastrophe. "They should cover your risk exposure so there is no single big loss." • Provide Prompt Service. "Fast claim service."
Equipment repair	Business customers	<ul style="list-style-type: none"> • Share My Sense of Urgency. "Speed of response. One time I had to buy a second piece of equipment because of the huge downtime with the first piece." • Be Competent. "Sometimes you are quoting stuff from their instruction manuals to their own people and they don't even know what it means." • Be Prepared. "Have all the parts ready."
Truck and tractor rental/leasing	Business customers	<ul style="list-style-type: none"> • Keep the Equipment Running. "Need to have equipment working all the time—that is the key." • Be Flexible. "The leasing company should have the flexibility to rent us equipment when we need it." • Provide Full Service. "Get rid of all the paperwork and headaches."

car repair customer stated, "The dealer will do as little as possible." A business insurance customer said, "The purpose of insurance companies is to insure but they have so many exclusions from A to Z that you don't know what the hell is covered." An auto insurance customer said, "They say in their advertising that they are the 'good driver' company and yet my premiums kept going up even though I had no accidents. When I inquired they said it was because of the average number of accidents in my group."

Customers expect service basics delivered at a level they believe commensurate with the price they pay. Companies have a significant opportunity to improve their service reputations simply by delivering a higher percentage of the time the basic service customers think they are buying.

The Service Process Is Key to Exceeding Customer Expectations

Customer service expectations can be categorized into five overall dimensions: reliability, tangibles, responsiveness, assurance, and empathy.³ These dimensions capture all of the focus group comments presented in Table 1. Table 2 defines these dimensions and presents representative focus group comments to illustrate them. While reliability is largely concerned with the *service outcome*, tangibles, responsiveness, assurance, and empathy are more concerned with the *service process*. Whereas customers judge the accuracy and dependability (i.e., reliability) of the *delivered* service, they judge the other dimensions as the service *is being delivered*.

In earlier, quantitative phases of our research, customers have always favored reliability when asked to indicate the relative importance of the five dimensions in judging service. Reliability of service comes in first regardless of how we measure salience, or which specific service we study.⁴ Our present research suggests that although reliability is the most important dimension in *meeting* customer expectations, the process dimensions (especially assurance, responsiveness, and empathy) are most important in *exceeding* customer expectations.

Our focus group transcripts contain numerous negative and positive comments about specific service industries and companies. While the negative comments concern each of the five dimensions, as Table 2 illustrates, the positive comments primarily concern the process dimensions. When we

asked our respondents to discuss what companies could do to exceed their expectations, they invariably answered in terms of the process dimensions.

In effect, companies are *supposed* to be accurate and dependable and provide the service they promised to provide. It is unlikely that a hotel will exceed a customer's expectations simply by having ready the customer's reserved, guaranteed room. With the process dimensions, however, the opportunity is present to *surprise* customers with uncommon swiftness, grace, courtesy, competence, com-

Table 2 The Five Dimensions of Service

Service Dimension	Definition	Focus Group Comments
Reliability	The ability to perform the promised service dependably and accurately.	"I am annoyed by mistakes not being corrected despite repeated phone calls." (Auto insurance customer) "Sometimes they take care of your problems too fast. They fix your truck and two days later you have to take it back for the same problem. Sometimes I think they could be a little more attentive and fix the problem permanently." (Truck leasing customer)
Tangibles	The appearance of physical facilities, equipment, personnel, and communication materials.	"Do something to the service areas of dealerships. They are cold, stark, uninviting places." (Auto repair customer) "They get you real pumped up with the beautiful ad. When you go in you expect bells and whistles to go off. Usually they don't." (Hotel customer)
Responsiveness	The willingness to help customers and provide prompt service.	"You put in a service call and wait. No one calls back; there is no communication." (Business equipment repair customer) "When I want to put a new policy into effect I get quick response. But when I have a problem . . . forget it." (Business insurance customer)
Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence.	"Sometimes they ask you 'What's this wire for?'" (Business equipment repair customer) "I need the feeling of security. When I receive information from a competing company I would like to talk it over with my agent for reassurance that I still have a good policy." (Auto insurance customer)
Empathy	The caring, individualized attention provided to the customer.	"I would like to be able to communicate with the insurance provider who understands that while their actuarial tables are in black and white, life is played in shades of gray. I don't want to talk to an insurance person who is reading out of a book." (Auto insurance customer) "I don't want to be told 'no,' because I don't have any alternatives." (Truck leasing customer)

mitment, or understanding, and go beyond what is expected. The following quotes suggest the possibilities inherent in the service process to exceed customer expectations:

My insurance agent helped lower my rate by combining the policy for my new car with a truck I have. This was a "wish come true" for me.

