Intangible Dimension of Service Quality and its Relationship with Customer Satisfaction: Ola Cabs in Delhi NCR

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Abstract

OLA cabs have been operating in Delhi NCR region for a long time (more than 4 years). The company has been valued to be of $4 billion worth in 2018. The company began its operations in Mumbai and gradually expanded into many cities (mostly metro). OLA cab services are widely used by people of all age groups and occupations including students, working professionals, business persons, etc. OLA launched shared cabs recently which enabled the budget commuters to use the services for lower prices. What differentiates OLA services from other 'call cab' services is the integration of its cab operations with a map based app using which the commuters can book the cab, track the cab, pay the bill, rate the services, etc. With the advent of UBER, OLA is facing stiff competition in the market, however, it is trying to maintain and grow its market share through various means. The purpose of the current paper is to take the insights from the consumers regarding the intangible dimension of services offered by OLA cabs and to examine the impact of this on consumer's satisfaction in case of OLA cabs in Delhi NCR.

Keywords

Service quality, Consumers, OLA, Satisfaction, Cab Aggregator, Rating, Transportation.

1. Introduction

The service sector is the biggest contributor to the GDP of the Indian Economy currently. Post liberalization, services such as banking, healthcare, education, software, media and communication, transportation, etc. have expanded and occupy a large space in the Indian market. These services have not only generated huge employment across the population, but also have satisfied the demands of millions of customers. Most importantly, these services have addressed and bridges

the 'need gap' in society. With growing demand for services in the economy, a lot of players have entered the sector. Whether it is banking, education, healthcare, communications or any other industry, there are multiple players ready to lure the customers ways more than one. In short, service sector might be profitable, but it is certainly competitive.

Toward off the competition, the service companies use many ways to differentiate themselves from the rivals. Service quality is one such weapon. Satisfaction among the customers is an important factor for long term existence of the service organizations which is strongly related to the quality of that service **(Bolton and Drew, 1991)**. Organizations believe that by providing excellent services to the customers they would be able to insulate themselves from the stiff competition. The customers, impressed with their service quality will turn to them repeatedly and this will help them in generating profits sustainable **(Ugboma, Oqwude and Nadi, 2007)**.

On the customer's side, a perception of getting a good quality service from the organization is helpful in developing a willingness in maintaining a relationship with the service provider. Thus, the flow of value is continued. **(Carrilat, Jaramillo and Mulki, 2007)**. The success factor in services such as OLA is all the more complex because the customer's expect better quality at a lower price which makes the job of the service providers all the more difficult as they have to compete simultaneously at two fronts – quality and price. Moreover, it is tough to understand how customers are likely to evaluate their services, since the contact between the service provider and the customer is relatively short lived, which makes the study of consumer's behaviour relatively difficult. The purpose of this research is to examine the relationship between the various dimensions of service quality (tangibles and intangibles) and customer's satisfaction for OLA cabs in Delhi NCR.

2. Literature Review

Now – a – days, organizations, in order to survive the stifling competition in the market, are focusing on the satisfaction of the consumer through enhanced service quality. In India, due to the rapid growth of commuters, companies like OLA have found footing. However, this is not a monopoly market like Indian Railways. Other companies such as UBER, MERU also exist that are ready to capture the market and eat away the market share of one another. In such a scenario, high quality service

