

Service Quality of Uber in a Small City: A Case Study of Ipoh Uber Drivers

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ABSTRACT

E-hailing application has gained traction as a lifestyle enhancing solution particularly Uber. Even though Uber's presence is more prevalent in large cities in Malaysia, due to the weaknesses in conventional public transport especially the metered taxis, the situation has significantly shifted the public's demand to use E-hailing services in smaller cities like Ipoh. By default, Uber drivers in large cities face greater competition compared to their counterparts in smaller cities. This study used the SERVQUAL model to evaluate service quality levels of Uber drivers in Ipoh, a small Malaysian city. The objective was to profile small city Uber users and explore their perception towards the service. The findings revealed that there was no evidence to show that Uber services is lower in a small city like Ipoh, in contradiction to anecdotal accounts. Although reliability and responsiveness were the most significant factors in determining overall perceived service quality, these factors were not the most highly ranked among the five service quality indicators.

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1 INTRODUCTION

Emergence of the e-hailing transport service has given consumers a new mode of transport. The Global Positioning System (GPS) and advancement in the application of software have given rise to e-hailing transportation. Uber and Grab companies have made significant changes to the transportation landscape in many parts of the world. Travis Kalanick and Garret Camp established Uber at San Francisco in 2009 and later reached out to the world as an international transportation Network Company. By exploiting the Internet, Uber seized the opportunity to connect passengers and drivers using their own private vehicles. In Malaysia, weaknesses in conventional metered taxis had significantly shifted the public's choice to use Uber and Grab services. The number of Uber and Grab drivers has significantly increased and they have taken the

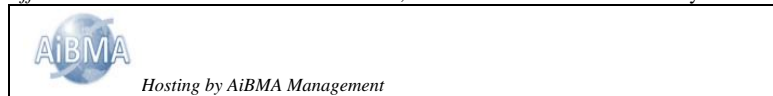
opportunity to supplement their income in this challenging and competitive economic era. The independence between the driver and the company has given rise to numerous issues, with service quality being one of the key issues.

The Prime Minister of Malaysia Dato' Sri Najib Tun Razak via his blog in 2017 explained that he always took note of the protest staged by cab drivers in Bukit Bintang and the rest. He understood and was concerned about the plight and complaints of the cab drivers that saw Uber and Grab services cutting into their source of income. The government, according to him, is currently looking into all possible solutions to tackle this issue. He clarified that this is an issue that is not exclusive only to Malaysia, but faced by many other countries, with solutions still being sought and studied.

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Dato' Sri Najib stated that elements such as innovation and competitiveness should be considered in this issue and given the modern sophisticated era, national policies have to reflect current technological developments. Competition has to be a spring board, not an obstacle, in order for the public to enjoy the best possible service quality. The interest of consumers and current service providers will still be given the utmost priority by the government, when the solution framework is considered and prepared (Sivalingam, 2016).

It is expected that these e-hailing platforms can support the government's effort to reduce traffic congestion and improve safety by devising an intelligent traffic management system (Lim, 2016). Hence, although a legal framework is yet to be enacted, the Malaysian government has taken steps towards improving the transportation industry by supporting and providing innovative solutions initiated by e-hailing companies to overcome transportation problems in the country (Sammy, 2016). Consequently, e-hailing transport service providers such as Uber and Grab have taken the opportunity to offer quality services at affordable price, and this has enabled them to satisfy consumer demands.

E-hailing service providers have largely confined their services to large cities in Malaysia. In Ipoh, there is an increasing trend towards the use of Uber services, especially in 2017. However, there appears to be some issues regarding service quality where there were anecdotes of long waiting time and cancellation of Uber services. Perceived poor service quality would certainly impact customers' continued use of the app, especially in light of rising competitors such as Grab.

The findings would provide some insight into whether the Uber business model is viable in a small city given the different culture of Uber drivers in a small city compared to larger cities. Uber drivers in large cities, by default, face greater competition compared to smaller city counterparts. The built-in features in the app, such as customer review and rating system, ensures that customers have a say in the driver's opportunity of obtain customers.

