CHAPTER 5: INTEGRATING SERVICE QUALITY, RELATIONSHIP MARKETING AND BENCHMARKING FOR BEST PRACTICE

Improving service quality (Zeithaml & Bitner: 2003) is a strategy for keeping customers as well as getting them in the first place (Ballantyne, Christopher & Payne: 1995). This has been expressed as a developmental approach to relationship marketing (Gronroos: 1984; Payne *et al*: 1999); via benchmarking for best practice (TBE: 2004; Jarrar & Zairi: 2000).

5.1   INTRODUCTION

Service quality is often conceptualised as the comparison of service expectations with actual performance perceptions (Zeithaml & Bitner: 2003). Emphasis is placed on the combined attitudinal construct of service quality, highlighting constituents of both cognitive and affective components. Parasuraman *et al* (1998) tend to delineate service quality using more cognitive items, whereas Edwards (1990) found that the affective attitudes exhibited more change under affective means of persuasion than under cognitive means of persuasion. Teas (1993), however, argues that service quality is a combination of transaction and overall attitude.

Research suggests that customers perceive service quality in a multi-dimensional way, based on multiple factors relevant to the context. Zeithaml and Bitner (2003) identify dimensions of reliability, assurance, tangibles, empathy and responsiveness. They further identify the gaps model of service quality, identified in Figure 5.2. The gaps model provides input into managing the services marketing mix for service quality and setting of service standards. Integration of service relationships include market orientation; loyalty; customer satisfaction; marketing culture; previous experience; internal marketing; future consumer behaviour and culture.

Service quality measurement includes analyses of a number of tools, including SERVQUAL (Parasuraman *et al*: 1998); SERVPERF (Cronin & Taylor: 1992); EP/NQ model (Teas: 1993); Qualitometro (Franceschini & Rossetto (1997); critical factor approach (Sureshchander *et al*: 2002); bank service quality (Bahia & Nantel: 2000); and two-way model (Schvaneveldt *et al*: 1991). It is proposed to evaluate the merits of each approach, and implement an applicable measurement tool for this study.

Relationships between value chain participants (Porter: 1995) led to developments in the field of relationship marketing. Peck *et al* (1999: 22) developed a revised version of the relationship management six markets model; which includes customer, internal, referral, influence, recruitment and supplier/alliance markets. The six markets model identifies all facets of internal and external relationships that can contribute towards an organisation's marketplace effectiveness.

The purpose of evaluating relationship marketing is to analyse the effect of networks and relationships towards customer satisfaction and loyalty (Heskett: 2002; Reichheld: 2001). Literature from franchise systems relationships (Section 3.3) is combined with the six markets relationship model (Peck *et al*: 1999); together with entrepreneurial orientation in a franchised system (Bolton & Thompson: 2003; Lindsay & McStay: 2004) represented in sections 2.6.10 and 3.4.

Complementing the service vision further led to development of best practice initiatives, often initiated by innovative firms in competitive industries and environment. Such initiatives were regarded as pivotal in survival and achievement of competitive advantage (Porter: 1998). The Video Software Association of America (VSDA: 2001) identified best practice in the industry, as identified by Arthur Andersen Business Consultants. These were wide ranging, including understanding customers and markets; developing vision and strategy; refining store product offering; implementing the marketing plan; creating promotions and in-store merchandising; and clear in-store operations. Customer service findings included the best customer service is one-to-one, strong relationships and loyalty are developed between staff and customers through consistency of management and staff, and personalising customer service.

5.2   SERVICE QUALITY

Service quality is an attitude or global judgement about the superiority of a service, although the exact nature of this attitude is not agreed (Robinson: 1999). Viewpoints differ regarding the origins, suggesting that it stems from a comparison with ideal standards (Teas: 1993); from perceptions of performance alone (Cronin & Taylor: 1994), to a comparison of expectations with performance perceptions/disconfirmation (Parasuraman *et al*: 1988). This is made evident by the variety of service quality measurement models and dimensions, discussed in section 5.2.2. Service quality differs

from customer satisfaction in that service quality is an overall attitude towards a service organisation (Caruana *et al*: 2000), whilst customer satisfaction is specific to an individual service encounter (Zeithaml & Bitner: 2003).

5.2.1 Defining service quality

Service quality is most often conceptualised as the comparison of service expectations with actual performance perceptions (Zeithaml & Bitner: 2003; Parasuraman *et al*: 1998). Hung-Chang (2002) placed emphasis on the combined attitudinal construct of service quality, highlighting constituents of both cognitive and affective components. Parasuraman *et al* (1998) tend to delineate service quality using more cognitive items, whereas Edwards (1990) found that the affective attitudes exhibited more change under affective means of persuasion than under cognitive means of persuasion. Meanwhile, Teas (1993) argues that service quality is not just an overall attitude, but that it is also transaction specific.

Palmer (2001) identifies a two-series approach to defining service quality; that of conforming to requirements and that of fitness for use. The latter is based primarily on satisfying customers' needs, and the former on complying with specifications. This approach may be united in the concept of customer perceived service quality; whereby quality can only be defined by customers, occurring when an organisation supplies services to a specification satisfying their needs.

Gronroos (1984) defines service quality as the difference between service expectations and perceived standard of delivery. He identified technical and functional quality as being two principle components of quality. Technical quality is the relatively quantifiable aspects of a service received by interacting with organisations; examples being waiting time at check-out counters and reliability of public transport services. Services also however involve consumer-producer interaction, identifying the method of delivering technical quality. This perception is referred to as functional quality, and cannot be measured as objectively as the elements of technical quality (Mels, Boshoff & Deon: 1997). Figure 5.1 illustrates diagrammatically Gronroos' conceptualisation of service quality, as applied to an optician's practice. The figure is represented on the following page.

FIGURE 5.1 Consumer perception of technical and functional quality applied to an optician's practice
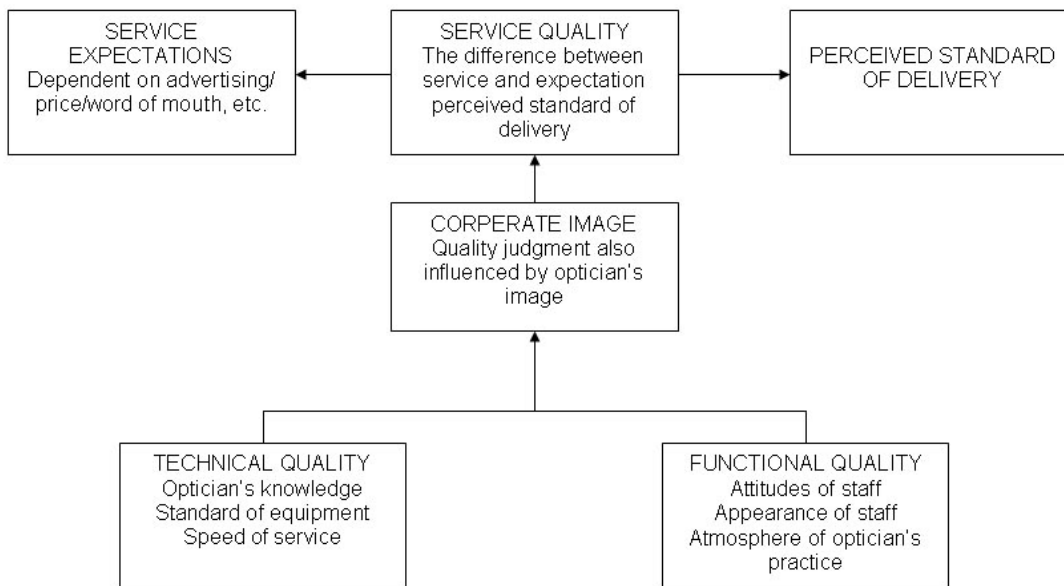
Source: Gronroos (1984: 167)

Service quality is a highly abstract construct, with many conceptualisations of service quality addressing the abstract expectations that consumers hold in respect of quality (Palmer: 2001). Consumers subsequently judge service quality as the extent to which perceived service delivery matches expectations (Robinson: 1999). From a perspective of the GAPS model of service quality (Zeithaml & Bitner: 2003), service quality dimensions (Parasuraman *et al*: 1998), service profit chain (Heskett *et al*: 1997), transactional model (Teas: 1993) and Gronroos' conceptual model (Gronroos: 1984); a unified definition accepted in this study is that of Parasuraman (1994: 202), being "the degree of discrepancy between customers, normative expectations for the service and their perceptions of the service performance".

5.2.2 The dimensionality of service quality

Identification of the multi-dimensional nature of service quality aids attainment of the marketing concept, and there is general agreement that quality evaluations are made on the outcome of the service and on the process of service delivery (ONeill & Palmer: 2003). This point of view is supported by Gronroos (1984), who identified technical and functional quality (see Figure 5.1). Functional quality is associated with the process of

180

service delivery, whereas technical quality is associated with the actual output of the service (Palmer: 2001).

