

**REPUBLIC OF TURKEY
BAHCESEHIR UNIVERSITY**

**SERVICE FAILURES AND RECOVERY
RECOMMENDATIONS: A CONTENT
ANALYSIS ON PRIVATE SHOPPING SITES**

Master's Thesis

ASLIHAN GÜZİN SELÇUK

İSTANBUL, 2012

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Thesis Advisor: Assist. Prof. ELİF KARAOSMANOĞLU

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Aslıhan Güzin Selçuk

ABSTRACT

SERVICE FAILURES AND RECOVERY RECOMMENDATIONS: A CONTENT ANALYSIS ON PRIVATE SHOPPING SITES

Aslıhan Güzin Selçuk

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In the globalising world with the effect of the new communication technologies and the Internet, shopping formats of the consumers changed dramatically. Especially in electronic markets service organizations are facing a hard competition and pressure than ever before. Retaining customers and increasing their loyalty is a must to stay competitive in the online retail world. Herein the service failures and recovery efforts become a vital factor to achieve the aim. In this study, private shopping sites which offer various kinds of products with discounted prices to their members discussed in the context of service failures. The major private shopping sites Trendyol, Markafoni and Clubboon are examined on the criteria of service failures with the method of quantitative content analysis. A complaint site www.sikayetvar.com is used as data source which consumers share their negative shopping experiences with other consumers. The complaints are classified into two main groups, failures related to service or products and failures originated from the company or the company's partners. Terminally the main reasons of the service failures are differentiated and recommendations are developed to solve the problems. The findings of this study are expected to help managers and marketing departments of the private shopping sites to build long-termed relationship with their customers and gain a financial advantage over their rivals.

Keywords: Electronic Service Failure, Electronic Service Recovery, Electronic Service Quality, Private Shopping, Online Shopping

ÖZET

HİZMET KUSURLARI VE İYİLEŞTİRME ÖNERİLERİ: ÖZEL ALIŞVERİŞ SİTELERİ ÜZERİNE BİR İÇERİK ANALİZİ

Aslıhan Güzin Selçuk

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Globalleşen dünyada yeni iletişim teknolojileri ve internetin etkisiyle tüketicilerin alışveriş yapma biçimleri çarpıcı biçimde değişime uğramıştır. Özellikle elektronik pazarlarda hizmet kuruluşları hiç olmadığı kadar sert bir rekabet ve baskı ile yüzleşmektedirler. Online perakende dünyasında müşterileri elde tutmak ve bağlılıklarını arttırmak rekabetçi kalmak için bir zorunluluktur. Bu noktada hizmet kusurları ve iyileştirme çabaları hedefe ulaşmak için hayati bir faktör haline gelmektedir. Bu çalışmada üyelerine binbir çeşit ürünü indirimli fiyatlarla sunan özel alışveriş siteleri, hizmet kusurları bağlamında ele alınmıştır. Başlıca özel alışveriş sitelerinden Trendyol, Markafoni ve Clubboon kalitatif içerik analizi metodu ile hizmet kusurları kriteri açısından incelenmiştir. Tüketicilerin diğer tüketiciler ile olumsuz alışveriş deneyimlerini paylaştıkları bir şikayet sitesi olan www.sikayetvar.com veri kaynağı olarak kullanılmıştır. Şikayetler, hizmet veya ürün kaynaklı hatalar ve şirketten veya şirketin partnerlerinden kaynaklanan hatalar olmak üzere iki ana gruba ayrılmıştır. Son olarak hizmet kusurlarının ana nedenleri ayırt edilmiş ve problemleri çözmek için öneriler geliştirilmiştir. Bu çalışmanın bulgularının özel alışveriş sitelerinin yöneticilerine ve pazarlama departmanlarında, tüketicileri ile uzun soluklu bir iletişim kurmaları ve rakipleri üzerinde finansal bir avantaj kazanmaları konusunda yardım edeceği umulmaktadır.

Anahtar Kelimeler: Elektronik Hizmet Kusuru, Elektronik Hizmet İyileştirme, Elektronik Hizmet Kalitesi, Özel Alışveriş, Online Alışveriş

TABLE OF CONTENTS

TABLES	vii
FIGURES	viii
ABBREVIATIONS	ix
DEDICATION	x
1. INTRODUCTION	1
1.1 RELEVANCE AND AIM OF THE RESEARCH.....	1
1.1.1 Relevance of the Research	1
1.1.2 Aim of the Research	2
2. LITERATURE REVIEW	3
2.1 DEFINITION OF SERVICE	3
2.2 UNIQUE CHARACTERISTICS OF SERVICES.....	4
2.2.1 Intangibility.....	5
2.2.2 Inseparability	6
2.2.3 Perishability	7
2.2.4 Heterogeneity	7
2.3 BASIC DIFFERENCES BETWEEN GOODS AND SERVICES8	
2.3.1 The Natural Structure of the Services	8
2.3.2 Customer Involvement in the Production Process	9
2.3.3 Quality Control Systems.....	9
2.3.4 Difficulty in Customer Evaluation of Services.....	10
2.3.5 Absence of Inventories	11
2.3.6 Importance of the Time Factor	12
2.3.7 Different Distribution Channels.....	12
2.4 THE COMPONENTS OF A SERVICE.....	12
2.5 CLASSIFICATION OF SERVICES	15
2.5.1 Nature of the Service Act	15
2.5.2 Relationship with Customers.....	16
2.5.3 Customization and Judgment in Service Delivery.....	17
2.5.4 Nature of Demand and Supply	18
2.5.5 Method of Service Delivery.....	19

2.6 SERVICE FAILURE AND RECOVERY	20
2.7 SERVICES MARKETING.....	23
2.7.1 The Historical Context of Services Marketing.....	23
2.7.2 The Emergence of The Service Sector	27
2.8 ELECTRONIC SERVICES	30
2.9 ELECTRONIC SERVICE FAILURE AND RECOVERY	35
2.10 ELECTRONIC RETAILING	37
2.10.1 Online Private Shopping in Turkey	41
2.11 QUALITY.....	43
2.11.1 Definition of Quality.....	43
2.11.2 Historical Development of the Quality Concept.....	44
2.12 SERVICE QUALITY.....	46
2.12.1 Definition of Service Quality	46
2.12.2 Customer Expectations of Service Quality	51
2.12.3 Customer Perceptions of Service Quality.....	53
2.12.4 Dimensions of Service Quality.....	54
2.13 ELECTRONIC SERVICE QUALITY.....	57
2.13.1 Definition of Electronic Service Quality.....	57
2.13.2 Dimensions of Electronic Service Quality	59
3. RESEARCH METHOD & ANALYSIS	64
3.1 METHODOLOGY	64
3.2 ANALYSIS.....	65
4. FINDINGS	73
4.1 SERVICE AND PRODUCT RELATED FAILURES	73
4.2 COMPANY ORIENTED AND NON COMPANY ORIENTED FAILURES.....	78
5. CONCLUSION	76
5.1 SERVICE RECOVERY TACTICS.....	76
5.1.1 Recommendations For Service Failures.....	80
5.1.2 Recommendations for Product Failures.....	81
5.1.3 Recommendations for Company Oriented and Non Company Oriented Failures.....	83

REFERENCES	86
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TABLES

Table 2.1: Referances listing unique characteristics of services	5
Table 2.2: Nominal GDP sector composition in percentage 2010	28
Table 2.3: Attributes of service quality	56
Table 2.4: Review of the main studies on the dimensions of e-service quality	60
Table 3.1: Types and number of complaints	67
Table 3.2: Classification of failures of Trenyol.com.....	68
Table 3.3: Classification of failures of Markafoni.com	70
Table 3.4: Classification of failures of Clubboon.com.....	71

FIGURES

Figure 2.1 : Continuum of evaluation for different types of products	11
Figure 2.2 : The four components of a service	13
Figure 2.3 : Understanding the nature of the service act	16
Figure 2.4 : Relationships with customers	17
Figure 2.5 : Customization and judgment in service delivery	18
Figure 2.6 : What is the nature of demand for the service relative to supply?	19
Figure 2.7 : Method of service delivery	20
Figure 2.8 : Evolution of the services marketing field	24
Figure 2.9 : Recent stages of service revolution	26
Figure 2.10: The changing structure of employment during economic development	29
Figure 2.11: A taxonomy of e-services	34
Figure 2.12: Deming cycle	45
Figure 2.13: A Conceptual model of service quality	48
Figure 2.14: The zone of tolerance model	52
Figure 4.1 : Example of markafoni customer's complain about giftcard malfunction....	74
Figure 4.2 : Example of markafoni customer's complain about wrong delivery	74
Figure 4.3 : Example of clubboon customer's complain about no delivery	75
Figure 4.4 : Example of trenyol customer's complain about money payback problem	76
Figure 4.5 : Example of clubboon customer's complain about wrong date of delivery - late delivery	77
Figure 4.6 : Example of markafoni customer's complain about damaged product	77

ABBREVIATIONS

b2b : business to business
b2c : business to consumer
c2c : costumer to costumer
gdp : gross domestic product
zot : zone of tolerance

1. INTRODUCTION

1.1 RELEVANCE AND AIM OF THE RESEARCH

1.1.1 Relevance of the Research

With the impact of globalization and liberalization, the advancement of information and communication technologies brings the market to the consumer's finger tip. The Internet has penetrated our lives without being noticed and become a crucial tool for consumers even for businesses. Consumers gather information, compare prices and make purchases any time, anywhere (Nasir 2004). Therefore highly competitive and dynamic service sector market has changed its direction to electronic market in the third millennium (Boroumand et al. 2008). Ever after consumers began to search for their needs more easily than before and their expectations increased in this conditions.

This transformation has changed the structure of marketing and it created a strong need to improve overall quality. Oliveria et al. (2002) suggest that companies can achieve competitive capabilities by offering good electronic services to customers and electronic service quality is becoming even more critical for companies to attract and retain customers in the digital age. By adopting the quality concept, organizations gain the ability to survive in this aggressive environment and sustain a priority over their rivals.

As the socialization over the internet become widespread all over the world, the consumption society take a great opportunity to share their shopping experiences and spread their opinions, even good or bad, through the electronic platforms. Besides the social media platforms such as Facebook, Twitter, Friendfeed etc., there are also electronic complaining sites that enables consumers to share their shopping experiences especially the unsatisfying ones. Unsatisfying shopping experience often makes consumers to complain, spread negative word-of-mouth, switch the retailer, and even simply leave (Blodgett et al. 1997; Pavlou and Gefen, 2005; Smith et al. 1999; Tax et al. 1998;). Dixon et al. (2010) found that 23 percent of people who received well service

would tell ten or more people. The number would increase to 48 percent when customers had bad service experience.

Therefore service failures are considered as an important determinant of overall quality for online retailing firms. If the firms reject to learn from their failures, the corporate image and reputation established by the firm may be imperiled. Consequently an effective service failure recovery policy is an important tool for online retailers to maintain customer satisfaction and loyalty which are the key factors for a company's revenues and profitability (Tax et al. 1998). Thus, recovery management has a critical impact on customer evaluations, because customers are involved in service recovery process more emotionally than in routine or first-time service. Accordingly they are often more dissatisfied by an organization's ineffective failure recovery than by the service failure itself (Berry and Parasuraman 1991; Bitner et al. 1990).

In summary, a significant amount of arguments specify that the service failures and recovery efforts are vital elements to retain customers, build long-termed relationships with customers and gain a financial advantage. Therefore the service failures must be analyzed in order to develop effective recovery management strategies.

1.1.2 Aim of the Research

In online retailing, private shopping sites that offer various kinds of products with discounted prices to their members in a limited time period draw great attention as a relatively new industry and it has a great potential to grow, especially in Turkey. However there is a lack of information in the literature for private shopping sites about the online service recovery strategies. The main purpose of this thesis is to explore the service failure dimensions of private shopping sites and develop strategies to retain customers and increase their loyalty in this fierce competition.

2. LITERATURE REVIEW

2.1 DEFINITION OF SERVICE

From past to the present, it has been difficult to define services for all academic circles because of their diversity. “The way in which services are created and delivered to customers is often hard to grasp since many inputs and outputs are intangible” (Lovelock and Wright 2002, p. 6). Thence, to understand the meaning of the service concept, it is a must to explicate different definitions. American Marketing Association (1960, p. 21) defined services as “Activities, benefits and satisfactions, which are offered for sale or are provided in connection with the sale of goods”. Lovelock and Wright (2002) defined services as economic activities which create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in-or on behalf of-the recipient of the service.

As Quinn et al. (1987, p.50) explained “services include all economic activities whose output is not a physical product, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchase”.

Also Grönroos (2001) describes services is as an activity or series of activities which are more or less intangible, take place in interactions between the customer and service employees, which are provided as solutions to customer problems.

According to Philip Kotler (1994, p. 464) “service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.”

Furthermore, Zeithaml et al. (1996, p. 31) give a limitation to the definition of service by stating that “service is all economic activities whose output is not a physical product or a construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, comfort or health)”.

On the other hand, Steinhoff (1979, p. 113) states that “the raw material of services is people.” Needless to say that the main material of service is people; nevertheless, there are many other supporting factors from the raw material of service such as advanced tools, clean, secured, comfortable physical environment, accurate, advanced, and up to date technology and service.

According to Gummesson (1995), consumers do not buy goods or services, but rather purchase offerings that render services, which create value. He uses value instead of solutions to customer problems. Gummesson (1995) emphasizes what the service does for the customer and what the customer buys, which may be interpreted as a customer perspective on services and the service concept. Gustafsson and Johnson (2003, p. 29) suggest that “the service organization should create a seamless system of linked activities that solves customer problems or provides unique experiences.” This view highlights the customer’s perspective as it includes a system of linked activities which supports the customer in solving problems.

A different approach to defining the concept is suggested by Vargo and Lusch (2004a, b). They define services as the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself. They argue that this definition is more inclusive and that it captures the fundamental function of all business enterprises.

























2.2 UNIQUE CHARACTERISTICS OF SERVICES

At the present day the competitive advantage of the firms that market products depends on the success of services they provide rather than the features of the products. As Kotler (2003) mentioned that every business is a service business. However there are many differences in the nature of the services versus products. These differences show the characteristics of the services that make them different from goods.

Zeithaml et al. (1985) conducted a literature review, and found the most commonly cited characteristics as intangibility, inseparability (of production and consumption),

heterogeneity (or non-standardization), and perishability (or exclusion from the inventory). The acceptance of these main characteristics in service marketing literature can be seen in Table 2.1. Many other characteristics have been mentioned but have not been widely accepted (Edvardsson 2005).

Table 2.1: Referances listing unique characteristics of services

Referances	Intangibility	Heterogeneity	Inseparability	Perishability
Bateson 1977, 1979				
Bell 1981				
Besson; Jackson 1975				
Booms; Bitner 1981, 1982				
Carman; Langeard 1980				
Davidson 1978				
Davis; Jones 1979				
Donelly 1976,1980				
Eiglier; Langeard 1975, 1976 Eiglier et.al. 1977				

Source: Zeithaml, V.A., Parasuraman, A. and Berry, L.L., 1985. Problems and Strategies in Services Marketing. *Journal of Marketing*. **49** (2), p.34.

2.2.1 Intangibility

“Intangibility is one of the key characteristics of services which cited universally. Because services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed” (Zeithaml et al.

1985, p. 33). They are ephemeral performances that can be experienced only as they are delivered (Rust et al. 1996, p. 7).

The intangible nature of services cause some problems for customers. Because services are not tangibles, they are not able to influence the customers senses and it is difficult for a customer to evaluate a service before purchase, even during and after their consumption (Bateson 1979). It has been challenging for customers to choose between alternatives because there are no strong reasons. Compared to the purchase of a tangible good, the level of perceived risk will be high.

Marketers of services can reduce this risk by stressing tangible cues that will convey reassurance and quality to prospective customers. “These tangible cues range from the firms physical facilities to the appearance and demeanor of its staff to the letterhead on its stationery to its logo” (Rust et al. 1996, p. 8).

The concept “servicescape” developed by Bitner (1992), underlies the role of the physical aspects of the environment in which services are produced and experienced by customers. “Because the service generally is produced and consumed simultaneously, the consumer is “in the factory”, often experiencing the total service within the firm’s physical facility” (Bitner 1992, p. 57).

To reduce uncertainty of intangibility, firms may underline the professionalism of their staff and develop a strong corporate image (Rust et al. 1996). Word of mouth is another important marketing tool to help the customer’s evaluating process.

2.2.2 Inseparability

“Inseparability of production and consumption involves the simultaneous production and consumption which characterizes most services” (Zeithaml et al. 1985, p. 33). Services are produced and consumed at the same time unlike goods which may be manufactured, then stored for later distribution. Goods are often produced in a location far removed from the customer and totally under the control of the manufacturing firm,

service production often requires the presence and the active participation of the customer and of other customers (Rust et al. 1996).

Inseparability also means that the service is tightly tied to the particular service providers. “Thus, the service provider would become a part of the service itself. This strong link between individual provider and service service product creates severe capacity problems for a service firm, since one individual can be stretched only so far” (Rust et al. 1996, p. 9). Therefore, inseparability increases the importance of the quality in services. By training the staff to standardize the service process and to develop corporate policies is essential to ensure quality.

2.2.3 Perishability

“Perishability means that services can not be stored for later use, resold or returned” (Gummesson 2007, p. 9). As Rust et al. (1996, p. 10) mentioned that “they are performed in real time.” The perishable character of the services forces marketers to synchronize supply and demand. Because the value of the services occurs at the point when it is required. “This can present enormous difficulty in facilities planning” (Rust et al. 1996, p. 10). When demand for a service is steady, it is not a problem to manage it.