A high level of competition will create an incentive for Uber drivers in large cities to provide good service quality to enhance their income potential. Ipoh being a small city in an average populated state of Perak of less than 700,000, has a much more relaxed culture compared to a metropolitan city like Kuala Lumpur and Penang.

This paper evaluated Ipoh consumers' perception of service quality provided by Uber and users' general perception of service quality determinants using the SERVQUAL model. The variables that affected the service quality levels were identified based on SERVQUAL model. The variables, such as reliability, assurance, tangibility, empathy and responsiveness, were studied in detail by employing a valid research methodology to provide a solution to the research problem.

2 LITERATURE REVIEW

Service

Service is typically perceived to be affected by several variables (Wijaya, 2009). There have been different definitions for administration purposes by numerous analysts. A few specialists characterized benefit as a succession of activities that exist to fulfil customer needs and create customer loyalty through an individual or physical effort (Wijaya, 2009).

The primary attributes of a service comprise immaterialness, indivisibility, and heterogeneity (Wolak, 1998). Therefore, administration of a service cannot be physically observed but can be felt. Benefit cannot be licensed and furthermore imparted and there is trouble in valuing. (Senthil & Ramesh, 2010).

Quality

Quality is characterized in a variety of ways by different researchers. Quality is characterized as finding a limit with regards to self-reflection, to empower us to participate in all the imperativeness of the request, expectations and presumptions we are entitled as consumers (Marshall & Reason, 2007).

Significance of Service Quality

It is vital for a firm to offer quality service to its customers. In view of this, the level of quality ought to improve by setting standards to maintain the quality concepts and establish a connection between administration and the fulfilment of clients' needs (Ijaz & Ali, 2013). It is vital to consider the theme of benefit of quality and consumer loyalty in the transportation business. Focus on this aspect is important for directors in logistic businesses to have the capacity to understand the levels of administration quality that serves as an incentive to clients and to enhance quality levels (Ojo, et al., 2014).

Service Quality Model (SERVQUAL)

The objective of this study was to reflect on the assessment model of service quality suggested by Parasuraman, Zheitaml, and Berry (1985), and to apply it in the assessment of consumers' perception of service quality of e-hailing service providers like Uber.

Table 1: Original Model Compared to the Restructured Model of the Five Dimensions

Original Model	Restructured Model	Description
Tangibility	Tangibility	Physical aspects of what is provided to users
Reliability	Reliability	Ability to fulfil what was promised accurately
Responsiveness	Responsiveness	Ability to attend to the

		users and provide promptly, capturing the notion of flexibility, and the ability to adapt to the needs of the service user
Competency Courtesy Credibility Safety	Assurance	Competency and courtesy extended to the users and the security provided by the operations.
Access Communication Comprehension of the User	Empathy	Individualized attention to the users.

Source: Marshall G, Murdoch (2001)

Reliability

The precept of the Perceived Quality Model is that the element of service quality perceived by consumers begins with its fundamental level of consumer satisfaction as well as the provision of some other services. Consumers expect the service that they receive to reflect on the promises of the service provider. Failure to deliver the promised level of service is perceived to reflect a low level of service quality. Reliability is one of the key elements in the provision of service that influences consumers’ perception of service quality (Obulemire & Ondiek, 2014).

Tangibility

The physical elements of service includes the administration, physical entities and certain equipment required to provide service to customers. Besides, this measurement pushes consumers to monitor quality to be consistent in delivery and improve physical aspects. Consequently, it is the desire of firms to provide each client a positive and lasting first time impression that prompts client to seek repeated service. Consumers perceive that the tangibility factor has a significant influence on consumers’ perception of the provider’s service quality (Kotler & Keller, 2012).

Responsiveness

This component encourages the service provider to possess systems that capture the changing needs of users and to react proactively to fulfil the needs of the users. (Amirul & Hand, 2016). This measurement is vital because there is a sense of selfesteem shown by clients when they accomplish a coveted level of quality in an administration. For example, when service is conveyed timely and fulfils clients’ needs, consumers’ perceive that the service quality is of high standard (Fattah, 2015).

Empathy

It is essential for the service provider to understand clients’ sentiments and to make them feel important and exceptional. It also empowers employees to learn and understand clients’ needs from a business perspective. Customers’ expectation is driven by the degree of private need, old experiences and one-on-one endorsement. Consumer’s experience of empathy shown by the service provider is one of the key elements of service quality that affects consumers’ perception of service quality (Kotler & Keller, 2012).