—Auto insurance customer

One lessor actually sent their reps to ride with my drivers to understand my needs.

—Truck leasing customer

Something bit my car on the interstate. I called the 800 number and they took care of everything, "bam, bam, bam." They gave me an adjuster and he was as friendly as he could be and told me to let him know if his adjustment wasn't enough.

—Auto insurance customer

In each of these situations, the company demonstrated that it was on the customer's side by taking the initiative to provide a service beyond what the customer expected. The service process thus appears to afford companies the best opportunity to perform beyond the customer's expectations.

Customer Service Expectations Are Dual-Leveled and Dynamic

Our findings suggest that customers' service expectations have two levels: desired and adequate. The desired service level is the service the customer hopes to receive. It is a blend of what the customer believes "can be" and "should be." The adequate service level is that which the customer finds acceptable. It is in part based on the customer's assessment of what the service "will be," that is, the customer's "predicted service."

The Zone of Tolerance. Separating the desired service level from the adequate service level is a zone of tolerance, as shown in Figure 1. The zone

of tolerance expands and contracts like an accordion. It can vary from customer to customer and, potentially, from one situation to the next for the same customer.

The desired and adequate service levels, and hence the zone of tolerance, are likely to differ for the outcome dimension of reliability and the process dimensions of tangibles, responsiveness, assurance, and empathy. Because customers view reliability as the service "core," and tend to have higher expectations for it, they seem least willing to relax reliability expectations. Thus, the zone of tolerance for service reliability is likely to be smaller, and the desired and adequate service levels are likely to be higher. We hypothesize that the relative size and position of the tolerance zones for the outcome and process dimensions of service would typically appear as shown in Figure 2. Figure 2 reinforces graphically our earlier conclusion that the opportunity for firms to exceed customer expectations is greater with the process dimensions than with the outcome dimension.

One factor that may cause the desired service level to rise is customer experience. In our interviews, the more experienced customers were more likely to have higher service expectations, and to be "squeaky wheels" when they were not satisfied. A business insurance customer stated, "I have become more sophisticated and therefore I expect more." A hotel customer said, "As I've grown and learned more, I now have more to compare with." A truck leasing customer said, "I have gone from pricing to good service. I no longer go automatically with the low bidder."

The customer's desired service expectations may also rise because the expectations of an affiliated party rise. The affiliated party may be the customer's customer, or a superior. The following comments illustrate these "derived" expectations:

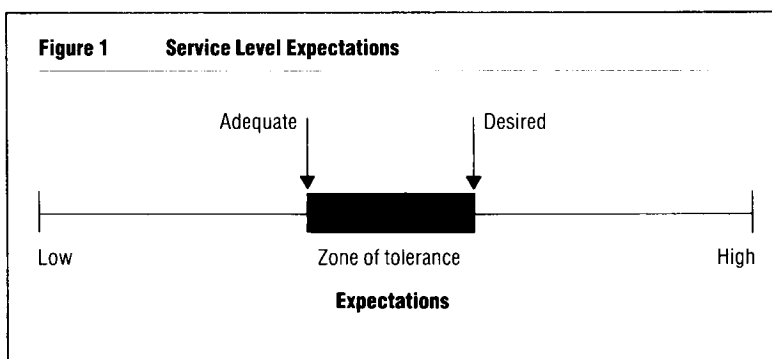
My expectations are higher today because of changes in the business world. It is a just-in-time inventory world today. People are impatient.

—Truck leasing customer

Expectations come from the customers I serve, for example, the doctors who use our blood tests. They have high expectations and therefore I have high expectations.

