CHAPTER 1

BACKGROUND AND DEFINITION OF THE STUDY

1.1 INTRODUCTION

Size does count. This is how many small businesses feel if they are tenants in shopping centres. They come up against landlords that favour bigger, well-known retailers, mainly for economic reasons (Damien, Curto & Pinto, 2011:457; Ibrahim & Galven, 2007:240; Levy & Weitz, 2009:200). As a result, the perception is that the service quality that small business tenants receive from their landlords leaves a lot to be desired.

Although landlords of shopping centres realise the importance of accommodating small independent businesses in their centres, it is still argued today that, they are at a competitive disadvantage regarding several issues. In the early 1970s Kinnard and Messner (1972:21) reported that since at least 1960, there has been documentary evidence in support of the claim that small retailers in shopping centres are discriminated against when it comes to prime retail locations in shopping centres. This is still the case today and, several other areas of poor service delivery by landlords, especially where small business owners feel that they are being victimised and bullied, are mentioned in the literature (Barrios, 2007; Carswell, 2008; Cockram, 2002:43; Nieman, 2000:12; Roberts *et al.*, 2010:599).

The services sector in the world economy is growing and becomes increasingly important and, the world is in effect becoming characterised by services (Akehurst, 2008:1; Bitner & Brown, 2008:39; Chase & Apte, 2007:375; Godlevskaja, Van Iwaarden & Van der Wiele, 2011:62; Hollensen, 2010:393; Johnstone, Dainty & Wilkinson, 2009:521; Kasper, Van Helsdingen & Gabbott, 2006:7; Ostrom, Bitner, Brown, Burkhard, Goul, Smith, Daniels, Demirkan & Rabinovich, 2010:4; Wilson, Zeithaml, Bitner & Gremler, 2008:8). It is widely recognised that the success and vitality of the services sector are the essential factors in

measuring an economy's progress, its quality and its future (Lee, Ribeiro, Olson & Roig, 2007:2). Lovelock (in Kueh & Voon, 2007:656) argues that, as countries become more developed and income levels rise, the observable trend, called the "hollowing out effect", is that the emphasis of economic activity shifts from the agricultural and manufacturing sectors to services. The most advanced economies in the world are dominated by services, with many having more than 70 percent of their gross domestic product (GDP) generated by services (Carrilat, Jaramillo & Mulki, 2009:95; Kotler & Armstrong, 2010:268; Ostrom *et al.*, 2010:4; Talib & Rahman, 2010:364; Wilson *et al.*, 2008:8; Young, 2008:3).

In South Africa, as a developing country, the services sector also makes up the majority of the GDP and of the labour force (Table 1.1).

Table1.1:   The service sector in South Africa

GDP (2010 estimate)			LABOUR FORCE (2007 estimate)		
Service	Industry	Agriculture	Service	Industry	Agriculture
65,8 %	31,2 %	3 %	65 %	26 %	9 %

Source: Central Intelligence Agency, (2010).

In order for entering and surviving highly competitive domestic and global service markets in the 21st century, it is therefore essential to respond to customer demands for improved service quality (Bitner & Brown, 2008:40; Carrilat *et al.*, 2009:105; Milakovich, 2006:ix; Prajogo & McDermott, 2011:466; Tontini & Picolo, 2010:581). Improving service quality is therefore considered an essential strategy for success and survival in today's competitive economic environment. It is evident from the literature that the provision of high service quality enables a company to be competitive and contributes to their productivity and profitability. It increases cash flows and shareholder value, gives businesses a better chance of success, enhances customer satisfaction, increases the willingness of customers to positively talk about the service provider, decreases customer defection and enhances customer loyalty (Bateson & Hoffman, 2011:326; Baumann, Burton, Elliot & Kehr, 2007; Chen, Tsou & Huang, 2009:49; Ehigie, 2006; Kassim & Souiden, 2007; Kelkar, 2010:421; Kersten & Koch, 2010:196; Lee *et al.*, 2007:2; Madhavaram & Hunt,

2008: 67; Talib & Rahman, 2010:363; Von Freymann & Cuffe, 2010:406, Wiles, 2007:27; Yoo & Park, 2007:920).

The benefits of high service quality also goes beyond economic indicators and have a positive social outcome as well, in that these benefits improve communities' quality of life (Dagger & Sweeney, 2006:12; Lee *et al.*, 2007:2; Young, 2008:4). This continued growth in the service sector also makes it the only sector where new employment was created over the past two decades on a worldwide scale (Evans & Lindsay, 2008:58; Lee *et al.*, 2007:2; Olorunniwo, Hsu & Udo, 2006:59).

Like many businesses, landlords as property managers are also being subjected to increased competitive pressures of the changing business and economic environment. There are, for instance, numerous reports that the shopping centre traffic and sales have been declining in the United States of America (USA) and limited resources are being spent on new shopping centre development. Since the mid-1990s, at least 300 older shopping centres in the USA, each with one or two anchor stores, have shut down (Levy & Weitz, 2009:202). Only five new shopping centres opened per year between 2000 and 2005 and, since 2006, no new enclosed regional mall has opened in the USA (Bodamer, 2011). Although the worldwide economic recession did not affect South Africa equally hard, this scenario in the USA should be reason for concern for South African landlords of shopping centres. Landlords should realise that all their tenants should be treated as valued customers and that it is very important that their needs should be met (Pinder, Price, Wilkinson & Demack, 2003:218). The issue of service quality is therefore of particular interest to them.

The purpose of this study is to determine what the perceived service quality is that small business tenants receive from landlords in shopping centres.

This chapter provides the background and literature review of the study. The problem statement, objectives, methodology and design of the study as well as the outline of Chapters 2 to 7 is set out in this chapter. This is done as a guide to the flow of this study.

1.2   BACKGROUND AND IMPORTANCE OF THE STUDY

This study focuses on the measuring of the perceived service quality that small business tenants receive from landlords in shopping centres. Service quality has been the topic of many research studies during the last three decades. Of particular interest is the issue of service quality measurement. This aspect (service quality measurement), is of particular interest for this study because the purpose of the study is to measure the service quality that small business tenants in shopping centres receive from their landlords. Review of the literature indicates that there are several models available to measure service quality. It is imperative that the correct model is used to measure the service quality that small business tenants receive from their landlords.

By far the most popular and most often used model is the SERVQUAL model as proposed by Parasuraman, Zeithaml and Berry (1988). SERVQUAL was proposed by Parasuraman *et al.* (1988) as a multiple item scale for measuring customer perceptions of service quality. During 1985 they identified ten components of service quality, namely, reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer and tangibles. After further research by them, the original ten dimensions were reduced to five, these consisting of three original dimensions and two combined dimensions. These five dimensions were tangibles, reliability, responsiveness, assurance and empathy. The measurement scale developed included a 22-item scale termed SERVQUAL that evaluated service quality on the five service quality dimensions by, comparing customer's expectations and perceptions.

Since its inception, SERVQUAL has been used to measure perceived service quality of customers in a variety of service industries. Although several of these researchers have modified the SERVQUAL dimensions to fit their research purposes and the specific service industry they have conducted the study in, numerous recent empirical studies have applied this instrument/modification of it successfully in a variety of industries. These include studies in healthcare services (Arasli, Ekiz & Katirciogly, 2008; Chaniotakis & Lymperopoulos, 2009; Dagger, Sweeney & Johnson, 2007; Etgar & Fuchs, 2009; Lin, Sheu, Pai, Bair, Hung, Yeh & Chou, 2009; Ramsaran-Fowdar, 2008; Rashid & Jusoff, 2009; Rohini & Mahadevappa, 2006; Vinagre & Neves, 2008; Wicks & Chin, 2008), non profit organisations (Haley & Grant, 2011), mobile communication services (Kung, Yan & Lai, 2009; Lai, Hutchinson, Li & Bai, 2007; Negi, 2009; Rahman, 2006), the fast food

industry (Bougoure & Neu, 2010), the public service sector (Agus, Barker & Kandampully, 2007), the banking sector (Kumar, Kee & Charles, 2010; Kumar, Kee & Manshor, 2009; Nadiri, Kandampully & Hussain, 2009; Petridou, Spathis, Glaveli & Liassides, 2007), the restaurant industry (Kueh & Voon, 2007), the hotel industry (Ramsaran-Fodar, 2007), the computer software industry (Dos Santos, De Oliveira & Da Silva, 2009), the information technology industry (Roses, Hoppen & Henrique, 2009), higher education (Chatterjee, Ghosh & Bandyopadhyay, 2009), professional sports (Robinson & Barlas, 2009; Theodorakis, Alexandris & Ko, 2011), the automobile service sector (Saravanan & Rao, 2007), call centres (Ramseook-Munhurrun, Naidoo & Lukea-Bhiwajee, 2009), the tourism industry (Kvist & Klefsjö, 2006), the insurance industry (Tsoukatos & Rand, 2006) and the airline industry (Chau & Kao, 2009).

Since its inception, SERVQUAL was however, not without its fair share of criticism. A major criticism is the problem of measuring expectations (Carman, 1990; Cronin & Taylor, 1992; Gilmore & McMullan, 2009:645; McDougal & Levesque, 1994). Some researchers (Juga, Juntunen & Grant, 2010; Ladhari, 2009a; McDougal & Levesque, 1994) for instance, think that measuring expectations is unnecessary and that measuring perceptions of outcomes should suffice. Grönroos (in Wilson *et al.*, 2008:133) suggests three problems when measuring comparisons between expectations and experiences over a number of attributes. These problems are:

- If expectations are measured after the service experience has taken place, which frequently happens for practical reasons, then what is measured is not really expectation but something that has been influenced by the service experience.

- It may not make sense to measure expectations prior to the service experience either, because the expectations that existed before a service is delivered may not be the same as the factors that a person experiences when evaluating their experiences.

- A customer's view of their experience in a service encounter is influenced by their prior expectations. Consequently, if expectations are measured and then experiences are measured, then the measures are not independent of each other and, the expectations are actually being measured twice.

The pairs of statements in the SERVQUAL questionnaire, designed to capture responses on both expectations and perceptions, make the questionnaire relatively complicated. There is subjective evidence in a study by Wisniewski (2001:386), where he uses SERVQUAL to assess customer satisfaction with public sector services, and some customers were discouraged from completing the questionnaire because of its apparent length and complexity.

Ladhari (2009a) found the five dimensions of SERVQUAL to be useful and applicable to the Canadian banking industry, but decided that measuring clients' expectations of service quality is not useful and therefore only measured the perceptions of service quality in his study. Likewise, Theodorakis, Kambitis, Laios and Koustelios (2001) developed the SPORTSERV scale (a modified SERVQUAL scale) to assess only the perceptions of service quality amongst sport spectators but not their expectations. Etgar and Fuchs (2009) also only measure service quality perceptions in their study in the healthcare services. Other recent studies where only perceptions of service quality were measured, is that of Andaleeb and Conway (2006), Jain and Gupta (2004), Olorunniwo *et al.* (2006) and Qin, Prybutok and Zhao (2010).

Another general critique is that the dimensions used in the SERVQUAL instrument are not appropriate for all service offerings and need to be contextualised to reflect different service activities (Babakus & Boller, 1992; Carman, 1990). In recent research studies, Kumar *et al.* (2010) and Lai *et al.* (2007) added one dimension (convenience) to the original five dimensions. Kumar *et al.* (2009) only kept two original dimensions (tangibility and reliability) and added competence and convenience in their study of service quality in banks. Saravanan and Rao (2007) made use of six dimensions of which only one (tangibles) was retained. Ramsaran-Fodar (2007) and Negi (2009) found the five original dimensions useful but, added another two to their studies. From SERVQUAL's inception however, Parasuraman *et al.* (1988:31) have indicated that it may be necessary to add or delete dimensions from the SERVQUAL scale to suit particular service industries. They do however believe that the original dimensions provide a valuable starting point for the development of an appropriate tool.