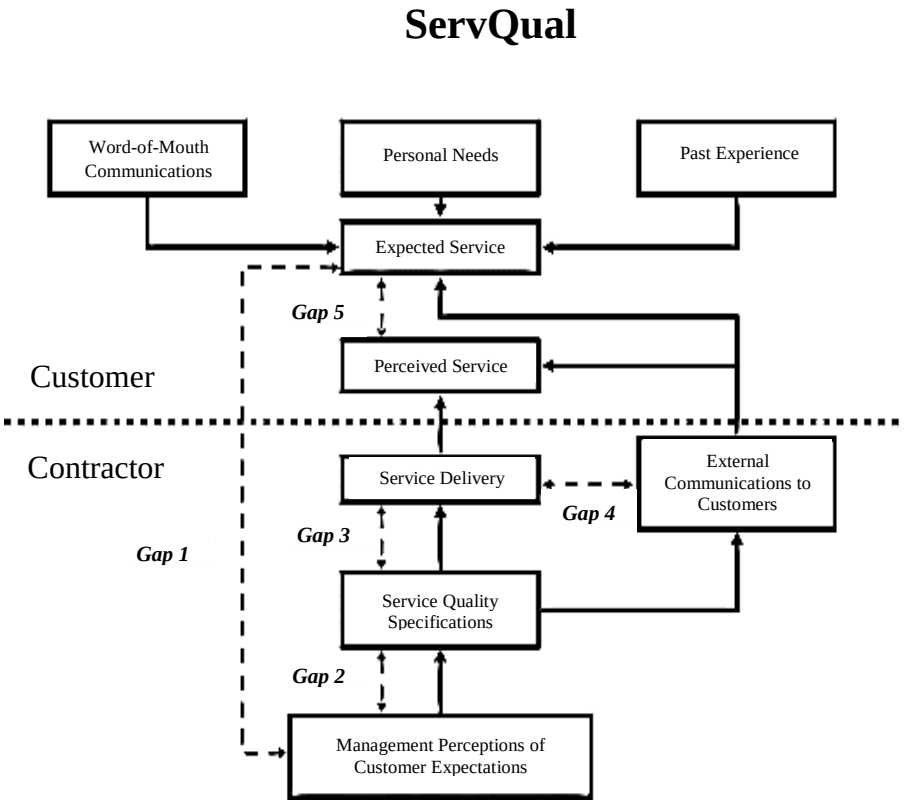
together with a lower price is the only solution to give customers more value for their money. An Increase in the 'perceived value' will increase the willingness in the customer to become a repeated buyer of OLA.

Based on the study of **Zeithmal et al. (1990)**, most of the literature on service quality is based on the idea of 'perceived quality' which is the resultant of the 'service expectations' of the consumers and their perceptions of 'actual service performance'. **Parasuraman et al. (1990)** stated that the reliability in the service quality is basically related to the outcome of the service. **Carrilat et al. (2007), Zeithaml et al. (2008)** assert that service quality is a precedent to customer satisfaction. Thus, companies must care more and invest considerable amount in programs that lead to the increase in the satisfaction of their consumers **(Sattari et al. 2010)**.

Parasuraman, Zeithaml and Berry (1994) find that one basic determinant of customer satisfaction is service quality. Thus, these findings say that there is a significant relationship between service quality and customer satisfaction.

SERVQUAL model (Service Quality model) is used to measure the service expectations and service gaps. Service gaps lead to customer dissatisfaction therefore must be minimized at all cost. The model was devised by Parasuraman, Zeithaml and Berry. It is also called the GAP model because it is used for conducting an analysis of service gaps. The gaps are as follows:

- GAP 1: Expectation – perception gap. This is occurs when the management fails to understand the expectations of the consumer.
- GAP 2: Service design gap. This occurs when the management fails to design proper service quality specifications after understanding the expectations of the consumers.
- GAP 3: Service delivery gap. This occurs when the service is not delivered properly. Lack of trained manpower may lead to this gap.
- GAP 4: External communication gap. This occurs due to difference between what is communicated to the consumers through advertisements and what is ultimately delivered to them.
- GAP 5: Overall gap in service quality. This is the cumulative gap which arises on account of gaps 1, 2, 3 and 4. This will lead to an overall dissatisfaction in the mind of the consumer.



(***Source:*** Zeithaml, Parasuraman & Berry, Delivering Quality Service)

Figure 1: Zeithaml, Parasuraman & Berry, Delivering Quality Service

Here it must be remembered that word of mouth and past experiences also have a role to play in the construction of the service expectation. A strongly positive word of mouth will lead to a higher service expectation in terms of quality.