—Business equipment repair customer

Your roof blows over and your president asks, "Is this covered?" You have to say, "Gee, I don't know. . . . I think so." The agents need to explain what is covered



and what is not in language we can comprehend.
—Business insurance customer

Customers' adequate service expectations seem to be influenced more by specific circumstances, and are therefore more changeable, than their desired service expectations. One influence on the adequate service level is the number of service alternatives customers perceive. If customers perceive that they have alternative suppliers from which to choose, their zone of tolerance is likely to be smaller than if they don't feel they have this flexibility. As one business insurance customer said, "Sometimes you just don't have many options so you have to effectively settle for less." A hotel customer stated, "When your options are limited, you take the best you can get. My expectations are not necessarily lower but my tolerance level is higher."

Emergency and service-failure situations tend to raise customers' adequate service level temporarily, thereby narrowing the zone of tolerance. The intuitive notion that customers would be more demanding when an urgent condition exists, or when the service was not performed properly the first time, was strongly supported by our focus groups. A business equipment repair customer stated, "When I call IBM to fix my mainframe I expect faster service than if my copier breaks down. If my IBM breaks down it will idle fifty programmers." A business insurance customer said, "My expectations are higher in catastrophic situations." An auto repair customer said, "My expectations will be higher when they didn't fix it right the first time. I would expect them to be more thorough and more accommodating."

Thus, a variety of factors, including customer experience, expectations of an affiliated party, number of perceived service alternatives, and emergency or recovery situations can influence the position and size of the zone separating customers' desired and adequate service levels. Recognizing the dual-leveled, dynamic nature of customer expectations, and understanding the factors that drive them, should help managers close the gap between expectations and perceptions—or even exceed expectations.

Customers Want Relationships

Many of the customers we interviewed want to be "relationship customers" of the firms serving them. They want ongoing, personalized relation-

ships with the same representatives. They want these representatives to contact them, rather than always having to initiate the contact themselves. They want a "partner"—someone who knows and cares about them.

Customers' desires for more personalized and closer relationships with service providers are evident not only in the interview transcripts for insurance and truck leasing services, which are ongoing by nature, but also for hotel and repair services, which are provided intermittently. The following comments suggest both the flavor and pervasiveness of customers' expectations for service relationships:

They should be a partner and more actively give me advice on what my calculated risks are. When they are a partner our money is their money too.

—Business insurance customer

I would like them to be a distant extension of my company. They should take care of the details.

—Truck leasing customer

You need to know the service tech. I should be able to call him directly. I want to know the tech on a one-to-one basis.

—Business equipment repair customer

Agents should come back to you and ask you if you need more coverage as your assets increase.

—Auto insurance customer

When employees remember and recognize you as a regular customer you feel really good.

—Hotel customer

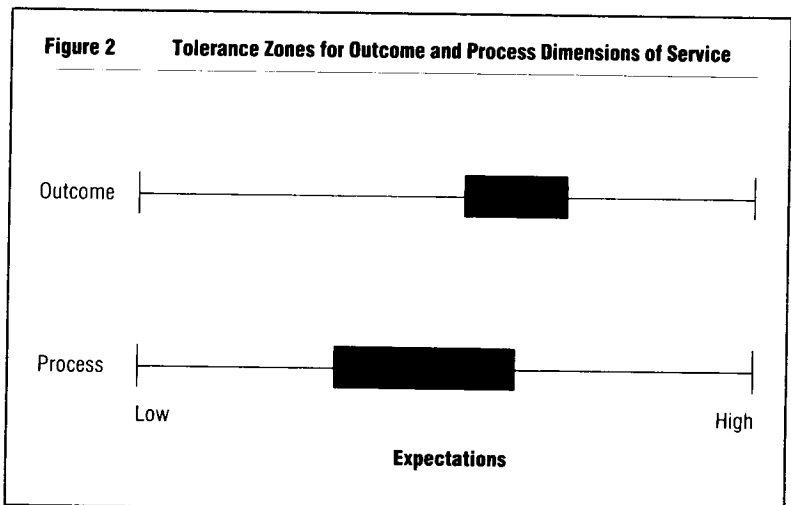
Unfortunately, relationship-seeking customers are frequently disappointed. Despite the apparent interest in relationship marketing within numerous