However in times of unusually high or low demand, service organizations can have several difficulties. Quality problems can occur during peak seasons or peak hour and customers gain favourable or unfavourable experiences about the firm and the service quality. “Therefore memories may be stored in the customer’s long-term memory for years, and they may direct perceived quality and future behaviour” (Edvardsson 2005, p. 114).

2.2.4 Heterogeneity

“Heterogeneity concerns the potential for high-variability in performance of services” (Zeithaml et al. 1985, p. 34). “Services are performances, often involving the

cooperation and skill of several individuals, and are therefore unlikely to be the same every time” (Rust et al. 1996, p. 9).

This variable character of the services causes quality problems for customers as they may not get the same service all the time. This problem can get solved by standardization of the services. However too much standardization may have a negative influence on value creation. On the other hand, to take the advantage of the heterogeneity, customization may be a good solution (Hoffman and Bateson 2008, p. 69).

2.3 BASIC DIFFERENCES BETWEEN GOODS AND SERVICES

Running an efficient marketing operation does not guarantees success in this dynamic environment. The service product must be customized to the customer needs, priced acceptable, distributed through feasible channels, and promoted actively to the customer. However the marketing skills of manufacturing companies can not be transferable to service organizations because of the differences between goods and services (Lovelock and Wright 2002, p. 9).

2.3.1 The Natural Structure of the Services

The term good is used to describe a commodity, or a physical, tangible item that satisfies human wants or needs. Services also include tangible elements in the process such as eating a meal or hiring a hotel room but the service performance itself is an intangible process at all. It may be possible to liken the service performance to a theatric play in which the actors will be the service personnel and the audience will be the customers. The intangible nature of the services distinguish the expectations of the customers from products and services. Therefore the intangibility notion makes differences between the marketing strategies of goods and services because the value and benefits of owning and using a tangible product come from it’s physical nature however in services it come from the nature of the service performance (Lovelock and Wright 2002, p. 10).

Customers do not obtain ownership of services as well. They only obtain the right of being served by the providers. Therefore service delivery process has an important impact on customer satisfaction. For this reason organizations must develop new and different marketing strategies for services marketing and gain the ability to implement them correctly.

2.3.2 Customer Involvement in the Production Process

Customers play an important role in creating and producing the service product as they involve in the production process actively or passively. In goods marketing the involvement of the customers in the production process is not possible (Hoffman and Bateson 1997, p. 124). In service organizations the quality of the service personnel is the key factor that creates the difference. Because a service has to be right the first time, at the moment of delivery (Teboul 2006, p. 27). Therefore it is a must to train the service personnel as the power of the service organization is strongly linked to the power of its service personnel. The interaction process between customers and service personnel determines the customer perception of the service. This is where service skills become so important. Since service personnel have the opportunity to interact with the customers on a face to face basis, it is vital to represent the company on the right way. This leads to a far greater level of success. At the same time, customer involvement in the production process enables customers to interiorize the service and the service organization. In conclusion the process will end up with an increase in the sales volume and positive word of mouth.

2.3.3 Quality Control Systems

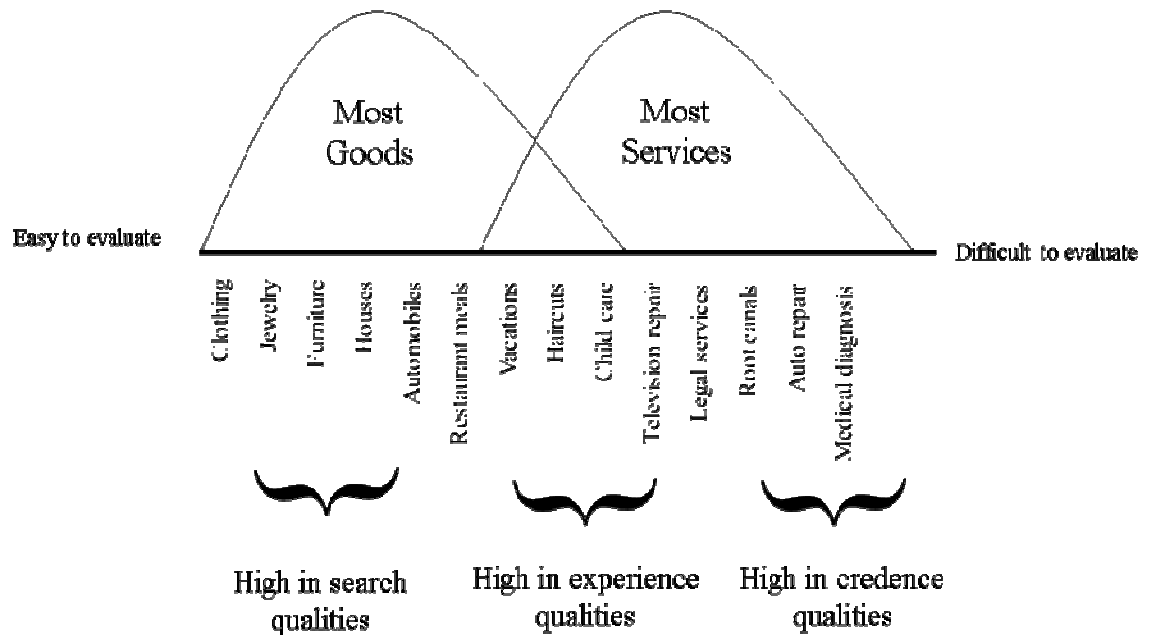
Services tend to be labour – intensive and production and consumption are inseparable. Because of these reasons consistency and quality control can be hard to achieve (Lamb et al. 2008, p. 352). Manufacturing operations generally be able to control the production process by the high mechanization and thus achieve low variability in outputs. By means of optimized productivity and quality, products gain its standards

before they reach the customer. However, customers receive the service as it is performed and it may vary from one customer to another and even the time period of the day. Eventually quality assurance is more challenging in services. Unlike manufacturing, where errors can be corrected before the customer receives the output, mistakes are harder to recover in services. The nature of the services makes it difficult to control the quality and offer consistency (Lovelock and Wright 2002, p. 12). Customizing in some fields can help the service organizations to achieve the quality issues. Also motivating the service personnel constantly may increase their performance and the quality of the output.

2.3.4 Difficulty in Customer Evaluation of Services

Nature of the services make them to be more difficult to evaluate than goods. To understand the differences in evaluation processes, it is a must to look at the classification of qualities of goods proposed by economists Philip Nelson (1970) and Darby and Karni (1973). Nelson (1970) developed a useful distinction that depends on the difference of the difficulty levels of pre-purchase quality inspection. Two categories which Nelson (1970) mentioned are “search qualities”, characteristics that a customer can determine prior to purchasing a product such as color, style, shape, price etc. and “experience qualities”, attributes that can only be discerned after purchase or during consumption such as taste, ease of handling, purchase satisfaction etc. Darbi and Karni (1973) add a third category of qualities of goods to Phillip Nelson’s (1970) classification of search and experience qualities, credence qualities, characteristics that customers find very difficult to evaluate even after consumption such as surgery or auto repairs. Figure 2.1 shows a continuum of evaluation for different types of products.

Figure 2.1: Continuum of evaluation for different types of products



Source: Zeithaml, V.A., 1981. How Consumer Evaluation Process Differ Between Goods and Services, in *Marketing of Services*, pp. 186-190, Donnelly J. & George W., (Eds.). Chicago: American Marketing Association.

2.3.5 Absence of Inventories

It is relatively easier to manage goods rather than services because it is possible to imply different inventorying strategies for goods. However services are perishable and can not be inventoried. The nature of the competition is different due to demand variations (Swartz and Lacobucci 2000, p. 147). There is no chance to use inventories when demand exceeds the capacity. This cause quality problems and it has damaging effects on service facilities, providers and customers. Customers may be disappointed and may easily be lost to competitors. Employees also may get frustrated and demoralised. On the other hand services go waste if they are not consumed (Rao 2007, p. 10). In both cases, it causes to loss of revenue. An important task for service managers is to balance supply and demand. Thus demand management is one of the prominent tasks for them. It is also vital to develop quality systems implying “best the first time” approaches (Verma 2008, p. 38).

2.3.6 Importance of the Time Factor

Since many services are performed and delivered in real time, customers have to be physically present to receive the service. For example a customer have to wait for the meal at the restaurant. Customers have expectations about the waiting time and these expectations involve time factor. Time factor directly affect the purchasing decision. Therefore service must be delivered in time limits of the customers thus customers do not waste their time while waiting. Time factor in services also affects repeated purchases and positive word of mouth. Because today's customers are time sensitive, to market the services and create customer loyalty the time factor becomes an important issue for service marketers (Lovelock and Wright 2002, p. 12).

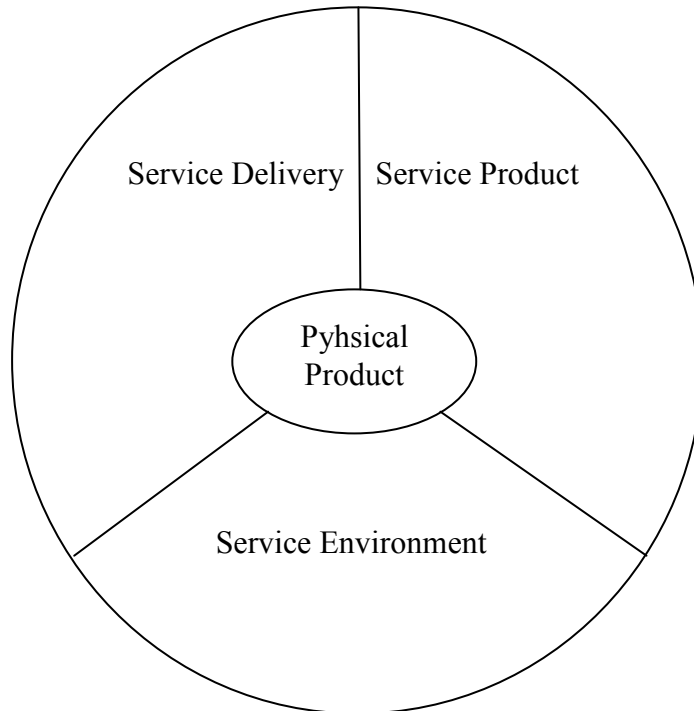
2.3.7 Different Distribution Channels

One of the significant difference between goods and services is that services haven't got physical distribution channels. While goods move through channels from factory to the ultimate users through a network of intermediaries, in services the provider must move to the customer or the customer has to reach to the service (Verma 2008, p. 34). Therefore customer contact personnel plays a key role in the service process and service firms have to manage them effectively. Another issue that must be managed carefully is the behaviours of the customer in the service process. Customers affected by each other and one customer's behaviour may irritates other customers. Hence service firms facilitate a positive service encounter for the customers who share the same service experience (Hoffman and Bateson 2008, p. 67).

2.4 THE COMPONENTS OF A SERVICE

There are four main components of a service that must be managed to meet the customer expectations: physical product, service product, service environment, and service delivery. Figure 2.2 shows the four components of a service.

Figure 2.2: The four components of a service



Source: Rust, R.T. & Oliver, R.L., 1993. Service Quality: Insights and Managerial Implications from the Frontier, in *Service Quality: New Directions in Theory and Practice*, pp. 241-268, Rust, R.T. & Oliver, R.L. (Eds.). California: Sage Publications.

The physical product is the tangible item the service firm presents to the customer. There are a lot of examples of physical products like food, computers, houses etc. The important thing is that the product design must be customer-oriented. There is a system called Quality Function Deployment which was developed in Japan in the 1970's to help marketing managers and engineers to communicate effectively with each other and aim for a common goal of meeting customer needs. Quality Function Deployment is a structured approach to define customer needs or requirements and translate them into specific plans to produce products that meet the customer's needs (Akao 1994, p. 339). At the same time, the system helps the service firm to abstain from expensive engineering improvements which do not meet customer needs.

The service product is the major performance that the customer purchase. It includes interactions with the service personnel. To manage, expand, and grow the relationship

with the customer the firm must plan all the aspects of the interaction and determine the nature of the overall service experience.

The service environment is the totality of the ambience and physical environment in which a service occurs. It sometimes referred as servicescape which was developed by Bitner to underline the impact of the physical environment in which a service process takes place (Bitner 1992). According to Bitner (1992, p. 57) the tangible items of the physical service environment influence the customer perceptions of the service experience.

The service environment can also refer to the target market segment and position the service firm (Bitner 1990). There are three significant elements that can be considered in the service environment: the ambient conditions, the spatial layout, and the signs and symbols (Bitner 1992). Ambient conditions are the characteristics of the service environment that bound up with our 5 senses. Ambient environment includes hundreds of design elements such as lighting and background music that have to work together to create the desired service environment. The resulting environment creates a mood that is perceived and interpreted by the customer. The convenient atmosphere conditions differ from business to business depending on the market positioning. Spatial layout includes machineries, equipment and furniture which are important for service delivery as they can create moods and shape behavioral intentions and influence customer satisfaction (Gardner 1985). Therefore, signs and symbols are the other items in the physical service environment. They serve as forms of communication to customers about the service organization. Customers automatically infer meanings from the signs. They also find cues from the signs to help them to frame their expectations about the type and level of service that is being offered. They use them as a guidance through the service environment.

The service delivery refers to the buying process of the service by the customer and it shows how the service works in practise (Rust et al. 1996, p. 17). It is important to make the designed service delivery process work but it is much harder to monitor the process.

The comparative importance of these service components varies from one industry to another due to the industry characteristics. Infact, services can be organized through the the intangibility continuum (Rust et al. 1996, p. 18). By placing services along the intangibility continuum, marketers gain a viewpoint for service comparison and market positioning.

2.5 CLASSIFICATION OF SERVICES

Classification is the process of division of things or people on the basis of common characteristics. The importance of classification of services in an accentuated subject in marketing and helps the marketers decision making processes. There are a number of articles and books emphasize the multi-functional nature of services. Therefore, recent service typologies build on managerially useful service delivery system attributes. Lovelock's (1983) classification of services examines how the specific nature of services in a particular class affects operations and marketing in five dimensions.

2.5.1 Nature of the Service Act

Berry (1980) described services as deeds, acts or performances. Therefore, two fundamental questions are: At whom (or what) is the act directed, and is this act tangible or intangible in nature (Lovelock 1983, p. 10).

Figure 2.3 shows the answers of these two questions in a four-way classification scheme involving: (1) Tangible actions to people's bodies; (2) tangible actions to goods or other physical possessions; (3) intangible actions directed at people's minds; and (4) intangible actions directed at intangible assets (Lovelock 1983, p. 10).

Figure 2.3: Understanding the nature of the service act

Who or What is the Direct Recipient of the Service?

What is the Nature of the Service Act	People	Things
Tangible Actions	Services directed at people’s bodies: <ul style="list-style-type: none"> • health care • passenger transportation • beauty salons • exercise clinics • restaurants • haircutting 	Service directed at goods and other physical possessions: <ul style="list-style-type: none"> • freight transportation • industrial equipment repair and maintenance • janitorial services • laundry and dry cleaning • landscaping/lawn care • veterinary care
Intangible Actions	Services directed at people’s minds: <ul style="list-style-type: none"> • education • broadcasting • information services • theaters • museums 	Services directed at intangible assets: <ul style="list-style-type: none"> • banking • legal services • accounting • securities • insurance

Source: Lovelock, C.H., 1983. Classifying Services to Gain Strategic Marketing Insights. *Journal of Marketing*. 47 (3). p.12.

The categorization scheme helps answer the following questions: (1) Does the customer need to be physically present throughout the service, only to initiate or terminate the service, or not at all? (2) Does the customer need to be mentally present during the service delivery? and (3) In what ways is the target of the services act “modified” by receipt of the service (Lovelock 1983, p. 12).

2.5.2 Relationship with Customers

The basic questions to be answered here refer the type of relationship the service firm has with its customers and how the service is delivered. Figure 2.4 shows a four-way classification involving (1) membership relationships, (2) no formal relationship, (3) continuous service delivery, and (4) discrete transactions (Lovelock 1983, p. 13).

Figure 2.4: Relationships with customers

**Type of Relationship Between the Service Organization
and Its Customers**

Nature of Service Delivery	“Membership” Relationship	No Formal Relationship
Continuous Delivery of Services	insurance telephone subscription college enrolment banking Aamerican Association Automobile	radio station police protection lighthouse public highway
Discrete Transactions	long-distance phone calls theater serles subscription commuter ticket or transit pass	car rental mail service toll highway pay phone movie theater public transportation restaurant

Source: Lovelock, C.H., 1983. Classifying Services to Gain Strategic Marketing Insights. *Journal of Marketing*. 47 (3). p.13.

Membership relationships usually finalized in increasing customer loyalty to a specific service provider The aim of service businesses is to develop a long-lasting relationship with the customers to ensure repeat business and ongoing financial revenue. The marketing job here is to find ways to build revenues through the memberships. (Lovelock 1983, p. 14).

2.5.3 Customization and Judgment in Service Delivery

By reason of services are created as they are consumed and the customer is an attendant in the process, an opportunity occurs for tailoring the service in terms of the needs of the customer. As shown in the Figure 2.5, customization has two dimensions: either the character of the service allows customization, or the service personnel have the ability to modify the service (Lovelock 1983, p. 15).

Figure 2.5: Customization and judgment in service delivery

		Extent to Which Service Characteristics Are Customized	
		High	Low
Extent to Which Customer Contact Personnel Exercise Judgment in Meeting Individual Customer Needs	High	legal services health care/surgery architectural design executive search firm real estate agency taxi service beautician plumber education (tutorials)	education (large classes) preventive health programs
	Low	telephone service hotel services retail banking (excl. major loans) good restaurant	public transportation routine appliance repair fast food restaurant movie theater spectator sports

Source: Lovelock, C.H., 1983. Classifying Services to Gain Strategic Marketing Insights. *Journal of Marketing*. 47 (3). p.15.