One of the better known alternatives to SERVQUAL is the SERVPERF instrument, (Cronin and Taylor, 1992) that measures experiences only and does not ask respondents about expectations. As a result, SERVPERF uses only the perceptions part of the SERVQUAL scale. They argue that service quality is better predicted by perceptions of actual service received only, and not as the difference between perceptions and expectations as suggested by Parasuraman *et al.* (1988). Experiences are measured over a range of attributes that were developed to describe the service as conclusively as possible. Although Cronin and Taylor (1992) do not disagree with the definitions of service quality that is regarded as the difference between expectations and the perceptions of customers, they do differ in the way the perceptions of such services are measured. They maintain that performance, instead of "performance-expectation" determines service quality and further, they reason that customer expectations are built into the performance and thus it is not necessary to measure it separately (Kelkar, 2010:424).

Carrillat *et al.* (2007:473) state that both SERVQUAL and SERVPERF received an equal amount of citations during the last several years. Nevertheless, although SERVPERF gained popularity, it has not reduced SERVQUAL's usage among researchers. In their study Carrillat *et al.* (2007:485) found that both SERVQUAL and SERVPERF scales are adequate and equally valid predictors of overall service quality, although they do admit that the SERVQUAL scale would have greater interest for practitioners. Andronikidis and Bellou (2010:579) found that SERVPERF is both theoretically and empirically superior to SERVQUAL. Jain and Gupta (2004) concur with this finding. In their study in the fast food restaurant industry in India, they found that SERVPERF is capable of providing a more convergent and discriminant valid explanation of the service quality construct. They also found that it is the most economical measure of service quality and, is capable of explaining a greater proportion of variance present in the overall service quality measured through a single scale (Jain & Gupta, 2004:34). They also agree with Carrillat *et al.* (2007:485) that SERVQUAL possesses superior diagnostic power to pinpoint areas for managerial intervention. Pérez, Abad, Carrillo and Fernández (2007) have adapted the SERVPERF scale to the context of public transport and, demonstrated that their dimensions of SERVPERF (four original dimensions and one new one) were suitable for their study. Several other researchers have also preferred the SERVPERF scale in a variety of studies, namely Andaleeb and Conway (2006) in the restaurant industry,

Olorunniwo *et al.* (2006) in the service factory and Qin *et al.* (2010) in the fast food restaurant industry. On the other hand, critics of this model state that SERVPERF is much more industry-specific, thus posing limitations on its application in a wide variety of service industries (Bahnan, Coleman & Kelkar, 2007; Cunningham, Young & Lee, 2004). Although SERVPERF has not reached the same level of popularity that exists for SERVQUAL, it has been proven to be a reliable instrument for the measuring of perceptions of service quality. It is especially appealing for this research study because it is easier to administer, easier to analyse the data and is more economical.

Another model that is important to mention and is applicable for this research study is the FAIRSERV model of Carr (2007). Carr (2007:108) feels that an important deficiency of SERVQUAL and SERVPERF is that it does not include equity theory as the basis for any of its scales, even if it is clear from previous experience that equity (fairness) is often evaluated in service encounters. According to Carr (2007:108), service customers are concerned with getting what they deserve in relation to other customers of the same service. Customers will therefore not only evaluate the quality of the service encounter, but also the equity thereof. FAIRSERV posits that an important set of service evaluations results from a comparison of services against norms of fairness and the treatment of similar customers (Carr, 2007:108). Service customers also want the procedures used, the distribution of service resources to be unbiased and consistently applied and, not unduly favouring any one person or group.

FAIRSERV is proposed by Carr (2007) as an addition to the SERVQUAL/SERVPERF conceptualisation of customer reactions to services. Carr's (2007) model posits that one essential perspective governing customer reactions to services is an evaluation of the fairness of the service outcomes, procedures and interactions. According to Carr (2007:110), customers therefore do not only evaluate services against the five SERVQUAL/SERVPERF dimensions (tangibles, reliability, responsiveness, assurance and empathy), but also through comparisons with multidimensional norms of fairness (distributive, procedural, interpersonal, informational and systemic fairness). Customers will base their comparisons in context to their knowledge of how others were actually treated by the service providers and through counterfactual reasoning based upon a mental simulation of how similarly others probably would, could and should be treated by

their service providers. Although a customer may feel that the service was of high quality, he/she may feel cheated if the service is compared with what another customer may have received. This will affect satisfaction with the service received (Carr, 2007:110).

FAIRSERV, as a whole, may not be suitable for this study, due to its focus on satisfaction and repatronage intensions. It would most probably be important to pay attention to the fairness dimensions because, small business tenants in shopping centres often experience perceived unfairness when it comes to the treatment and services provided by the landlords to them as compared to those received by bigger anchor tenants.

1.3   LITERATURE REVIEW

As this *ex post facto* study probes the service quality that small business tenants receive from landlords in shopping centres, the focus of the literature review is on the service quality that landlords in shopping centres render to their small business tenants. This necessitates an understanding of services and quality in general, the service quality, the different models of measuring service quality and the relationship between landlords and small business tenants in shopping centres.

The literature review on these focus areas will assist the researcher to gain a better insight into the research problem. It will evaluate various models for the measuring of service quality. It will entail a review of existing published research for South Africa and the rest of the developed and the developing world. The information acquired will also assist in compiling the research questionnaire.

To proceed, the literature review assists in determining the understanding of the concepts "services and quality", "service quality" and "small business tenants in shopping centres". Although these constructs are discussed in detail in the body of the thesis (Chapters 2 - 4), it is important from the onset to understand a brief understanding of these concepts in context and in relationship with each other. It is firstly necessary to distinguish between the concepts of service quality and customer satisfaction. Traditionally, service quality and customer satisfaction were viewed as equivalent constructs but, today there is some

degree of consensus among scholars that they are indeed distinct (Al-Hawari & Ward, 2006:131; Anandanatarajan, Sritharan & Kumar, 2006:87; Bateson & Hoffman, 2011:325; Berry, Parasaburaman & Zeithaml, 1988; Fisk, Grove & John, 2008; Homburg, Koschate & Hoyer, 2006; Kasper *et al.*, 2006:182; Parasuraman, Zeithaml & Berry, 1994).

Perceived service quality is defined by Parasuraman *et al.* (1988:16) as a global judgement, or attitude, relating to the superiority of the service and, by Zeithaml (1988:3) as the customer's assessment of the overall excellence or superiority of the service. Customer satisfaction is defined as the comparison between customer expectations and perceptions regarding the actual service encounter (Bateson & Hoffman, 2011:295; Kasper *et al.*, 2006:105). Both of the definitions are based on the so-called "disconfirmation approach". It has however, been suggested that customer satisfaction is a far broader concept than service quality and, there is empirical evidence that perceived service quality leads to satisfaction (Al-Hawari & Ward, 2006:140; Cristobal, Flavián & Guinalíu, 2007:332; Dabholkar & Overby, 2005:23; Dagger & Sweeney, 2006:6; Fisk *et al.*, 2008:155).

The concept of a service has changed considerably during the last thirty years. The most recent belief is that there is an important interdependence between goods and services where, some services may require physical goods to support and facilitate the delivery system and, some physical goods may have intangible aspects. There is a lively debate in the literature about the differences between goods and services, but several scholars like Akehurst (2008), Araujo and Spring (2006), Vargo and Lusch (2004b) and Ward and Graves (2007) are of the opinion that the differences between goods and services became increasingly blurred. They regard it as out of date, unproductive, distracting and irrelevant. In the early seventies Levitt (1972) insisted that there are no such things as service industries, only industries whose service components are greater or less than those other industries. Today, Vargo and Lusch (2004a:5) emphasise the importance of service businesses by, maintaining that services becomes the unifying purpose of any business relationship – a service-dominant, rather than a goods-dominant environment.

Grönroos (1984) was amongst the first scholars that called for conceptual models of service quality in order to understand the concept of service quality better. Several

industry-specific scales and models of service quality have been published in the literature during the past 15 years. These models are discussed in more detail in Chapter 3.

Small businesses are very important for a country's economy. They play an important role in the economic and social development of countries (Craig, Jackson & Thomson, 2007:117; Crosby *et al.*, 2006:164; Nieman & Niewenhuizen, 2009:12; Wickham, 2006:39). The correct location for small businesses can contribute to their success and, many consider shopping centres as a good location for their businesses. The landlords however, have a huge impact on small business tenants' success in shopping centres. A shopping centre can be defined as "a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property, with on-site parking provided" (Berman & Evans, 2010:280; Goedken, 2006:80; Levy & Weitz, 2009:199; Pitt & Musa, 2009:40). The types of shopping centres from a South African perspective are small free standing and convenience centres, neighbourhood centres, community centres, small regional shopping centres, regional centres, super regional centres, lifestyle centres and strip centres.

These centres are built by developers and are sold to the institutional investment community. The main focus is therefore, for investors to maximise profit by leasing out space in these shopping centres. It is, however, also the responsibility of the owners (landlords) to ensure the success of shopping centres by managing the facilities and tenant mix. The most important factor to ensure the success of shopping centres, is the managing of the tenant mix. Tenant mix refers to "having a variety of stores that work well together to enhance the performance of the entire centre, as well as performing successfully as individual businesses" (Greenspan, 1987:29). The tenants in shopping centres can be categorised into traffic attractors (anchor tenants) and traffic users (smaller independent tenants) (Konishi & Sandfort, 2003:413; Levy & Weitz, 2009:200; Mirel, 2008:29; Pitt & Musa, 2009:44). Landlords are well aware of the fact that the realisation of a maximum return on their investment requires the presence of a major anchor tenant. For this reason, landlords often favour these stores and, small business tenants have to pay a much higher leasing fee than these anchors. For the success of the shopping centre and the individual tenants, it is important that there is a good relationship between the landlord and the tenants.

1.4 THE RESEARCH PROBLEM

From the background of the study, it is clear that small business tenants in shopping centres experience difficulties regarding several issues relating to the service quality they receive from their landlords. The literature study deals with these difficulties and service quality in general. The research problem deals with the measurement of service quality in the landlord-small business tenant relationship in shopping centres and, the decision whether the five service quality dimensions of SERVPERF and the one dimension of FAIRSERV as service quality measurement instruments can be used to do this. While the research problem is discussed in more detail in Chapter 5, the study sought to address the following research questions:

- Are small business tenants in shopping centres generally satisfied with the quality of service they receive from landlords?

- Are the combined SERVPERF and FAIRSERV service quality models, in its original form, suitable for measuring the perceived service quality that small business tenants in shopping centres receive from their landlords?

- Are there any significant differences regarding the perception of service quality provided by landlords to small business tenants depending on their position in the business?

- Are there any significant differences regarding the perception of service quality received between small business tenants who have been a tenant in the centre for a short time and those who have been a tenant for long?

- Are there any significant differences regarding the perceived service quality received between small business tenants who have been a tenant in other shopping centres before and those who have never been a tenant in other shopping centres before?

- Are there any significant differences regarding the perceived service quality received between small business tenants who had no or little business experience prior to leasing in the shopping centre and those who had business experience?

- Are there any significant differences regarding the perception of service quality received by small business tenants, between landlords of different types of shopping centres in Pretoria?