Research suggests that customers perceive quality in a multi-dimensional way, based on multiple factors relevant to the context (Zeithaml & Bitner: 2003). The early works of Berry, Zeithaml and Parasuraman (1985) provide a strong foundation for understanding the dimensionality of service quality. Their original qualitative study identified ten key dimensions, each of which relates not only to the service consumed, but also to the customers' confidence in those providing the service. These included tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and empathy. Over the years, the authors have distilled this list into five broader categories. These dimensions represent how consumers perceive service quality, and may use all or a combination of dimensions (Zeithaml & Berry: 2003). Widely referred to as SERVQUAL, the five elements include reliability, assurance, tangibles, empathy and responsiveness.

- Reliability; the ability to perform the promised service dependably and accurately. Of the five dimensions, reliability has been identified as the most important determinant of perception of service quality. Reliability means that the organisation delivers on its promises, particularly promises about the service outcomes and core service attributes (Heskett: 2002)

- Assurance; the knowledge and courtesy of employees and their ability to inspire trust and confidence. This is a particularly important dimension for services with high risk perceptions. Relationship management forms an integral part of the assurance dimension (Peck *et al*: 1999)

- Tangibles; the physical facilities, equipment, and appearance of personnel. This dimension is particularly important in service quality perceptions of new customers (Zeithaml & Bitner: 2003), with emphasis on hospitality industries such as restaurants, retail stores and entertainment organisations. The tangible dimension is mostly used in combination with other service quality dimensions to enhance quality perceptions

- Empathy; the caring and individualised attention given to customers. The essence of empathy is conveying to consumers that they are unique and special, via personalized or customized service offerings (Zeithaml & Bitner: 2003). Business-to-business services are particularly prone to the empathy dimension

- Responsiveness; the willingness of service providers to help customers and provide prompt service. This dimension captures the notion of flexibility and ability to customize the service to consumer requirements, and emphasizes attentiveness and promptness in dealing with the consumer (Zeithaml & Bitner: 2003).

The various statistical analyses conducted in constructing SERVQUAL revealed considerable correlation among items representing several of the original ten dimensions for evaluating service quality (Zeithaml, Parasuraman & Berry: 1990). The authors believe that these five dimensions are a more concise representation of the "core criteria that customers employ in evaluating service quality". They are represented further in the chapter under service quality in Figure 5.3.

SERVQUAL has however been challenged on a number of grounds, such as an absolute measure of attitudes (Cronin & Taylor: 1994); the inductive nature of original research (Andersson: 1992) and the psychometric properties of the instrument (Carman: 1990). All this provides further evidence of the complexity of the service quality construct and that it cannot be defined in any one way for all service encounters (O'Neill & Palmer: 2003). SERVQUAL, however, is discussed as a measurement tool in Section 5.2.8.

Hung-Chang (2002) emphasised the cognitive and affective dimensions of service quality. Cognitive dimensions included a seventeen point scale, including promises, dependability, performance, correctness, information, prompt service, active contact, response, correcting errors, convenience, modern equipment, personnel appearance, comfortable environment, appealing facilities, convenience, integrated services and reliability. The second construct of affective components included a thirteen point scale, consisting of attention, care, best interest, customer needs, confidence, willingness, courtesy, safety, honour, treatment, self-esteem, societal and self-actualization.

5.2.3　The integrated gaps model of service quality

The gaps model of service quality positions key concepts in services marketing that commences with the consumer and builds the organisation's tasks around requirements to close the gap between customer expectations and perceptions (Zeithaml & Bitner: 2003).

The original gaps model of service quality, identifying five gaps, was conceptualised by Parasuraman *et al* (1985). The conceptual model is useful in that it is easy for practitioners to understand service quality components (Kuei & Lu: 1997). The model is initially divided into two main areas, representing the customer and the organisation (referred to in the gaps model as the company). Figure 5.2 represents the gaps model of service quality, highlighting the initial customer gap and corresponding four company gaps.

FIGURE 5.2 The gaps model of service quality
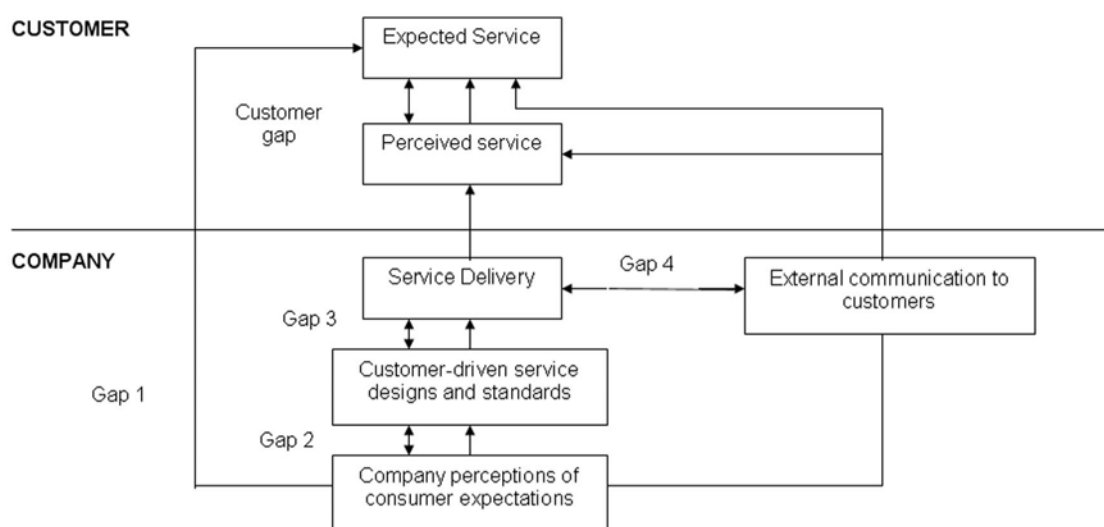
Source: Zeithaml and Bitner (2003: 532)

The central focus of the gaps model is the customer gap, being the difference between customer expectations and customer perceptions of service quality (Parasuraman *et al*: 1994). In essence, organisations need to close this gap in order to enhance customer satisfaction (Section 4.5), customer loyalty (Section 4.7) and develop the lifetime value of the customer (Section 4.7.6). Four provider gaps are identified in the customer gap (Zeithaml & Bitner: 2003):

- Provider gap 1: Not knowing what customers expect
- Provider gap 2: Not selecting the right service designs and standards
- Provider gap 3: Not delivering to service standards
- Provider gap 4: Not matching performance to promise.

To close the customer gap, the model suggests that four other gaps, the provider gaps, also need to be closed (Zeithaml *et al*: 1990). These are represented as gaps 1, 2, 3 and 4 in Figure 5.2. Key factors leading to provider gap one include (Zeithaml & Bitner: 2003):

- Inadequate marketing research orientation
- Lack of upward communication
- Insufficient relationship focus
- Inadequate service recovery.

Provider gap two is the gap between customer-driven service designs and standards and management perceptions of customer expectations. Key factors leading to provider gap two include (Zeithaml & Bitner: 2003):

- Poor service design
- Absence of customer-defined standards
- Inappropriate physical evidence and servicescape.

Not delivering to service standards is core to gap three, the gap between service delivery and customer-driven service designs and standards. Key reasons leading to provider gap three include (Zeithaml & Bitner: 2003):

- Deficiencies in human resource policies
- Failure to match supply and demand
- Customers not fulfilling roles
- Problems with service intermediaries.

When promises do not match performance, Zeithaml and Bitner (2003) identify key reasons for provider gap four:

- Lack of integrated services marketing communications
- Ineffective management of customer expectations
- Over-promising
- Inadequate horizontal communications.

Zeithaml and Bitner (2003) believe the foundation of the gaps model emphasis is warranted; due to the strong focus on the customer and the need to use knowledge about the customer to drive business strategy. Using the background of the gaps model, management of service quality follows.

5.2.4 Organizing and implementing service quality

Organisations need to develop strategies to enhance the delivery of consistent and high-level service quality (O'Neill & Palmer: 2003). Kotler (2000) researched successful service organisations in the United States of America, and proposed the following requirements:

- A strategic concept which is customer-focused
- A history of senior management commitment to quality
- The setting of high standards and communication of these standards to employees
- Systems for monitoring performance
- Systems for satisfying complaining customers
- Satisfying employees as well as customers.

Service employees have emerged as a key element in the process of quality management (Palmer: 2001). This is in tandem with the line of thought represented in Section 4.7, highlighting an entrepreneurial spirit to enhancing service profit chain initiatives (Heskett *et al*: 1997). Emphasis on the employee as service provider is emphasized in Section 4.2.7, highlighting positive quality of work-life effects on successful organisations (Lau: 2000). Vilares and Coelho (2001) identify the notion of putting employees first; Bassi and Vanburen (1997) explain organisational competitiveness as a result of a motivated workforce; whilst Nel *et al* (2004) discuss training and development programmes in supporting greater job latitude. Services marketing mix decisions (Kotler: 2000) of personnel, price, promotion and distribution require additional insight towards closing the gaps.

5.2.5 Managing the services marketing mix for service quality

Service quality management is the process of limiting the gap between consumer expectations and the perceived service delivery (Palmer: 2001). He informs that the marketing mix is at the forefront of implementations towards this objective. Firstly, the marketing mix formulation and communication thereof should be as realistic as possible, not enhancing false expectations (Walker *et al*: 1999). Secondly, non-marketer dominated factors such as referrals (for example, word of mouth) also require consideration as their presence may also effect increasing expectations (Heskett: 2002). Finally, there is the importance of recognizing the dynamic relationship between customers' perceptions and expectations (Zeithaml & Bitner: 2003).