Assurance

Assurance is an element of service delivered through the company’s employees and it discusses the comprehension and chivalry of representatives who are fit for depicting certainty and trust (Parasuraman et al., 1988). It is further stated that the service is perceived by what is attained by consumers and how they attain it. Thus, assurance is perceived by customers as one of the elements of service quality that influences consumers to gauge the quality of service offered by the service provider (Kang & James, 2004).

Hypotheses

Based on the literatures and findings of previous studies related to SERVQUAL elements and consumers’ perception of service quality, the following hypotheses were developed:

- Hypothesis 1: There is a significant positive relationship between reliability and consumer’s perception of service quality*
- Hypothesis 2: There is a significant positive relationship between assurance and consumers’ perception service quality*
- Hypothesis 3: There is a significant positive relationship between tangibility and consumers’ perception of service quality*
- Hypothesis 4: There is a significant positive relationship between empathy and consumers’ perception service quality*
- Hypothesis 5: There is a significant positive relationship between responsiveness and consumers’ perception of service quality*

3 METHODOLOGY

The selection of an appropriate research design for this study was based on various types of studies identified by Collins and Hussey. Research design is categorized using the purpose as the basis, process, logic and outcome (Collins & Hussey, 2003). This study employed the analytical and descriptive approaches based on the purpose of the study, which is to describe the respondents’ demographic profile and analyse the response from the Uber consumers.

This study applied the quantitative approach for collecting data and computing statistical measures, such as measures of central tendency and correlations. The deductive approach was used to reflect the logic of the study, which is to deduce conclusions based on statistical measures. The study clearly puts forward five hypotheses, and therefore, the applied study approach was employed to derive the outcome or conclude on the hypotheses of the study based on statistical results. Broadly, this study employed a non-experimental, quantitative research design that analysed the factors influencing consumers' perception of Uber's service quality in Ipoh, Malaysia.

The questionnaire in the study was developed by referencing variables identified by Parasuraman (1991). The first five were general aspects of service quality while the process outcome consisted of context-specific aspects (Parasuraman, et. al., 1991) The content of the extended SERVQUAL included 20 of the original SERVQUAL items, which were rephrased to make them suitable for e-hailing services, plus five context specific items relating to consumer's view of factors affecting service quality in the transport sector (Ojo, et. al., 2014).

The questionnaire was divided into three parts; Part 1 covered questions pertaining to respondents' socio-demographic profiles designed to obtain information about the respondent's background. It consisted of 7 questions enquiring about respondents' gender, occupation, age, income, education, race and marital status; Part 2 covered questions about participants' use of Uber services, and Part 3 consisted of 20 questions (4 questions for each factor) designed to obtain feedback from respondents regarding the five factors that influence consumers' perception of Uber's service quality.

The respondents who were selected from a sample of the population had completed the questionnaire on their own (self-administered). The questionnaire took an average 15 minutes to complete, and part 4 consisted of five questions pertaining to consumers' view of factors that affects service quality. The main objective of the study was to provide an assessment of consumers' perception of Uber's service quality in Ipoh, Malaysia. Ipoh has a population of less than a million. Snowball sampling was used, in which survey respondents were approached at four selected institutions; General Hospital of Ipoh, Quest International University Ipoh, Wawasan Open University and Praxis International College Ipoh as these were highly probable places where Uber services users were likely to cluster.

The total target population of the four selected institutions was 13,018 people. Calculating the sample size using a 95% confidence level, it was estimated only 95 respondents were required. Operating on an assumption of a 50 percent non-response rate, a total of 210 questionnaires were personally distributed to targeted respondents and all the 210 questionnaires were duly returned. From Part 2 of the

questionnaire, it was found that 10 of the 210 respondents had never used Uber Car services. Therefore, the 10 were excluded from the data analysis in Part 1 (socio-demographic analysis of respondents), Part 3 (analysis of response to independent variables) and Part 4 (analysis of respondents' opinion in respect to service quality)

4 FINDINGS

Analysis of Respondents' Demographic Profile

The typical profile of Uber users in Ipoh were male (70 percent), single (60 percent), had an income of below RM3,000 (83 percent) and were between 18 to 40 years old. There was no significant difference in terms of race or occupation.