1.5 PURPOSE OF THE STUDY

The purpose of this study is to investigate whether small businesses in shopping centres are satisfied with the service quality they receive from landlords and, to determine whether the combined SERVPERF and FAIRSERV model of service quality, in its original form, will be suitable to measure the service quality in a landlord-small business relationship in shopping centres.

1.6 RESEARCH OBJECTIVES

The primary and secondary objectives are presented here to illustrate and guide the direction of the research.

1.6.1 Primary objective

The primary objective of the study is to measure the perceived service quality that small business tenants in shopping centres receive from landlords.

1.6.2 Secondary objectives

The secondary objectives of the study are to:

- Determine whether the combined SERVPERF and FAIRSERV model of service quality, in its original form, will be suitable to measure the perceived service quality that small business tenants in shopping centres receive from landlords.

- Determine whether there are any significant differences regarding the perceived service quality provided by landlords to small business tenants depending on their position in the business.

- Determine whether there are any significant differences regarding the perception of service quality received between small business tenants who have been in the centre for a short time and those who have been in the centre for long.

- Determine whether there are any significant differences regarding the perceived service quality received between small business tenants who have been a tenant in other shopping centres before and those who have never been a tenant in other shopping centres before.

- Determine whether there are any significant differences regarding the perceived service quality received between small business tenants who had no or little business experience prior to leasing in the shopping centre and those who had business experience.

- Determine whether there are any significant differences regarding the perception of service quality received by small business tenants, between landlords of different types of shopping centres in Pretoria.

1.7   HYPOTHESES

From the research objectives, the following hypotheses were formulated:

- **H1o (Null hypothesis):** Small business tenants in shopping centres are in general not satisfied with the service quality that they receive from landlords.

- **H1a (Alternative hypothesis):** Small business tenants in shopping centres are in general satisfied with the service quality that they receive from landlords.

- **H2o:**   The combined SERVPERF and FAIRSERV models of service quality, in its original form, will not be suitable to measure the perceived service quality that small business tenants in shopping centres receive from their landlords.

- **H2a:**   The combined SERVPERF and FAIRSERV models of service quality, in its original form, will be reliable to measure the perceived service quality that small business tenants in shopping centres receive from their landlords.

- **H3o:**   There are significant differences regarding the perceived service quality that small business tenants have of the landlords' service to them, irrespective of what the position of the respondent in the business is.

- **H3a:** There are no significant differences regarding the perceived service quality that small business tenants have of the landlords' service to them, irrespective of what the position of the respondent in the business is.

- **H4o:** There are no significant differences regarding the perception of service quality received between small business tenants who have been a tenant in the centre for a short time and those who have been a tenant for long.

- **H4a:** There are significant differences regarding the perception of service quality received between small business tenants who have been a tenant in the centre for a short time and those who have been in the centre for long.

- **H5o:** There are no significant differences regarding the perceived service quality received between small business tenants who have been a tenant in other shopping centres before and those who have never been a tenant in other shopping centres before.

- **H5a:** There are significant differences regarding the perceived service quality received between small business tenants who have been a tenant in other shopping centres before and those who have never been a tenant in other shopping centres before.

- **H6o:** There are no significant differences regarding the perceived service quality received between small business tenants who had no or little business experience prior to leasing in the shopping centre and those who had business experience.

- **H6a:** There are significant differences regarding the perceived service quality received between small business tenants who had no or little business experience prior to leasing in the shopping centre and those who had business experience.

- **H7o:** There are no significant differences, regarding the perception of service quality of small business tenants between landlords of different types of shopping centres in Pretoria.

- **H7a:** There are significant differences regarding the perception of service quality of small business tenants between landlords of different types of shopping centres in Pretoria.

1.8 RESARCH METHODOLOGY

The study consists of a literature review and an empirical study. The literature review aims to review the background of service quality, the available measuring models of service quality and the relationship between small business tenants in shopping centres and their landlords. It will provide an insight and understanding into the research problem as well as the necessary background to guide the empirical part of the study.

The empirical part of the study will focus on the measuring of service quality that small business tenants in shopping centres receive from their landlords. This research study is designed as a formal study. The objective of a formal research design is to test the hypotheses or answer the research questions posed (Cooper & Schindler, 2006:140).

1.8.1 Sample selection and size

For the selection of the target group out of the population, it is important to describe the deciding elements that determined the profile of the selected target group. The determining factors that were taken into consideration when the sample was selected are known as the sampling frame and include the following:
- owner of the small business;
- manager of the small business;
- both owner and manager of the small business; and
- the full time employee that directly deals with the landlord or centre manager.

The sample of the study consists of 457 small business tenants. The sample includes respondents from 27 different shopping centres throughout Pretoria, South Africa. Of these 457 respondents, 109 are the owner of the small business, 270 are the manager, 50 are both owner and manager and 28 are full time employees of the small business.

1.8.2 Design of the study

As already mentioned, this study will be based on a formal research study. The empirical study will consist of quantitative research in which a questionnaire (Appendix B) will be used to obtain information from respondents. The questionnaire will be given to small business tenants in shopping centres in Pretoria, South Africa.

1.9 IMPORTANCE AND BENEFITS OF THE STUDY

From a theoretical perspective, the study makes the following valuable contribution to the existing body of knowledge on service quality and, in particular, the measuring of service quality in a landlord-small business tenant relationship in shopping centres. Numerous researchers investigated the viability and reliability of several service quality models as a service quality measure in a number of different service industries, but none has focused on the specific area of the landlord-small business tenant relationship in shopping centres. This study addresses this issue. It is suggested by many researchers that studies should be done to further examine the transferability of these available models to other service industries (Gaur & Agrawal, 2006; Kang, James & Alexandris, 2002; Ramsaran-Fowdar, 2007). This study also makes a valuable contribution to the existing body of knowledge on small businesses in general and in particular the relationship between the landlord and the small business tenant in shopping centres.

From a practical perspective, the study makes the following valuable contributions: Firstly, the study provides landlords/shopping centre managers with a model that is reliable as a tool to measure perceived service quality specifically between landlords and small tenants in shopping centres. These findings can be used by landlords to address possible shortcomings in their quality service offered to small business tenants. The findings of this study can also be provided to landlords to make them aware of the special needs that small businesses in shopping centres have. This is important as, it was indicated in the background section, landlords as property managers, are being subjected more and more to increased competitive pressures in the economy. Lastly, tenants can use the findings of the study to evaluate the shopping centre, prior to entering in the lease agreement.

1.10   STRUCTURE OF THE STUDY

The study was done in such a way that it follows a logical progression to build up to the specific research problem and objectives. The research starts with a thorough and broad literature review based on service quality, and small business tenants in shopping centres in general. The rest of the literature review is broken down into specific topics such as: services and an introduction to quality, service quality and lastly, a discussion on small business tenants in shopping centres. The research methodology and findings will then be discussed and finally, the conclusion and recommendations will conclude the study.

Chapter 1:   Introduction and background of the study

This chapter introduces and gives the background of the study. The importance and purpose of the study are discussed and the research problem is defined. The objectives and hypotheses are clearly stated to guide the flow of the research. In this chapter, the research design and a description of the benefits that this study will be presented to the reader, landlords and small business tenants in shopping centres will be given.

Chapter 2:   Services and an introduction to quality

Chapter 2 explores the literature on services and quality. The difference between service quality and customer satisfaction is first discussed in order for the research to be based on the correct measurement construct. The differences between goods and services are analysed with special reference to the characteristics of services, the possible influence of these characteristics on the measurement of service quality and the criticism in the literature on each of these characteristics. An attempt is also made to get a better understanding of the concept of quality. This is done from the viewpoint of the various approaches used by various researchers. The chapter concludes with deciding on a suitable quality approach for this study.

Chapter 3:   Service quality

The main focus of this chapter is on the several service quality measurement models suggested by several researchers. The concept of perceived quality is first discussed after which the concept of service quality is defined. The chapter is concluded by deciding on an appropriate service quality measurement tool for the measuring of service quality that small business tenants in shopping centres receive from their landlords.

Chapter 4:   Small business tenants in shopping centres

Chapter 4 focuses on small business tenants in shopping centres. The first section focuses on shopping centres as a retail location option for small businesses. After that, the various types of shopping centres from a South African perspective are discussed. Shopping centres as investments, shopping centre management, the importance of tenant mix and, the landlord-tenant relationship is also explored further in this chapter. The definition of a small business is given and the chapter concludes with emphasising the difficulties that small business tenants are faced with when dealing with landlords, especially in comparison to big anchor tenants.

Chapter 5:   Research design and methodology of the study

The research problem, objectives and hypotheses, as well as means of testing the hypotheses are presented in this chapter. The chapter discusses the research design and methodology in more detail, outlining the specific methods used to gather the empirical information. The reliability and validity of the study are also looked at in this chapter, as well as the design of the questionnaire to collect data. Lastly, the data processing and analyses are explained by means of the statistical techniques of factor analysis, Cronbach alpha coefficient, One Way Analysis of Variance (ANOVA) and Post-Hoc tests using least square means t-tests.

Chapter 6:   Research findings

This chapter highlights the business demographical data, the personal demographical data of the respondents as well as other descriptive statistics. The chapter then presents all the research findings obtained by means of descriptive research, reliability tests, factor analysis, ANOVA and Post hoc tests using least square means t-tests. The results of this empirical study are provided in tabular format and by means of figures and tables.

Chapter 7:   Discussions, conclusions and recommendations

Chapter 7 summarises the study and its findings. The research objectives, research questions and hypotheses are revisited and the limitations of the study, contributions to the science and areas for further research are presented. A summary of the literature review is also given.

1.11   ABBREVIATIONS

The following abbreviations are used in this study:

ANOVA	One Way Analysis of Variance
Eg.	For example
Etc.	*Etcetera*
GDP	Gross domestic product
Ha	Hectare
Ltd.	Limited
m^2	Square metres
ROI	Return on investment
USA	United States of America

1.12   REFEENCING TECHNIQUE

The Harvard referencing technique is used in this study.

CHAPTER 2

SERVICES AND AN INTRODUCTION TO QUALITY

2.1   INTRODUCTION

The main objective of this research study is to determine the perceived service quality that small business tenants in shopping centres have with regard to the service they receive from their landlords. It is therefore important to decide on a service quality model that can be used in order to reach this objective. Firstly it is important to distinguish between service quality and satisfaction because it may seem as if these perceptions from tenants can also be evaluated through the measurement of customer satisfaction. This chapter therefore begins by distinguishing between service quality and customer satisfaction to conceptualise the two constructs thoroughly in order for the research to be based on the correct measurement construct. The concepts of services and quality will be discussed next in order to enhance understanding of the inherent characteristics and problems of the phenomena of services and quality. A critical evaluation of prior research regarding these concepts will consequently be covered in this chapter. In chapter three, the construct "service quality" will be discussed with special reference to several service quality models available in the literature.