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Figure 2 Tolerance Zones for Outcome and Process Dimensions of Service



service companies, the preponderance of evidence from our research indicates *unrealized* customer relationships. An auto repair customer complained, "They don't keep the service writers long enough for customers to develop a relationship with them. Every time you come in there is a whole new crew." A business insurance customer stated, "We lose contact with the company as soon as we sign off on the policy." An auto insurance customer said, "I've never had an agent contact me. All I see is a bill."

Customer relationships are central to exceeding customer expectations. This is because relationship building is *process-intensive*, requiring responsive, assured, empathetic service over time. Genuine customer relationships are built on the foundation of fairness, sincere efforts to understand and help the customer, and ongoing, personalized communications—attributes of service most demonstrable during delivery.

Managerial Implications

Our previous research has shown that customers evaluate service quality by comparing their perceptions of the service with their expectations. In the present study we sought to learn more about the nature and sources of customers' expectations given their crucial role in service quality assessments. We have found that the content of customers' expectations is basic, but the structure is complex, characterized by both desired and adequate service levels that seem to change in response to a variety of factors. Although the conclusions we report in this article are based on exploratory research and should be considered preliminary, the strength and pervasiveness of the respondents' comments on which they are based are such that they offer important practical insights that managers can act on now. We have distilled these insights into five suggestions for managing customers' expectations and raising their perceptions.

Demonstrate Fair Play

Companies may be able to extend customers' zones of tolerance by making special efforts to demonstrate fair play. For many firms this will require devoting far more attention to explaining their policies and practices to customers, teaching customers more about the service they are buying, and listening to customers and becoming more sensitive to their expectations and concerns.

For example, numerous auto insurance customers in the focus groups expressed strong resentment and mistrust of—and little tolerance for—their insurers because they believed these companies were price gouging, were making false promotional promises (e.g., reduced premiums for good drivers), and would cancel their insurance if an accident occurred. These policyholders felt caught in a vise between the need to be insured and the lack of alternatives to their nonresponsive insurance companies. This predicament clearly did not engender a sense of tolerance and goodwill.

If auto insurers are to shake the image of villainy they have with some of their policyholders, these firms will have to communicate more openly, more regularly, and more creatively about the reasons for rate hikes, their policies for cancelling insurance, and other issues. For key markets, auto insurance firms might consider forming policyholder advisory councils, holding periodic "town hall" meetings, and sponsoring insurance education seminars. Rethinking what and how they communicate with policyholders is a cornerstone for auto insurers demonstrating fair play.

The concept of managing customer expectations by establishing trust applies to each of the services we studied. Service customers are likely to be more tolerant if they believe the company is trying to be fair. Open, regular, two-way communication paves the way for trust.

Be Reliable

One way for the firm to keep customers' expectations from rising is to perform the service properly the first time. As mentioned earlier, our previous research has shown consistently that customers value reliability above all other dimensions. Firms that do not provide the service core that customers are buying—a correctly repaired automobile, for example—fail their customers in the most direct way. This fact by itself is a sufficient reason for companies to emphasize reliability in service design and operations. However, the importance of reliability is further dramatized by a finding from our present study: customers' expectations for the service are likely to go up when the service is not performed as promised. As shown in Figure 3, when service shortfalls occur, customers' tolerance zones are likely to shrink and their adequate and desired service levels are likely to rise for both the outcome and process dimensions of the recovery

service.

Managers should nurture a “do it right the first time” value system in the firm by establishing reliability standards, teaching the “why” and “how” of reliability in training sessions, forming “reliability teams” to evaluate specific services for ways to reduce failures, measuring failure rates, and rewarding failure-free service.⁵ Minimizing the need for recovery service helps firms manage customer expectation levels and improve customer service perceptions.