Services marketing mix management is concerned with closing the quality gap over time, either by improving the service offer, or restraining customers' expectations (Palmer: 2001). All elements of the mix can affect the level of customer expectations and perceptions, and the elements should not be taken in isolation (Kotler: 2000). Elements of the mix, together with synergies towards narrowing the service quality gap include (Palmer: 2001):

- Front-line contact personnel are particularly important elements of consumers' perceptions of functional quality; making the buyer-seller interaction vital in service settings. This again highlights the service profit chain links identifying the employee as an integrated and important element (Heskett *et al*: 1997). Training and development go a long way in providing employee latitude, enhancing quick decision making (Nel *et al*: 2004)
- Place (distribution); often regarded as accessibility in services, can affect customers' expectations of quality as well as actual performance. A poor quality service offered through a high-quality provider may increase expectations; similarly, a high quality service offered through a low-quality provider may decrease perceptions. This places emphasis on the recruitment of service providers, monitoring a network of intermediaries who are able to share the service principal's commitment to quality standards. Such is the case in franchising, whereby the franchisor should recruit service oriented franchisees towards adhering and maintaining expected service standards (Mendelsohn: 2003)

- Pricing decisions affect both customer's expectations and perceptions of service quality. With all other factors being equal, price is often used by potential customers as a basis for judging service quality. Low price may however lead to insufficient margins to provide high quality service. Price is an important link to the customer value equation, highlighted in the service profit chain (section 4.6.6). Added value, convenience and portability often allow the service provider to negate price as the only measure of cost. Caruana *et al* (2000) however inform that service providers need to convince customers of the value of such efforts. This rotates back to customer expectations

- Promotion. Decisions have the effect of enhancing consumers' expectations of service quality. The message and communication medium may have a significant contribution to quality expectations. To a lesser degree, promotion may also enhance perceptions of service quality, such as value added, loyalty cards and membership schemes. Promotion is linked to the strategic initiatives of retention and related sales in the service profit chain (Heskett *et al*: 1997). This is highlighted in Section 4.7.6, identifying the lifetime value of the customer (Reichheld: 2002).

In order to communicate the standard of service quality a customer can expect to receive, service providers implement precise specifications of service standards. This is discussed in setting service standards.

5.2.6 Setting service standards

The general manner in which an organisation promotes itself may give a general impression as to the service quality it wishes to deliver; however, more specific standards can be stated in a variety of ways (Palmer: 2001):

- At most basic, service providers can rely on its terms of business as a basis for determining the service quality level. This may be as a result of business strategies, identifying generic competitive advantage of low cost or specialisation (Porter: 1998). The franchise agreement, for example, may state the franchise system terms of service quality, to be adhered to by all system members (Mendelsohn: 2003). Customers can thus expect a similar service quality standard throughout the network (Justis & Judd: 2002)

- Customer charters go beyond the basic terms of business, by stating in a general manner the standards of performance which the organisation aims to achieve. This specific standard may be likened to creating listening posts and avenues of customer complaints in the service profit chain (Heskett *et al*: 1997), identified in Section 4.5. This may also be likened to the charters provided by many franchise organisations, whereby toll-free communication is provided for customers to air complaints directly to the franchisor (Zairi: 2000). Mack *et al* (2000) postulate that focusing on customer complaints and service failures can assist in improving service quality

- Specific guarantees of service performance are most often offered in respect of service outcomes. As an example, the Blockbusters franchise display specific customer service quality guarantees, such as being addressed by name, receiving prompt attention, and assurance of an enjoyable home entertainment experience (Maritz: 2003). Compensation is promised if certain specified services are not delivered correctly. These specific guarantees are however inevitably dependent on employee capability and attitudes, a primary driver being employee motivation and quality of work-life (Nel *et al*: 2004). The link to the employee in the service profit chain is once again highlighted (Heskett *et al*: 1997). The operations manual is a means of stating the service requirements in a franchised environment, often a bone of contention between the relationship parties (Germann: 2002)

- Many services organisations belong to a professional association, incorporating the association's code of conduct into their own service offering. The code of conduct provides consumer reassurance to potential customers, and a statement of minimum standards to employees. In the franchised environment, such associations may include the Franchise Association of South Africa (FASA: 2002), or in the home entertainment industry, the Video Software Dealers Association of America (VSDA: 2001). A home entertainment association does however not exist in South Africa, making membership to an international association somewhat meaningless in the mind of the consumer (Maritz: 2002)

- General trade affiliations, safety associations, charitable associations and social responsibility associations also go a long way to enhancing customer loyalty (Reichheld: 2001). Whilst not directly associated to service quality, these initiatives impose a sense of integrity, effecting expectations and perceptions of service quality (Zeithaml & Bitner: 2003).

Service quality is associated and linked to many strategic marketing initiatives, placing emphasis on the synergistic approach between all the dimensions of service quality (as depicted in Section 5.2.2).

5.2.7   Integration of service quality relationships

Much has been researched and written on the various service quality relationships (Tung-Zong & Su-Jane: 1998; Heskett *et al*: 1997; Peck *et al*: 1999; Mendelsohn: 2003; Chaston: 2003; VSDA: 2003; Bolton & Thompson: 2003), particularly due to service quality being a factor that has a significant impact on business performance (Silvestro & Cross: 2000; Duffy: 2003). The link between entrepreneurial orientation (Chapter 2), the franchise paradox (Chapter 3), and the service profit chain (Chapter 4) are integral to the formulation of a proposed strategic service vision. Furthermore, the link and relationship between best practice and relationship marketing facilitates a synergistic service vision. Prior to linking service quality with the depicted chapters, peripheral links are examined.

5.2.7.1   Service quality and market orientation

The implementation of a market-oriented campaign has an immediate effect on how a firm meets its customers' perceived expectations (Tung-Zong & Su-Jane: 1998). They inform that service quality is specifically found to be the most influential determinant of a strategic business unit's performance. Heskett (2002) found that service quality has a strong positive relationship with loyalty, and a negative effect on propensity to switch. Both market orientation and service quality moderate service offerings and have a positive association on business profitability (Maranto & Reynoso: 2003; Silvestro: 2002).

Market orientation implies that an organisation obtains information from consumers about their needs and wants, and then takes appropriate action based on the information (Kotler: 2000). In a dynamic environment, organisations continuously modify their offering mix in response to and/or in anticipation of changing needs and competitors' actions (Tung-Zong & Su-Jane: 1998). Such consistent efforts narrow the perceptual gap between the organisation and its customers (Zeithaml *et al*: 1990). They also state that in the long run, a market-oriented organisation may produce higher profits through superior service quality, which, in turn, leads to higher productivity and stronger loyalty. Tung-Zong and

Su-Jane (1998) developed a conceptual model depicting the service quality and market orientation relationship, together with influences to/from business performance, industry factors, organisation factors, and response factors. This is depicted in Figure 5.3.

In their empirical study, Tung-Zong and Su-Jane (1998) identified the positive relationship in the retail stock brokerage industry. The market orientation measure consisted of three core themes, being customer focus, coordinated marketing and profitability. Service quality measures included the SERVQUAL scale, built upon the five dimensions identified in Section 5.2.2. A higher degree of market orientation was found to be correlated with superior service quality. They conclude the study by informing that only when a market oriented effort yields meaningful improvement in service quality, will any improvement on business profitability occur.

FIGURE 5.3   The conceptual model of market orientation effects on service quality and business performance
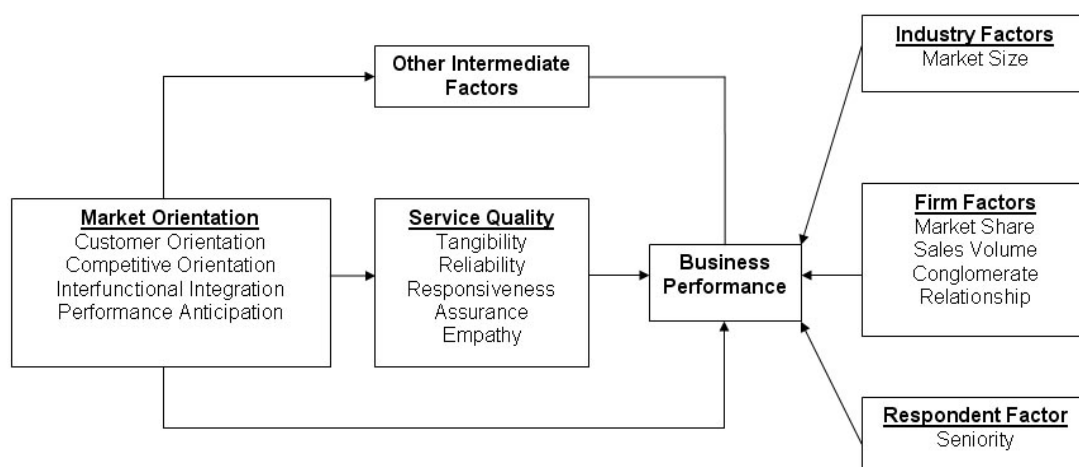
Source: Tung-Zong and Su-Jane (1998: 251)

5.2.7.2   Service quality and loyalty

Bloemer, de Ruyter & Wetzels (1999) empirically investigated the relationship between dimensions of service quality and service loyalty dimensions. Their study consisted of a large sample of customers from four different service industries, of particular relevance (to this research document) being the entertainment industry. They evaluate

preconceptions, whereby Zeithaml *et al* (1990) report such a relationship; whereas Cronin and Taylor (1992) failed to find one. Bloemer *et al* (1999) further identified that to date no studies have addressed the link between the individual dimensions of service quality and service loyalty. The relationship between overall service quality and individual service loyalty dimensions has however been empirically examined (Cronin & Taylor: 1992; Boulding, Kalra, Staelin & Zeithaml: 1993). Cronin and Taylor (1992) focussed solely on repurchase intentions, whereas Boulding *et al* (1993) focused on willingness to recommend and repurchase intentions. Whilst Cronin and Taylor (1992) found no significant relationship, the extended model of Boulding *et al* (1993) found a positive relationship between service loyalty and overall service quality.