2.2   SERVICE QUALITY VERSUS CUSTOMER SATISFACTION

In an era of increased competition and, the service sector being the dominant sector in world economy, it is apparent that companies would focus upon service quality and customer satisfaction improvement issues in order to drive high levels of business performance (Bitner & Brown, 2008:40; Kumar, Smart, Maddern & Maull, 2008:176; Morgan & Rego, 2006:436). It is however, common to find unclear distinctions between service quality and customer satisfaction in the literature (Bateson & Hoffman, 2011:325; Tsoukatos & Rand, 2007:469) but Van Ossel, Stremersch and Gemmel (2003:124) believe

that it is an important distinction to make. The distinction is also important for Cronin and Taylor (1992:56) as they state that it is important for service providers to know "whether their objective should be to have consumers who are 'satisfied' with their performance or to deliver the maximum level of 'perceived service quality'". Many researchers have traditionally viewed service quality and customer satisfaction as equivalent constructs because of the considerable overlap between the two concepts, (Bansal & Taylor, 1997; Hernon in Marx, 2005:10; Johnson & Gustafsson, 2000; Spreng & Singh, 1993). Today, however, there is some degree of consensus among researchers that service quality and customer satisfaction are distinctive constructs, although they do admit that the constructs are related (Al-Hawari & Ward, 2006:131; Anandanatarajan *et al.*, 2006:87; Bateson & Hoffman, 2011:325; Berry *et al.*, 1988; Fisk *et al.*, 2008; Homburg *et al.*, 2006; Kasper *et al.*, 2006:182; Parasuraman *et al.*, 1994).

Perceived service quality is defined by Parasuraman *et al.* (1988:16) as a global judgment, or attitude, relating to the superiority of the service and by Zeithaml (1988:3) as the customer's assessment of the overall excellence or superiority of the service. In these terms service quality means conforming to customer expectations and implies that consumers compare their expectations with their perceptions of actual service performance (Parasuraman, Zeithaml & Berry, 1985:42). This is the so-called "disconfirmation approach". The most popular definition of customer satisfaction in the literature is also based on this disconfirmation approach where customer satisfaction is said to be a comparison of customer expectations to perceptions regarding the actual service encounter (Bateson & Hoffman, 2011:295; Kasper *et al.*, 2006:105). In other words, if customer perceptions meet expectations, the expectations are viewed to be confirmed and the customer is satisfied. On the other hand, if customers' perceptions and expectations are not equivalent, then the expectation is viewed to be disconfirmed and the customer will not be satisfied.

It seems as if customer satisfaction definitions are also made from the perspective of mainly two schools of thought. The first is where customer satisfaction is viewed as an outcome resulting from a post-consumption evaluation containing both cognitive and affective (emotional) elements (Churchill & Suprenant, 1982:492). This is called the transaction-specific approach by Wang, Lo & Yang (2004:328). This approach is also

called the cumulative approach which is argued as being more fundamental and useful in the service environment as consumption is an experience and consists of collective perceptual, evaluative and psychological processes that, in combination, generate customer satisfaction (Bassi & Guido, 2006:78; Boshof & Gray, 2004:28; Jamali, 2007:372; Pantouvakis, 2010:368; Wang *et al.*, 2004:328). Schneider and White (2004:51-53) suggest that service quality is descriptive and based on fact (in other words, it is a consumer's judgement about the service itself), while satisfaction is more evaluative and based on emotion (in other words, it is more of a judgement of how the service affects the consumer emotionally). Zhang, Lam and Chow (2009: 71) concur with this by stating that most definitions of satisfaction would involve an evaluative, affective or emotional response. There seems to be general consensus today though, that both cognition and affect significantly predict satisfaction judgements (Homburg *et al.*, 2006). Kasper *et al.* (2006:182) note that it is important to bear in mind that a customer can have perceptions of service quality without having actually experienced the service, whereas a customer has to experience a service to make a judgement on satisfaction. A customer can for instance perceive a service to be of high quality because of advertisements or positive word of mouth communications, but cannot claim high satisfaction of that service without experiencing it.

Due to the general acceptance in the literature (as mentioned above) that service quality and satisfaction are two distinct constructs, it is also suggested that customer satisfaction should be measured separately from service quality (Dabholkar, Shepherd & Thorpe, 2000:166). However, both constructs can usually be measured by making use of the so-called gap approach, or disconfirmation approach, in other words, the difference between perceptions and expectations. It is however important to note that different definitions of expectations exist for service quality and customer satisfaction. In relation to service quality, expectations are regarded as desires or "wants" of customers, that is, what customers feel a service provider **should** offer them, rather than what a service provider **would** offer them (Bateson & Hoffman, 2011:333-334; Parasuraman, Zeithaml & Berry, 1986:6). Customer satisfaction, on the other hand, is believed to result from a comparison between what **did** happen in a service encounter and what customers predicted **would** happen (Bateson & Hoffman, 2011:313; Bitner, 1990:70; Parasuraman *et al.*, 1986:6). As consumers are unsure of what to expect, their expectation in a satisfaction context

represents a prediction and will be expressed by a mean expectation value, with a degree of uncertainty surrounding the mean. Since, in contrast, consumers' expectations in a service quality context represent what they desire, it can be regarded as a distinct value with little or no uncertainty relating to it (Parasuraman *et al.*, 1986:6). It appears as if a higher standard of service delivery is measured by service quality measures than what is the case with customer satisfaction (Bateson & Hoffman, 2011:334).

It has been suggested that customer satisfaction is a far broader concept than service quality and initially it was argued that repeated incidents of satisfaction over time will lead to a perception of service quality (Bitner, 1990:70; Bolton & Drew, 1991:2; Oliver, 1981:26; Parasuraman *et al.*, 1988:16). There is however, empirical evidence that the opposite is in fact true and that perceived service quality leads to satisfaction (Al-Hawari & Ward, 2006:140; Cristobal *et al.*, 2007:332; Dabholkar & Overby, 2005:23; Dagger & Sweeney, 2006:6; Fisk *et al.*, 2008:155; Gounaris, Dimitriadis & Stathakopoulos, 2010:150; Hume, 2008:349; Kasper *et al.*, 2006:105; Lundahl, Vegholm & Silver, 2009:588; Maddern, Maull, Smart & Baker, 2007:1013; Pantouvakis & Lymperopoulos, 2008:623; Pollack, 2008:537, Pollack, 2009:46; Solvang, 2007:120; Zhang *et al.*, 2009:81).

The positive outcomes of high service quality do not end with customer satisfaction. According to Fisk *et al.* (2008:153), service quality creates a chain reaction with regard to customer satisfaction and customer loyalty to establish enduring relationships with service firms. This interaction starts with high service quality. This will lead to high levels of customer satisfaction and in turn to stronger links between the customer and the service provider. The satisfied customers will then be loyal toward the service provider and form strong relationships with them (An & Noh, 2009; Carrillat *et al.*, 2009; Cristobal *et al.*, 2007; Dagger & Sweeney, 2006; Fisk *et al.*, 2008; Gounaris *et al.*, 2010; Shukla, 2010; Solvang, 2007). Service providers will then be in a better position to render high quality service to these loyal customers and in this way the service delivery link with the customer will be strengthened even more (Fisk *et al.*, 2008). The rationale will therefore be that this notion also holds true for the relationship between the shopping centre landlord and the small business tenant. If the small business tenant experiences high perceived service quality from the landlord, they will be more likely to remain at the location and the landlord can save capital on marketing and related costs to fill the vacancy again.

The chain of connections that links service customers and the service provider by their actions and reactions is illustrated in Figure 2.1.

Figure 2.1: The service quality cycle
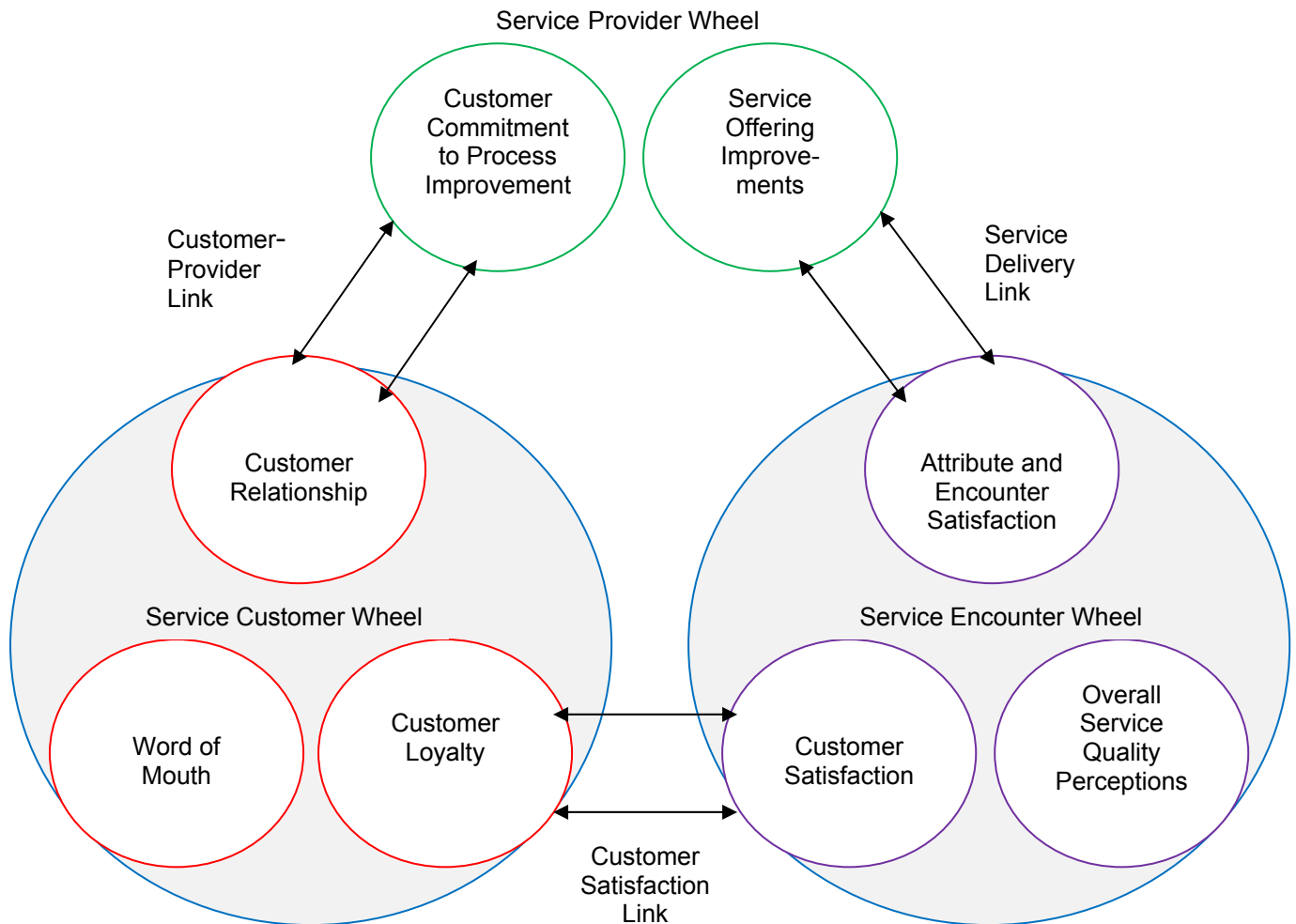
Source: Fisk *et al.* (2008:154)

As illustrated in Figure 2.1 the customer and the service provider are connected by three links, namely the **service delivery link**, the **customer satisfaction link** and the **customer-provider link** (Fisk *et al.*, 2008:154). The first link, the service delivery link, represents the interactive character of the service and is reinforced through satisfying service encounters. The connection between the customer's satisfaction level and degree of loyalty to the service provider is represented by the customer satisfaction link. The customer-provider link represents the mutually rewarding relationship between the

customer and the service provider, which gives way to the customer's commitment to that service provider. Activities that fall into the three domains, or wheels, representing the domains of the customer, the provider and the service encounter, are connected by these links. The three wheels connected by the three links, form the service quality cycle. Fisk *et al.* (2008:155) use the term cycle to emphasise that service quality involves important links between the service business and the customer in a recurring series of activities.