Manage Promises

Because service companies influence customers' expectation levels by the explicit and implicit service promises they make, a key approach to managing expectations is to manage the promises. Firms will have a better chance of meeting customer expectations when their promises reflect the service actually delivered rather than an idealized version of the service. A brochure photograph of a beautifully appointed hotel room may entice the traveler to make a reservation, but it is the room itself that contributes to the customer's positive or negative assessment of the hotel's service quality.

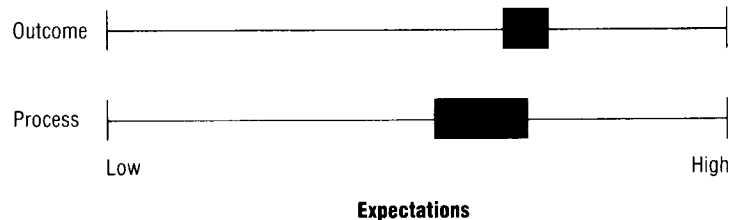
Some observers recommend deliberately underpromising the service to increase the likelihood of exceeding customer expectations. Davidow and Uttal, for example, advocate underpromising and overdelivering.⁶ We do not recommend either underpromising or overpromising. Underpromising potentially reduces the competitive appeal of the offer; overpromising raises customers' expectations beyond the capacity of the firm to meet them. It is far better for the firm to present a cohesive and honest portrayal of the service both explicitly (e.g., through advertising and personal selling) and implicitly (e.g., through the appearance of service facilities and the price of the service). Managers need to pay more attention to controlling the firm's promises, and to making them consistent with the deliverable service. One important means for doing this is to solicit precampaign feedback from frontline operations personnel and customers about the perceived accuracy of proposed promotional messages. Another is to resist the common urge to mimic competitors who fall prey to the temptation to overpromise.⁷ Firms should also consider periodic research to assess the influence of their prices on customers' expectation levels and price-value perceptions.

Figure 3 Tolerance Zones for First-Time and Recovery Service

First-Time Service



Recovery Service



Leverage the Process Dimensions

Service firms that seek to exceed customer expectations in order to enhance their quality image should capitalize on the best opportunity for doing so: service delivery. It is during delivery, when customers directly experience providers' service skills and “tone,” that firms are best able to *augment* the service core of reliability in ways that are differentiating. In effect, the process dimensions of service play a different role than the outcome dimension of reliability. Companies must be reliable simply to compete. If they also do well on the process dimensions, they have a chance to dominate the competition.

Leveraging the process dimensions is critical when service failures occur (i.e., when service recovery is necessary). As Figure 3 demonstrates, while customers' expectations are higher for both the outcome and process dimensions during recovery service, the opportunity for recovery is greater with the process dimensions because of lower expectations and a larger zone of tolerance. Yet many service firms do not capitalize on this opportunity to turn a service failure into a satisfactory experience. Bitner et al., using the critical incident research methodology, found that a large percentage of unsatisfactory service encounters (42.9 percent of all unsatisfactory encounters in their study) were related to employees' inability or unwillingness to

respond effectively to service failure situations. They refer to service recovery failures as a “double deviation” from customer expectations.⁸

Leveraging the process dimensions involves a wide span of actions designed to enhance the willingness and ability of human beings to be effective servers. These include recruiting the most promising employees; providing them with ongoing training in interpersonal and problem-solving skills as well as technical skills; empowering employees to exercise judgment and creativity in responding to customers’ special needs; measuring employees’ capacity for excellent service (e.g., with product knowledge tests) and the quality of service they actually deliver (e.g., mystery shopper research); and rewarding the most excellent servers financially, nonfinancially, and with career advancement.⁹

Build Relationships

Developing genuine customer relationships is a primary, controllable means for service companies to enlarge customers’ zone of tolerance. Customer relationships provide companies with a “goodwill” or credibility factor that encourages customer tolerance—and a more open communication channel for learning about and correcting service problems. In effect, companies that forge customer relationships earn goodwill chips to spend when problems occur. As one business insurance customer put it, “Insurance is a people business. If the insurance company talks to its customers and interacts with them effectively, a lot of the problems will go away.”