The empirical study (Bloemer *et al*: 1999) identified dimensions of service loyalty and service quality. Zeithaml *et al* (1996) proposed a comprehensive multi-dimensional framework of customer behavioural intentions in services, which Bloemer *et al* (1999) adapted to represent service loyalty. Initial dimensions across a 13-item scale included:

- Word-of-mouth communications; which includes recommendations, positive and encouraging stimuli to support an organisation. This may be similar to referrals in the service profit chain (Section 4.7.6.3), where similar constructs are evaluated by Heskett (2002), Stokes and Lomax (2002), Ennew *et al* (2002) and Heskett *et al* (1997). Stokes and Lomax (2002) identify word-of-mouth recommendations in an entrepreneurial environment, linking service quality, customer service and the service profit chain

- Purchase intentions, representing customer intention to re-purchase and lifetime values. The empirical study of Cronin and Taylor (1992) refers. The link to the service profit chain (Heskett *et al*: 1997) is measuring and communicating lifetime values (McDougall *et al*: 1997) and retaining customers (Brooks: 2000)

- Price sensitivity, indicative of defection behaviour, and customer responsiveness to pricing. Linking the service profit chain is represented in Section 4.6, identifying the customer value equation (Heskett *et al*: 1997), and the study on switching behaviour by Ranaweera and Prabhu (2003), Section 4.7.6.1

- Complaining behaviour; including avenues of customer complaints, and associated behaviour. Service profit chain linkages are customer feedback, complaint and suggestion systems (Zeithaml & Berry: 2003); lost customer analysis (Mack *et al*: 2000); represented in Section 4.5.2. The creation of listening

posts (Ahmad & Buttle: 2002; Zairi: 2000), represented in Section 4.7.6.3 identifies strategies to complement this loyalty factor.

On the basis of factor analysis on the 13-item scale, five dimensions were identified (Zeithaml *et al*: 1996):

- Loyalty to company

- Propensity to switch

- Willingness to pay more

- External response to problem

- Internal response to problem.

Bloemer *et al* (1999) however questioned the factor analysis of Zeithaml *et al* (1996), and made use of the 13-item behavioural intention battery. Perceived service quality was measured on the basis of the 22-item SERVPERF instrument with a nine-point scale (Cronin & Taylor: 1992). Descriptive analysis, entertainment industry specific, is depicted in Table 5.1.

TABLE 5.1 Linking perceived service quality and service loyalty: an entertainment industry perspective

Quality/Loyalty	Mean	Standard Deviation
Quality dimensions		
Reliability	6.58	1.56
Responsiveness	6.60	1.57
Assurance	6.59	1.75
Empathy	6.33	1.51
Tangibles	7.09	1.32
Loyalty dimensions		
Word-of-mouth	6.72	1.87
Purchase intention	6.07	2.10
Price sensitivity	4.46	1.91
Complaining behaviour	5.28	1.53
n=203		

Source: adapted from Bloemer *et al* (1999: 1090)

Findings varied across the four identified service industries, with entertainment industry specifics including (Bloemer: 1999):

- Word-of-mouth is positively affected by responsiveness (y12=0,44) and tangibles (y15=0,36)

- Purchase intentions are primarily determined in a positive manner by reliability ($y21=0,44$), responsiveness ($y22=0,39$) and tangibles ($y25=0,32$)
- Prompt service (for instance, no waiting lines) is a key factor in determining customer preference and recommendation to others
- Tangible service attributes form the core element of the entertainment service experience, and are a key determinant of both word-of-mouth and purchase intentions
- As far as purchase intentions are concerned, it appears that reliability is crucial in determining whether or not customers will return to the entertainment venue
- Considerations about the core service are decisive in determining a customer's own behaviour as compared to the willingness to recommend the service to others.

The importance of a multi-dimensional and cross-industry approach to service loyalty is emphasised by Bloemer *et al* (1999), due to different relationships between service quality and loyalty dimensions. Managerial implications highlighted by Bloemer *et al* (1999) are indicative of the service quality-customer loyalty link providing actionable benchmarks that individual organisations may use to guide their service policies, aimed at securing customer loyalty. An adaptation of this empirical research is implemented in this research project.

5.2.7.3   Service quality and customer satisfaction

A literature review reveals that the terms quality and satisfaction are often used interchangeably, enhancing debate concerning the relationship between the constructs (Zeithaml & Bitner: 2003; Palmer: 2001; Parasuraman: 1998; Sureshchandar *et al*: 2002). Customer satisfaction has been dealt with in relation to the service profit chain (Heskett *et al*: 1997) in Section 4.5. Oliver (1997) identifies conceptual definitions to the two constructs:

- Service quality is a comparison to excellence in service by a customer
- Customer satisfaction is a process (based on expectancy disconfirmation) yielding a state of fulfilment related to reinforcement or arousal.

The majority of literature suggests that service quality is a vital antecedent to customer satisfaction (Cronin & Taylor: 1992; Parasuraman *et al*: 1998; Oliver: 1997). There is

also strong evidence that customer satisfaction is an antecedent to service quality (Bitner: 1990; Bolton and Drew: 1991). Lee, Lee & Yoo (2000) empirically found that service quality as an antecedent of customer satisfaction and that customer satisfaction exerts a stronger influence on purchase intention than service quality. Regardless of which view is taken, the relationship between service quality and satisfaction is strong when examined from either direction.

Caruana *et al* (2000) included the possible role of value as a moderating variable. Their empirical results suggest that the effect of quality on satisfaction is not just direct but is also moderated by value. Implications are in agreement with the service profit chain (Heskett *et al*: 1997; Heinonen: 2004), concerning the important effect of price and therefore value (refer to the value equation, section 4.6; and the customer satisfaction link to service value in Section 4.3.3).

Zeithaml & Bitner (2003) identify strategies to enhance service quality perceptions and customer satisfaction, most in agreement with service profit chain implications (refer to section 4.5, managing customer satisfaction). Approaches include:

- Measure and manage customer satisfaction and service quality. This includes tracking trends to diagnose problems and to link to other customer-focused strategies. Other strategies, linking the service profit chain, include employee training (Nel *et al*: 2004); reward systems (Heskett: 2002); internal process metrics (Lau: 2000); organisation structure and leadership goals (Hamel & Prahalad: 1995)
- Aim for customer quality and satisfaction in every service encounter. The service encounter may be seen as the period of time during which a consumer directly interacts with a service (Joseph: 1996). Themes underlying satisfaction/dissatisfaction in service encounters (recovery, adaptability, spontaneity and coping) suggest specific types of actions that would aid an organisation aiming for zero defects (Zeithaml & Bitner: 2003). Planning for effective recovery highlight service failures and subsequent recovery efforts which create strong memories for customers and employees. Facilitation, adaptability and flexibility are paralleled in the service profit chain by giving employees latitude and responsibility (Heskett: 2002). Encouraging spontaneity is primarily uncontrollable in service encounters, usually facilitated by hiring employees with

a strong service orientation (Lau: 2000). This is of interest in the selection of franchisees along similar guidelines (Mendelsohn: 2003). Helping employees cope with problem customers requires that employees are taught appropriate coping and problem-solving skills to handle difficult customers as well as their own feelings is such situations (Schlesinger & Zornitsky: 1991). Managing the dimensions of quality at the encounter level is the ability of employees to relate dimensions of service quality, reliability, responsiveness, assurance, empathy and tangibles to each individual encounter. The interaction is reflective of the moment of truth (Zeithaml & Bitner: 2003). Every episode where a customer interacts with a service provider represents a moment of truth because each episode can shape a customer's impressions and judgements about the organisation (Joseph: 1996)

- Manage the evidence of service to reinforce perceptions. The evidence of service, (people, process and physical evidence), provides a framework for implementation of customer satisfaction strategies. This may also include maintaining measures and rewards that influence behaviour (Yoon, Beatty & Suh: 2001).