Many recent empirical studies have found a positive relationship between the constructs of service quality, customer satisfaction and behavioural intentions in a variety of industries and cultures. These include studies of the performing arts in the USA (Akhter, 2010), in e-markets in the USA (Anderson & Swaminathan, 2011), in e-shopping in Greece (Gounaris *et al.*, 2010), the performing arts in Australia (Hume, 2008), the audit industry in Malaysia (Ismail, Haron, Ibrahim & Isa, 2006), the hospitality industry in Canada (Ladhari, 2009b), in a variety of services contexts (Ng, David & Dagger, 2011), the lodging industry in the USA (Olorunniwo *et al.*, 2006), in a hairdressing and phone service company in the USA (Pollock, 2009), the low cost airline industry in Thailand (Saha & Theingi, 2009), the retail industry in Norway (Solvang, 2007) and the banking sector in Australia (Yap & Sweeney, 2007). According to Fornell, Mithas, Morgeson III and Krishnan (2006:4), both marketing and neoclassical economics view customer satisfaction (and by implication service quality as the antecedent of customer satisfaction) as the real standard for economic growth. Several studies have indeed found a relationship between customer satisfaction and higher stock prices (Aksoy, Cooil, Groening, Keiningham & Yalçin, 2008; Fornell *et al.*, 2006; Tuli & Bharadwaj, 2009; Wiles, 2007), between customer satisfaction and financial performance of businesses (Al-Hawari & Ward, 2006; Yoo & Park, 2007) and between service quality and business success in general (Kersten & Koch, 2010; Morgan & Rego, 2006).

Another view with regards to the causal relationship between perceived service quality and satisfaction is that of Dabholkar and Overby (2005:14), where it is suggested that this relationship is situation-specific and therefore depends on the context of the service encounter. This contingency approach implies that factors such as the nature of the service experience and the customers' rational predispositions will impact the causal

sequence of service quality and satisfaction. This view is supported by Kueh (2006), Ladhari (2009b), Pollack (2008) and Solvang (2007).

The mediating role that customer satisfaction plays in the relationship between service quality and behavioural intentions is confirmed by several of the research studies mentioned above. This research though, will concentrate on service quality as the spark that ignites the chain reaction towards customer satisfaction and positive behavioural intentions from the small business tenants as the customers. High service quality is thus viewed as the most important aspect that needs investigation in the relationship between landlords and small business tenants in shopping centres.

2.3 SERVICES

2.3.1 Meaning of services

The concept of a service has changed considerably during the last thirty years. Initially, it was argued that a service can be defined by emphasising the differences between goods and services by referring to the characteristics of services. The early debate about the differences between services and goods tended to encourage the notion that services and physical goods are an either-or dichotomy (Fisk *et al.*, 2008:6). Although the distinction between pure goods and pure services is not always very clear, (Bateson & Hoffman, 2011:4), they are not distinct. There is an important interdependence between services and goods, where some services may require physical goods to support and facilitate the delivery system and some physical goods may have intangible aspects. Services are being arrayed on a continuum of intangibility, with pure services (which have no tangible component) at the one extreme of the continuum, and pure goods (which have no intangible component) at the other extreme (Shostack, 1977:74). Since several services have both tangible and intangible elements, those services will fall between the two extremes of the continuum (Bateson & Hoffman, 2011:5; Fisk *et al.*, 2008:6; Lovelock & Wirtz, 2011:15; Schneider & White, 2004:7). Services offered by landlords to their tenants probably are a good example of a service that fall between the two extremes of the intangibility continuum. Landlords supply a tenant with a physical leasing space (tangible

element) to do business in and they are responsible for shopping centre advertising and promotion campaigns (intangible element).

The distinction between services and goods was useful in early services research in order to identify the unique characteristics of services and to establish services as an area of study separate from manufacturing (Akehurst, 2008:4, Corrêa, Ellram, Scavarda & Cooper, 2007:446). Today, the debate about the differences between goods and services has become increasingly blurred and in many ways is out of date, unproductive, distracting and irrelevant (Akehurst, 2008:4; Araujo & Spring, 2006:803; Corrêa *et al.*, 2007:445; Vargo & Lusch, 2004b:326; Ward & Graves, 2007:463). As early as the early seventies, Levitt (1972:41) insisted that there are no such things as service industries, only industries whose service components are greater or less than those other industries. Although Greenfield (2002:20) accepts the notion of a distinction between goods and services, he feels that it should be emphasised that the two concepts are intimately related and that they are in fact, interdependent. He emphasised that the demand for many services cannot be met without the existence and availability of many physical goods. It can therefore be argued, for instance, that, in the present research study, the physical shopping centre building first have to be constructed and made available to the tenants before the landlord can offer certain services to the tenants.

More and more traditionally manufacturing companies today are also realising that services can have the potential for ensuring financial, strategic and marketing benefits and as a result, start offering services in conjunction with their products (Araujo & Spring, 2006:802; Bjurklo, Edvardsson & Gebauer, 2009:493; Cohen, Agrawal & Agrawal, 2006:129; Godlevskaja, Van Iwaarden & Van der Wiele, 2011:62; Young, 2008:2). Examples of companies that have experienced this are International Business Machines (IBM), Hewlett-Packard, Xerox, Nokia, Johnson & Johnson Allegiance Corporation, General Motors and General Electric. (Corrêa *et al.*, 2007:447; Godlevskaja *et al.*, 2011:62; Young, 2008:1). Forty-one percent of IBM's total 2003-revenue was for instance generated from services. In 2006 and 2007 this was already 53,20 percent and 55,30 percent respectively. Gebauer, Krempl and Fleisch (2008:219) also argue that manufacturing companies can extend to service business proceeds for better marketing opportunities, better strategic opportunities and for better financial benefits. Corrêa *et al.*

(2007:449) add that customer satisfaction and customer loyalty can be increased if services are provided to support goods. This emphasis from manufacturing to introducing services has shifted to the extent that the manufactured products are now viewed by some as incidental. (Ward & Graves, 2007:465).

Initially, this movement was termed "servitisation" by Vandermerwe and Rada (1988) and is now, more than twenty years later, seen as a necessity for manufacturing businesses (Cohen *et al.*, 2006; Corrêa *et al.*, 2007; Pawar, Beltagui & Riedel, 2009). Other terms allocated to this movement is "total offerings" (Godlevskaja *et al.*, 2011:68), "value package" (Corrêa *et al.*, 2007:445) and "bundle of resources" (Grönroos, 2006:326). This "bundle of resources", in which the goods are nothing but one resource among others, are viewed by Grönroos (2006:326) as important to support the customers' processes so that value is created in those processes. Corrêa *et al.* (2007:448) put it bluntly: "Services are really what provides the value added to these companies, rather than the goods". In a groundbreaking article Vargo and Lusch (2004a:5) emphasise the importance of service in business by maintaining that service becomes the unifying purpose of any business relationship.- a service-dominant rather than a goods-dominant environment. Consequently, goods are simply a means of rendering a service to the customer, or as Hurwitz, Bloor, Kaufman and Halper (2009:8) put it, "in an increasingly interconnected business world, everything is becoming a service".

To define a service, is not an easy task. Grönroos (1988:10) admits that a service is a complicated phenomenon. Lovelock and Wirtz (2011:15) believe that services are difficult to define because of the fact that services cover a vast array of different and often very complex activities. The word has in fact many meanings, ranging from a personal service to a service as a product. Edvardsson, Gustafsson and Roos (2005:119) and Hurwitz *et al.* (2009:8) suggest that the definitions of a service are changing constantly because of many factors, such as changing competitive situations that affect customer value-in-use and also rapid changes in technology. Moeller (2010:359) links on to this way of thinking and even claims that the term "services" remains undefined. Grönroos (2006:323) also admits that there is no universal definition for the concept "service" in the literature. Lovelock and Wirtz (2011:15) feel however, strongly about the fact that services should be defined in their own right and not in relation to goods.

In an attempt to get closer to a universally accepted definition of services, Edvardsson *et al.* (2005) conducted a study where they consulted eleven experts in the field of service quality and ask the question: "What definition do you think best captures what you consider to be the essence of services?" Three of the experts suggest definitions like "satisfying customer needs and wants", "a performance meant to provide benefit" and "the essence of service is the experience created for the customer" (Edvardsson *et al.*, 2005:111) .They point out that these definitions are more outcome-related. In other words, they focus on the **value that services create**. The Nordic School on the other hand, view services as "processes that consist of a set of activities which take place in interactions between a customer and people, goods and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aim at solving customers' problems" (Grönroos, 2006:323). This definition is based on the service activity, in other words, **what a service is**. Lusch and Vargo's (2011:1302) and Vargo and Lusch's (2004a:2; 2008:26) definition of a service is based on the so-called **value-in-use** view: "the application of specialised competences (operant resources – knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself".

There are essentially two parts to this definition. Firstly service comprises activities, deeds, processes and performances and secondly, it specifies that these activities provide the benefits, or functions performed, for the beneficiary (Lusch & Vargo, 2011:1302). They stress the importance of making use of the singular term "service" which reflects the process of doing something beneficial for and in conjunction with some entity, rather than the term "services" which they view as units of output (immaterial goods). According to this more recent view in the literature, value is created when products, goods or services are used by customers. Customers are in other words revealed as both producers and consumers who determine what is of value (Ballantyne & Varey, 2008:12). Grönroos (2006:323) believes that this view of the concept of service and value creation is likely to become the accepted view amongst scholars. With their view of service Vargo and Lusch (2004b:326) are suggesting that everything is a service and that economic exchange is fundamentally about service provision. From this perspective, the concept of service

therefore becomes an inclusive term where neither goods nor services can be captured through residual definitions.

The view with regard to this research study is that it is unnecessary and unproductive to spend time on differentiating between goods and services. What is important though is that any contact with or offering to customers must be done by bearing in mind that customers deserve good quality. It also boils down to basic good manners and ethical behaviour on the side of the service provider. What is important is not so much as to try and "delight" the customer with every service encounter, but simply to make sure of consistently good service, a personal relationship and to make it as easy as possible for customers to obtain the service. This notion is supported by Dixon, Freeman and Toman (2010:119) and Goodman (2008:33). All the arguments on service quality therefore, point to one emerging fact, namely the customer has to be treated in a courteous and respectful way.

Many of the current textbooks and research articles however, still complement their discussion of what services are by differentiating between goods and services by means of the characteristics of services (Bateson & Hoffman, 2011; Chase, Jacobs & Aquilano, 2006; Evans & Lindsay, 2008; Fisk *et al.*, 2008; Fitzsimmons & Fitzsimmons, 2006; Heizer & Render, 2006; Hollensen, 2010; Kasper *et al.*, 2006; Kotler & Armstrong, 2010; Lewis, 2009:234; Palmer, 2008; Tuzovic, 2009; Wilson *et al.*, 2008; Young, 2008). Many experienced businesses also suggest that a service business is different from a goods business, although they do not know exactly **how** they differ (Young, 2008:73). It is therefore considered to be still important to discuss these differences by means of the unique characteristics of services.

2.3.2 Characteristics of services

As discussed in section 2.3.1 above, the underlying paradigm in services research since the 1980s has been that services and goods are distinctly different from each other. For more than three decades, the differences between goods and services have been emphasised by four specific characteristics, namely **intangibility**, **inseparability**, **heterogeneity** and **perishability**.