The possibilities for relationship-based service extend to virtually all services that customers use on an ongoing or periodic basis. The challenge is to design a relationship service system consistent with the expectations of customers, the characteristics of the service, and the long-term strategy of the firm. Many issues require careful consideration, for example:

- Should relationships be “representative-dominant,” wherein an individual service provider such as an insurance agent is the customer’s primary contact, or “company-dominant,” wherein no individual is the primary contact?
- Should boundaries be set on the degree to which relationships are customized?
- Should relationship-based service be extended to all customers, or restricted to selected market segments?

Regardless of how managers answer such questions, certain essentials must be present in any kind of relationship-based service system. First, customers must have access to service when the need arises. Customers need to know whom to contact, how to make the contact, and then be able to actually make the contact, such as getting through on the toll-free number. Second, communications between company and customers should be company-initiated as well as customer-initiated. Customers are less likely to perceive they have a relationship with a firm if they always have to initiate contact.

Third, service providers must have the means to efficiently tailor the service to customers’ specific requirements, to at least some degree. This often involves developing computerized customer information files that are available to service providers. For example, a hotel could build an information system that captures guest preferences and creates the opportunity for a more personalized and enhanced service—from preassigning the preferred type of room to prestocking the room with the whiskey brand the guest requested on a prior visit.

Finally, in addition to being *able* to tailor service to customers, service providers must also be *willing* to do so. New ideas for measuring and rewarding employees’ performance may be necessary. For example, many insurance companies pay their agents generously for selling new policies, but meagerly or not at all for serving existing customers, effectively discouraging agents from being attentive to current policyholders. In these companies, managers have engineered conflict between selling and serving, thus diminishing the opportunity for relationship-based service

Building a Customer Franchise through Service

The richer conceptualization of customer expectations emerging from our research has a critical bearing on conducting and interpreting service quality research. Specifically, since customers’ service expectations seem to exist at both adequate and desired levels, firms need to measure two potential service quality gaps: the gap between perceived service and *adequate* service, and the gap between perceived service and *desired* service. As Figure 4 shows, depending on the relative levels of customer perceptions and expectations, a firm can operate at a competitive disadvantage, a competitive advantage,

tage, or at a "customer franchise" level in terms of its service.

The adequate service level reflects the *minimum* performance level expected by customers after they consider a variety of individual and situational factors, including the availability of alternative service options. Firms whose service performance falls short of this level are at a competitive disadvantage, with the severity of the disadvantage escalating as the gap widens. Customers of these firms may well be "reluctant" customers, ready to take their business elsewhere the moment they perceive a viable service alternative.

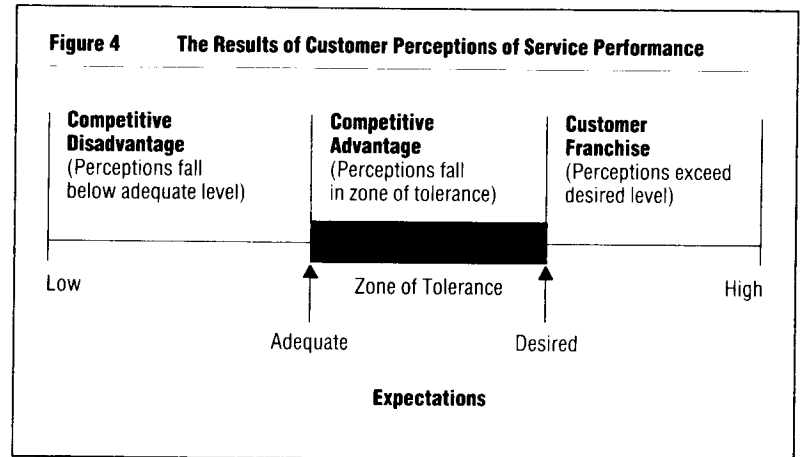
Firms must perform *above* the adequate service level to use service quality for competitive differentiation. However, this may only signal a temporary advantage. It is conceivable that customers' adequate service levels, which our focus groups suggest are less stable than the desired service levels, will rise quickly when competitors promise and deliver a higher level of service. If a firm is barely performing above the adequate service level, a competitively induced elevation in the adequate service level may be sufficient to eliminate the firm's competitive advantage. Thus firms whose present performance places them in the region of competitive advantage can ill afford complacency.