3. Dimensions of Service Quality

Parasuraman, Zeithaml and Berry, (1985) originally determined ten dimensions of service quality, based upon a series of focus group studies. Lately in 1988, they reduced these ten dimensions to five dimensions – tangibles, assurance, reliability, responsiveness and empathy. The first dimension 'tangibles' deals with the 'product' aspect of the service (items that can be felt and touched) e.g. furniture in a classroom. The remaining four dimensions deal with the 'intangible' aspects of the service (that cannot be touched but only be felt).

- *Tangibles*: 'product' aspect of the service. It refers to the appearance of the physical factors – equipments, facilities, appearance etc. Tangibles relate to the physical cues that are a component part of the service delivery process (Zeithaml et al. 2000; O'Neil and Palmer, 2003)
- *Intangibles*: that cannot be touched, only be felt (assurance, reliability, responsiveness and empathy). These are the 'characteristic' part of the service delivery process.

The current paper takes into account intangible dimension of the service as described above.

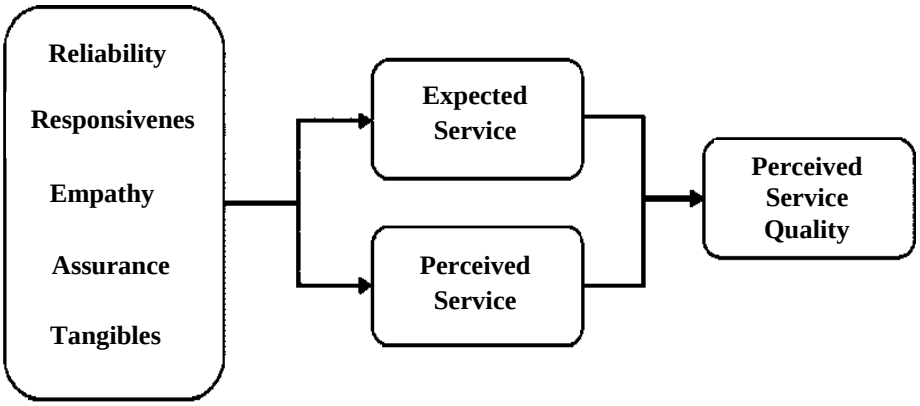


Figure 2: Tangible dimensions

4. Hypothesis Formulation

Based on the above discussion, the following hypothesis are being formed:

H_1 - there is a significant relationship between the intangibles and customer satisfaction in case of OLA cabs in Delhi NCR.

5. Research Methodology

5.1 Research Design: Questionnaire of **closed ended questions** was used to gather data for this research. The data collected was quantified. The questionnaire was forwarded to a sample of selected consumers using the OLA cab services in Delhi NCR.

5.2 Data Collection Methods: Out of all the data collection methods, it is generally seen that a questionnaire is the most popular and convenient tool used for gathering data from respondents. The data for the present research has been collected using a questionnaire having two parts:

a) Respondents' profile (section 1)

b) Intangible factors and service quality (section 2 having 7 questions)

6. Result and Discussion

The total questionnaires that were randomly distributed to respondents via emails were 150 and 113 were fully answered.

	Total	**%**
Questionnaires distributed	150	100
Questionnaires collected	113	75.33

The survey was carried out for two weeks in December 2018.

RESPONDENTS' PROFILE

Gender: Male – 76 & Female – 37

Age Group:

Age Group	**No. of Respondents**	**% of Respondents**
20 – 25	91	80.5
25 – 30	12	10.61
30 – 35	06	5.3
35 – 40	01	0.8
40 – 45	03	2.6