Service profit chain synergies include enhancement activities in section 4.8, including putting employees first (Lau: 2000); spending time on the front line (Heskett: 2002); leading personal development (Bassi & Vanburen: 1997); supporting greater job latitude (Nel *et al*: 2004; Boon & Kurtz: 2000); investing in customers (Reichheld: 2001); communicating the message (Stokes & Lomax: 2002) and reducing labour costs by paying higher wages (Silvestro: 2002).

5.2.7.4   Service quality and marketing culture

Whilst this construct may be closely related to marketing orientation, marketing culture is more of a set of unwritten decrees, rituals and a shared pattern of shared values and norms which permeate an organisation (Deshpande & Webster: 1989). Albrect and Zempke (1985) use the term service culture for marketing culture and reiterate that contribution of marketing culture to service organisations as providing the only effective means to win employees commitments to serving customers. Strauss (1995) identified the challenge to services marketing as being the positive link between marketing culture and successful marketing in cultivating and sustaining a service culture. It urges service marketers to implant service culture among service employees. However, marketing culture is the result of careful planning and involves a series of ongoing training activities (Luk: 1997).

Webster (1990) identified marketing culture in terms of six dimensions: service quality, interpersonal relationship, interpersonal communications, innovativeness, organisation and selling tasks. This operational dimensionality allows measurement of an organisation's marketing culture, to discover its nature, and to identify linkages with service performance. Empirical research conducted by Luk (1997) indicated that high quality service can only be delivered when organisations successfully foster a customer-oriented marketing culture characterized by emphasis on service quality orientation and interpersonal relationship. The positive relationship confirms that perceived service quality is a function of marketing culture.

5.2.7.5   Service quality and previous experience

O'Neill and Palmer (2003) empirically investigated the role of experience on the dimensions of service quality; postulating that the service quality construct for a type of service is positively related to consumers' experience of consuming that type of service. Van Der Wagen (1994) informs that customers have many different perceptions which are influenced by their education, upbringing, experience and many other factors. Similarly, Williams and Visser (2002) suggest that experience depends on and influences perception, since it involves changes in behaviour which necessitate meaning and order being given to sensory data. Blythe (1997) refers to this process as cognitive mapping or a construct of the imagination, wherein consumers analyse purchase and post-purchase situations taking into account previous experiences, and make evaluative judgements based on these experiences. Consumers normally bring with them all of their previous knowledge and experience, which they use to try to make sense of the mass of conflicting stimuli with which they are bombarded (Chisnall: 1985). He informs that perception is seldom an objective scientific assessment of comparative values.

Analysis of service quality dimensions related to experience found that consumer perceptions of service quality may to a large extent be influenced by the degree of prior experience the consumer has or acquires in relation to a particular service. The degree of prior experience with a particular service provider, type of service provided or particular attribute of a service also has a bearing on the extent of any perceptual change over time.

Findings (O'Neill & Palmer: 2003) suggest that inexperience may limit the dimensionality of quality, which is implicit in consumers' evaluations. They recommend

that practitioners include experience variables in their measurement instruments of service quality, thereby not relying on performance only variables.

5.2.7.6   Service quality and internal marketing

Kang *et al* (2002) identify internal marketing as an important approach for fostering a service and customer oriented culture in an organisation. They see the provision of internal service quality as a critical component of internal marketing. The link to the service profit chain is emphasized in Section 4.3.7, identifying the employee satisfaction link to internal quality of work life (Lau: 2000); together with the work of Yoon *et al* (2001), empirically indicating the positive relationship between employees' work effort and customers' perception of employee service quality. The Kang *et al* (2002) empirical results confirm the five-factor SERVQUAL model as a valid and reliable tool for measuring internal service quality. While many service quality attributes may influence an employee's perception of service quality, the results are indicative of some attributes having a greater impact on the overall perception of internal service quality.

The dimensions of reliability and responsiveness were found to be critical to the overall internal service quality perceptions. It is therefore a prerequisite to have support employees providing services accurately and quickly to front-line employees, and having knowledgeable and service-oriented employees (Lau: 2000; Bassi & Vanburen: 1997). Joseph (1996) informs that internal service quality is not the responsibility of just one department or individual; but is organisation-wide and involves all members of a service organisation. Frost and Kumar (2000) developed the Internal Service Quality Model (Intservqual), based on the original GAP model (Zeithaml & Bitner: 2003). Their empirical investigation found that perceptions and expectations of internal customers and internal suppliers play a major role in recognising the level of internal service quality perceived.

Corresponding with many service profit chain initiatives of internal marketing (Heskett *et al*: 1997); Joseph (1996) identifies initiatives in the healthcare industry towards building internal service quality. Initiatives include listening to internal customers (Lau: 2000), involving, empowering and enfranchising (Nel *et al*: 2004), senior management to the front lines (Heskett: 2002), fostering team spirit (Reichheld: 1996), and communicating formally and informally (related to communication of results, Heskett: 2001; and

franchise system relationships; Mendelsohn: 2003). Joseph (1996) also identified the positive relationship between internal marketing and service quality.

5.2.7.7 Service quality and future consumer behaviour

Headley and Miller (1993) empirically evaluated the existence of the significant relationship between perceived service quality and intent to repurchase, complement, complain, recommend, switch and non-use of services. They inform that if resources for improving service quality are limited; ensuring that the promised service is performed accurately, dependably, and with caring, individualized attention offers the best return in customer satisfaction and bonding for repeat business. Their study included measurement efforts based on SERVQUAL, advising that the measure is appropriate for the services field, but that practitioners should take note in unique situations that call for adaptation (Bloemer *et al*: 1999; Robinson: 1999).

Headley and Miller (1993) confirm that anticipated relationships between perceived service quality and various consumer intentions suggest that perceived higher service quality will generate favourable intentions (such as, repurchase, complementing) and that perceived lower service quality will lead to unfavourable intentions (such as, complaining, switching, and non-use of any services). Their study is related to the service profit chain in many ways, primarily involving retention strategies (Section 4.7.6.1). Synergies include customer commitment (Zineldin: 2000), employee retention (Reichheld: 1996), active relationships with customers (Ruyter & Bloemer: 1999), less effort in need analysis (Andreassen: 1994), retention rates (Brooks: 2000), switching barriers (Ranaweera & Prabhu: 2003), customer confidence (Hansemark & Albinsson (2004), pricing (Ranaweera & Neely: 2003), defections (Sherden: 1994), and profitability (Heskett: 2002).

5.2.7.8 Service quality and culture

Imrie, Cadogen and McNaughton (2002) inform that the eagerness of global marketers to establish a competitive advantage based upon service quality within emerging markets (such as South Africa and the rest of Africa) displays a degree of naiveté in respect to the influence of environmental factors upon consumption behaviour. Shortcomings of the SERVQUAL model, identified by Parasuruman (1998) include the exclusion of the

possible influence of the variety of cultures found in international markets. The results of the Imrie *et al* (2002) empirical study indicate that not only do cultural values influence the hierarchy of service quality dimensions, but also that Parasuraman *et al*'s (1988) SERVQUAL conceptual model does not capture the breadth of criteria utilised by many globally spread consumers. They inform that interpersonal relations are highlighted as a dimension of service quality that is not adequately addressed by SERVQUAL.

Culture has been described as an accumulation of learned meaning or values within a human population, contending that these values endow individuals with rules that provide guidance in their behaviour as consumers (Soderland: 1998). Imrie *et al* (2002) in particular identified interpersonal relations as a dimension of service quality, with the emergence of three major themes. These themes included sincerity (an assessment of the genuineness with which service personnel performed tasks in order to gratify consumer preferences); politeness (associated with a customer's social status, giving appropriate respect, and service employees adherence to their respective roles within the service encounter); and generosity (need anticipation and service employees' unsolicited service provision as active service delivery). The research of Imrie *et al* (2002) converges with Rust & Oliver (2000) in acknowledgement that delighting the customer raises expectations, such that it may be difficult to exceed customer expectations in future encounters.

The integration of service quality relationships has identified strong synergies with elements of the service profit chain (Heskett *et al*: 1997). Furthermore, these synergies are complemented with developmental links to entrepreneurship (Kuratka & Hodgetts: 2004; Bolton & Thompson: 2003) and franchising as a form of business venturing for entrepreneurs (Mendelsohn: 2003; Spinelli: 1997).

Notwithstanding positive evidence of measuring service quality, together with contrasting points of view, the literature lends itself to the merits of measurement towards the attainment of organisational performance objectives (Palmer: 2001; Zeithaml & Bitner: 2003).

5.2.8   Measuring service quality: current thinking and future requirements

It is generally agreed that service quality is an attitude or global judgement about the superiority of a service, being distinct from customer satisfaction (Kang *et al*: 2002; Parasuruman *et al*: 1998). Despite varying measures of evaluating service quality, all agree that some measure of perceived performance is important in assessing service quality (Robinson: 1999). Popular measurement tools include SERVQUAL (Parasuruman *et al*: 1998), SERVPERF (Cronin *et al*: 1992), QUALITOMETRO (Franceschini, Rosetto & Caldara: 1998), evaluated performance model, NQ (normed quality) (Teas: 1993), behavioural intent (Headley & Miller: 1993), GAP model (Zeithaml & Bitner: 2003) and critical factor approach (Sureshchandar *et al*: 2002).

