

SERVICE QUALITY OF E-COMMERCE SERVICE PROVIDERS

EE HONG

UNIVERSITY OF MALAYA

1998/1999 SESSION



104997

104997

ABSTRACT

The main focus of the study is to measure service quality of electronic commerce (e-commerce) service providers as perceived by companies, enterprises, organisations or sole proprietors involved in e-commerce. This study employs the SERVQUAL instrument developed by Parasuraman, Zeithaml, and Berry (1988) to measure the dimensions of service quality and to identify the importance of the dimensions, for the purpose of understanding how clients of e-commerce service providers perceived services rendered to them.

A survey was carried out on eighty seven e-merchants from various sectors of the economy comprising of sole proprietors, small, medium and large companies.

The results of the study identified five dimensions, namely "Competency", "Knowing Customers' Needs", "Assurance", "Appropriate Technological Facilities", and "Customised Solutions". The study also found that the e-merchants surveyed were generally satisfied with the service quality of e-commerce service providers. Some recommendations that emerged from the study cover aspects concerning managerial implications and factors for promoting e-commerce.

CHAPTER 1

INTRODUCTION

1.1 Background

As of the end of 1998, the total Gross Domestic Product (GDP) for Malaysia was RM 131.3 billion and services accounted for RM 1.5 billion, a decrease of RM 6.5 billion as compared to 1997 (RM 8 billion). This was because of the economic and political turmoil that Malaysia was undergoing since the middle of 1997, which largely, led to the decline in the services industries. However, services is projected to contribute 40% of the GDP by the year 2003. With the emphasis on knowledge workers as a catalyst towards a developed nation by the year 2020, the importance of services cannot be undermined. It is projected to be one of the main contributions towards Malaysia's Gross Domestic Product, and we are developing towards a service economy where service already accounts for 5.6% of our GDP in 1997. Future new growth will be formed even more in the services sector. Of the new jobs created in 1998 about 11.7% have been in the service industries. As Malaysia push into the next millennium, the role of services will become a more important income earner as contributions from traditional industries like agriculture and mining will be declining.

In a deregulated, competitive environment, quality means satisfying the customer, eliminating his service problems, anticipating his needs and doing all this better than the competitors. From the business's point of view, the focus is always on the customer. Thus, it is important to

understand customers' perceptions of service quality so that companies can gain competitive edge over their competitors. Customers are getting more and more critical of the service they receive and many customers are not only wanting but are also expecting better service.

1.2 Significance of the Study

Although electronic commerce (e-commerce) is at its infancy stage, many businesses are contemplating to tap into the huge potential of the Malaysian e-commerce market that research firm International Data Corporation (IDC) has estimated to be worth US 1 560 million by the year 2003. Many businesses can no longer ignore the strong imperatives to be involved in e-commerce or otherwise they may be locked into a business model that does not fit the real world anymore.

With the advent of Internet Technology, and e-commerce, many service industries with narrow markets in the past (e.g. banking, insurance, communication, information technology) are now competing in geographically wider markets if not borderless markets. With rapid deregulation, there will be intense competition among e-commerce service providers offering the same products and services. Since many of the products and services are essentially the same, the battleground is quality service. Delivering superior service quality appears to be a prerequisite for success, if not survival, of such businesses in the 1980s and beyond (Parasuraman, Zeithaml, and Berry 1988).

In order for the e-commerce service providers to deliver superior services they have to understand their clients expectations and assessment of the services rendered. So it is timely to examine the dimensions of service quality as perceived by their clients (e-merchants) and that the findings could be utilised by the service providers to improve their service quality in order to compete more effectively.

1.3 Scope of Study

The scope of e-commerce has taken on a very wide and deep definition and is ever evolving to accommodate the rapid development and innovation of current business practices. Phyllis K. Sokol wrote that e-commerce is "the sharing of information using a wide variety of different electronic technologies, between organisations doing business with one another, customers, suppliers, banks, carriers, and government agencies. E-commerce also refers to the procedures, policies and strategies required to support the incorporation of these electronic messages into the business environment".

The study will focus on the service quality of e-commerce service providers in which the model of A. Parasuraman, Zeithaml, Berry (1988) will be used. They suggested that customer satisfaction is a function of the complete transfer of customer expectations through service design, service delivery, and customer service perception without losing any important elements of the initial customers' expectation. To assess the service quality of e-commerce service providers, customer attitude surveys