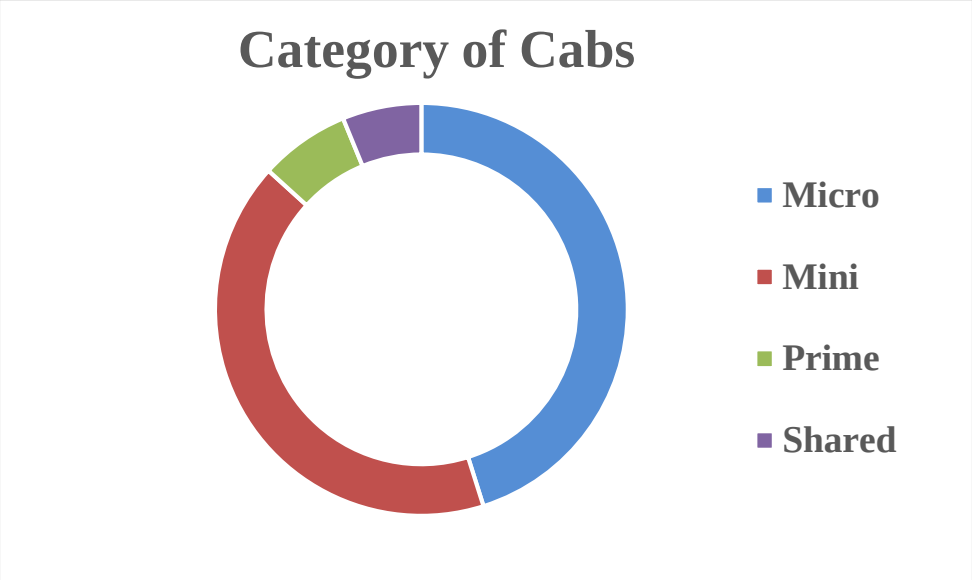


Figure 3: Category of OLA Cab used

Category of Cabs	No. of users
Micro	51
Mini	47
Prime	8
Shared	7

7. Main Findings

The descriptive results were calculated, the findings are stated in the table below:

Descriptive Results for 'Intangible Factors' (N = 113)

S. No.	Questions	Mean	S.D.
1	OLA App works well & flawless all the time	3.6460	0.8337
2	The driver quickly (in the first 5 rings) responds to the call	3.7080	0.8832
3	The vehicle reaches at the Pickup location timely	3.5133	0.8250
4	Driver is courteous and polite	3.7257	0.8045

5	There are no disputes / discrepancies related to tariff while billing	3.5664	0.8852
6	Driver understands the specific needs of the customer (playing music, driving fast etc.)	3.5841	0.9795
7	The ride is mostly safe and secure	4.0088	0.8183
	Overall Mean Intangibility	**3.6789**	**0.8732**

Descriptive Results for 'Overall Satisfaction Score' (N = 113)

S. No.	Questions	Mean	S.D.
1	Overall satisfaction score for OLA cab services (on a scale of 5)	3.2389	0.5049

8. Overall Descriptive Statistics

S. No.	Item	N	Minimum value	Maximum value	Mean	Std. Dev.
1	Intangibility	113	1	5	3.6789	0.8732
2	Satisfaction score	113	3	5	3.2389	0.5049

Pearson Correlation Coefficient Interpretation

Interpreting the R-value for Interco relation

R-value Relationship

Above 0 70	Very strong relationship
0.50 – 0.69	Strong relationship
0.30 – 0.49	Moderate relationship
0.10 – 0.29	Low relationship
0.01 – 0.09	Very low relationship

R-values

S. No.	Factor type	R Value (Correl.)	Meaning
1	Intangible factors	0.1343	Weak relationship

Findings from the correlation analysis show that the 'intangible' factors are weakly related to the customer satisfaction in the case of OLA cabs in Delhi NCR.

Thus, hypothesis H_2 is rejected

9. Conclusion and Limitations

OLA cab operators must take good care of the 'intangible' aspects of the service. It is clearly evident from the findings that services provided by OLA cabs in Delhi NCR need to improve, specifically in the area of 'Intangible factors' (Responsiveness, Assurance, Empathy etc.) it should serve even better.

The size of the sample for this research is not enough to determine the level of satisfaction toward the OLA cab services provided. The sample has been chosen randomly and the respondents did not completely cooperating with the research to answer the questionnaire, therefore, research has opened door for further study.

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