In the past decade SERVQUAL has proved to be the most popular instrument for measuring service quality, despite areas of disagreement amongst many researchers (Robinson: 1999). A summary of areas of disagreement is depicted in Table 5.2. Despite SERVQUAL's popularity, a number of criticisms are levelled on the conceptual and operational level (O'Neill & Palmer: 2003). Cronin and Taylor (1992; 1994) and Teas (1993) in particular, are particularly vociferous in their critique, both developing their own measurement instruments. From the results of their empirical investigation Cronin and Taylor (1992) conclude that the unweighted SERVPERF measure (performance only) performs better than any other measure of service quality.

Teas (1993) proposes and empirically tests two alternative perceived service quality models, concluding out-performance of SERVQUAL. Parasuruman (1998) defended and made changes to the SERVQUAL model in response to the criticism and additional empirical research. What is apparent is that the debate over how best to measure service quality is far from complete (Robinson: 1999).

Table 5.2 is represented on the following page.

TABLE 5.2 Service quality measurement debate: summary of areas of disagreement

Area	Nature of disagreement
The purpose of the measurement	Whether the prime purpose is diagnostic or predictive
The definition of service quality	The nature and attitude: whether it relates to performance, expectations and/or ideal standards
Models for service quality measurement	Whether to measure expectations or not Whether to measure importance or not
The dimensionality of service quality	Whether the five dimension model is correct for its original context
Issues relating to expectations	The definition of expectations Whether it is necessary to identify which items are vector attributes and which are classic ideal point attributes When to measure expectations, before or after the encounter
The format of the measurement instrument	Which measurement instrument approach is best: difference score, non-difference score or semantic-differential scales Whether importance should be measured by item or dimension, or inferred from performance and expectations scores

Source: Robinson (1999: 27)

What follows is an evaluation of the more popular service quality measurement instruments.

5.2.8.1   SERVQUAL

The SERVQUAL instrument aims to measure expectations and perceptions of service quality across the five service quality dimensions (Section 5.2.2) identified by Parasuruman *et al*: 1994): tangibles, reliability, responsiveness, assurance and empathy. SERVQUAL is identified by Zeithaml and Bitner (2003) as identifying customer requirements in various settings, detailed in Section 4.5.

The instrument consists of two sets of twenty-two statements; the first set to determine a customer's expectations of a service firm, while the second set seeks to ascertain the customer's perceptions of the organisation's performance. The respondent is requested to rate his/her expectations and perceptions of performance on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The results identify gaps in the organisation's performance on the five service quality dimensions. Based on empirical tests with the instrument and various theoretical considerations; Parasuraman *et al* (1985; 1994; 1998) claim that SERVQUAL is both reliable and valid as a measure of service quality. They also claim that the instrument is applicable to a wide variety of service

industries, although it may be necessary to reword or augment some of the measurement items.

Kang *et al* (2002) empirically tested the application of the SERVQUAL instrument, concluding that the instrument is appropriate for measuring internal service quality. Lins and Brooks (1998) also proposed that the SERVQUAL instrument may be an appropriate tool to measure the quality of service delivered by internal suppliers to their internal customers, and to assess the effectiveness of internal marketing. Headley and Miller (1993) empirically examined the positive reliability and validity of SERVQUAL to future consumer behaviour, whilst Kuei and Lu (1997) empirically tested SERVQUAL as an integrated approach to service quality improvement. Reichheld and Sasser (1990) evaluated SERVQUAL as a measure of service quality for evaluating loyalty, complemented by the similar study of Heskett (2002). Mehta and Durvasula (1998) identified SERVQUAL as an appropriate tool in measuring the relationship between service quality dimensions and organisational performance in the case of a business-to-business service environment. Despite empirical evidence of the appropriateness of SERVQUAL, critique has met with much enthusiasm (Robinson: 1999).

Disconfirmation models of service quality have challenged SERVQUAL on a number of grounds (Palmer: 2001). Numerous criticisms of SERVQUAL are based on the inductive nature of the original research in that it failed to draw on the theory base in the disciplines of psychology, social sciences and economics (Andersson: 1992; Sureschandar *et al*: 2002). O'Neill and Palmer (2003) identify one stream of objections suggesting that absolute measures of attitudes provide a more appropriate measure of quality than explanations based disconfirmation models (Cronin & Taylor: 1994). Criticism against the psychometric properties of the instrument and the stability of its five-factor structure across industry sectors are widespread (Cronin & Taylor: 1992; Carman: 1990). Imrie *et al* (2002) critique SERVQUAL on a lack of consideration of the possible influence of cultures found in international markets.

Buttle (1996) summarized the major criticisms of SERVQUAL in two broad categories-theoretical and operational. Theoretical objections included:

- Paradigmatic objections: SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established

economic, statistical and psychological theory (Cronin & Taylor: 1992; 1994; Andersson: 1992)

- Gaps model in that there is little evidence that customers assess service quality in terms of perception-expectation gaps (Zeithaml & Bitner: 2003)
- Process orientation, focussing on service delivery and not outcomes of the service encounter (Cronin & Taylor: 1992)
- Dimensionality, in that the SERVQUAL five dimensions are not universals and a high degree of intercorrelation between the five dimensions (Carman: 1990).

Operational objections cited by Buttle (1996) included:

- Expectations: consumers use standards other than expectations to evaluate service quality, and SERVQUAL fails to evaluate absolute service quality expectations (Gronroos: 1984; Teas: 1993)
- Item composition, in that four or five items cannot capture the variability within each service quality dimension (Bloemer *et al*: 1999)
- Moments of truth, whereby customers' assessments of service quality may vary from service interaction to service interaction (Carman: 1990)
- Polarity, in that the reversed polarity of items in the scale cause respondent error (Babakus & Mangold: 1992)
- Scale points: the seven-point Likert scale is flawed (Babakus & Mangold: 1992)
- Two administrations of the instrument causes respondent boredom and confusion (Gronroos: 1984; Carman: 1990; Cronin & Taylor: 1994)
- Variance extracted: the overall SERVQUAL score accounts for a disappointing proportion of item variances (Carman: 1990; Bouman & van der Wiele: 1992).

The criticism levied against SERVQUAL provides evidence of the complexity of the service quality construct and the fact that it cannot be defined in any one way for all service encounters (O'Neill & Palmer: 1999).

5.2.8.2   SERVPERF

Cronin and Taylor (1992) suggest that the conceptualization and operationalization of SEVQUAL is adequate. They believe little if any theoretical or empirical evidence supports the relevance of the expectations-performance gap as the basis for measuring

service quality (Carman: 1990). They do however believe that the 22 performance items identified by SERVQUAL adequately define the domain of service quality, and propose an alternative to the SERVQUAL scale. An empirical investigation into service quality suggests that service quality should be conceptualized and measured as an attitude, and that the literature clearly supports the performance-only (SERVPERF) approach (Lee *et al*: 2000; Cronin & Taylor: 1992; 1994).

The main feature of SERVPERF is its focus on customers' perceptions (Franceschini *et al*: 1998). Service quality is evaluated by perceptions only without expectations and without importance weights (Cronin & Taylor: 1994). In an empirical investigation of the determinants of perceived service quality and its relationship with satisfaction across four service industries, Lee *et al* (2000) found SERVPERF to be an adequate measurement tool. Their result implies that service managers should place emphasis on performance perceived by customers (SERVPERF) rather than the difference between perceived performance and prior expectation (SERVQUAL). Extending the research on service quality in health care, and constructs of satisfaction and purchase intentions, McAlexander, Kaldenberg and Koenig (1994) conclude that SERVPERF methods are superior to SERVQUAL methods. Bloemer *et al* (1999) also empirically tested the 22-item SERVPERF scale in an entertainment setting, relevant to the relationship between service quality and loyalty dimensions.

Similar to SERVQUAL, the SERVPERF approach requires the customer to rate an organisation's performance across a five point scale. Unlike SERVQUAL, however, it does not seek to estimate difference in scores and is a one-off set of items addressing post-consumption perceptions only (Palmer: 2001). SERVPERF is seen as an absolute rating of perceived service quality (O'Neill & Palmer: 2003; Cronin & Taylor: 1994).

5.2.8.3   Auxiliary measurement methods

SERVQUAL and SERVPERF dominate service quality literature (Cronin & Taylor: 1994; Parasuraman *et al*: 1994), however, other measurement methods abound (Franceschini *et al*: 1988; Palmer: 2001).

Teas (1993) developed the evaluated performance model (EP model) and normative quality model (NQ model). The EP model incorporates the classic ideal point concepts

into a perceived quality model while the NQ model integrates the classic ideal point concept with the SERVQUAL revised expectation concept (Lee *et al*: 2000). Teas' (1993) empirical investigation indicated that the criterion and construct validity of the EP model was higher than the concurrent and construct validity of both the SERVQUAL and NQ model. Teas (1993) inform that expectations may be interpreted by customers in two different ways: at the ideal level, by giving each attribute the highest score, or at the feasible level when considered under the actual conditions in which service may be delivered. The NQ method focuses customers' attention towards two kinds of expectations, but asks the customer another set of questions, stimulating potential idiosyncratic effects.