Later however, several criticisms on the four characteristics of services were voiced (Araujo & Spring, 2006; Beaven & Scotti, 1990; Corrêa *et al.*, 2007; Edvardsson *et al.*, 2005; Lovelock & Gummesson, 2004; Moeller, 2010; Vargo & Lusch, 2004b). Lovelock and Gummesson (2004:32) come straight to the point and say that the notion that the four characteristics make services uniquely different from goods is deeply flawed. They based their statement on the fact that, according to them, the focus of the services field has changed and that the development of information and communication technology has advanced dramatically. Moeller (2010:359) agrees and also feel that there are more and more changes in general conditions, especially in the development of technology. These changes, according to Moeller (2010:359), are the reason why the applicability of most of the four characteristics of services loses its impact. Moeller (2010:359) believes that the inseparability of production and consumption and the perishability of production and services can today be overcome by technology-based communications.

Vargo and Lusch (2004b:326) also add their voice and state that "the delineation of characteristic differences between services and goods is also misleading, if not counterproductive". Edvardsson *et al.* (2005:113) state that these four widely accepted characteristics are "neither based on empirical research in an inductive way, nor developed from previous research and theories in a deductive way". They suggest, that the characteristics should not be generalised to all services, but that it should only be used for the services when they are relevant and in situations where they are useful and fruitful (Edvardsson *et al.*, 2005:115). Corrêa's *et al.* (2007:449) perspective is that, because of the blurring of services and goods (discussed in 2.3.1), a new framework is needed for this new environment. They suggest a new set of characteristics that will make it easier to manage and understand the change from a goods-dominant to service-dominant environment (discussed briefly in the next section together with the traditional characteristics). Corrêa's *et al.* (2007:452) stress though, that these characteristics are not a way to differentiate services from goods, but rather a way to help managers design and manage the delivery process.

In spite of the several criticisms in the literature, the four characteristics of services as mentioned, remain a unifying theme for the service industry (Lovelock & Gummesson, 2004:25). The four essential characteristics of services will subsequently be discussed.

2.3.2.1 Intangibility

There is no doubt that intangibility is the most fundamental and most frequently mentioned of the various characteristics of a service (Bateson & Hoffman, 2011:57; Fisk *et al.*, 2008:7; Kasper *et al.*, 2006:57; Schneider & White, 2004:6; Zeithaml, Parasuraman & Berry, 1985:33). This characteristic in essence means that services are activities and not physical objects. In most cases services cannot be seen, touched, tasted, held, felt or stored (Bateson & Hoffman, 2011:57; Fisk *et al.*, 2008:8; Hollensen, 2010:394; Kotler & Armstrong, 2010:269; La, Patterson & Styles, 2005:380; Wilson *et al.*, 2008:16; Young, 2008:73). According to Bateson and Hoffman (2011:57), intangibility is the basic characteristic of services from which all other differences emerge. Bateson and Hoffman (2011:57) further make a distinction between physical intangibility, that which cannot be touched, and mental intangibility, that which cannot be mentally grasped. Bielen and Sempels (in Edvardsson *et al.,* 2005:114) support this conceptualisation by an empirical study. Fisk *et al.* (2008:8) and La *et al.* (2005:380) point out though, that services are not merely an "intangible product" but a state of being and that an experience, performance, time, process or some form of intellectual property cannot be purchased by a customer but they can still get value out of this intangibility.

Many services are entirely nonexistent before they are bought and cannot be easily examined or evaluated by consumers prior to purchase (Fisk *et al.*, 2008:8; Sichtmann, Von Selasinsky & Diamantopoulos, 2011:3). This makes it difficult for customers to predict the experiential aspects of a service and for service providers to provide customers with a clear pre-purchase understanding of what they might be buying (Edvardsson, Enquist & Johnston, 2010:312; Kasper *et al.*, 96; Kotler & Armstrong, 2010:269; Wilson *et al.*, 2008:16; Young, 2008:74). It is presumed that the more intangible the choice for a consumer, the more likely they will be to perceive it as being riskier and more difficult to evaluate (Fisk *et al.*, 2008:8; Kasper *et al.*, 2006:58; La *et al.*, 2005:380; Laroche, Nepomuceno & Richard, 2010:206).

It will therefore be necessary for service firms to make the service offering more tangible and often the quality of a service will then be evaluated based on these tangible cues. One method to do this is the use of physical evidence or tangible cues (or "signals") such as physical surroundings and employee responses (Bateson & Hoffman, 2011:60; Dean & Lang, 2008:48; Fisk *et al.*, 2008:8; Kotler & Armstrong, 2010:269; La *et al.*, 2005:380; Laroche *et al.*, 2010:207). In a landlord-tenant relationship in shopping centres for instance, examples of cues can be the availability and willingness of the centre management to listen to tenants' needs, and the overall design and cleanliness of the centre. This can prompt the tenants to associate the tangible cue, availability of the personnel and a trendy, clean centre, with the intangible, the service.

Another way to deal with the intangibility of services is the relatively new approach of "test driving" the service prior to purchase (Edvardsson *et al.*, 2010:312). The "test drive" is done to let the customer have some actual experience of the service they are offering, such as cleaning one carpet for free before the client commits to the service of cleaning all the carpets.

Often, customers that make use of services with a complicated technical or scientific nature will not necessarily possess the knowledge to confidently evaluate the quality of the advice they purchase (La *et al.*, 2005:380; Wilson *et al.*, 2008:16). It should also be borne in mind that pure services are in essence processes that are more psychological experiences than experiences of physical possessions (Schneider & White, 2004:6; Young, 2008:74). It is therefore important to remember that it is not physical goods that should be measured, but a psychological process. It is for this reason that the perceptions of the users of the service are obtained, like for instance in the present research. Schneider and White (2004:6) point out that researchers and practitioners should be careful when analysing these results because, although the measurement might not be completely accurate, it may be the best indication of the service quality obtainable from the users of the service. It however appears as if there is not any empirical evidence, on an ongoing basis, that goods are easier to evaluate than services (Lovelock & Gummesson, 2004:27).

Intangibility is not unique to services (Corrêa *et al.*, 2007:447; Lovelock & Gummesson, 2004:26; Moeller, 2010:362; Vargo & Lusch, 2004b:328). There are numerous goods that also possess elements of intangibility, such as foodstuffs, cosmetics and medicines, to mention a few. A customer will often not know how the food will taste and if the cosmetics and medicine will give promised results prior to purchasing and using it (Corrêa *et al.*, 2007:447; Lovelock & Gummesson, 2004:26; Moeller, 2010:362; Vargo & Lusch, 2004b:328). Yet many services that involve tangible elements can be evaluated before use. The core product in the relationship between landlords and small business tenants for instance, is the available space for lease. A tenant can look over the space for lease as well as the look and feel of the shopping centre and even how busy the centre is at a given time, prior to signing the leasing contract. It can therefore be concluded that intangibility is not a universally applicable characteristic of all services during all stages from pre-purchase through delivery, consumption and output (Corrêa *et al.*, 2007:447; Edvardsson *et al.*, 2005:115; Lovelock & Gummesson, 2004:26; Moeller, 2010:362; Vargo & Lusch, 2004b:328).

Corrêa *et al.* (2007:450-451) suggest that intangibility be changed to "degree of ease in performance assessment". It has been suggested that the characteristic of intangibility makes it difficult to measure service quality. Corrêa *et al.* (2007) argue that it is not the tangibility or intangibility that drives the measurement issue, but the degree of ease or difficulty to measure the service output. They suggest that value packages (services and/or goods) with a low degree of difficulty to assess require formulation of different management strategies as apposed to those that are difficult to assess, regardless of whether they are tangible or intangible offerings.

2.3.2.2 Heterogeneity

Heterogeneity (variability) in the service context implies that it is difficult to standardise services, especially in labour-intensive services (Bateson & Hoffman, 2011:68; Fisk *et al.*, 2008:9; Kasper *et al.*, 2006:59; Lewis, 2009:234; Lovelock & Gummesson, 2004:27; Young, 2008:75). Heterogeneity concerns the possibility for high variability in the delivering of services, mainly because the customers are actively involved in the production process

(Bateson & Hoffman, 2011:68; Hollensen, 2010:395; Wilson *et al.*, 2008:16; Young, 2008:75). Both the service provider and the customer may bring in some form of variation to the service (Bateson & Hoffman, 2011:69; Edvardsson *et al.*, 2005:117; Fisk *et al.*, 2008:9; Young, 2008:75). The quality and fundamental nature of a service can vary from service provider to service provider, from customer to customer, and from time to time. This is the case because an employee, delivering the service to various customers, may not maintain absolute consistency throughout a specific timeframe. The same customer may also encounter different employees who provide a service and this may raise a problem of consistency of behaviour (Bateson & Hoffman, 2011:69; Edvardsson *et al.*, 2005:117; Fisk *et al.*, 2008:9; Kotler & Armstrong, 2010:269; Zeithaml *et al.*, 1985:34). Customer perceptions may also vary from one service encounter to the next and from one time to another (Bateson & Hoffman, 2011:69; Wilson *et al.*, 2008:16; Zeithaml *et al.,* 1985:34). No two customers are precisely alike and may have specific individual demands or may experience the same service encounter differently. More variables are added to this picture, namely the presence and behaviour of other customers during service delivery and variations in external condition like weather, crowding and differences between service locations (Desmet, Van Looy & Van Dierdonck, 2003:15).

Heterogeneity can have an effect on the whole product development process, including the design, production and delivery stages. It is more difficult to control the output of a service organisation than it is to control the output of an organisation that produces goods (Bateson & Hoffman, 2011:69; Edvardsson *et al.*, 2005:117). Due to the absence, or only the partially presence, of standards in service industries, customers perceive a greater risk in purchasing services than they do in purchasing goods. In order to minimise the effect of heterogeneity, the service encounter should be controlled. This can be done by making use of uniform production processes and increasing the amount of automation. The degree of variability in each service encounter will be reduced so that more consistency can be gained. Lovelock and Gummesson (2004:28) state that during the past two decades, there has been a significant trend from service delivery organisations to replace labour by automation to achieve standardisation in the delivering of their services. This makes variability less of a problem than previously.

The relative heterogeneity of services makes it more difficult to measure service quality and to do quality control checks prior to service delivering (Bateson & Hoffman, 2011:69; Fisk *et al.*, 2008:9; Hollensen, 2010:395; Schneider & White, 2004:8). Ensuring consistent service quality for services can therefore be challenging. Services cannot be measured against exact uniform standards and, even when exactly the same quality of service is delivered to customers with unique individual circumstances, each customer could evaluate these services differently (Bateson & Hoffman, 2011:69).

In order to ensure that the results of this study are a true reflection of the perceptions of small business tenants in shopping centres, the response rate has to be large enough and there has to be a high representation from the small business tenants of each shopping centre that will be part of the study.

Heterogeneity, as a characteristic of services, has however been criticised by several researchers because of the many possibilities of standardisation in services (Corrêa *et al.*, 2007:450; Lovelock & Gummesson, 2004:28; Moeller, 2010:363; Vargo & Lusch, 2004b:328). They argue that heterogeneity is not only a problem for service industries, but also for manufactured goods industries. Very often at least parts of many services are as standardised and homogenised as their product counterparts. Lovelock and Gummesson (2004:28) conclude that "it is inappropriate to continue to generalise about heterogeneity (or variability) as being a distinctive characteristic that sets all services apart from all goods". It is also argued that the "problem" of heterogeneity in services is not necessarily a disadvantage (Corrêa *et al.*, 2007:450; Lovelock & Gummesson, 2004:28; Vargo & Lusch, 2004b:328). A degree of non-standardisation, where each customer will receive his/her own customised service, is a desirable feature in some services and a distinct marketing strength (Evans & Lindsay, 2008:59).