Females might feel safer to use public transport services, such as buses compared to males. Since Uber awareness is still new to Ipoh commuters, females could be dropped off at the destination location by male partners or parents.

The presence of younger and single profiles of Uber users in Ipoh could be due to sampling bias. It would be interesting to see if there is resistance to embracing new technologies among the older generation in Ipoh. Observations suggest that the older generation in the city are open to engage in services such as Uber as their children in the cities are busier and more inclined to encourage their parents to use such services to make life easier for both parents and their children. This study was not able to provide conclusive evidence on this factor.

This finding clearly shows that Uber service customers come from the lower income group. This is not surprising for two reasons, such as wealthier respondents probably have their own transport and those with an income of below RM1,000 make up half the sample. This clearly shows that Uber services appeal to lower income groups in Ipoh. Uber pricing and offers are pulling factors for the lower income group.

Not surprisingly, 81 percent (170) of respondents did not have their own transport. Majority of the respondents (74 percent) indicated that they use Uber between 4 to 15 times a month. They mainly used Uber for going to and from their office or campus (84 percent). It was less frequently used for shopping (10 percent) and social functions (2.5 percent). Majority of the respondents indicated that Uber has enabled them to save travelling time (57.5%), save travelling expenses (65 or 32.5 percent) and allowed them to be more independent (10 percent)

Analysis of Independent Variables

Almost all of the service quality indicators were rated highly with the exception of overall assurance and promptness. In spite of all the means for each of the assurance measures being rated above 4, the average user felt only slightly safe and

comfortable with Uber services. The most favourably rated service quality was tangibility, followed by empathy, reliability, responsiveness and the least were assurance.

Table 2: Mean and Standard Deviations of Service Quality Indicators

Construct	Mean	Std Deviation
Tangibility		
Cars used are relatively new	4.62	0.712
Uber upgrades its application regularly to improve service	4.41	0.621
First time impression was excellent	4.27	0.64
Overall perception of tangibility of Uber	4.48	0.49
Assurance		
Feel safe with transaction with Uber	4.2	0.481
Feel comfortable during the ride	4.11	0.417
Uber drivers are continuously courteous	4.08	0.522
Overall perception about assurance of Uber	3.45	0.489
Reliability		
Efficient in arriving at destination	4.19	0.12
Trustworthiness of billing system	4.27	0.22
Provision of timely service	4.2	0.21
Overall perception of reliability of Uber	4.12	0.14
Empathy		
Destination display system is useful	4.02	0.65
Uber understands your needs	4.13	0.57
Uber cares about its customers	4.01	0.68
Overall perception of empathy of Uber	4.19	0.54
Responsiveness		
Uber charges are reasonable and affordable	4.24	0.71
Uber delivers its service promptly	3.98	0.9
Service base provided by Uber to give complaints is effective	4.06	0.69
Overall perception of responsiveness of Uber	4.09	0.54

Analysis of the Correlation between Variables

In this study, the linear relationship between the independent variables, such as reliability, assurance, tangibility, empathy, responsiveness and the dependent variable, which refers to service quality levels, was established using the Pearson's

Correlation Coefficient. The results showed the lowest correlation to be 0.713 and the highest correlation to be 0.902.

Overall, there were significant positive correlations between reliability, assurance, tangibility, empathy, responsiveness and service quality levels of e-hailing transport.

Table 3: Pearson Correlation of Service Quality Indicators

Construct	Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality Level
Reliability	1					
Assurance	0.825*	1				
Tangibility	0.812*	0.883*	1			
Empathy	0.713*	0.891*	0.789*	1		
Responsiveness	0.902*	0.823*	0.792*	0.796*	1	
Service Quality Level	0.791*	0.762*	0.731*	0.742*	0.814*	1

*Correlation is significant at $p < 0.01$

Regression analysis

The regression model showed R square value of 0.835, which indicates that 83.5 percent of the service quality could be explained by the five independent variables, namely reliability, assurance, tangibility, empathy and responsiveness. The hypotheses put forward were accepted since the model in this study was statistically significant at $p=0.000$.