QUALITOMETRO is a service quality tool conceived for evaluation and on-line service quality control by Franceschini and Rossetto (1997). An integral feature of this method is the possibility of a separate measurement of expected and perceived quality without the potential of cross-influence (Franceschini *et al*: 1998). The QUALITOMETRO method is based on service quality dimensions proposed by Parasuraman *et al* (1994), allowing online quality monitoring of differential quality between expected and perceived quality. Franceschini *et al* (1998) empirically evaluated tools for service quality evaluation, suggesting that QUALITOMETRO appears easy to use in comparison to SERVQUAL.

Sureshchandar *et al* (2002) developed a new model to improve understanding of the way in which customers perceive service quality. They adopt a critical factor approach, identifying core service or service product; human element of service delivery; systematization of service delivery (non-human element); tangibles of service; and social responsibility. Forty-one items are identified across these five factors, in the context of the financial services industry. The instrument has been empirically tested for undimensionality, reliability and construct validity using a confirmatory factor analysis approach; offering a systematic procedure that could provide insights on conceptual comprehension of customer perceived service quality (Sureshchandar *et al*: 2002).

Bahia and Nantel (2000) developed the bank service quality scale (BSQ) for perceived service quality in bank services. Possible adaptation is however possible across other service industries. Their scale comprises thirty-one items which span six dimensions: effectiveness and assurance; access; price; tangibles; service portfolio and reliability. Their empirical investigation compared favourably to SERVQUAL, producing a six-

dimension scale which covers a broader range of marketing variables. Reliability ($0.78 \leq$ ά ≥ 0.98) and loading (0.57 to 0.89 for all the 31 variables) far surpass these measures in the SERVQUAL scale.

Schvaneveldt, Enkawa and Miyakawa (1991) evaluated service quality from two perspectives. The first involved the presence or absence of a particular quality dimension, representing an objective approach. The second perspective involved the users' resulting sense of satisfaction or dissatisfaction, representing a subjective approach (Franceschini *et al*: 1998). Their model is represented as the Two-Way service quality model. Schvaneveldt *et al* (1991) identified five dimensions: performance; security; completeness; ease of use and emotively/environment across a five-point semantic response scale. In contrast to SERVQUAL and SERVPERF (22+22 and 22 items respectively), Two-Way expectations and perception items are not declared.

Brown, Churchill and Peter (1993) developed the non-difference score measure, postulating that the calculation of a difference score in the SERVQUAL measure could lead to several psychometric problems. Their empirical investigation indicated that the reliability of SERVQUAL was below that of a non-difference score measure and that a non-difference score displayed better discriminant validity (SERVQUAL could not achieve discriminant validity). Brown *et al* (1993) in agreement with Cronin and Taylor (1993), confirmed that a non-difference score measure outperformed SERVQUAL on other psychometric considerations while requiring subjects to respond to only half as many items. In addition, variance restrictions were exhibited in using SERVQUAL (Lee *et al*: 2000).

A suggestion is to incorporate merits from each method (SERVPERF and SERVQUAL in particular), linked to service profit chain initiatives (Heskett *et al*: 1997) and contributing service quality integration and links (identified in Section 5.2.7). A contribution will be evaluated taking best practice/benchmarking and relationship management into account.

5.3 RELATIONSHIP MARKETING

Relationships between value chain participants (Porter: 1995) led to developments in the field of relationship marketing. Peck *et al* (1999: 22) developed a revised version of the six markets model; which included customer, internal, referral, influence, recruitment and

supplier/alliance markets. The six markets model identifies all facets of internal and external relationships that can contribute towards an organisation's marketplace effectiveness.

The purpose of evaluating relationship marketing is to analyse the effect of networks and relationships towards customer satisfaction and loyalty (Heskett: 2002; Reichheld: 2001). Literature from franchise systems relationships (Section 3.3) is combined with the six markets relationship model (Peck *et al*: 1999); together with entrepreneurial orientation in a franchised system (Bolton & Thompson: 2003; Lindsay & McStay: 2004) represented in Sections 2.6.10 and 3.4. The empirical study of Kang *et al* (2002) into the measurement of internal service quality may be mirrored in a franchise system, with franchisees representing the internal marketing arm of the system (Mendelsohn: 2003). This in turn links internal service quality (Lau: 2000) to the service profit chain (Heskett *et al*: 1997) and service quality (Zeithaml & Bitner: 2003). Hopkinson and Hogarth-Scott (1999) in turn identify franchise relationship quality from a micro-economic perspective. They empirically examine the behavioural implications of the three main micro-economic explanations of resource constraint, agency theory and search cost theory – for franchising. The outcome of the study is a conceptual model, linking strategic direction, franchise motivation and relational quality.

Operationalizing the six markets model, Peck *et al* (1999) addressed each market domain in greater detail, consisting of key participants; research to identify expectations and needs of key participants; current and proposed level of emphasis in each market; and the formulation of a desired relationship strategy. The six markets framework is represented in Figure 5.4. What follows is a review of each of the domains.

Table 5.4 is represented on the following page.

FIGURE 5.4 The six markets framework
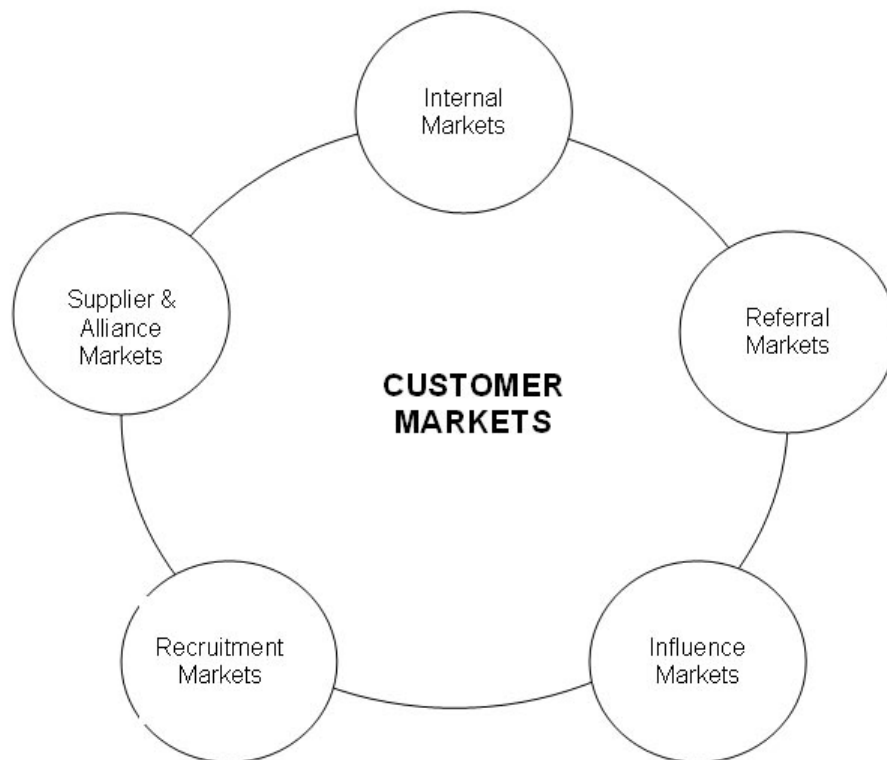
Source: Peck, Payne, Christopher and Clark (1999: 220)

5.3.1   The customer market domain

This domain is integral in managing relationships with buyers, intermediaries and consumers. Within the domain, Webster and Wind (1972) identify the decision-making unit, comprising users, influencers, deciders, approvers, buyers and gatekeepers. Customer acquisition and retention highlights a move from a transaction focus to relationship focus, involving customer retention (Zineldin: 2000); customer value (McDougall & Levesque: 2000); customer service (Zairi: 2000) and service quality (Zeithaml & Bitner: 2003). The customer market domain (Peck *et al*: 1999) relates directly to the service profit chain (Heskett *et al*: 1997) and service quality (Zeithaml & Bitner: 2003).

The customer market domain links to customer relationship management (CRM), being an organisational wide business strategy designed to optimize revenue and customer satisfaction by organizing the institution around customer segments (Fayerman: 2002). From a knowledge management perspective, CRM allows for better understanding of

customers and providing the means to achieve competitive advantage through improved customer tracking and responsiveness. Andrade (2003) postulates that CRM strategies help organisations redefine their business processes to be more customer-centred and more efficient. He identifies benefits as including: greater customer loyalty as a result of more personal and efficient service (Reichheld: 2001); more effective sales efforts through better management of the sales process; and improved success rates for marketing campaigns through better targeting (Kotler: 2000).

Crosby (2002) initiated a study of myths associated with customer relationship management strategy, identifying realities of competitive advantage:

- Customer relationship marketing/management is a comprehensive business strategy (Heskett: 2002)
- Customer relationship strategy begins with segmentation and ends with the individual customer
- Measures of service quality differ in the level of relationship commitments, and none is a *bona fide* indicator of relationship strength (Kang *et al*: 2002)
- Customer relationship strategy and brand strategy are intimately connected and serve a common purpose (Chaston: 2002)
- Adequate interpretation of customer data is essential for efficient customer relationship strategies (Storbacka, Strandvik & Gronroos: 1994)
- The success of a customer relationship strategy hinges on the leadership team taking ownership of the strategy and building the organisational competencies necessary to compete on this basis.