Positioning a service by using the quadrants of the Figure 2.5 is a strategic choice. A strategic choice of offering more customization and allowing service personnel to exercise judgment, however, has implications for the service delivery system.

2.5.4 Nature of Demand and Supply

Perishability of service capacity is an important factor that differentiates goods from services. It creates a challenge for service managers because of the inability to inventory services against supply-demand fluctuations. Figure 2.6 shows a way of categorizing services according to two dimensions: demand for the service fluctuates widely or narrowly over time and whether or not capacity is sufficient to meet peak demand (Lovelock 1983, p. 17).

Figure 2.6: What is the nature of demand for the service relative to supply?

		Extent of Demand Fluctuations over Time		
Extent to Which Supply is Constrained		Wide	Narrow	
Peak Demand Can Usually Be Met without a Major Delay	1	electricity natural gas telephone hospital maternity unit police and fire emergencies	2	insurance legal services banking laundry and dry cleaning
Peak Demand Regularly Exceeds Capacity	4	accounting and tax preparation passenger transportation hotels and motels restaurants theaters	3	services similar to those in 2 but which have insufficient capacity for their base level of business

Source: Lovelock, C.H., 1983. Classifying Services to Gain Strategic Marketing Insights. *Journal of Marketing*. 47 (3). p.17.

To determine the optimum strategy in each case, it is necessary to consider the nature of the demand fluctuations, the causes of the fluctuations and the possible opportunities of changing the level of capacity or supply (Lovelock 1983, p. 17).

2.5.5 Method of Service Delivery

Two basic issues must be considered in order to understand the distribution issues in services marketing. First is it necessary for the customer to be in direct physical contact with the service organization or can the transaction be completed in arm's length? Second, does the service organization maintain just a single outlet or does it have multiple outlets (Lovelock. 1983, p. 18).

As shown in Figure 2.7, the method of service delivery two components: a geographic component and a level-of-customer-interaction component.

Figure 2.7: Method of service delivery

Nature of Interaction between Customer and Service Organization	Availability of Service Outlets	
	Single Site	Multiple Set
Customer Goes to Service Organization	theater barbershop	bus service fast food chain
Service Organization Comes to Customer	lawn care service pest control service taxi	mail delivery AAA emergency repairs
Customer and Service Organization Transact at Arm's Length (mail or electronic communication)	credit card co. local TV station	broadcast network telephone co.

Source: Lovelock, C.H., 1983. Classifying Services to Gain Strategic Marketing Insights. *Journal of Marketing*. 47 (3). p.18.

Services with various sites have remarkable management implications for ensuring quality and conformity in the service offering. Arm's-length transactions become more common with the expansion in electronic communications, because they offer convenience to customer and efficient service delivery. Before decide a service strategy there is a need to understand the competitive nature of the industry.

2.6 SERVICE FAILURE AND RECOVERY

Service quality is an important strategic determinant for customer satisfaction, retaining customers and attracting new ones (Lewis and Clacher 2001). Cronin and Taylor (1992) specified that service quality is one of the most important problems in the United States that management faces. However, it is difficult to control of all the determinants of a high-toned service such as employee behaviour and customer attitudes by the management. Therefore it is inevitable that failures especially due to human errors occur during the service process and outcome of service delivery.

Service failure is defined as a problem that a customer has with a service (Spreng 1995). Hoffman and Bateson (1997) defined service failures as service performances that fall below customer expectations. According to Maxham (2001) service failures are any

service related mishaps (real or perceived) that transpire during a customer's experience with a firm. The reasons of the service failure could be the unique characteristics of services and psychographic factors of individuals getting involved in service delivery (Lewis and Spyropoulos 2001). Other researchers claimed that service failures could also depend on customer behaviour in the delivery process of the services (Armistead et al. 1995; Denham 1998; Johnston 1994). Bitner et al. grouped the service failures into four categories namely; service delivery system failures, gap between needs and requests, unprompted/unsolicited employee actions, and problematic customers. Lewis and Spyropoulos (2001) classified service failures into five categories as organization procedures, mistakes, employee behaviour, functional/technical failures, and actions/omissions of the organization that are against the sense of fair trade.

If a service failure do not handled by a service provider immediately, it could be costly and could cause customer defection (Kotler 2000; Liu et al. 2000; Maxham 2001; Roos 1999). Bitner et al. (1990) concluded that employee responses toward service failure directly relate to customer satisfaction and dissatisfaction. One strategy to prevent the failures is doing it right at the first time (Cranage 2004). It can be possible substantially if the service organizations make a good management team and eliminate the most likely problem areas. However Because of services are variable, failure is an unavoidable part of it.

When facing a service failure, customers have several responses. The most known responses are satisfaction responses, emotional reactions (such as anger, disappointment or regret), and behavioral responses (such as complaining, exiting or switching behaviors). Satisfaction is widely researched because it is the most important factor for sustainability. Also customer loyalty is affected by service failures (Sparks and Fredline 2007). Keaveney (1995) revealed that the most frequent reason of switching firms was the experience of service failures.

There are several ways that customers behave when they face a service failure. Hirschman (1970) introduces these ways as exit, voice, and loyalty. Exit is the termination of the relationship between the customer and the service organization.

Voice refers to the customer's efforts to maintain the relationship by forcing the firm to change its practices, products and policies through complaints to seller. Finally loyalty refers the customer's hope for improvements. Several authors claimed that there are two key management control parameters for improving customer satisfaction. One of them is the percent of customer complaints voiced to the firm (Fornell and Wernerfelt 1987; Sampson 1996) and the other one is the percent of customers recovered after they experience service problems (Kordupleski et al. 1993; Reichheld and Sasser 1990). Customers who are not recovered are more likely to switch the service provider and infect other customers and potential customers with bad negative word of mouth.

The voice complaint behavior will help the firm to learn from the failures. Learning from the failures is more important than simply fixing the failures because it enables firms to make improvements in the process. Making improvements is vital because of its effect on the bottom line as they reduce costs of service errors, boost employee efficiency and morale, and increase customer satisfaction (Hays and Arthur 1999).

These improvements refer to service recovery which means the actions a provider takes in response to a service failure (Grönroos 1988). Service organizations that serve external or internal customers must take notice of the failures and develop strategies to deal with them. Service recovery becomes an important issue that must be managed systematically because bad service experiences often lead to customer switching (Keaveney 1995), which in turn leads to lost customer lifetime value (Rust et al. 2000). However, a satisfactory recovery positively influences customer satisfaction (Smith et al. 1999; Zeithaml et al. 1996), word-of-mouth behavior (Maxham 2001; Oliver and Swan 1989), customer loyalty (Bejou and Palmer 1998; Keaveney 1995; Maxham 2001) and eventually, customer profitability (Hart et al. 1990; Rust et al. 2004). Some researches show that good initial service is better than an excellent recovery (Berry et al. 1990). However there is a phenomenon called service recovery paradox point out that (Zeithaml and Bitner 2003) an excellent recovery can cause higher satisfaction and loyalty intentions among consumers than if nothing had gone wrong in the first place (Bitner et al. 1990; McCollough 1995; McCollough and Bharadwaj 1992). In summary, appreciable arguments specify that the service recovery is vital for service organizations and must be managed professionally.

2.7 SERVICES MARKETING

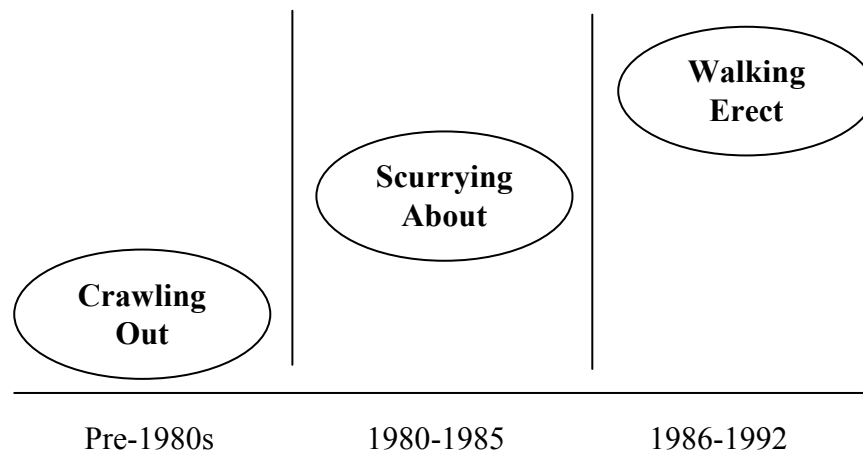
The world's economy has undergone a change from agricultural based economies to industrial based economies during the last century. However, new innovations in communication and information technology area caused a noteworthy change in human's daily lives. The development of the machinery lighten the human's lives and they become conscious about how to spend their spare time and money effectively (Kapoor et al. 2011, p. 10).

By the twenty-first century, invention of the world wide web, internet, several models of computers, and mobile communication industry ended up with the knowledge economy. In reaction to the development of the knowledge economy, traditional customer evolved to modern customer, who is always looking for world class amenities and facilities (Kapoor et al. 2011, p. 10). In conjunction with the information age, services become an important part of every developed economy (Martin 1999, p. 324).

2.7.1 The Historical Context of Services Marketing

Towards the end of 1970's, services marketing did not used to be excepted as an academic field, thus both academics and practioners were applied traditional marketing techniques to the services marketing as well (Berry and Parasuraman 1993, p. 13). The development of service marketing concepts has evolved slowly. Using an evolutionary metaphor as a framework for their study, Fisk et al. (1993) described how service marketing emerged and developed to become an academic field, independent from general marketing. They identify three stages in this evolution: Crawling Out (1953-1979), Scurrying About (1980-1985), and Walking Erect (1986-1993). Figure 2.8 represent these stages.

Figure 2.8: Evolution of the services marketing field



Source: Fisk, R.P. & Grove, S.J., 2010. The Evolution and Future of Service: Building and Broadening a Multidisciplinary Field. in *Handbook of Service Science*, pp. 643-664, Maglio, P.P., Kieleszewki C.A. & Spohrer J.C., (Eds.). New York: Springer.

In the **Crawling Out** stage, the early service scholars took the risk to highlight the differences between goods and services marketing and created the service marketing field (Fisk et al. 1993, p. 66). In the early literature the focus was on marketing the physical goods. There was little attention on services marketing. However, Lynn Shostack's (1977) article in the *Journal of Marketing* emphasized the reality that the marketing discipline was overwhelmingly product-oriented and was myopic by failing to offer efficient guidance for managers in the service sector. Lynn Shostack (1977) also mentioned that services marketing was an attention-grabbing area of research. Shostack's article inspired many of the service scholars and helped the growth of the services marketing field. The crawling out stage ended up with a debate over the question of how and why services were different from goods (Maglio et al. 2010, p. 648).

Scurrying About was a bridging period that represents a rapidly growing community of scholars who built the basic structure of services marketing. As services marketing began to be accepted as a subdiscipline of general marketing, the number of service conferences, articles, dissertations, and books had risen (Maglio et al. 2010, p. 648). During this period, The American Marketing Association assembled its first service marketing conferences and brought scholars and business people from North America

and Europe together who were interested in service research. Two major developments are worth-mentioning at this period. One of them was the deregulation of service industries and the second one was the interaction among participants at a series of American Marketing Association conferences (Fisk et al. 1993, p. 70). Firms in several services industries faced a competitive environment and higher consumer expectations. The role of marketing was evolved from being modestly important to being a core function for the survival of the organization. With understanding the significance of the discipline, most of the service firms tried to acquire and comprehend marketing knowledge. This need brought services managers and marketing academics together. Through their studies in the field, many scholars started to respond to the needs of specific services industries and they realized that services marketing differs from goods marketing (Fisk et al. 1993, p. 71).

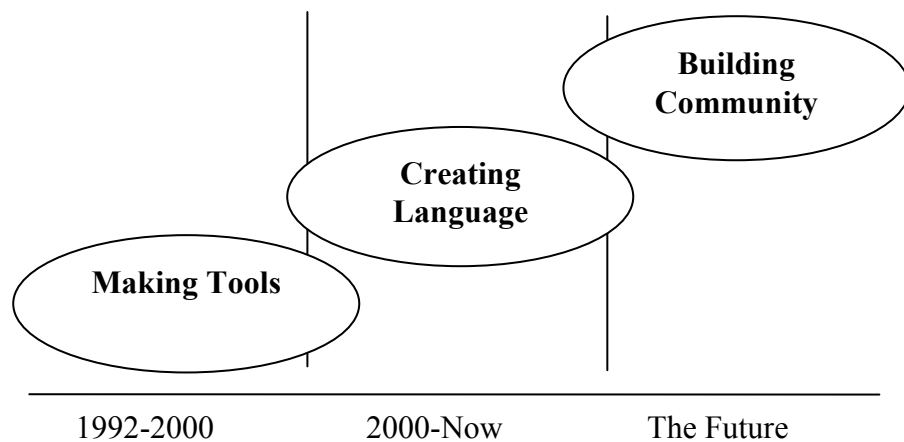
The first service marketing textbook was published by Christopher Lovelock (1984) in this period, which further legitimated the field of study and increased the number of students learning about service marketing. Christopher Lovelock tried to specify the implications of the differences between goods and services in a seminal article by classifying services (Lovelock 1983). Also, during this period the first service marketing textbook was published by Christopher Lovelock (1984). Four influential conceptual articles (Lovelock 1983; Parasuraman et al. 1985; Solomon et al. 1985) were published in the Journal of Marketing in this period.

In the Walking Erect stage, services marketing can be considered as a well-established field that achieved a measure of respect and legitimacy within the marketing discipline. This stage can be characterized as a period of remarkable growth in numbers of publications on many of the primary topics (Fisk et al. 1993).

During this period research became more empirical and multidisciplinary (Maglio et al. 2010, p. 648). The research topics include managing quality given the heterogeneity of the service experience, designing and controlling intangible processes, managing supply and demand in capacity constrained services, and organizational issues resulting from the overlap in marketing and operations functions (Fisk et al. 1993; Swartz et al. 1992).

Remarkable change has occurred in the services marketing field since Fisk et al. (1993) treatment. To identify these changes in the services field, the nature of the evolutionary metaphor must be changed from biological evolution to social evolution (Fisk and Grove 2010). New stages based on the metaphor of social evolution are; Making Tools, Creating Language, and Building Community. Figure 2.9 portrays these stages.

Figure 2.9: Recent stages of service revolution



Source: Fisk, R.P. & Grove, S.J., 2010. The Evolution and Future of Service: Building and Broadening a Multidisciplinary Field. in *Handbook of Service Science*, pp. 643-664, Maglio, P.P., Kieleszewki C.A. & Spohrer J.C., (Eds.). New York: Springer.

In the making tools stage, improvements in technology, especially internet and web-based services, made it probable for the service firms to increase the level of sophistication of the services that they provide to customers. Also technological developments enabled several self service technologies that facilitate the relationships between the customer and the organization. In addition, during this stage many new methodological tools including several measurement scales and data analysis techniques developed. Therefore, the making tools stage formed a basis for the development of the broader service field (Fisk and Grove 2010).

In the Creating Language stage, a technical service language developed to communicate and share knowledge across the community of service scholars and managers within the

field. Terms including service encounters, service quality, service theater, service experience, servicescapes and service recovery have become mainstream to marketing (Fisk and Grove 2010). Creating a broader service-dominant language is the next step of this stage.

Building Community is the future stage of the service field. As the service field developed from its origins during the years, the increase in the number of th scholars in the service field has created both opportunity and threat. Academic disciplines tend to become isolated from each other. However the boundaries of the academic disciplines should not be fences to innovation. If the services field develop, these fences will disappear over time. It is inevitable that the academic disciplines share the knowledge at the center of the disciplines. For the future of the services marketing, efforts should be made to blur the fences seperating academic disciplines (Fisk and Grove 2010).

2.7.2 The Emergence of The Service Sector

All the economies have passed through three distinct phases from agriculture to service sector dominance. The first stage was the dominance of agriculture in the economic development. The second stage was the emergence of the goods-producing or manufacturing sector depending upon the industrial revolution. Finally the third and the current stage is the dominance of the service sector depending upon the revolution in information and communication technology (Kapoor et al. 2011, p. 4).

The main impact of the services sector on the economy is its contribution to the nation's wealth and the provision for better employment opportunities. The developed countries have the ability to improve the life quality of their citizens by promoting a very strong service industry. The contribution of the service sector to the Gross Domestic Product is an important indicator for economic development (Lovelock and Wright 2002, p. 7). Table 2.2 shows the sector composition of the World, European Union and some chosen countries in terms of Gross Domestic Product based on nominal Gross Domestic Product (GDP) in 2010.