To develop a true customer franchise—*unwavering* customer loyalty—firms must exceed not only the adequate service level but also the desired service level. Our focus groups revealed the potential for service so exceptional that it could intensify customers' loyalty to a point where they virtually "tune out" competitive options. A hotel customer said, "I left my portfolio on top of a cab. The hotel broke its neck to get it back to me. Now, whenever I go to Chicago I stay at that same hotel."

Turning service quality into a powerful competitive weapon requires continuous striving for service superiority—consistently performing above the adequate service level and capitalizing on opportunities for exceeding the desired service level. Relentless efforts to continually improve service performance may well be rewarded by commensurate and corresponding improvements in customer attitudes toward the firm: from customer frustration to customer preference to intense customer loyalty. ■

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9 For more detail on these issues, see: Zeithaml, Parasuraman, and Berry (1990); Berry, Zeithaml, and Parasuraman (1990); and L.L. Berry, A. Parasuraman, and V.A. Zeithaml, "The Service-

Quality Puzzle," *Business Horizons*, September–October 1988, pp. 35–43.

Appendix: Research Methodology

Our study consisted of sixteen customer focus group interviews designed to generate insights about the nature and structure of customers' service expectations. We selected the focus group participants to represent a diverse set of services to uncover industry- and customer-specific differences as well as to ensure that our findings would be germane to a broad cross section of service businesses.

To achieve diversity across the focus groups, we systematically varied our choice of industries and respondents according to three key criteria likely to have a bearing on customer expectations. First, eight of the sixteen focus groups consisted of customers of "pure" services (i.e., services not associated with a tangible product), while the remaining eight groups consisted of customers of services associated with a tangible product (e.g., automobile repair services). Second, within each of the two service categories, four focus groups were conducted with business customers and four were conducted with end-customers (i.e., "consumers"). Finally, within each service-type and customer-type combination, half the focus groups were conducted with "experienced" customers of the service, and the other half with "inexperienced" customers. This distinction was based on extent of service usage and number of service contacts. To add geographic diversity to the study, the focus groups were held in five cities: Atlanta, Chicago, Dallas, Rochester, and Seattle.

Eight major companies from the various service sectors represented by the focus groups sponsored our research project. These companies provided customer lists in the various locations from which respondents were recruited for the focus groups by field research companies. An average of nine respondents participated in each focus group. Each group discussion lasted from an hour and a half to two hours. We conducted the interviews in the field research companies' facilities. In the interviews, respondents discussed their expectations concern-

ing the service in general rather than the specific service of the sponsor companies.

This study was the latest phase in a systematic research program begun in 1983 that alternates qualitative and quantitative research. The research stream thus far is as follows:

Phase I (qualitative): Resulted in a conceptual "gaps" model that defines service quality from the customer's standpoint and specifies key service-provider gaps potentially responsible for poor service.*

Phase IIA (quantitative): Resulted in a validated instrument, called SERVQUAL, for measuring service quality as perceived by customers.†

Phase IIB (qualitative): Resulted in an extended gaps model that specifies potential organizational causes of the various service-provider gaps.‡

Phase III (quantitative): Resulted in empirical testing of the various relationships embedded in the extended gaps model.§

Phase IV—Research discussed in this article (qualitative): Resulted in a refined and richer conceptualization of customer expectations and their sources.

* A. Parasuraman, V.A. Zeithaml, and L.L. Berry, "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, Fall 1985, pp. 41–50.

† A. Parasuraman, V.A. Zeithaml, and L.L. Berry, "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality," *Journal of Retailing*, Spring 1988, pp. 12–39.

‡ V.A. Zeithaml, L.L. Berry, and A. Parasuraman, "Communication and Control Processes in the Delivery of Service Quality," *Journal of Marketing*, April 1988, pp. 35–48.

§ A. Parasuraman, L.L. Berry, and V.A. Zeithaml, "An Empirical Examination of Relationships in an Extended Service Quality Model" (Cambridge, Massachusetts: Marketing Science Institute Research Monograph, Report No. 90-122, December 1990).