Corrêa *et al.* (2007:450) substitute heterogeneity with "the degree of intensity of interaction". They are in agreement that some services may be very homogeneous and that all goods are not necessarily homogeneous. What matters to them though, is not heterogeneity, nor whether the process renders a service or produces a good, but the degree of intensity of interaction between the customer and the process. A greater degree

of interaction to acquire information about the specific needs of the customer will be necessary for greater customisation of offerings. Highly customised packages will therefore require more intense interaction with more flexibility than less customised packages.

2.3.2.3 Inseparability

Inseparability in relation to services implies that the production and consumption are inseparable and occur simultaneously (Bateson & Hoffman, 2011:63; Evans & Lindsay, 2008:59; Fisk *et al.*, 2008:8; Hollensen, 2010:395; Kasper *et al.*, 2006:58; Lewis, 2009:234; Schneider & White, 2004:7; Sierra, Heiser & McQuitty, 2009:111; Wilson *et al.*, 2008:16; Young, 2008:76). The inseparability of services therefore leads to a relatively small time-gap between production and consumption, and the services are often consumed as they are produced. The customer has to be present during the production of many services and the customer is forced into intimate contact with the production process (Kotler & Armstrong, 2010:269; Wilson *et al.*, 2008:17).

Quite often in delivering a service, special skills like communication and interpersonal skills from the service provider's employees, will be necessary, which is not the case with a manufacturing worker (Bateson & Hoffman, 2011:63). What this inseparability of production and consumption further implies is that services are subject to "interference" by the customer where the consumer often has to contribute information or effort before the service transaction can be consummated. The information or effort given by the customer can indeed influence the quality of the service delivered (Bateson & Hoffman, 2011:63; Fisk *et al.*, 2008:9; Wilson *et al.*, 2008:17; Zhenfeng & Dubé, 2011:93). Bateson and Hoffman (2011:64), Kotler and Armstrong, (2010:269) and Sierra *et al.* (2009:111) point out that it is important to realise though that the customers and the service provider's employees share the responsibility for successful service outcomes, although they admit that the degree of mutual involvement can vary from service to service. The service provider can also influence the quality of the service because the service provider's employee becomes a tangible cue on which at least part of the customer's evaluation of the service experience is based upon (Bateson & Hoffman, 2011:63; Fisk *et al.*, 2008:9;

Young, 2008:77). They argue that the customer has the opportunity to observe the detail of the service encounter and that non-verbal behaviour, clothing, personal hygiene and linguistic ability can have an influence on the service quality as perceived by the customer.

Due to the fact that it is not possible to produce a service long before actual consumption takes place, the effectiveness of a service cannot be guaranteed in advance and it therefore introduces uncertainty (Edvardsson *et al.*, 2005:117; Young, 2008:76). The service provider cannot produce the service and check it for defects prior to delivering it, but can merely assure the customer on the basis of the proven expertise of the supplier at a previous service encounter (Gaster & Squires, 2003:7; Young, 2008:76).

Corrêa *et al.* (2007:449), Lovelock and Gummesson (2004:29), Moeller (2010:364) and Vargo and Lusch (2004b:330) argue that the characteristic of inseparability is not unique to the service encounter. It is also applicable to goods. Vargo and Lusch (2004b:330) find that tangible goods cannot provide the desired benefits (the service) unless the customer interacts with the goods. The benefits from the goods purchased are indeed obtained by the use of these goods. They argue further that the mere act of purchasing (or not) provides feedback which involves the customer in the design and delivery of all offerings (Vargo & Lusch, 2004b:330). Lovelock and Gummesson (2004:29), argue that many offerings that are normally classified as services are partially, and quite often, largely "manufactured" separately from the consumer. They conclude that the generalisation that inseparability is a distinctive characteristic of all services is not valid as there are far too many separable services. Beaven and Scotti (1990:10) agree with this but believe that inseparability of services is also an advantage and that offerings produced without the relative involvement of the consumer are in fact at a disadvantage. They point out that because a service is a lived-through event which impacts on the consumer's personal biography, it makes the service encounter special.

A landlord renders different types of services to their tenants. The services of issuing rent statements to tenants can technically be separated, as there could be internal processes to check for its correctness before it is delivered. On the other hand, when, for example,

queries on the statements need to be discussed with management, the service cannot be separated.

Corrêa *et al.* (2007:450) substitute the characteristic of inseparability with "degree of simultaneousness between production and consumption". They argue that while high inseparability (simultaneity) generally equates to low stockability, (see discussion in 2.3.2.4) low stockability does not necessarily equate to high inseparability. A technician must wait for something to break for instance, before his service will be needed ("degree of stockability" is zero). While fixing the product however, the customer does not necessarily have to be present and it may be hours or even days before the customer actually consumes the result of that process, implying low simultaneity (or inseparability). In the time between fixing the product and consuming it, quality control can be performed. In other types of services, the customer is consuming the service while receiving it and the "degree of stockability" is also zero. It is however not possible to do quality control prior to the customer consuming the product because of high inseparability.

2.3.2.4 Perishability

Perishability, like in the case with tangibility, means that because services are not tangible they cannot be produced at a certain point in time, stored, and then sold later when demanded (Bateson & Hoffman, 2011:71; Fisk *et al.*, 2008:9; Hollensen, 2010:394; Kasper *et al.*, 2006:60; Lewis, 2009:235; Vargo & Lusch, 2004:331; Young, 2008:78). Services therefore, have to be consumed when produced and if it is not consumed it perishes.

Although perishability exists for goods as well, perishability of services is more critical and more difficult to overcome. Service organisations is therefore more seriously affected by changes in demand because, when demand is low, unused capacity is wasted and the opportunity to maximise profit has gone forever, and when demand is higher than the capacity, it goes unfulfilled and business may be lost (Bateson & Hoffman, 2011:72; Fisk *et al.,* 2008:10; Hollensen, 2010:395; Kasper *et al.,* 2006:60; Kotler & Armstrong, 2010:270; Wilson *et al.,* 2008:17; Young, 2008:78). It is therefore important for service firms to manage demand and supply in order to better meet their needs.

The attribute of perishability as a characteristic of services, has however been criticised. Gummesson (2000:123) is very frank in his criticism when he states that "the claim that services cannot be stored is nonsense". Lovelock and Gummesson (2004:30) also believe that the claim that perishability is an exclusive characteristic of services requires significant qualification. They argue that this concept is multidimensional that includes productive capacity, the producer's output, the customers' experience of the performance, and the output the customers obtain from the service. Several previous articles have focussed on perishability from the producer's perspective but perishability from the customer perspective, however, may give a different perspective (Edvardsson *et al.*, 2005:117). If perishability would be seen from the service provider's perspective, the benefits or outcomes derived from the service processes will be clear. Some service processes may even have durable, imperishable effects on an individual's life (Beaven & Scotti, 1990:9).

In the case with landlords in shopping centres, perishability as a characteristic of services is also relevant. Landlords render a service to tenants by making space available for them to operate their businesses in. If a particular space is not leased out however, it has a negative economical effect on the landlord as the space will be empty and they will lose the leasing fee.

Corrêa *et al.* (2007:449) suggest the "degree of stockability" as the characteristic relating to perishability. This refers to the ability to inventory items needed to deliver the service before demand occurs and also the ability to inventory the service to be delivered. A barber for instance, can have the razor and shampoo available in stock, but the haircuts cannot be stocked. The haircut therefore cannot be separated from the actual service when demanded. They argue that certain goods can also not be stocked before consumption takes place. A restaurant serving coffee for instance is providing a physical good but still cannot stock many coffees ready for consumptions when the demand occurs. They make the point that inseparability of goods does not guarantee that it is possible to build anticipation stocks. It depends on the item's "degree of stockability" as a function of the maximum time span between possible build up of anticipation stocks and the actual demand, to determine how far in advance anticipation stocks can be built.

It should however, be noted that, because services fall in many places along the continuum that ranges from tangible dominant to intangible dominant, as described in section 3.2.1, the magnitude and subsequent impact that each of these four characteristics have on individual services will vary (Bateson & Hoffman, 2011:57).

2.4   QUALITY

When it comes to customers that have to choose among competing products and services, quality has become one of the most important decision factors (Montgomery, Jennings & Pfund, 2011:2). Quality also plays an important role in assuring the safety of the customers. The phenomenon of quality is widespread and understanding and improving quality are key factors leading to business success, growth and competitiveness (Dale, Van der Wiele & Van Iwaarden, 2009:18; Evans & Lindsay, 2008:9; Kasper *et al.*, 2006:175; Montgomery *et al.*, 2011:2; Sower, 2011:3; Starcke, 2006:80). It is common knowledge that there is a substantial return on investment from improved quality and, from successfully employing quality as an integral part of overall business strategy.

2.4.1   The meaning of quality

Quality has always been a bone of contention. It stemmed a flood of rivalry from large to small businesses, everyone claiming his products' superior quality. Quality can be defined in many ways but Grönroos (1988:11), Montgomery *et al.* (2011:4), Palmer (2008:320), Sower (2011:4) and Sower and Fair (2005:8) feel that it is a complex, multifaceted phenomenon and is often defined too narrowly.

It is however important to have an understanding of the concept quality if businesses have to measure and improve their quality (Dale *et al.*, 2009:4). Quality must also be defined in such a way that it can be assessed and measured (Sower, 2011:5). According to Evans and Lindsay (2008:12) there is no agreement on a universal definition of quality. It is therefore important to understand the various perspectives from which quality is viewed to fully appreciate the role it plays in businesses and the economy at large. The numerous definitions of quality in the literature today results mostly from five major approaches to

defining quality, namely transcendent, product-based, user-based, manufacturing-based and value based. These approaches have their roots in varied disciplines. Although Garvin proposed these different approaches to defining quality in 1984, its relevance for defining quality is apparent given its continued use in guiding research in this area and the inclusion thereof in several current textbooks and research articles (Evans & Lindsay, 13-15; Ivanović & Majstorović, 2006:414; Kasper *et al.*, 2006:177-180; Kaya & Özer, 2009:671; Lovelock & Wirtz, 2011:383-384; Mitra, 2008:7; Sebastianelli & Tamimi, 2002:443-445; Sower, 2011:10; Sower & Fair, 2005:8; Stiglingh, 2008:32-36). It is the opinion of Garvin (1984) that multiple definitions of quality are needed, not only to capture the complexity of the quality concept, but to enable firms to address quality issues that change as products and services move through the various stages of design, production and marketing. These five different approaches of understanding quality is a good summary of the different ways quality is viewed. It also provides a framework for appreciating some of the problems associated with service quality (Kasper *et al.*, 2006:177).

2.4.1.1 The transcendent approach

This approach is also called the philosophical approach and the advocates of this approach claim that quality cannot be defined precisely but can only be recognised through relevant experience (Garvin, 1984:25). This approach borrows heavily from Plato's view of beauty. Philosophers that consider beauty to be "logically primitive" also consider other such constructs, like quality, to be understood only after one is exposed to several objects that display its characteristics. In relation to services for instance, it could be possible for a customer to say that one service experience was better than the next service experience but will not be able to explain why (Kasper *et al.*, 2006:177). Nevertheless, quality is described by the same advocates of this approach as both absolute and universally recognisable, a mark of uncompromising standards and high achievement (Garvin, 1984:25). Sower and Fair's (2005:8) view with regard to the transcendent approach, is that it is fundamentally the most important approach when thinking about quality, especially in the quality of breakthrough products and services designs.