Table 2.2: Nominal GDP sector composition in percentage 2010

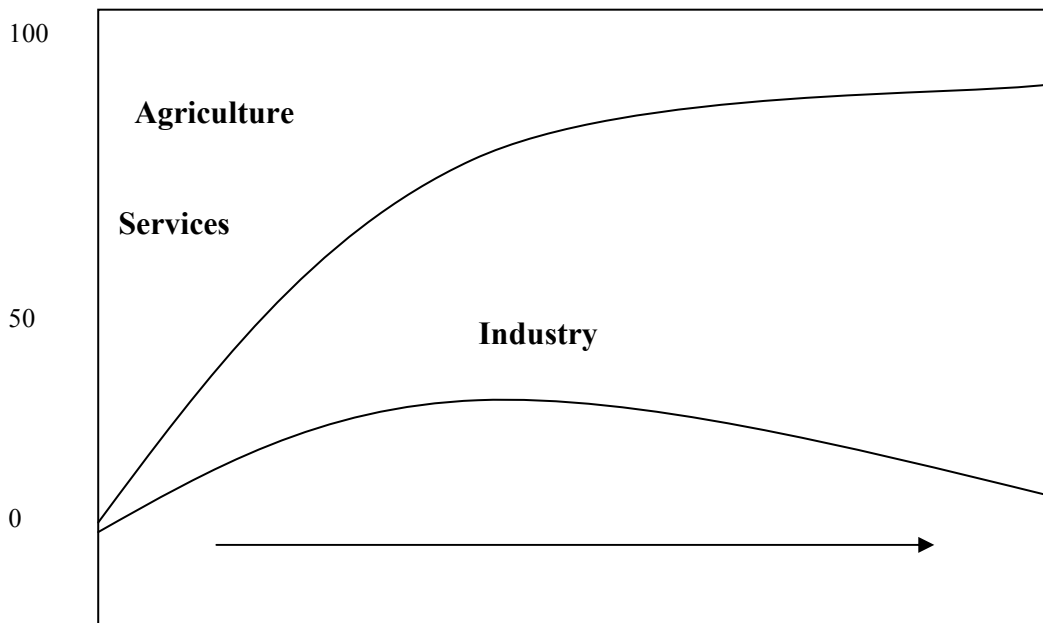
Country	Agriculture %	Industry %	Service %
World	6 %	30.9%	63.2%
EU	1.8%	25%	73.1%
U.S.A.	1.1. %	22.1%	76.8%
China	10.2%	46.9%	43%
Japan	1.4%	24.9%	73.8%
Germany	0.9%	27.8%	71.3%
France	2%	18.5%	79.5%
U.K.	0.7%	21.8%	77.5%
Italy	1.9%	25.3%	72.8%
Canada	2.2%	26.3%	71.5%
Turkey	9.6%	26.6%	63.8%

Source: CIA, The World Fact Book, 2012, <https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>, [accessed 14 January 2012].

The contribution made by the services sector to the GDP of developed economies are far greater than the contribution made by the goods producing sector as it is seen in the table.

As a nation's economy develops the share of the employment between three major sectors changes. Figure 2.10 shows the evolution of the employment overtime as percapita income rises.

Figure 2.10: The changing structure of employment during economic development



Source: Soubbotina, T.P., 2004. *Beyond economic growth: an introduction to sustainable development*. Second Edition. Washington. The International Bank for Reconstruction and Development, The World Bank. p.64.

Although agriculture is the most important sector of a developing economy, it loses its superiority as per capita income rises and this cause a rise firstly in industry and than service sector. These shifts are called industrialization and postindustrialization (Soubbotina 2004, p. 65).

In most countries service organizations are very diverse, range in size from international enterprises that operate globally like air-lines, banking, telecommunications, hotel chains to locally owned and operated small entrepreneurial firms that serve a single area (Lovelock and Wright 2002, p. 8).

Concurrently there is a hidden service sector validly existing in many large corporations. These services are called internal services like recruitment, publications, office cleaning, legal and accounting services, freight transport and many other activities and outsourced by the organizations for more effective results. These outsourced services become a part of the service component of the economy (Lovelock and Wright 2002, p. 8).

Governments and non profit organizations also provide services. However, content of the services may vary from one country to another due to the traditional and political values. In many countries many organizations like colleges, hospitals and museums are owned by government or operate on a not-for-profit basis but for profit versions are also exist (Lovelock and Wright 2002, p. 8).

2.8 ELECTRONIC SERVICES

Recent advances in technology have changed the provision of the services. Developments in communications infrastructure, digital media, network services, the invention of the internet, electronic networks and multimedia have created various opportunities to offer services and therefore services industry has changed rapidly (Javalgi et al. 2004). An increasing percentage of services are now electronic services delivered over the Internet and many companies are on the point of experience to use the web as an interactive tool and an online extension of their business.

Piccinelli and Stammers (2001) from Hewlett-Packard, mentioned the development of the recent history of information systems in their conspicuous article. In their article they mentioned about two complementary trends to emerge. The first one is said that systems become more modular and the shift was from integration to loosely coupled components (Piccinelli and Stammers 2001). The other trend referred that the the distance between business models and information technology was shortening. Aggressive business models forced new requirements on information technologies. Concurrently, operational capabilities made available by information technologies drive the definition of new business models. Web services are the most significant result of the first trend and e-services play a similar role for the second trend (Piccinelli and Stammers 2001).

There are several definitions of electronic service because the concept is relatively new. Piccinelli and Stammers (2001, p. 549) define an e-service as “any asset that is made available via the Internet to drive new revenue streams or create new efficiencies”. On

the other hand Seybold (1999) defined e-services as Internet based applications that fulfill service needs by bringing together distributed, specialized resources to enable complex, often real time, transactions. Rust & Kannan (2003) defined electronic service as the provision of service over electronic networks. Another common used definition by Featherman and Pavlou (2003, p. 1034) is “e-services are interactive software based information systems received via the Internet”.

Although there isn't a universally accepted definition of electronic service, the main concept is providing service over electronic channels. The variation of definitions is a result of different perspectives of the researchers.

According to Rust and Kannan (2003), the base line of electronic service is its customer oriented view and creating revenues by enhancing customer satisfaction and retention. The main point here is to use technology and electronic environment to stay ready to compete and customer oriented. The main objective is to focus on increasing revenues by improving services and creating profitable and long termed customer relationships. To sustain a customer oriented view, it is vital to create value on both strategic and tactical levels. Strategic level means the shift from products and transactions to services and relationships. On the other hand, tactical level means personalization, customization, self services, privacy and security risk management and electronic service measurement (Rust and Kannan 2003).

Orientation to services means that the necessity of transforming physical products into service products to stay competitive in today's electronic world. Building a customer oriented approach starts with thinking its services from customer's point of view and try to create ultimate value for its customers as far as possible. By this way, a company can gain competitive advantage. Personalization and customization should be used to create more specialized services for customers. Besides, self services can create benefits for customers as they are reachable 24/7 or at least more freely which leads to customer satisfaction. Privacy and security risk management means attaching importance to privacy and security issues of services to create a safe and less threatening environment for customers. Finally electronic service measurement is a necessity to maintain a successful electronic service. Without a consistent knowledge about customer

satisfaction, it is unthinkable to create a competitive advantage (Rust and Kannan 2003).

The other important issue in electronic services is customer expectations. In electronic services this means customer expectations from services increase due to the advances in technology. This situation makes it substantial for companies to be aware advancements in technology closely to stay in the competition (Rust and Kannan 2003).

Electronic services can also deal with some basic challenges experienced with traditional services. One of the basic challenge of traditional service was intangibility that means services cannot be touched, seen or displayed. However, companies offer more concrete presentation of the service by using a website to the customers. A website can be used as a tool to offer a visualiy of service related issues such as facilities or staff to customers. A company can also improve the tangibility of a service with the look, content, fastness, ease of navigation, automated order confirmations and information updates of a website (Lehtinen 2006).

Another challenge is the heterogeneity of a service that means service quality may vary depending on a provider. This problem is minimal in electronic services, as the services are provided by fixed electronic means without an active human intervention. Also it is easy to monitor problems continuously, provided by other applications which reduces the possibility of an error. Besides, there is a chance to test the electronic services before they are actually put in use (Lehtinen 2006).


Another challenge of traditional services is simultaneity which means simultaneous production and consumption. In traditional services, the service is produced and consumed at the same time. Therefore it is a must both the provider and consumer has to be at present for the transaction. In electronic services, a company can create the services earlier and a company staff does not really have to be present when a customer uses the service (Lehtinen 2006).

Finally, traditional services are perishable which makes it impossible to store the unused capacity. By contrast with, electronic services are operative and usually are available

any time. This means that these kind of electronic services do not have to be stored anymore. However, there are still traditional services exist that have to be provided in a traditional way by human intervention. Electronic ways can be used to reduce the perishability problem of these services by, for example, creating some additional metaservices. These kind of services can be web auctions, for example, by airlines to sell remaining tickets via website at discount price. (Hoffman 2003)

The basis of classifying the electronic services is from the perspective of the entity providing the service and the entity consuming the service. Electronic services can be classified along using a taxonomy which is developed by Tiwana and Ramesh (2001) shown in Figure 2.11.

Figure 2.11: A taxonomy of e-services

	Pure Service	Digital	Physical
B2C	@Backup.com E*Trade.com RebateCentral.com Amazon Profiler	Flooz.com E-music.com Beyond.com eStamp.com ACM Digital Library WebMD.com MP3.com MyDesktop.com Elsevier ContentsDirect	WebVan.com Outpost.com tracker my.FedEx.com Ofoto.com
B2B	Credit Processing	Employease	TradeOut.com Supply Chain Management (e.g., Cisco Dell Apple) Chemdex.com
			
C2C	MSN Messenger Thirdvoice.com	Napster.com Gnutella.com	eBay.com FirstAuction.com Half.com Swapit.com

Source: Amrit,

T. &

Balasubramaniam, R., 2001. E-Services: Problems, Opportunities, and Digital Platforms. *Proceedings of the 34th Hawaii International Conference on System Sciences*, Georgia State University Mack Robinson College of Business. p.3.

On the Y-axis, the classification of business activities can be seen as as business-to-consumer (B2C), business-to-business (B2B), and consumer-to-consumer (C2C) (Tiwana and Ramesh 2001). B2C is a category that includes a business organization providing service directly to an end customer, with an intention of making profit. C2C category includes business models where customers provide service to another customer directly with or without an intention of profit. This model involves a third party which acts as a mediator, providing link information to consumers, initiating contacts, and mediating any financial or non financial transactions. Finally B2B category includes two or more businesses which provide service to another company with an intention of making profit (Mehta et al. 2007).

Conformably, the type of end product is shown along the X-axis of the taxonomy matrix. This dimension can be divided into three categories as Physical, Digital and

Pure services. Physical services can be defined as “The service provided is in the form of tangible physical entity” (Tiwana and Ramesh 2001, p. 2). In digital services the primary end product delivered by the electronic service is a digital information product (Fielding et al. 1998). Such products are assembled digital goods which exist in electronic form. Finally, Mehta et al. (2007, p. 159) defined pure services as “service is neither physical, digital, nor in any other tangible form”. The service could be performing a definite action which has an affect on the state of the world, but doesn’t necessarily deliver a tangible entity to the customer.

2.9 ELECTRONIC SERVICE FAILURE AND RECOVERY

In electronic markets organizations are facing a tough competition and pressure than ever before. Retaining customers and increasing their loyalty are vital factors to stay competitive in the online retail world. Herein the difference between online and traditional transactions must be mentioned.

Online retailers provide self service channels such as websites and eliminate the human interaction which is an important part of traditional service experience (Forbes et al. 2005; Holloway and Beatty 2003; Oliver and Swan 1989). Besides internet give consumers an opportunity to search information for purchase decisions and to share their satisfying or unsatisfying purchase experiences (Harrison and Walker 2001). As is known at the present time it is much easier for consumers to spread their opinions and experiences through online social platforms such as facebook or twitter. Therefore, it is a must to serve customers well and provide high service quality in order to market them loyal and support positive word-of-mouth over the Internet. Dixon et al. (2010) found that 23 percent of people who received well service would tell ten or more people. The number would increase to 48 percent when customers had bad service experience.

However, service failures might emerge during online retailing service processes such as delivery failure and unprompted/unsolicited actions (Forbes et al. 2005; Kelly et al. 1993). Since many online retailers collaborate with their business partners to carry out the service transactions, it is more likely for consumers to be confronted by service

problems on the Internet than in brick-and-mortar business (Harris et al. 2006). Service failures would damage the corporate image established by online retailers and affect customer evaluation of retailers (Tax et al. 1998). Unsatisfying purchase experience often makes customers to complain, spread negative word-of-mouth, switch the retailer, and even simply leave (Blodgett et al. 1997; Pavlou and Gefen 2005; Tax et al. 1998; Smith et al. 1999). Consequently an effective service failure recovery policy is an important tool for online retailers to maintain customer satisfaction and loyalty which are the key factors for a company's revenues and profitability (Tax et al. 1998).

Because of the variable nature of services, failure is an unavoidable part of it which refers to a mistake or a problem that occurs in both the process and outcome of service delivery (Bitner et al. 1990; Hoffman et al. 1995). In online business, just as the same as offline businesses, service delivery fails in some cases and a gap arise between customer's expectations and performance of the system which leads into dissatisfaction (Boroumand et al. 2008) and it cause to service switching. Keaveney (1995) mentioned eight reasons behind service switching behavior which three ones refer to service failure. On the other hand it is identified that service failure as the major cause of customer's defection (Caranage 2004).

There are two strategies mentioned in the literature to avoid customer defections. The first one is doing things right at the first time (Cranage 2004). Some researchers claimed that good initial service is better than an excellent recovery (Berry et al. 1990). However service failures are not fully unavoidable. When a service failure happen, service recovery strategy step in. Service recovery refers to the actions a provider takes in response to a service failure (Grönroos 1988). Some studies show that an excellent recovery cause to higher satisfaction and loyalty intentions among consumers than if no service failure has occurred in the first time (Bitner et al. 1990; McCollough 1995; McCollough and Bharadwaj 1992), in a phenomenon called as "service recovery paradox" (Zeithaml and Bitner 2003). Therefore, service recovery give a chance to service providers to keep their customers happy and increase customer loyalty and retention (Hart et al. 1990). For this reason, an effective service recovery has is an important strategic tool for online retailers since the opportunity cost of losing an

existing customer is much more expensive than the cost of service failure recovery (Fan et al. 2010). A loyal customer tends to shop from the same store, spread positive word of mouth, or refrain from spreading bad negative comments (Dixson et al. 2010). On the other hand, a poor service recovery implementation or lack of it end up with dissatisfaction and results in customer defection (Johnston 1995).

Recovery management has critical impact on customer evaluations, because customers are usually involved in service recovery more emotionally than in routine or first-time service. They are often more dissatisfied by an organization's failure to recover than by the service failure itself (Berry and Parasuraman 1991; Bitner et al. 1990).

Unfortunately, despite the critical impact of service recovery responses on customer retention, many service organizations consider complaints negatively and do not want to hear about them (Caranage 2004). However an effective service recovery which encourages customers to complain and respond effectively will be a great chance for service organizations to win the dissatisfied customers back, enhances the organization's information about their shortages, and requirements to improve customer's satisfaction (Boroumand 2008).

In online service recovery literature, researchers stated that online retailing involves different types of service failures from traditional channels and needs to establish appropriate recovery strategies for online service failures (Forbes 2005; Holloway and Beatty 2003).

2.10 ELECTRONIC RETAILING

The Internet was started as an experimental network connecting different university computer centers in 1986 and become a door for electronic commerce which created a new line of business called electronic retailing. This advancement make it possible for individuals to search information and to shop online virtually for every necessity they need. Instead of just using a single distribution channel to acquire products and services consumers are increasingly shopping through multiple channels (Kim et al. 2005). The

emergence of the internet changes the concept of competition and creates opportunities for both marketers and customers by bringing convenience, new information channels and new models for marketing (Turban et al. 2000; Wang et al. 2000). When it is considered in terms of retail industry, it is used as a tool by traditional retailers complementing their store and catalog offerings to provide greater value for their customers. Several corporations started to sell various kinds of goods and services through electronic stores on the Internet to get closer to their customers. Today lots of electronic stores exist to satisfy the needs of the individuals all over the world.

Electronic retailing is the selling of goods and services through electronic media using the World Wide Web. It is also in association with business-to-consumer transaction and provides lots of financial and operational gains. Some electronic marketing activities such as providing free information or promoting brands and image do not directly involve transactions and are considered to be part of B2C. However they are not normally considered as being the scope of electronic retail (Dennis et al, 2004).

On the other hand there is a customer centric view which explains the potential growth of electronic retailing. First of all there are much more product alternatives on electronic stores. In some instances it can be considered as a disadvantage for confused customers. Secondly electronic channels provides updated information for customers who are about to make a shopping decision. Customers can search for their shopping decision to feel comfortable any time of the day (Weitz 2001). Another benefit of electronic channels is personalization which enables customers to personalize information economically. Furthermore the socio economic status of electronic shoppers is more attractive for the retailers because their education level, disposable income and employment rates are higher than the average (Dennis et al, 2004).

Besides the benefits of the electronic channels there are also limitations relative to stores. Face to face selling is more powerful than electronic selling. In store shopping customers can browse through the retail offering. They also locate information needed to evaluate merchandise and they receive personal attention from the salesperson. Furthermore they have the chance to use their five senses to evaluate merchandise. It is

a difficulty to sell the products sold by atmosphere (Dennis et al, 2004). The form of payment is cash in store shopping and customers are able to get the merchandise when they buy it. Privacy is another important issue for the customers that they want their privacy protected. Lastly the shopping experience which is shared with other customers is another determinative issue (Weitz 2001).

From the electronic retailer's point of view, lack of technical know-how, substantial investment budgets and order fulfillment capabilities may constitute an impediment. Besides the customer perception of prices are lower in electronic shopping rather than in store shopping. This situation pressurize the margins of electronic retailing (Dennis et al. 2004).

The main purpose of the retailers is to make electronic shopping more appealing. There are several ways to achieve this purpose. The first step is to establish and maintain trust in online marketplaces. Retailers have to offer secure connections and protect customers internal data.

Searching for a product which is described browsing or window shopping is more difficult for customers shopping online. Customers have a much more limited visual field compared to the in store shopping. Retailers can smooth the way by customizing the main page to display the items which customers are interested and improving the search function (Weitz 2001). Recommending products to consumers based on their past purchases is another method to appeal customers.

Providing timely information to consumers in online world is another challenge for retailers. FAQs, providing 0800 numbers or e-mail addresses for asking questions are incapable to meet the consumers needs. There are two eligible ways available to meet the information needs of the consumers. The first one is online chat which allows customers to have a conversation with a customer service representative. The second one is self-service solutions which are economically attractive (Weitz 2001).