Findings of the Hypothesis Test

Reliability has a significant direct effect on consumers' perception of service quality ($\beta = 0.873$, p value 0.000). The hypothesis that there is a significant positive relationship between reliability and consumers' perception of service quality is accepted at a 99 percent confidence level.

Assurance has a significant direct effect on consumers' perception of service quality ($\beta = 0.841$, p value 0.000). The hypothesis that there is a significant positive relationship between assurance and consumers' perception of service quality is accepted at a 99 percent confidence level.

Tangibility has a significant direct effect on consumers' perception of service quality ($\beta = 0.807$, p value 0.000). The hypothesis that there is a significant positive relationship between tangibility and consumers' perception of service quality is accepted at a 9 percent confidence level.

Empathy has a significant direct effect on consumers' perception of service quality ($\beta = 0.819$, p value 0.000). The hypothesis that there is a significant positive relationship

between empathy and consumers' perception of service quality is accepted at a 99 percent confidence level.

Responsiveness has a significant direct effect on consumers' perception of service quality ($\beta = 0.898$, p value 0.000). The hypothesis that there is a significant positive relationship between responsiveness and consumers' perception of service quality is accepted at a 99 percent confidence level.

Table 2: Regression Analysis of Service Quality Indicators

Construct	Unstandardized Coefficient		Standardized Coefficient		Sig. (p value)
	B	Std. Error	Beta	t	
Mode (Constant)	1.426	Error	.102	10.732	P<0.000
Reliability	0.873	0.031	0.791	19.412	0.000
Assurance	0.841	0.032	0.762	18.332	0.000
Tangibility	0.807	0.036	0.731	21.216	0.000
Empathy	0.819	0.037	0.742	17.324	0.000
Responsiveness	0.898	0.039	0.814	19.452	0.000

$R = 0.912$, $Adjusted\ R\ Square = 0.835$, $R^2 = 0.835$

5 DISCUSSION

In light of the general constraints, locations like Ipoh in Malaysia where people utilize Uber Car services, there are still issues in setting to the auxiliary data concerning Uber car. The data collected and analysed were confined to Uber users in Ipoh, Malaysia. It was not an attempt by this study to compare service quality with other e-hailing services, like Grab. There was no attempt either to compare e-hailing service quality with the conventional taxicab or other modes of public transportation, such as buses or trains.

E-hailing services were legalized in Malaysia after facing some stiff resistance, especially from traditional taxi drivers, and the struggle is still ongoing until today. Malaysia's parliament on July 27, 2017 passed two bills that had legalized e-hailing services, giving an added impetus to e-hailing firms, such as Grab and Uber Technologies Inc., to expand their services in the region.

The amendments to Malaysia's Land Public Transport Act and Commercial Vehicles Licensing Board (CVLB) Act allows ride hailing services to operate on an 'Intermediation Business License', a new category specific for this service. According to the CVLB bill made available on the Malaysian parliament website, the new license will regulate 'the business of facilitating arrangements, bookings or transactions of an e-hailing vehicle whether for any valuable consideration or money's worth or otherwise',. (Sipalan & Thomas, 2017). This bodes well for the industry

Consistency in the territory of innovative work by government and furthermore Uber Car ought to be constantly present. The

Malaysian Government must open up and regulate the modernized transportation platform in order to enhance the transportation business, which in the long run, will have a positive impact on the transportation infrastructure in Malaysia. This study prescribes further investigation for comparing the different e-hailing platforms, for example, Uber Car, Grab Car and conventional taxicabs as well as how they can enhance consumer service. Perhaps a wider sample would be able to capture the nuances of age and gender effects on adoption of e-hailing services.

6 CONCLUSION

Overall, there appears to be no evidence that Uber's service quality is lower in a small city like Ipoh in contradiction to anecdotal accounts. Although reliability and responsiveness were the most significant factors when determining overall perceived service quality, they were not the most highly ranked among the five service quality indicators. However, for the service to be sustainable, these companies should continuously improve their business model to cater for the differing needs of different markets, particularly in smaller cities like Ipoh.

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