Schneider and White (2004:10) criticise this view and argue that this approach is useless from a research point of view because quality, from a philosophical perspective, is not understandable and cannot be measured. Evans and Lindsay (2008:13) and Lovelock and Wirtz (2011:383) also believe that a definition from this perspective is of little practical value to managers and it cannot be assumed that managers or customers will know quality when they see it. Quality cannot be measured or assessed as a basis for decision making by using this approach.

2.4.1.2 The product-based approach

An example of the product-based approach of defining quality is the definition of Parasuraman *et al.* (1985:41): "quality is zero defects – doing it right the first time". In contrast with the transcendent-based view, product-based definitions view quality as a precise and measurable variable (Garvin, 1984:25). According to this approach, the differences in the quantity of a specific component or attribute that is part of a product or service, determine the differences in its quality. This, in other words, implies that "more" on the attribute is "better". It will however only be possible to make a clear-cut ranking of the quality of the product or service if all the consumers consider the attributes in question as important (Garvin, 1984:26). There are various problems to this approach. Firstly, incurring higher costs will be the only way to improve quality. The production of attributes is considered costly and quite often quality is mistakenly considered to be related to price. It can therefore be assumed by many that, the higher the price, the higher the quality of the product or service would be (Evans & Lindsay, 2008:13). Secondly, quality is not viewed as something ascribed to a product or service, but rather as an inherent characteristic of it. Because the presence or absence of measurable attributes in the product or service will be a reflection of the quality, it can be assessed objectively and is based on more than only preferences (Garvin, 1984:27).

This approach in the opinion of Klaus (1985:21) is not suitable in a service encounter environment. Juran (1988:4) sees the primary goal of measuring service performance by making use of the product-based approach, is usually working towards becoming equal or superior to competitors with regard to the quality of competing services. From this viewpoint, the product-based approach can be suitable for the measuring of service quality

in a landlord-tenant relationship in shopping centres, because shopping centres compete against each other in relation with attracting and keeping suitable tenants. Kasper *et al.* (2006:178) however feel that it is problematic to compare the characteristics of services "side by side" because one cannot experience two similar services at the same time and because many service attributes are not identifiable. They further point out that even if all the attributes of the service that were assessed could be identified, the assessment would not be complete until the service ended, or the service benefit was finally revealed. A tenant can for instance not lease a premise in one shopping centre and "try out" the service they receive from the landlord and then decide to move to another shopping centre. If they lease space in a shopping centre, they would be bound by the leasing contract for quite some time before they can cancel the contract.

2.4.1.3 The user-based approach

Juran, Gryna and Bingham's (1974:16) definition of quality is consistent with the user-based approach. He defines quality as "fitness for use, the extent to which the product successfully serves the purpose of the user during usage". This approach means that those goods and services that consumers consider the best to satisfy their needs are those that they regard as having the best quality. In other words "quality lies in the eyes of the beholder" (Garvin, 1984:27). This is a highly personal and subjective view of quality. The quality of a service is judged to be high when customers say it is, but this does not necessarily mean that the service conforms to technical criteria (Berry *et al.*, 1988:35; Grönroos, 1988:11; Juran, 1988:5; Schneider & White, 2004:10).

This approach is close to definitions cited by various researchers in the literature. Monroe and Krishnan (1985:212) define quality as "the perceived ability of a product or service to provide satisfaction 'relative' to available alternatives". Parasuraman *et al.* (1985:41) define quality as meeting customers' expectations and Edvardsson (1988:430) sees quality as finding out what creates value to the customer and then offering it. This will require the service provider to have a deep understanding of the customer and to define their needs correctly, or otherwise high quality can never be achieved. Townsend and Gebhardt (1988:7) mention "quality in perception" as one of the elements of quality, meaning that it would be high quality when the product or service being offered meets customers'

expectations. Gummesson (1988:15) points out that the customer may understand his needs better than the manufacturer or the service provider and therefore the customer has to define quality. Peters (1999:6) is of the opinion that quality, to a great degree, is what the customer says it is. Lehtinen (in Edvardsson, 1988:430) differentiates between process quality and output quality. Process quality is when the customer is judging the quality during the service encounter, while output quality concerns the result of what the customer has received and is judged afterwards. Grönroos (1988:11) pointed out that customers often perceive quality as a broad concept where the quality experience is dominated by non-technical aspects. He also emphasises that it is essential that quality in a business has to be defined in the same way that customers would define it and that the quality as it is perceived by the customers is most important.

This approach has led to the notion of "ideal points" which is described by Garvin (1984:27) as "precise combinations of product attributes that provide the greatest satisfaction to a specified consumer". There are especially three important questions that are asked when considering this concept. The first is whether this is practical, namely how to take all the widely varying individual preferences of customers and combine them to come up with a meaningful definition of quality that will suit everyone (Kasper *et al.*, 2006:178). The second is more elementary, namely how to distinguish those product attributes that imply quality from those that simply maximise customer satisfaction (Garvin, 1984:27). A third question that should be considered is how to cope with the fact that consumers' perceptions and priorities change over time (Takeuchi & Quelch, 1983:141; Boulding, Kalra, Staelin & Zeithaml, 1993:9). The first problem, namely practicality, can usually be resolved by assuming that those quality products or services that best meet the needs of the majority of consumers can be considered to be the best quality. This can, however be problematic because each individual do not necessarily attach the same weights to quality characteristics, making it difficult to devise an unbiased statistical procedure for aggregating such widely varying preferences (Garvin, 1984:27). The second, more elementary question is whether quality is similar to customer satisfaction. As discussed in section 2.2 the constructs of quality and satisfaction, although they are related, are by no means identical. A product or service that meets or exceeds customer satisfaction is regarded to be preferred to one that meets fewer needs, but the quality is not necessarily also better (Garvin, 1984:27). The third problem of how to cope with the

changing perceptions and priorities of consumers, is simply for service providers to do their market research and to familiarise themselves with their customers' changing needs (Edvardsson, 1988:430).

Despite the various shortcomings of the user-based approach, the importance of this approach is summarised by Boothe (1990:65) as follows: "In the uncertain world of providing services, one thing is certain: the customer defines quality".

2.4.1.4 The manufacturing-based approach

Virtually all definitions that are part of this approach identify quality as "conformance to requirements" (Crosby, 1979:7). At the core of this approach is the notion that any deviation from predetermined specifications would imply a reduction in quality and the objective of any business should therefore be one of "making it right the first time" (Garvin, 1984:27). The main difference between this approach and the product-based approach is that the definitions in the former approach are related to the delivered service and the definitions in the latter approach are linked to concept design. Because this approach is seen as a fairly objective way of measuring quality, it has a place in measuring the technical outcomes of services experiences, such as the correctness of tenant rent statements issued by landlords in shopping centres. Time can also be used as an example of quality service. Centre management sets for instance predetermined standards with regard to the periods allowed for certain services (concept design), which implies that the manufacturing approach would define quality as conformance with these standards. The present research uses partly the manufacturing approach to define quality as the conformance of the particular shopping centre with industry norms.

The manufacturing approach however, cannot be the only approach used to measure the quality of the services rendered by the various shopping centre management. For example, the product attribute of reaction time of centre management to a tenant complaint can for instance be one hour. Based only on this information, it cannot be judged whether this is good quality service or not, but the manufacturing approach of defining quality could result in a situation in which employees strive to achieve this standard. Centre management may try to conform to the standard set regarding the

reaction time to deal with a complaint, but in trying to do so, may be in such a hurry that they deal with the complaint not fully prepared and inadequately.

2.4.1.5 The value-based approach

With this approach, quality is defined in terms of costs and prices. Feigenbaum (1951:10) for instance, define quality as value. Advocates of this view, define a quality product or service as one that provides performance at an acceptable price or conformance at an acceptable cost (Garvin, 1984:28). Consumers are prepared to pay more for services if they view the value as higher than that of other available services but, they have their own personal assessments of what they receive in relation to the price they are willing and able to pay (Edvardsson, 1988:431). The two related, but distinct concepts of quality, which is a measure of excellence, and value, which is a measure of worth, are equated. This blending of the two concepts makes it difficult to employ the value-based approach in businesses (Garvin, 1984:28). The rent that small business tenants in shopping centres pay is market-related and therefore "affordable," but it is not necessarily linked to value as well. It is common knowledge that the small business tenants in shopping centres pay far more rent per square meters than the big anchor stores. Although they pay more per square meter for a much smaller space than the big anchor stores, the small business tenant does not receive more value than the anchor store (the opposite is in fact often true). This approach to define quality is therefore not suitable for the present research.

While it may be possible to determine tenant satisfaction in general with the services they receive from their centre management in exchange for the rent they pay, the present research seeks to assess the perceptions of small business tenants. By implication, the connection between the rent that small business tenants pay and the service they receive is absent. The cost versus the benefit measure is more likely to determine whether the efficiency of the centre management will enable them to recover the cost of their time from the small business tenant in full.

2.4.2   Concluding remarks on quality

The various existing definitions of quality in the literature usually fall into one of these approaches discussed above. There are basically two major approaches that practitioners and researchers would advocate, namely technical quality definitions or user-based definitions. Technical quality definitions, based on the product-based- and the manufacturing-based approaches, are usually associated with the production process and focus therefore on the supply side of the equation. User-based definitions, on the other hand, are rooted in consumer preferences and incorporate subjective elements. These seemingly conflicting views of defining quality is not necessarily problematic. Although there is potential that these different views can cause serious breakdowns in communication, businesses need to encourage it in order to provide a high quality product or service (Garvin, 1984:29). Irrespective of the preferred approach however, Garvin (1984:29) adds that the characteristics that represent quality should first be identified. This can best be done by thorough market research of customers (a user-based approach to quality) and then to translate this into identifiable products or service attributes (a product-based approach). The next step should then be a manufacturing-based approach to quality, namely to manufacture a product made precisely to these specifications (Edvardsson, 1988:430; Garvin, 1984:29; Takeuchi & Quelch, 1983:139).

For evaluating the quality of services, which are in essence intangible, the user-based approach is better to use than an objective checklist approach. According to Schneider and White (2004:11) technical approaches are more suitable to measure the quality of the "what" of services, while user-based approaches are more suitable to the "how" of services.

The user-based approach will predominantly be used for the present research, although the principles of the manufacturing approach and some aspects of the product-based approach will also be incorporated to ensure that the full spectrum of quality, as perceived by the small business tenants in shopping centres, is captured in the proposed service quality model.

2.5   CONCLUSION

The differences between the two constructs, **service quality** and **customer satisfaction** were discussed. The present study is concerned with using a service quality model for the evaluation of the services of shopping centres to their small business tenants and therefore the service quality construct will be measured.

Although it appears from the literature reviewed, that **services** and **quality** are not so easy to define, an attempt was made in this chapter to analyse and describe these phenomena. The differences between goods and services were analysed with special reference to their characteristics, the possible influence of these characteristics on the measurement of service quality and the criticism in the literature on each of these characteristics were discussed. The measurement of service quality is, in some way or the other, influenced by these characteristics, namely intangibility, inseparability, heterogeneity and perishability.

An attempt was also made to get a better understanding of the concept of **quality**. This was done from the viewpoint of the various approaches used by various researchers. From this analysis, it was found that the user-based approach is the most suitable approach for the present research. Some features of the product-based- and manufacturing-based approach will also be considered.

In the next chapter the constructs of service quality and service quality measurement will be analysed in more detail. An analysis will also be made of the different service quality models proposed by researchers and a suitable model will be chosen to measure the perceived service quality of small business tenants in shopping centres.