As it is well known when evaluating some types of merchandise it is impossible to provide touch and feel attributes. The solution is to convert touch and feel information

to look and see information. The expectations of online consumers are high from retailers. The way to create look and see information is to use 3D imaging and zoom technology. This technology enables customers to view the images of the products from different angles and perspectives (Weitz 2001).

Understanding customer's preferences and satisfy their needs are the roots of personalization. In online world the most known application of personalization is greeting by a personalized store featuring their name and recommending products based on their past purchases or expressed preferences. Besides personalizing the website, the other application is sending e-mails to customers which are giving information about new products that they might be interested (Weitz 2001).

Although a detailed information about customers help retailer to provide better service, customers are concerned about retailers violate their privacy. In some instances this information is collected without the customer's knowledge such as placing cookies on the visitor's hard drives (Weitz 2001).

The last limitation to be mentioned is about the purchases by credit cards. Teenagers are a sizable and fast growing segment for online retail shopping but the lack of credit cards inhibits the shopping (Weitz 2001).

Technology is the key factor to address these limitations however the store channel is still offer superior benefits in comparison with electronic channel such as providing touch and feel information, getting the products after the purchase, and offering a social shopping experience. In addition to this, retailers websites influences the retail shopping behaviour. In the process of time more and more consumers start to visit the retailers website then shop on its store. This association between the electronic channel and store channel brings the multi-channel retailing which becomes a must in online world nowadays (Weitz 2001).

2.10.1 Online Private Shopping in Turkey

Today, in the globalising world with the new communication technologies and the Internet shopping formats of the consumers changed dramatically. Internet become a widespread market place between consumers. Sites that offer various kinds of products with discounted prices to their members attain a place in the online shopping world as private shopping.

Private shopping has been achieving a steady growth as a derivative of online shopping which serves as a members-only shopping platform with huge discounts and well-known brands. A French company Vente Privee is the Pioneer of private shopping.¹ The company was founded in 2001 and offers designer brands with huge discounts for members over a limited time period. This shopping concept became very popular and many companies followed the way.

In Turkey, correspondingly as the rest of the world, private shopping become popular in recent years. Especially the with the young population shopping from the internet the e-commerce industry grew and diversified. There are approximately 6,5 million online consumers exist in Turkey and as of 2013 it is expected as the number will rise to 22 million.

The private shopping system started with a local player Markafoni which is the initiator of private shopping in Turkish market and they use this advantage for years. The brand promise of Markafoni is to bring well-known brands with reasonable prices to fashion followers. Their first campaign started at 1st of July 2008 with an e-mail message saying “Invite a friend to Markafoni and win 10 TL gift cheque.” Recently in April 2010, an international group which Klaus Hommels take part as an investor made investment to Markafoni. Klaus Hommels known as with his investments to Facebook, Skype and Spotify.²

¹ <http://realbargain.wordpress.com/tag/ventes-privees/>, 29.04.2012

² <http://www.webrazzi.com/2010/03/23/markafoniye-11-milyon-tl-yatirim/>, 30.04.2012

A German company Limango is the second player in the online private shopping industry in Turkey. It was founded in 2007 and selling goods for kids up to ten years old and their families. In a one year period, their members rose up to 15.000. On October 2008 a branch of an international trading and service corporation named The Otto Group whose 123 major companies and 50,000 employees in 20 countries do business in a worldwide network bought the Limango. They entered the Turkish market in 2009. The reasons of investing Turkey in a short time is the young population, evolution of the e-commerce market and internet penetration.³

Trendyol is the third major player in this sector. The site was launched on March 2011 and after the establishment it became a powerful rival with 3,5 million members, 300 employees and at least 30 thousand unique sale items each month.⁴

According to Economist Magazine, excepting these three major sites, Vipdukkan, Bingomingo, Clubboon, Alamarka, Markalonga, Bedava.com, Bankomarka.com, Sehirfirsati.com are the other main players of the private shopping system. Because of the great interest that private shopping attracts, new shopping sites enter the sector day by day (Ekonomist 2011, p.46). Alongside these sites, there are customized sites such as zizigo.com which sells only shoes and evim.net which sells only household items.

Dissimilar to other shopping sites, private shopping sites have some specialties. Firstly they sell well known brands with high discounts. Secondly they use free membership system but users have to be invited by another member or are waitlisted to be accredited members (Baybars and Üstündağlı 2011). Easy return options, serving goods in specific time periods, allowing users to follow the deadline of the sale via hour, minute, second counter and selling goods with quota are the other specialties of the private shopping sites.

³ <http://www.tamisabet.com/internet/private-shopping-ozel-alisveris-ve-vente-priveecom>, 30.04.2012

⁴ <http://www.crunchbase.com/company/trendyol>, 30.04.2012

2.11 QUALITY

The organizational and economic world has changed substantially in recent years. Customer expectations of goods and services are increasing as they require high quality and the marketplace getting more competitive and aggressive. The way the companies face up these competitive environment is to focus on the customer and adopt the quality concept throughout the entire organization. By adopting the quality concept, organizations gain the ability to survive in this aggressive environment and sustain a priority over their rivals.

2.11.1 Definition of Quality

Quality has been an important notion to human survival and progress during the ancient times. However it was the mid-twentieth century that quality has emerged as a dominant management thinking and a scientific discipline. Even so the history of the quality trace to civilization, the initial ideas arose from American theorists and practitioners, early applications were amongst Japanese Companies (Beckford 2010, p. 3). As the world becomes increasingly interested in quality notion as a competitive advantage and a key factor to survive, the necessity of defining quality becomes more substantial.

Quality is a major purchase decision factor that influence the customer's buying decision. It has significant contributions to market-share, return on investment (Anderson and Zeithaml 1984; Philips et al. 1983) and it lowers the manufacturing costs and increase productivity (Garvin 1983).

There are various ways in which quality may be defined because of its multidimensional characteristic. From the linguistics side, quality originates from the Latin word "qualis" that means "such as the thing really is" (Dale 2003, p. 4).

W. Edwards Deming (1986), who placed great importance and responsibility on management, defined the quality as a predictable degree of uniformity and dependability with a quality standard suited to the customer.

Like Deming (2003, p. 156), Juran also stressed the importance of the customer who will use the product as defined the quality as “fitness for use”.

While Deming and Juran have focused on the customer perspective on quality, Crosby (1980, p. 8) defined the quality from the managements perspective as “conformance to requirements”.

Feigenbaum (1982, p. 22) who is the originator of total quality control, defined the quality as “the single most important force leading to the economic growth of companies in international markets”.

The American Society of Quality defines the quality from the technical perspective as “the characteristics of a product or service that bear on its ability to satisfy stated or implied needs” and “a product or service free of deficiencies”.⁵

2.11.2 Historical Development of the Quality Concept

The quality movement may be traced its roots back to medieval Europe. The first model is the craftsmanship model where they began organizing into unions called guilds in the late 13th century. Manufacturing in the industrialized world followed this model until the early 19th century to the factory system which was started in Great Britain in the mid-1970s and grew into the Industrial Revolution in the early 1800s.⁶

In the early 20th century, Frederick W. Taylor introduced the principles of scientific management and underlined the division of labour in terms of productivity. Although there was a notable rise in productivity, the quality effected negatively. Conjunction with Henry Ford’s moving automobile assembly, consistency of producing good-quality parts were available.

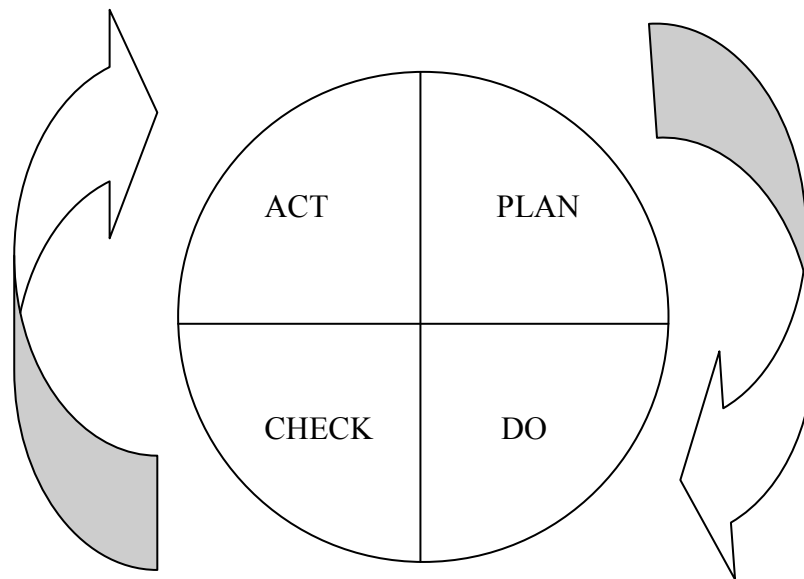
⁵ <http://asq.org/glossary/q.html>, 05.01.2012

⁶ <http://asq.org/learn-about-quality/history-of-quality/overview/overview.html>, 05.01.2012

World War II brought recognition of quality and it became a critical component of the war effort. Following World War II, a quality revolution occurred in Japan. Japanese began applying the lessons learned from the American quality gurus W. Edwards Deming and Joseph M. Juran.

Deming (1986) encouraged the Japanese to adopt a systematic approach for problem solving and promoted the Deming cycle shown in Figure 2.12.

Figure 2.12 :Deming cycle



Source : Furman, J., *The Project Management Answer Book*. 2011. Vienna: Management Concepts Inc. p.12.

Deming (1986) also forced senior managers to become involved in their company's quality improvement programmes and he introduces 14 points for management.

Joseph M. Juran focused on quality control in his lectures to Japanese and provided the information about its practical applications (Mahapatra 2010, p. 535). He developed a universal thought process for quality: the quality trilogy of planning, control and improvement (Juran 1986). The trilogy bridges the quality function to the managerial function.

In consequence of these progressions, the Japanese became quality leaders by the 1970s. Japanese manufacturers began competing in American markets and increased their shares. The American response to this tough competition brought the Total Quality

Management movement. In this period quality became the a powerful tool for competativeness and an essential subject for management.

In recent years, the quality movement seems to have matured in terms of Total Quality and quality has moved from manufacturing to services sector.

2.12 SERVICE QUALITY

Over the past 30 years, the economies of the world shifted from goods to services and service quality has become a frequently studied topic in the service marketing literature. Since the service quality is generally perceived as a tool to create a competitive advantage, it is essential to examine the service quality concept.

2.12.1 Definition of Service Quality

Service quality is a philosophy that has been studied by academicians and researchers for long years. In the early 1980s, the Scandinavian School with Grönroos and Gummenson and the North American School with Zeithaml, Parasuraman and Berry developed the service quality concept (Grönroos 1984; Zeithaml et al., 1990). They both came from marketing backgrounds but the underlying reason of the difference is their marketing concept definitions. The North Aamerican School defined marketing through the marketing mix whereas the Scandinavian School adopt a more holistic view about services marketing with a focus on building relationship with customers (Williams 2003, p. 48).

Unlike product quality, service quality is hard to define and based on assumptions because of its intangible nature. Service quality is different from goods quality. Services defined as deeds, efforts and performances by Bateson and Hoffman (2008) while Regan (1963) defined services as activities, benefits or satisfactions. Consequently quality has been defined in several perspectives. It is generally the customer's overall evaluation of an offering and built up from a series of evaluated experiences (Rust et al. 1996, p. 558). Customer's own evaluation influences the future behaviour such as

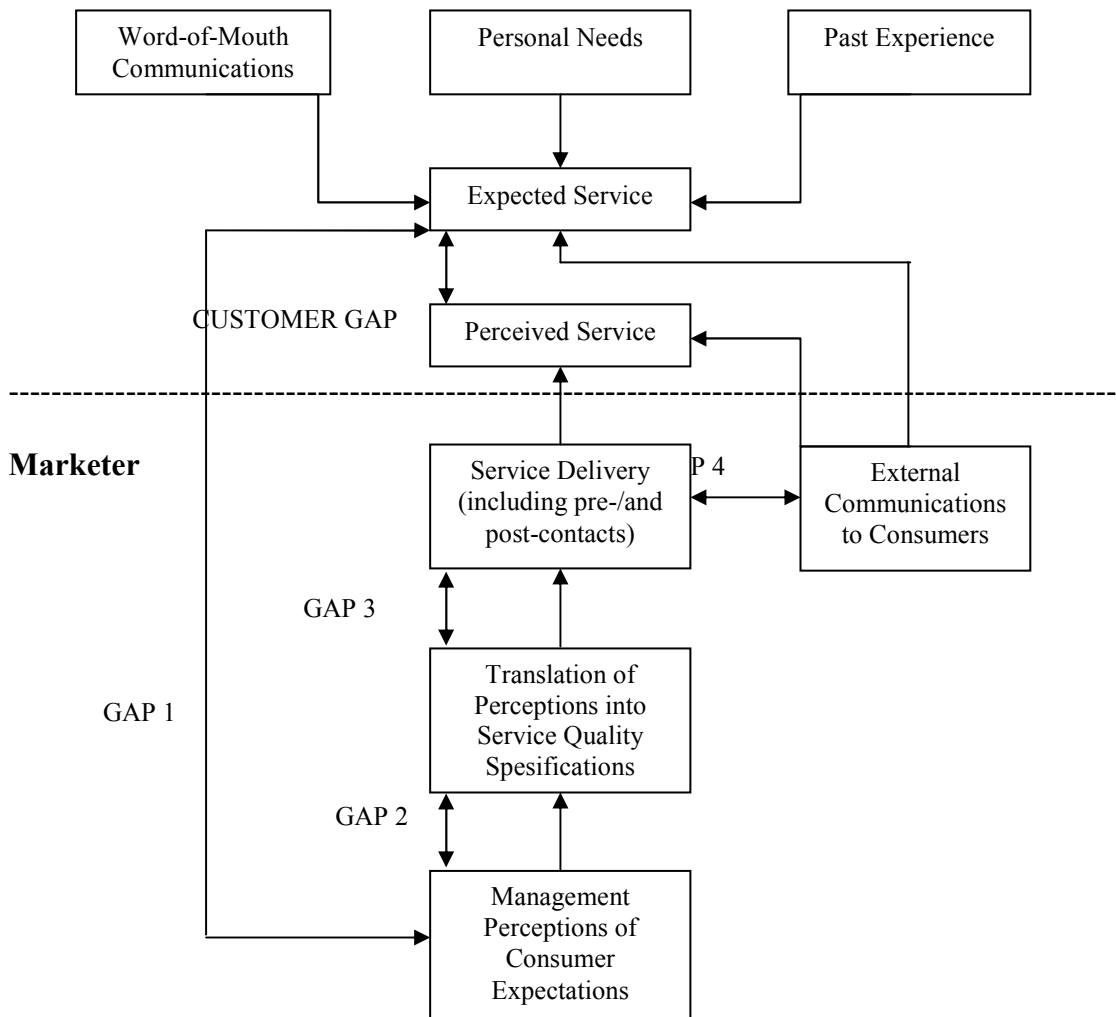
returning next time or not (Grönroos 1984; Brown et al. 1992). This fact forces service firms to exceed expectations and go beyond the point of encounter. It is fundamental to invest for long term relationship because service fulfillment promotes the growth of customer base and retains customer loyalty (Lake and Hickey 2002).

There are a number of definitions for service quality. Service quality can be defined as the extent to which a service meets customer's needs and expectations (Lewis and Mitchell 1990). Thus, service quality is the difference between expectations from the service and perceived service. If performance is lower than the expectations, then perceived quality is not satisfactory and dissatisfaction occurs (Parasuraman et al. 1985). Although service quality influenced by a single interaction between customer and the service provider, it is a compound of several exchanges. Eventually service quality can be considered a form of attitude and an overall perception made up by several transactions.

Parasuraman et al. (1985) describes the service quality process in terms of gaps between expectations and perceptions. There are three parts to discuss in this model; management, employees and customers as shown in Figure 2.13.

Figure 2.13: A Conceptual model of service quality

Consumer



Source: Parasuraman, A., Zeithaml, V.A. & Leonard, L.B. 1985. A conceptual model of service quality and its implications for future research, *Journal of Marketing*, **49** (4), pp. 41-50.

The model serves as an outline of the systematic way of creating superior service quality and identifies 5 gaps which can cause problems in service process and influence the service quality evaluations of the customers. These gaps are;

- 1- **Customer Gap:** Expected service-perceived service gap.
- 2- **Gap 1:** Customer expectation-management gap.
- 3- **Gap 2:** Management perception-service quality specifications gap.
- 4- **Gap 3:** Service quality specification-service delivery gap.
- 5- **Gap 4:** Service delivery-external communication gap.

Customer gap is the most important component of the model. It represents the difference between a customer's perception of the service experience and the customer's expectation of the service. Customer's expectations are reference points for evaluating and comparing service performance and have been shaped by personal needs, past experiences or word of mouth. Customer perceptions are subjective judgements of actual service experiences (Williams and Buswell 2003, p. 65).

The model suggests that the key factor to provide good service quality and bridge the distance is meeting or exceeding expectations and the result will be the achievement of service quality from the customer's perspective (Bitner et al. 2010). However the goal of providing high service quality is not a simple task. It requires a wide acceptance and commitment by the organisations (Verma 2008, p. 296).

Gap 1 is the distance between customer expectations of service and company perceptions of those expectations. Due to the intangible nature of the services, organisations do not clearly understand what customers expect and this is the main reason of not delivering to customer expectations (Verma 2008, p. 288). Lack of understanding or misinterpretation of the customer's needs, wants or desires lead to this gap. There are several reasons for managers not being aware of customer expectations: absence of direct interactions with customers, unwillingness to ask about expectations, or unpreparedness in addressing them (Bitner et al. 2010).

The first step to bridge this gap is to gain correct information about customer expectations by using marketing research strategically. In this respect, customer interactions could be used as a clue to learn about them. Moreover upward communication is necessary for learning about the customers. It is an important process to move customer complaints, feedback and suggestions to the management freely. Also reducing the number of the layers between frontliners and the top management allows to learn more accurately about the customers (Verma 2008).

Knowledge about the customer is essential but not sufficient for the service excellence. The next step is to interpret this knowledge to set a quality roadmap. Gap 2 is the

discrepancy between the management's understanding of customer expectations and service quality specifications that management develops to provide the service. Even so customization is essential for the service organisations, some routine activities have to be standardized to achieve a consistency of service (Kossmann 2006, p. 31).

Lack of managements support, unfeasible management perceptions of customer expectations, absence of goal setting and lack of task standardization may be the causes of this gap. Signals from the management that reflects its commitment to the customer may be a solution to the lack of managements support. Creative and long-term thinking may help to solve the problem of infeasibility in setting standards. By using technology and automation, it will be more convenient to standardize the tasks. Finally, setting measurable goals for employee performance in the areas that reflect customer priorities and expectations may help to bridge this gap (Verma 2008, p. 291).

The next challenge for the service organisations is to deliver the service in accordance with the standards. Herein, gap 3 represents the difference between service quality specifications and actual service performance by company employees. Even the standards reflect the customer expectations, if the company fails to deliver the performance, standards lose its significance. Not all the service organisations are concerned with this gap. Here, the determinant factor is the human element. Services with high human element are more prone to this gap relative to the services with high automation and mechanisation (Verma 2008, p. 292). Since the service performers are humans, the service quality may be affected by factors such as skill level, type of training received, degree of role conflict, role ambiguity, degree of empowerment, control and reward systems, and job fit.

The process to close the gap starts with the human resources. It is essential to understand the importance of the employees as internal customers. Service organisations must recruit and retain right people with right ability to deliver service quality. Once hired, they must be trained to perform their jobs effectively. Their roles in the organisation must be described to prevent lack of role clarity. Management must also support teamwork and empowerment for motivation and commitment because

internal factors are important in influencing employee willingness and ability (Verma 2008, p. 294). On the other hand a fair reward system is another key factor for motivation.

Gap 4 is the last gap in the conceptual model of the service quality. It is the difference between what is promised by the company, and what is actually delivered to the customers. External communication efforts are the reason that lies behind this gap. Advertising, public relations and sales force are the communication tools with the markets. Such communication tools are used to stimulate the demand. However in the process of demand stimulation, misleading or deceptive advertising campaigns cause over-promising and it creates higher expectations and greater disappointment if the service firm fails to come up with the promises (Kossmann 2006). Inadequate coordination between operations and marketing and differences in policies and procedures across service outlets are also the roots of gap 4 (Bitner et al. 2010).

To close this gap service organisations must create realistic customer expectations through honest and accurate communication by informing the employees who are responsible for external communication about ground realities. Because customers use the external communication efforts as clues to tangibilize the services to make them touchable (Kossmann 2006). Developing an integrated communication strategy helps service organisations to coordinate the communication between departments such as marketing, advertising and operations. As a result of this integrated communication strategy, customers faces consistent messages before the sales and during the service delivery process (Bitner et al. 2010). Finally standardization of the policies and procedures across different outlets assure consistency of services (Verma 2008).

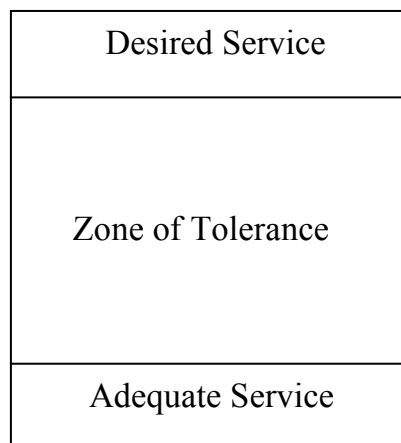
2.12.2 Customer Expectations of Service Quality

Customer expectations are beliefs about service delivery that serve as standards or reference points against which performance is judged (Zeithaml and Bitner 1996, p. 76). Parasuraman, et al. (1988, p. 17) emphasised that the definition of expectations specifies what service providers should offer as an ideal standard of performance. Because

customers compare their perceptions with their ideal standards of performance when evaluating service quality, through knowledge about customer expectations is critical to service organisations. The most important step in delivering good quality service is to know the customers expectations. If the service organisations can not predict the customer expectations in a correct way, they spend their resources uselessly and can not survive in a competitive market.

The role of expectations in service quality is a complex issue. The theory suggests that different levels of expectations exist and that the expectations associated with service quality and customer satisfaction interact (Oliver 1993; Zeithaml et al. 1993). The zone of tolerance (ZOT) model as shown in the Figure 2.14 introduced by Zeithaml et al. (1993) and further refined by Parasuraman et al. (1994), is defined as the difference between desired service and the level of service considered adequate (Zeithaml et al 1993, p. 6).

Figure 2.14: The zone of tolerance model



Source: Zeithaml, V.A., Berry, L.L. & Parasuraman, A., 1993. The Nature and Determinants of Customer Expectations of Service. *Journal of the Academy of Marketing Science*. **21** (1), p. 5.

As it is understood from the definition, the ZOT model acknowledged that customers enter service encounters with different expectation levels. Desired service is “the level of service the customer hopes to receive ... a blend of what the customer believes can be and should be” (Zeithaml et al. 1993, p. 6). On the other hand, adequate service is the “level of service the customer will accept” (Zeithaml et al. 1993, p. 6). The

difference between these two expectation standards is the zone of tolerance. The desired service level is relatively stable but the adequate service level differs according to customer circumstances and needs (Parasuraman et al. 1991; Zeithaml et. al. 1993). The model proposes that satisfaction will result as long as customer perceptions of service performance fall in the zone.

The significance of the model is that customers may accept variation within a range of performance and any increase in performance level within this area will only have a marginal effect on perceptions (Strandvik 1994). Only when performance moves outside of this range, it will have any real effect on perceived service quality.

2.12.3 Customer Perceptions of Service Quality

Perceptions are defined in several ways. Strydom et al. (2000) defined perceptions as the process of receiving, organising and assigning meaning to information or stimuli detected by the customer's five senses and express that it gives meaning to the world that surrounds the customer. Zeithaml and Bitner (1996, p. 103) describe customer perceptions as the subjective assessments of actual service received or experienced and whether they are satisfied with the quality of the service. Snoj et al. (2004) defined perceived service quality as how well the customer's measurement of the overall of the service. When customers measure service quality, they will compare their perceptions with the real performance of the service provider with what their beliefs about the expectations of service performance in their experience (Parasuraman et al. 1985; Zeithaml et al. 1988).

Service quality perceptions of customers are based on a complex set of variables. It includes own direct experiences of customers and relationships with the service organization, information that customers have read, seen, or heard about the service organization, and customer's knowledge about other customer's experiences and relationships with the firm (Bitner 1991, p. 23). Ghobadian et al. (1994) specified that customer's expectations, service delivery process and service outcome have an impact on perceived service quality. Customer perceptions are also influenced indirectly by

organizational structure, philosophy, and corporate culture (Grönroos 1984; Zeithaml et al. 1988).

Yoo and Park (2007) found that employees, who are the integral part of the service process, are important in enhancing perceived service quality. Furthermore, Edvardsson (2005) stated out that service quality perceptions are formed during the whole process starting from the production, delivery and to the consumption. Moreover customer's satisfactory and unsatisfactory experience, as well as their positive and negative emotions may have a crucial impact on perceived service quality.

One point that is important to remember is that both expectations and perceptions are dynamic, and change in process of time. The expectations of today is not the same as what will be expected next year. Therefore this situation influences the perceptions of the customer.

2.12.4 Dimensions of Service Quality

Service quality is a complex structure based on several dimensions. Over the years, researchers tried to identify the most significant constituents of service quality however there is no consensus about the content of the dimensions (Brady and Cronin 2001). European scholars were the first group initiated the discussions about the dimensions and they made a great contribution to the study of service quality dimensions (Kang and James 2004).

Lehtinen and Lehtinen (1982) defined service quality as a three dimensional construct consists of physical quality, interactive quality and corporate quality dimensions. Physical quality involves tangible aspects of the service such as equipment and buildings. Interactive quality relates the interactions occurs between the customer and the service provider as well as among customers. Corporate quality involves the image or reputation of the service organisation from the perspective of it's current and potential customers, as well as other publics.

Grönroos (1984), explained the service quality in terms of two different dimensions, one is technical or output quality and the other is functional or process quality. Technical quality defined as the level of the outcome of the service that consumer receives. Functional quality defined as the process of delivering the technical outcome to the customer. He also pointed out that these two dimensions built up the corporate image of the service organisation.

Parasuraman et al. (1985) developed the American perspective and suggested that quality evaluations are not only involve the outcome of service; they also involve evaluations of the service delivery process. In conceptualizing the service quality model, Parasuraman et al. (1985) built up a 34-item service quality scale including dimensions namely, reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibility to formulate a scale called SERVQUAL.

In the following study Parasuraman et al. (1988) recomposed the service quality measurement scale by reducing ten dimensions to five retaining three of the original dimensions as tangibles, reliability, and responsiveness. The remaining seven original dimensions grouped under two broader dimensions. The dimensions communication, competence, credibility, courtesy and security merged as a new dimension assurance. Access and understanding / knowing the customer merged to hold the dimension empathy.

Parasuraman et al. (1988) defined its 5 dimensions as:

Tangibility: Appearance of physical facilities, equipment and communication material.

Reliability: Ability to perform the promised service dependably and accurately.

Responsiveness: Willingness to help customers and provide prompt service.

Assurance: Knowledge and courtesy of the employees and their ability to convey trust and confidence.

Empathy: The caring and individualized attention, organization provides to its customers.

On the basis of the literature review, it can be concluded that there is no common consensus about the dimensions of service quality. Different authors have identified different service quality dimensions in different studies. Seth et al. (2006) summarized some of the service quality studies published from 1984 to 2000 in Table 2.3.

Table 2.3: Attributes of service quality

RESEARCHERS	ATTRIBUTES
Grönroos (1984)	Technical quality, functional quality, corporate image
Grönroos (1988)	Recovery, attitudes and behaviour, accessibility and flexibility, reputation and credibility, professionalism and skills, reliability and trustworthiness
Parasuraman et al. (1985)	Credibility, access, reliability, communication, understanding the customer, courtesy, competence, responsiveness, tangibles, security
Parasuraman et al. (1988)	Assurance, responsiveness, tangibles, reliability, empathy
Haywood-Farmer (1988)	Behavioral aspects (Timeliness, speed, communication verbal, nonverbal), courtesy, warmth, friendliness, tact, attitude, tone of voice, dress, neatness, politeness, attentiveness, anticipation, handling, complaints, solving problems), professional judgement (diagnosis, advice, skill, guidance, innovation, honesty, confidentiality, flexibility, discretion, knowledge), physical facilities and processes (location, layout, de'cor, size, facility reliability, process flow, capacity, balance, control of flow, process flexibility, timeliness, speed, ranges of services offered, communication)
Lehtinen and Lehtinen (1991)	Physical quality (physical products + physical environment), interactive quality (interaction with persons and equipment's), corporate quality, process quality, output quality
Mersha and Adlakha (1992)	Knowledge of service, thoroughness/accuracy of the service, consistency/reliability, willingness to correct errors, reasonable cost, timely/prompt service, courtesy, enthusiasm/helpfulness, friendliness, observance of announced business hours, follow up after initial service and pleasant environment
Ennew et al. (1993)	Knows business, knows industry, knows market, gives helpful advice, wide range of services, competitive interest rates, competitive charges, speed of decisions, customized finance, deals with one person, easy access to sanctioning office
Ghobadian (1994)	Competence, access, reliability, responsiveness, credibility, understanding the customer, courtesy, communication, tangibles, security, customization
Rosen and Karwan (1994)	Reliability, responsiveness, tangibles, access, knowing the customer, assurance
Johnston (1995)	Responsiveness, care, availability, reliability, integrity, friendliness, courtesy, communication, competence, functionality, commitment, access, flexibility, aesthetics, cleanliness/ tidiness, comfort, security
Philip and Hazlett	Pivotal attributes (acquired information) Core attributes

(1997)	(reliability, responsiveness, assurance, empathy) Peripheral attributes (access, tangibles)
Dabholkar et al. (2000)	Reliability, comfort, features, personal attention

Source: Seth, N., Deshmukh, S.G. & Vrat, P., 2006. A Conceptual Model for Quality of Service in the Supply Chain. *International Journal of Physical Distribution & Logistics Management*. 36 (7), pp.550-552.

Regardless of the fact that the American perspective dominates the service quality literature (Schneider and White 2004) and many service quality studies are based on the service quality measurement scale proposed by Parasuraman et al. (1988), there is no common scale for measurement of service quality. Because there is no global set of service quality dimensions for all the service industries of different cultures, service quality measurement must be adapted to reach the goals of the research.

2.13 ELECTRONIC SERVICE QUALITY

Whereas traditional service quality have drawn attention over the past two decades, a relatively new phenomenon, electronic service quality become increasingly important in research nowadays. In an increasingly competitive business environment, companies are attempting to gain a competitive advantage by using the web to interact with their customers and the issue of electronic service quality and service excellence are drawing attention.

2.13.1 Definition of Electronic Service Quality

Companies are using the web as an effective tool to exist in the competitive world of rivals as enhancing relationships with their customers, increasing their sales through an alternative channel, and reducing costs of interacting with customers. At this point electronic service is becoming even more crucial for companies who want to attract and retain customers. The most successful companies using the web begin to realise that the key factor of gaining a competitive advantage is not web presence or low price, but delivering electronic service quality. To encourage customer retention and build customer loyalty, companies must turn their focus to electronic service quality and all cues and encounters that occur before, during and after the transaction (Zeithaml 2002).

Different operational models of website and the physical shop makes it inevitable to diversify the definitions of service quality and electronic service quality. While traditional service quality was defined as an overall evaluation or an attitude relative to the superiority of the service (Parasuraman et al. 1988), electronic service quality were defined as “the extent to which a Web site facilitates efficient and effective shopping, purchasing, and delivery of products and services” (Zeithaml et al. 2002, p. 363). In their definition there is a complete customer service experience throughout the stages of the online shopping process includes pre-website, on-website and postwebsite service aspects (Zeithaml 2002; Zeithaml et al. 2002). Santos (2003, p. 235) defined electronic service quality as “consumer’s overall evaluation and judgment of the excellence and quality of e-service offerings in the virtual marketplace”.

There are some key differences between traditional and electronic services. The most crucial difference between traditional service quality and electronic service quality is the lack of mutual human interaction.

The second difference is derived from the deficiency of using the senses. In traditional services customers are able to use all their senses while experiencing the service. However in an electronic service encounter customers are able to use limited senses such as hearing and viewing.

The third difference is that electronic service is not restricted by distance and opening hour unlike traditional services.

Another difference between traditional services and electronic services has created an opportunity for customers. In electronic services it is much easier for customers to compare different service offerings than through traditional channels (Santos 2003). Thus, online services customers expect equal or higher levels of service quality than the customers of traditional services (Santos 2003).

It has been recognized by the researchers that it is important to deliver high quality electronic services to create satisfaction and retain customers, but there are stil

deficiencies about how the quality of online services is defined, which its determinants are and how it can be actually measured.

2.13.2 Dimensions of Electronic Service Quality

Since the internet has become an essential part of our daily lives, the importance of measuring electronic service quality has risen. There exist many studies for developing measurement scales for electronic service quality. Table 2.4 shows the list of studies on electronic service quality, including the context for research and the dimensions of electronic service quality.

Table 2.4: Review of the main studies on the dimensions of e-service quality

Author	Dimensions	Context
Dabholkar (1996)	Web site design, reliability, delivery, ease of use, enjoyment and control.	E-service
Zeithaml et al. (2000)	Efficiency, reliability, fulfillment, privacy, responsiveness, compensation, and contact.	Online retailing
Yoo and Douthu (2001)	Ease of use, aesthetic design, processing speed, and security.	Online retailing
Cox and Dale (2001)	Web site appearance, communication, accessibility, credibility, understanding and availability.	Online retailing
Jun and Cai (2001)	Web site design, information, ease of use, access, courtesy, responsiveness, and reliability.	Online banking
Yang (2001)	Web site design, security and information.	Online retailing
Wolfenbarger and Gilly (2002, 2003)	Web site design, reliability, security, and customer service.	Online shopping sites
Zeithaml et al. (2002)	Security, communication, reliability, responsiveness and delivery.	E-service
Madu and Madu (2002)	Performance, features, structure, aesthetics, reliability, serviceability, security and system integrity, trust, responsiveness, service differentiation and customization, Web store police, reputation, assurance and empathy.	E-quality
Loiacono et al. (2002)	Information, interactivity, trust, response time, web site design, intuitiveness, flow, innovativeness, integrated communication, business process and substitutability.	Online retailing
Yang and Jun (2002)	Web site design, security, reliability, responsiveness, accessibility and customization.	Online retailing
Surjadaja et al. (2003)	Security, interaction, responsiveness, information, reliability, delivery, and customization.	E-service
Santos (2003)	Ease of use, appearance, linkage, structure, content, efficiency, reliability, communication, security, incentive and customer support.	E-service
Yang et al. (2003)	Responsiveness, credibility, ease of use, reliability, convenience, communication, access, competence, courtesy, personalization, collaboration, security and aesthetics.	Online retailing
Yang et al. (2004)	Reliability, responsiveness, competence, ease of use, security and product portfolio.	Online shopping sites

Field et al. (2004)	Web site design, reliability, security, and customer service.	E-service
Kim and Stoel (2004)	Web appearance, entertainment, information, transaction capability, responsiveness and trust.	Online retailing
Yang and Fang (2004)	Responsiveness, reliability, credibility, competence, access, courtesy, communication, information, responsiveness and web site design.	E-service
Long and McMellon (2004)	Tangibility, reliability, responsiveness, assurance, empathy, communication and delivery.	Online retailing
Gounaris et al. (2005)	Web site design, information, trust, responsiveness and reputation.	Online retailing
Parasuraman et al. (2005)	Efficiency, availability, fulfillment, privacy, responsiveness, compensation and contact.	E-service
Lee and Lin (2005)	Web site design, reliability, responsiveness, trust and personalization.	Online retailing
Kim et al. (2006)	Efficiency, fulfillment, system availability, privacy, responsiveness, compensation, contact, information and graphic style.	Online retailing
Fassnacht and Koese (2006)	Graphic quality, layout, attractiveness of selection, information, ease of use, technical quality, reliability, functional benefit and emotional benefit.	E-service
Cristobal et al. (2007)	Web site design, customer service, assurance and order management.	E-service

Source: Li, H. & Suomi, R., 2007. **Evaluating Electronic Service Quality: A Transaction Process Based Evaluation Model.** *The European Conference on Information Management and Evaluation.* Montpellier. pp.331-340.

It is clear that majority of these studies have been conducted on three different areas: online retailing service quality, web site design quality and online service quality, and there has been limited attention to other service contexts (Li and Suomi 2007).

After the earlier research on service quality in the traditional distribution channels, Zeithaml et al. (2000) have developed e-service quality dimensions for measuring e-service quality as ESQUAL. Zeithaml (2002) specify that some dimensions of the SERVQUAL can be applied to electronic service quality, but there must be additional dimensions in electronic service which are related to technology. They have conducted a series of focus group interviews and identified eleven dimensions of online service quality: access, ease of navigation, efficiency, flexibility, reliability, personalization, security/privacy, responsiveness, trust/assurance, site aesthetics, and price knowledge. Later Parasuraman et al. (2005) developed the ESQUAL into to a seven dimensions

scale. The seven dimensions are divided into two separated scales: the core dimensions and the recovery dimensions. ESQUAL is the scale for the core dimensions: efficiency, fulfillment, reliability and privacy.

The definitions of the core dimensions defined by Parasuraman et al. (2005) are;

Efficiency: : The ease and speed of accessing and using the site.

Fulfillment: The extent to which the site's promises about order delivery and item availability are fulfilled.

System availability: The correct technical functioning of the site.

Privacy: The degree to which the site is safe and protects customer information.

The second scale is ERecSQUAL indicates core dimensions of service recovery for online services as responsiveness, compensation, and contact (Parasuraman et al. 2005).

The definitions of the core dimensions of service recovery for online services defined by Parasuraman et al. (2005) are;

Responsiveness: Effective handling of problems and returns through the site.

Compensation: The degree to which the site compensates customers for problems.

Contact: The availability of assistance through telephone or online representatives.

Through their study of focus group interviews and an online survey, Wolfinbarger and Gilly (2002) reduced the number of the key dimensions into four as: web site design, reliability, privacy/security, and customer service. In their research they suggested that the online service quality is build on reliability and web site design including good functionality in time savings, easy transactions, good selection, in-depth information and the right level of personalization.

Yang et al. (2004) have stated six key online service quality dimensions as reliability, access, ease of use, attentiveness, security, and credibility-employed by Internet purchasers to evaluate e-retailer's service quality. Moreover, they suggested the online

retailers who want to increase customer's perceived service quality, to focus on the dimensions as reliability, attentiveness, ease of use and access.

Yang and Fang (2004) study on the differentiation of dimensions to online service satisfaction and dissatisfaction. They stated that there are four salient quality dimensions leading to both satisfaction and dissatisfaction: responsiveness, reliability, ease of use and competence.

As mentioned earlier, Parasuraman et al. (2005) develop a scale of four core dimensions for electronic service quality and three dimensions for electronic recovery service quality scale. Kim et al. (2006) extend the dimensions developed by Parasuraman et al. (2005) into a 9 dimensions scale in electronic service quality in order to use them for content analysis and evaluation of web sites in the apparel retailing sector.

3. RESEARCH METHOD & ANALYSIS

3.1 METHODOLOGY

This study will focus on the service failures of well known private shopping sites in Turkey. In the study complaints of the customers about the private shopping sites Markafoni, Trendyol and Clubboon reviewed which are collected from a customer complaint website www.sikayetvar.com. The main reason that www.sikayetvar.com choosed as a data source is the reluctance of the private shopping sites to share the information, especially the complaints. The other important reason is the large database of complaints that www.sikayetvar.com has. Besides, consumers find easier to complain online because of the convenience and time saving features of the internet (Nasir 2004).

Markafoni, Trendyol and Clubboon were chosen for the study. The main factors for choosing the websites included in research are fitness for the purpose of the study, representing capacity, popularity of the sites, operating in similar product and service categories and the permission of the sites for using their names in the study.

Content analysis method is used to identify the failures of the private shopping sites. Content analysis is a systematic, objective, quantitative analysis of message characteristics (Neuendorf 2002, p. 1). As a research technique, content analysis provides new insights, enables to develop a deep understanding of particular phenomena, or informs practical actions (Krippendorff 2004, p. 18).

Totally 158 complaints, which were written over a period of 15th and 31th March 2012, collected from the website www.sikayetvar.com and coding schemes and some tables were prepared to find the most frequently mentioned failures in the online complaints. The tables involves some knowledge such as the establishment year, operational level, provision of the informaion, social media usage and product lines. Twelve different words figured in coding schemes.

3.2 ANALYSIS

In our study we have examined three private shopping sites that operate in Turkey and are similar to amazon.com in the sense that they market and sell products online. First of these websites is www.trendyol.com. The website started to operate in 2010 and provides a variety of products such as Clothing, Shoes & Bags, Home Decoration, Watch & Accessorizes, Cosmetics, Designer products. Their product line is usually the leftover pieces of very famous brands that are usually sold from half to 70 percent off. On their site, it is possible to view the goods for sale together with their prices and pictures without membership yet membership is required for a detailed view.

The second website we have examined is www.markafoni.com which has a similar product line to [trendyol.com](http://www.trendyol.com) with a stronger emphasis on designer clothes and specially designed goods for customers. The site provides information regarding the products to only its members. Therefore without being a member internet surfers can not even be informed about which brands are on sale on [markafoni.com](http://www.markafoni.com). The site is operating in Turkey since 2008 and it is known to be the first e-commerce website to be internationalized.

Our third website is www.clubboon.com which has a similar product line to [trendyol.com](http://www.trendyol.com) and [markafoni.com](http://www.markafoni.com) and includes events and also vacation options. The site provides partial information to consumers who are not members. Membership is required to get the information about products and prices.

Some characteristics of the websites are summarized in the table below;

	Established	Level	e-bulletin	Information Provision		Social Media
				Members	Not Members	
Trendyol.com	2010	National	Yes	Yes	Partial	Facebook, Twitter, Blog, Youtube
Markafoni.com	2008	International	Yes	Yes	None	Facebook, Twitter, Blog
Clubboon.com	2010	National	Yes	Yes	Partial	Facebook, Twitter, Friendfeed, Blog

Product lines are classified as:

Trendyol.com	Clothing (Men / Women / Kids), Shoes & Bags, Home Decoration, Accessorizes, Cosmetics, Designer
Markafoni.com	Clothing (Men / Women / Kids), Shoes & Bags, Home Decoration, Accessorizes, Cosmetics, Designer
Clubboon.com	Clothing (Men / Women / Kids), Shoes & Bags, Home Decoration, Accessorizes, Cosmetics, Vacation, Events

After selecting our sample, we have reached their customer satisfaction/dissatisfaction information on the web. The website sikayetvar.com is a public website where people place their complaints regarding the products and services they receive either online or personally. The website is used and reached by many both to provide information and to receive information regarding the potential services the customers are about to buy or pay for.

In return, companies are allowed to sign up and therefore respond the critiques they received via sikayetvar.com by sikayetvar.com again. Therefore the website also provides a chance to help the companies prove how much emphasis they put on customer satisfaction or their image on the web. We have examined the complaints or customer reviews regarding our sample of three e-commerce sites trendyol, markafoni and clubboon websites. Upon the examination of customer reviews that are registered in sikayetvar.com between 15th and 31th March 2012, we have recorded seventy-five registered complaints for trendyol.com, thirty-two for markafoni.com and fifty-one for clubboon. Since these numbers are also proportionate to the number of sales these

websites make, they cannot solely point to any high or low performance by the companies themselves.

Reading the reviews we have mostly noticed that the customers tend to use negative concepts instead of positive ones when they are reviewing the companies. Knowing this, we have found it useful to group the complaints into specific characteristics and therefore identify the differences between the service quality and product quality that is offered by our sample. Our groups of complaints include Wrong Date of Delivery, No Delivery, Late Delivery, Wrong Delivery, Damaged Product, Giftcard Malfunction, Money Payback Problem, Low Product Quality, Misleading Information.

For an overview, the types and number of complaints can be seen in the Table 3.1. below:

Table 3.1: Types and number of complaints

	Points Regarding Service Quality		Points Regarding Product Quality		Total Number of Points Made	
	Numbers	Percent	Numbers	Percent	Numbers	Percent
Trendyol.com	80	81.6	18	18.4	98	100
Markafoni.com	33	78.6	9	21.4	42	100
Clubboon.com	51	86.5	8	13.5	59	100

Using the classification and the model specified in Parasuraman et al., we can list the complaints and identify their types below. Recall that Parasuraman et al, has identified five types of gaps in total that would lead to customer satisfaction. We have abbreviated these as CG for customer gap, G1 for gap 1 and G2, G3, G4 for the respectives.

Table 3.2 shows the classification of the failures of trendyol.com, table 3.3 shows the classification of the failures of markafoni.com and Table 3.4 shows the clubboon.com’s classification of failures.

Table 3.2: Classification of failures of Trenyol.com

TRENDYOL (15th-31th March)	GAPS
-wrong date of delivery / no delivery	G3 - G4 - CG
-late delivery / wrong delivery	G4 - CG
-wrong date of delivery / gift card malfunction	G3 - G4 - CG
-damaged product / gift card malfunction	G1 - CG
-gift card malfunction	G1 - CG
-money payback problem	G1 - G2
-gift card malfunction	G1 - CG
-wrong delivery	G3 - G4
-low product quality	G1 - CG
-wrong delivery	G3 - G4
-gift card malfunction	G1 - CG
-insufficient customer services / low product quality	G1 - CG
-gift card malfunction	G1 - CG
-gift card malfunction / damaged product	G1 - CG
-size misspecification	G1 - CG
-gift card malfunction	G1 - CG
-damaged product	G1 - CG
-gift card malfunction	G1 - CG
-wrong date of delivery / no delivery	G3 - G4 - CG
-wrong delivery	G3 - G4
-wrong delivery	G3 - G4
-damaged product	G1 - CG
-gift card malfunction	G1 - CG
-wrong delivery / damaged product	G3 - G4 - CG
-no delivery / gift card malfunction	G1 - CG
-wrong date of delivery / no delivery	G3 - G4 - CG
-gift card malfunction	G1 - CG
-no delivery	G1 - CG
-low product quality	G1 - CG
-gift card malfunction / no delivery	G1 - CG
-wrong delivery	G3 - G4
-gift card malfunction	G1 - CG
-wrong date of delivery / no delivery	G3 - G4 - CG
-gift card malfunction	G1 - CG
-gift card malfunction	G1 - CG
-no delivery	G1 - CG
-gift card malfunction	G1 - CG
-wrong date of delivery	G3 - G4
-damaged product	G1 - CG
-low product quality	G1 - CG
-wrong date of delivery	G3 - G4
-wrong date of delivery / no delivery	G3 - G4 - CG
-low product quality	G1 - CG
-gift card malfunction	G1 - CG

-damaged product	G1 - CG
-damaged product	G1 - CG
-gift card malfunction	G1 - CG
-no delivery	G3 - G4
-no delivery	G3 - G4
-gift card malfunction	G1 - CG
-delivery fee misspecification	G1 - CG
-wrong delivery	G3 - G4
-money payback problem	G1 -G2
-no delivery	G3 - G4
-gift card malfunction	G1 - CG
-gift card malfunction	G1 - CG
-wrong delivery / damaged product	G1 - CG
-wrong date of delivery	G3 - G4
-no delivery	G3 - G4
-wrong date of delivery / gift card malfunction	G1 - CG
-no delivery	G3 - G4
-no delivery	G3 - G4
-wrong date of delivery / no delivery	G3 - G4 - CG
-gift card malfunction	G1 - CG
-money payback problem	G1 - G2
-damaged product / wrong delivery	G1 - CG
-wrong date of delivery	G3 - G4
-wrong delivery	G3 - G4
-damaged product / wrong delivery	G1 - CG
-no delivery	G3 - G4
-money payback problem / wrong date of delivery / no delivery	G3 - G4 - CG
-money payback problem / wrong date of delivery	G3 - G4 - CG
-no delivery	G3 - G4
-damaged product / low product quality	G1 - CG
-wrong date of delivery / no delivery	G3 - G4 - CG

Table 3.3: Classification of failures of Markafoni.com

MARKAFONI (15th-31th March)	GAPS
-wrong delivery / damaged product / wrong date of delivery	G3 - G4 - CG
-money payback problem / gift card malfunction	G1 - CG - G2
-money payback problem	G1 - G2
-no delivery	G3 - G4
-gift card malfunction	G1 - CG
-damaged product	G1 - CG
-damaged product	G1 - CG
-money payback problem	G1 - G2
-no delivery / gift card malfunction	G3 - G4 - CG
-money payback problem	G1 - G2
-damaged product	G1 - CG
-money payback problem	G1 - G2
-wrong delivery / damaged product	G1 - CG
-gift card malfunction	G1 - CG
-no delivery / wrong delivery	G3 - G4 - CG
-damaged product	G1 - CG
-no delivery	G3 - G4
-money payback problem	G1 - G2
-wrong date of delivery / no delivery	G3 - G4 - CG
-wrong delivery / damaged product	G1 - CG
-wrong date of delivery	G3 - G4
-wrong delivery / money payback problem	G1 - CG - G2
-gift card malfunction	G1 - CG
-wrong date of delivery	G3 - G4
-money payback problem	G1 - G2
-gift card malfunction	G1 - CG
-wrong date of delivery	G3 - G4
-money payback problem	G1 - G2
-damaged product	G1 - CG
-wrong delivery	G3 - G4
-damaged product	G1 - CG
-gift card malfunction / money payback problem	G1 - CG - G2

Table 3.4: Classification of failures of Clubboon.com

CLUBBOON (15th-31th March)	GAPS
-incorrect web content	G1 - CG
-gift card malfunction	G1 - CG
-no delivery	G3 - G4
-no take back	G1 - CG
-damaged product	G1 - CG
-wrong delivery / damaged product	G1 - CG
-incorrect web content	G1 - CG
-wrong delivery	G3 - G4
-no take back / damaged product	G1 - CG
-wrong delivery	G3 - G4
-money pay back problem	G1 - G2
-no delivery	G3 - G4
-incorrect web content / no delivery	G1 - CG
-no delivery	G3 - G4
-gift card malfunction	G1 - CG
-no take back	G1 - CG
-gift card malfunction	G1 - CG
-damaged product	G1 - CG
-money payback problem	G1 - G2
-money payback problem	G1 - G2
-damaged product	G1 - CG
-damaged product	G1 - CG
-damaged product	G1 - CG
-no delivery	G3 - G4
-money payback problem	G1 - G2
-no delivery / money payback problem	G1 - CG
-money payback problem	G1 - G2
-damaged product / incorrect web content	G1 - CG
-gift card malfunction	G1 - CG
-damaged product / incorrect web content	G1 - CG
-money payback problem	G1 - CG
-money payback problem	G1 - G2
-no delivery / money payback problem	G1 - CG - G2
-gift card malfunction	G1 - CG
-no delivery	G3 - G4
-money payback problem	G1 - G2
-gift card malfunction	G1 - CG
-money payback problem	G1 - G2
-incorrect web content	G1 - CG
-wrong date of delivery	G3 - G4
-money payback problem	G1 - G2
-no delivery / incorrect web content	G1 - CG
-no delivery	G3 - G4
-money payback problem	G1 - G2

-wrong date of delivery	G3 - G4
-no delivery	G3 - G4
-no delivery	G3 - G4
-money payback problem	G1 - G2
-incorrect web content	G1 - CG
-gift card malfunction	G1 - CG
-money payback problem	G1 - G2

4. FINDINGS

Upon reviewing the complaints by customers regarding their shopping experiences via the websites trendyol.com., markafoni.com and clubboon.com we have found that the complaints are due to at least several aspects of e-commerce servicing. It is useful to roughly group these complaints according to whether they point to a service failure between the customer and the e-commerce website or whether they point to a dissatisfaction of the customer due to low quality of the product. The second group of complaints are at least partly out of the control of the website itself. In the first case we can conjecture that the dissatisfaction of the customers can be corrected or made up for by potential attempts of the e-commerce site only. Yet in the second case there is likely to be a question regarding the supplier or partner choices of the e-commerce sites.

4.1 SERVICE AND PRODUCT RELATED FAILURES

According to this first classification we make, we see that all three websites have a higher proportion of the complaints that they receive on the service quality side. Trendyol.com for example is receiving a big amount of its complaints regarding the giftcards which it apparently has provided to customers to increase both the customer base and the frequency of purchases the current customers make. Yet many customers seem to be uninformed about an expiration date for these giftcards either because there actually isn't an expiration date and the gift cards do not work due to a temporary error or there is an expiration date but customers were not aware of it. Figure 4.1 shows an example of a Markafoni.com customer's complaint about giftcard malfunction saying that Markafoni erase the giftcard that they gave for a apologize.

Figure 4.1: Example of markafoni customer's complain about giftcard malfunction

Şikayet No : 1140669 (21 Mart 2012 14:01)



Markafoni.com Özür İçin Verdikleri Kuponu Silmişler!

Markafoni 1125221 numaralı şikayetimde de belirttiğim gibi ürünümü göndermemiş, özür dileme amaçlı da bana 10 TL'lik hediye kuponu vermişti. Ama 4 Nisan'a kadar geçerli olan kuponu, ürünümü göndermediklerinde yaptıkları gibi herhangi bir açıklama yapmaksızın, silmişler. Şu anda (20 Mart 2012) kuponum yok görünüyor. Zaten önceki şikayetimle ilgili hiçbir şey yapmadılar. Bana ulaşamadıklarını bildirdiler ve kestirip attılar. Beni tekrar aramaları için birkaç kez e-posta gönderdim ama tekrar aramadılar. Özür amaçlı verilen kuponun silindiğini de ilk kez görüyorum. Buradan belirtiyorum. Bir daha "asla" Markafoni.com'dan alışveriş yapmayacağım.

Source: Markafoni.com Özür İçin Verdikleri Kuponu Silmişler!. 2012. <http://www.sikayetvar.com/sikayet/detay/1140669/markafonicom-ozur-icin-verdikleri-kuponu-silmisler/wqw0d> [accessed 01,04,2012].

In either case many customers complain that their giftcards were useless or, the firm has refused to renew the giftcard if the customer has already used it but sent the product back to the company. This seems to create a substantial amount of expectation gap on the side of the customers.

The second main complaint of the Trendyol.com customer comes from the delivery side. More than half of the complaints are about either wrong delivery or no delivery of orders. Figure 4.2 shows an example of a Trendyol.com customer's complaint about wrong delivery and Figure 4.3 shows an example of a Clubboon.com customer's complain about no delivery.

Figure 4.2: Example of markafoni customer's complain about wrong delivery

Şikayet No : 1145082 (26 Mart 2012 16:00)

 **Trendyol.com Siparişimi Yanlış Gönderdi!**

21 Mart 2012 tarihinde siparişini verdiğim U.S. Polo marka ayakkabılar bugün elime ulaştı ancak kutuyu açtığımda tam bir hayal kırıklığına uğradım çünkü gelen ürün 5 TL bile verilmeyecek bir ayakkabı. Siparişini vermiş olduğum ürünle uzaktan yakından alakası yok, markası bile farklı.

Source: Trendyol.com Siparişimi Yanlış Gönderdi!. 2012.
<http://www.sikayetvar.com/sikayet/detay/1145082/trendyolcom-siparisimi-yanlis-gonderdi/1w3pe>
[accessed 01,04,2012].

Figure 4.3: Example of clubboon customer's complain about no delivery

Şikayet No : 1145693 (27 Mart 2012 12:00)

 **Clubboon.com Siparişim Sebepsiz İptal Edildi!**

Tahmini sevk tarihi 12 Mart 12 Paz - 20 Mart 12 Salı. Arayıp sipariş tedarik edildikten sonra yollanacak diye günlerce bekletilip bugün sipariş iptal edildi mailini aldım. Bu kadar kötü bir site olamaz.Buna ne cevap vereceksiniz kopyala yapıştır her şikayete aynı cevabı yazıyorsunuz.

Source: Clubboon.com Siparişim Sebepsiz İptal Edildi!. 2012.
<http://www.sikayetvar.com/sikayet/detay/1145693/clubbooncom-siparisim-sebepsiz-iptal-edildi/8t8xi>
[accessed 01,04,2012].

Here, Trendyol sent a different brand shoes to the customer and Clubboon did not send the product with respecting it's deadlines. No deliveries seem to be frequently accompanied by a wrong date of delivery first. These complaints seem to be answered and addressed well by the company through the website where the customers state their complaints (sikayetvar.com). This surely reflects a constructive attitude on the side of the company yet it doesn't seem to have handled the problem itself since similar complaints are continued to be reported.

When we look at the thirty-three complaints that Markafoni.com has received over the two-week span we do not notice any major type of complaint occupying the list. The

company seems to have received a more or less equal number of complaints both on the service quality side and on the product quality side. Yet Markafoni.com seems to be receiving a good amount of complaints regarding a money payback problem. Figure 4.4 shows an example of a Trendyol.com customer's complain about Money payback problem.

Figure 4.4: Example of trenyol customer's complain about money payback problem

Şikayet No : 1136044 (17 Mart 2012 08:08) < >

Trendyol.com Para İadesi Yapılmadı!

Trendyol.com'dan 19 Ocak 2012 tarihinde almış olduğum (3366036 sipariş numaralı) ve sonrasında ürün kusurlu olması yüzünden 16 Şubat 2012 tarihinde ürünün ücretinin geri iadesi kararlaştırılmıştır.

Fakat ücret iadesi hala gerçekleşmemiştir. En az 3 defa Müşteri hizmetleri ile görüşmemizde her defasında "aksaklık oldu 10 gün içinde" diye söyleniyor. Aksaklığın sebebini soruyorum hiçbir tepki vermiyorlar. Gereğinin yapılmasını rica ederim.

Source: Trendyol.com Para İadesi Yapılmadı!. 2012.
<http://www.sikayetvar.com/sikayet/detay/1136044/trendyolcom-para-iadesi-yapilmadi/1w3pe> [accessed 01,04,2012].

This also points to another problem that is hidden behind. If the customers are experiencing a money payback problem this shows that the company is receiving a number of sending backs from the customers. Therefore the money pay back problem points to a downside in both service quality and also on product quality in the sense that the products that the customers receive do not seem to fulfill their expectations.

Also the company seems to have received a good amount of complaints regarding wrong date of delivery. Figure 4.5 shows an example of a Clubboon.com customer's complain about wrong date of delivery-late delivery saying that the company did not respect to the delivery deadline.

Figure 4.5: Example of clubboon customer's complain about wrong date of delivery - late delivery

Şikayet No : 1140115 (21 Mart 2012 13:21)

 **Clubboon.com Siparişim Gelmedi!**

UN_1331510998 sipariş no'lu 37.5 numara Converse ayakkabılar elime ulaşmadı. Siparişimi 12 Mart Pazartesi günü verdim ve 12 Mart'ta kampanya süresi bittikten sonra 20 Mart'a kadar elime ulaşacağı yazıyordu.

Bugün 20 Mart ve ayakkabılar hala hazırlanıyor olarak gözüküyor. 19 Mart'ta mail attım mailime de cevap alamadım. Siparişimle ilgili en kısa sürede bilgilendirilmek ve en kısa sürede teslim almak istiyorum.

Source: Clubboon.com Siparişim Gelmedi!. 2012.
<http://www.sikayetvar.com/sikayet/detay/1140115/clubbooncom-siparisim-gelmedi/8t8xi> [accessed 01,04,2012].

This actually can be called almost a false mistake by the company. The mistake can either be due to the company's own information system or it can be purely under the control of the cargo service that the company is using in case if they are outsourcing. In either case, the complaints are classified as regarding to service quality in our rough classification we made at the beginning.

Looking at the complaints that the website Clubboon.com received we observe that the firm still has a high number of damaged product complaints. Customers seem to have received their products damaged due to the unavailable storage or delivery process itself. Figure 4.6 shows an example of a Markafoni.com customer's complain about damaged product saying that the kitchen set was broken.

Figure 4.6: Example of markafoni customer's complain about damaged product

Şikayet No : 1145424 (27 Mart 2012 10:05)



Markafoni.com Mutfak Seti Kırık Teslim Edildi!

Ben Markafoni'den Violet Angel isimli mutfak seti aldım. 2 hafta önce 26 Mart 2012 tarihinde adresime teslim aldım, ama görmem gereken bir şey vardı ki aldığım set tuzla buz olmuştu. Bu nasıl olur anlamadım. Üzerine kırılabilir yazıldığı halde mutfak seti sadece ufak bir kutuya koyulmuş ve gönderilmiş.Hiçbir şekilde içindeki porselen takım korunmamış.

Source: Markafoni.com Mutfak Seti Kırık Teslim Edildi!. 2012.
<http://www.sikayetvar.com/sikayet/detay/1145424/markafonicom-mutfak-seti-kirik-teslim-edildi/wqw0d>
[accessed 01,04,2012].

The company seems to be suffering from a huge number of no deliveries and another good number of problems related to taking back the product or paying the customer's money back. In this regard we see that the company receives a similar number of complaints both on the service quality and product quality sides.

4.2 COMPANY ORIENTED AND NON COMPANY ORIENTED FAILURES

Our second classification after the service related vs. product related failures is with regard to the potential way the problems can be fixed. We classify the problems into two according to whether they are rooted in the company or they might be caused by other sources such as the suppliers or others the company is itself receiving a service from. This is a useful classification because first it has an implication on whether the problem is actually easily solvable by the firm and second because it gives an idea how easily or likely a solution procedure can be marched by the company.

According to this second classification Trendyol.com seems to be able to solve its money payback problem by itself which doesn't actually constitute a big part of the complaints the company has received during the period but there still are at least a few such complaints in our list. Most of Trendyol.com's complaints are related to giftcard malfunctioning and the status of deliveries as we mentioned before. Therefore most of

Trendyol.com's problems are self-stemmed and should be able to be potentially addressed by a few inner measures that the company will determine and launch.

Markafoni.com seems to have received a good number of damaged product complaints which we classify as non-company related problems in this classification. The products are likely to be damaged during the courier in which case the company would need to address the problem with its cargo supplier. Yet there still is a good portion of self-rooted problems Markafoni.com is facing. The complaints regarding wrong delivery are likely to be caused in the company due to a mismatch of customers and their orders.

We observe the site Clubboon.com receives a few complaints regarding the web content which certainly is an inner-company problem. The complaints regarding the damaged products are likely to be caused by an outer-company source. The products are likely to be damaged during the courier like Markafoni.com. Therefore the company can solve the problem with its cargo supplier also. In this regard we can say that most of the complaints that Clubboon.com has received are classified as non-company rooted problems.

The giftcard malfunctioning problem is a problem that all three websites seems to have faced during the period. We accept this as a company related problem as these companies are expected to be providers of both physical commodities and a good e-service on their cyber shops.

5. CONCLUSION

5.1 SERVICE RECOVERY RECOMMENDATIONS

The recommendations are shaped to the three websites examined in this thesis in line with the two classifications in the Findings section. To remind, these two classifications were to differentiate the main reason of the complaints (to be service related or to be product related) and the root of the problem (originated from the company's policies themselves or from another company's policies that the initial company is working with).

5.1.1 Recommendations For Service Failures

For the service related problems as opposed to the product related ones, the first suggestion is on the information chain side. It is observed that most of the no delivery complaints are due to a lack of knowledge inside the company regarding the situation of their inventories at the time that the order is placed by the customer. Therefore the company gives a date of delivery to the customer followed by no delivery afterwards. There are two different points where this creates a problem for the customer. First, the fact that the system lets the customer to place an order on a product that doesn't actually exist in the inventory at the time is one leg of the problem. Second, it seems that the company is not doing a necessary second control over the orders. Most of the customers claim that they were informed about the situation of their order (that they will not be receiving the product) only after they have reached the customer service line upon not receiving the product by the deadline stated on their order. Therefore the second problem is created in a rather larger time interval where the company has had a chance to realize the system's mistake and inform the customer about her order.

The company may try to improve its web system in case the first leg of the problem is caused by the system's inability to recognize different orders when they are placed immediately one after the other in the system. In this case it can be that a product that a potential customer is interested in might have been purchased 1-2 seconds before the potential customer placed her order. This is likely to create a false order receipt in the

system to be sent to the customer. Yet, if this is related to the current technology of cyber shops then the company should try to address and correct these possible mistakes on the second leg. A second control mechanism can be created either online or behind the web to check the order of the purchases and the inventory status to meet the orders. Therefore the company may catch a chance to correct a mistake before it creates another base for customer dissatisfaction.

Regarding the problem of Late delivery on the service side, we conjecture that if this is a service related problem then it must be that the company is placing the orders in the cargo without respecting its deadlines. When this is the case, the company might remedy the situation by hiring more employees to work behind the web at the inventory. This would fasten the chain of processing orders and placing them in the cargo. Alternatively, the company may increase the frequency of its cargo usages in case this is an option. In the normal case cargo company should be visiting the inventory room to receive the packages by a prespecified number of times in a week. When this number of visits per period is not often enough to meet the number of orders the company is receiving then this could be remedied by revising the agreement with the cargo company to reset the frequency of visits.

For the wrong delivery complaints, we classify these as problems regarding service quality. We conjecture that the company employs labor to match orders with the products. Therefore increasing the number of employees working in this department may potentially solve the problem. Else, the problem might actually be caused by lack of performance on the side of the employees. In this case working through an evaluation mechanism for those employees regarding product mismatches would provide a solution according to us.

5.1.2 Recommendations for Product Failures

On the side of the product related problems we conjecture that this is a deeper problem than the above ones. The company might be receiving its product in the specified condition from its suppliers in which case replacing it with an undamaged product

would create a loss for the company. If this is the case we would suggest the company to place the actual pictures of the products on the web and hence inform the customers of the real condition of the product. This is expected to lower the price of the product and the number of customers willing to purchase the product yet it will create a positive image for the company and might pay off on the side of customer loyalty and brand image in the future. We classify the low product quality complaints in this group and believe that letting the potential customers know of the situation of the product beforehand would be a valuable investment on the side of the firm. On the other hand if the problem is caused due to the high expectations on the customer side and the product actually reflects its representation on the website, the company may choose one of the following two options. The first would be to provide an opportunity to the customer to send the product back or have it changed with another product possibly of the same brand. This would create a good image for the firm and could be count as an investment in customer loyalty. The second option would be to state a warning during the order receipt that the company would not hold responsibility for customer dissatisfaction regarding the product quality whenever the product reflects its picture on the web exactly. Therefore customers would be certain that the pictures in the web reflects the actual products and they might be directed to do their own search regarding the brandnames they are planning to purchase.

If the damage on the products mentioned in the complaints is found to be caused after the product left the inventory, it means that the responsibility is passed to the cargo company. Therefore this is a problem that should be addressed between the cargo firm and the e-commerce firm. Yet this might turn out to be a problem that is not completely under control. We know that there is always a risk of product damage in the courier. We would offer the company in this case to inform the customer of the situation politely and by script upon the receipt of a purchase order and replace the product with an undamaged one if possible. If the company is working with non-doubled inventories that they do not keep serials of each product they sell, then the company might state a warning at the time of the order. The warning state that if a damage happens to the product at the courier it might not be likely to replace the product with a new one due to inventory limits. On the other side, the company may think of changing the cargo

company it is working with or revising the terms of its agreement to decrease the risk of product damages in the future.

5.1.3 Recommendations for Company Oriented and Non Company Oriented Failures

As for our second classification in company rooted versus out of company rooted problems, we would like to state a general approach scheme which we think would be useful for the firms. For the company rooted problems we would suggest the company to first identify whether the problem is caused by lack of labor force related skills or lack of technology improvement. Then the company could proceed to calculate the expected cost of improving such a shortcoming in case if improvement is possible. In this regard the second option is to inform the customer of the likelihood of such occurrences and to make them sure that it is not a systematic mistake and its probability of happening is low enough. If the company finds out that the mistake is occurring quite often and deserves an investment in increasing the number of employees or in improving the technological possibilities, then we would suggest the firm should take the action.

For the out of company rooted problems we think it is first useful to do a sector-wide research to see which other companies are used by the cyber shops mostly to meet their outsourcing needs. This way evaluating its options will be useful for the company at the first hand. Changing the partner company or changing the type of agreement are first type of remedies which we classify as short run remedies here. In the long run if the problem seems to be persistent the company might think of creating an internal unit and hence enlarge the company to deal with the task that the outsourced company is currently dealing. This is a very long run decision that needs to be evaluated carefully. For the short run solutions we would offer the company to share the losses with the partner company or change its payment scheme in a way to let the partner company internalize any possible losses that are caused by its own lack of performance.

As examples to company oriented problems we classify giftcard malfunctioning, money payback problem and misleading information problems. Giftcard malfunctioning is a company oriented problem as we assume that these companies are suppliers of their own information technology systems. In this situation the companies must state clear promises to customers and put the promises into practise without questioning. As we observe on the website where the complaints were recorded, most companies already responded this problem thoroughly. As they have received a number of complaints regarding the giftcards, it seems that the companies have fixed that line of giftcards.

Money payback problem is two sided according to us. The issue should be handled well according to the guidelines stated to the customer as to which responsibilities the companies hold regarding the products so that the customers can send them back when they wish to do so. Besides company may increase the number of the financial staff to fasten the process. It is significant in terms of the profitability of the company to minimize the product take backs as much as possible. We would suggest the company to take back the products when there is a wrong delivery yet we also suggest the company to determine the guidelines regarding the take back of used products.

The misleading information problem is particularly related to the giftcard malfunction. According to the customers the websites state promises which they do not put into practise later. The other reason of misleading information is the pictures of the products which are not reflects the real products.

To summarize, these three company's problems are mostly solvable by a few inner company measures. First of these is strengthening the communication between different departments such as sales, information and inventory departments. The second suggestion may be to revise the policies regarding the way the firm communicates with the potential customers such as revising which pictures to upload on the web regarding the products and which type information to give to the customer before and after the purchase has been made. For the out of company related problems we would suggest the company to acknowledge the possibility of such a problem occurring and inform the customers accordingly at the time of their purchases. This way there will certainly be an

image improvement for the company which will then support its future enlargements and investments.

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