Storbacka *et al* (1994) emphasize that in order to enable an organisation to capitalize on available customer relationship economics opportunities, and to manage its customer relationships at a profit; the dynamic nature of such relationships has to be understood. Relationship management and conceptualization of the relationship marketing chain (Peck *et al*: 1999) go a long way to understanding these dynamic relationships (Palmer: 2001).

5.3.2   The supplier and alliance market domain

Supplier markets or vendors are the providers of resources to an organisation, whereas the alliance market is also seen as suppliers, but typically supply competencies and capabilities (Buono: 1997). Strategic outsourcing is identified as a component of the alliance domain, with motivation to engage in such activity a factor of competitive advantage, being either cost or value (Porter: 1998; 1995). Supplier development is also integral to competitive advantage, identifying optimization of value-chain analysis (Porter: 1995), with partnerships based upon commitment, trust and continuous improvement (Mockler: 2001). As the critical role of suppliers and alliance partners evolves, the need for formal processes to manage the supply chain emerges.

Supply chain management is regarded as the management of upstream and downstream relationships with suppliers, distributors and customers to achieve greater customer value at less cost (Christopher: 1997). Stevens (1989) identified four stages of the transformation process towards supply chain partnership: the baseline organisation; the functionally integrated organisation; the internally integrated company; and the externally integrated company. Advantages and benefits of strong partnerships include ongoing cost reductions; quality improvements; reduced design cycle times; increased operating flexibility; more value for customers; enhanced leverage with technology; and more powerful competitive strategies (Lewis: 1995). Quinn (1992) suggested foundations for successful alliances: jointly developed goals and plans; avoiding niche collisions; structuring the team; clear communication links; understanding cultures; and a structural learning process.

Traditional alliance relationships recommended in a study by Buono (1997) span across long-term and sustainable time frame; strategic outsourcing orientation; leader-team member inter-firm relationship; two-way information flow; consensus-oriented decision making; planning involving many managers, line and staff; ever-changing fluid service improvements; multi-disciplinary teamwork control; quality, price and timing as a primary objective; and mutually controlled profit orientation. Buono (1997) further stipulates that if alliances are to be successful, the relationship between network participants must be characterized and structured by trust, norms of reciprocity, investment in mutually beneficial goals and a sense of organisational interdependence.

Chaston (2000a), in an empirical study on relationship marketing and the orientation customers require of suppliers; suggests that service quality satisfaction will be highest where there is convergence between the relationship orientation required of a supplier and a customer's perception of the style exhibited by the supplier. He also suggests that in some service situations, namely those where the customers require a transactional orientation from suppliers, the supplier can expect to receive a lower service quality rating from customers who perceive the supplier is exhibiting a relationship oriented marketing style.

Usefulness of alliances is primarily seen as a method or enabler for growing and prospering. Mockler (2001) identifies key merits: enabler of expansion and providing access to new markets; add value to an organisation's service offering; expand distribution and provide access to materials; develop and improve operations, such as new technologies; provide additional financial resources; decrease risk; create new opportunities and reduce competition. It is apparent that many of these benefits are associated merits to the franchise system (Mendelsohn: 2003). Such alliances, in the form of licensing agreements, are identified as an equity relationship of inter-firm collaborative relationships (Mockler: 2001). Sydow (1998) regards franchise systems as strategic networks and alliances, and indicates that network organisations require very careful interpersonal relationship management, and that leadership by the central firm (franchisor) cannot be assumed to control network processes.

5.3.3 The referral and influence market domains

Referral is used to describe communications (either positive or negative) between groups such as the service provider, independent experts, family and friends and the actual or potential consumer. The referral market domain consists of customer and non-customer referral sources (Peck *et al*: 1999). Customer referrals consist of current or potential customers (such as word-of-mouth), while non-customer referral sources include networks, multipliers, connectors, third party introducers and agencies. The nature of the influence market domain usually has the most diverse range of constituent groups, consisting of shareholders, financial analysts, stockbrokers, and media and consumer/business groups.

The referral domain is expanded upon in Section 4.7.6.3, in the context of the service profit chain (Heskett *et al*: 1997) and Section 5.2.7 on the integration of service quality relationships. The link to loyalty and service quality has received much attention (Ennew *et al*: 2000). With regard to the influence market domain, marketing orientation and marketing culture (Tung-Zong & Su-Jane: 1998; Luk: 1997), together with internal marketing (Kang *et al*: 2002), play an integral part in portraying and influencing positiveness about the organisation. This is highlighted in the internal market domain.

Retention, referrals and related sales are strategic initiatives of the service profit chain (Heskett *et al*: 1997), linking loyalty to long term profit and growth (Bowen & Chen: 2001). Similarly, the referral and influence market domains link relationship initiatives towards organisational performance objectives (Peck *et al*: 1999).

5.3.4 The recruitment and internal market domains

Recruitment markets represent potential employees who possess the necessary skills and attributes required to match the profile that the company wishes to portray to its customers (Peck *et al*: 1999). The recruitment market domain includes the high cost of recruitment (Nel *et al*: 2004); finding the best employees (Schermerhorn: 2002); selection techniques (Mendelsohn: 2003, franchise specific); training and development (Nieman: 1998, franchise specific); and recruitment monitoring and evaluation (Wright & Story: 1994).

Internal markets involve two key aspects; that of employees working together to achieve organisational objectives, and that of the internal customer, whereby employees are regarded as employee and customer (Peck *et al*: 1999). Judd (1987) categorizes different levels of employees within the organisation depending on the degree and type of contact they have with external customers: contactors; modifiers; influencers and isolateds. Varey (1995) attempts to present a model of internal marketing as a process or mechanism for integrated market-oriented management; which does not assume pre-existence of structures of organisation. This is represented in Figure 5.5 on the following page.

FIGURE 5.5 Core competencies for internal services marketing
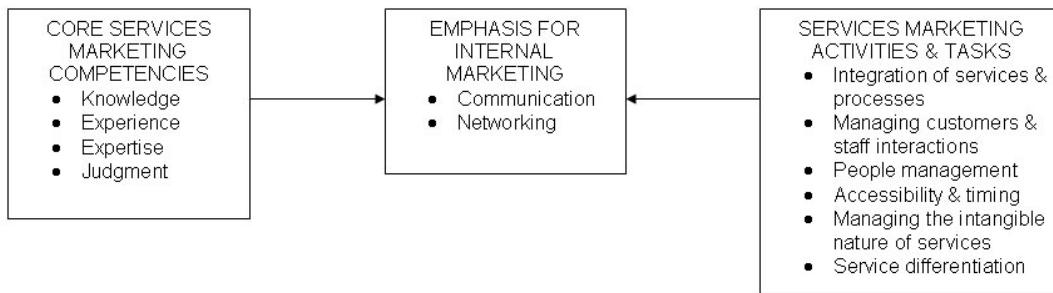
Source: adapted from Vary (1995: 47)

Peck *et al* (1999) further identify a range of inter-related internal marketing activities towards implementing effective internal marketing:

- Organisational design conducive to internal marketing concepts and philosophies
- Regular staff surveys which assess the internal service culture
- Internal customer segmentation relating to level of customer contact (Judd: 1987)
- Personal development and training focused on core competencies for internal marketing (Nel *et al*: 2004)
- Empowerment and involvement enables employees, and improves service quality (Zeithaml & Bitner: 2003)
- Recognition and rewards based on employees' contribution to service excellence (Heskett *et al*: 1997)
- Internal communications provides a mechanism for cross-functional participation
- Performance measures towards achieving key success factors, such as the balanced scorecard (Kaplan: 2000)
- Building supportive working relationships for employees, enhancing internal quality of work-life (Lau: 2000).

Internal marketing is discussed in Section 5.2.7 (integration of service quality relationships), placing emphasis on the relationship marketing and service quality link. The service profit chain also recommends initiatives towards enhancing internal marketing relationships (Lau: 2000; Nel *et al*: 2003; Bassi & Vanburen: 1997; Vilares & Coelho: 2001). Kang *et al* (2002) identified an adapted SERVQUAL battery as

appropriate application to internal service quality relationships, identifying internal marketing as an important approach for fostering a service and customer-oriented culture in an organisation.

Due to the network nature of the franchise system (Mendelsohn: 2003), franchising and franchise relationships are an integral component of internal marketing (Bloom: 2003). Franchise system relationships are evaluated in section 3.3. Justin and Judd (2002, table 3.1) developed guidelines for optimal relationships in the franchise system, which mirror those recommendations of internal marketing by Peck *et al* (1999). Lewis and Lambert (2001) present a model of the interrelationship of channel member performance, dependence and satisfaction. The internal marketing constructs showed empirically that financial dependence influences the degree to which franchisees meet performance goals prescribed by the franchisor. In addition, it showed that performance leads to satisfaction with the franchisor's performance and yields positive consequences for the relationship.

5.3.5   Creating and implementing relationship marketing strategies

Towards the implementation of a relationship marketing plan (as opposed to transactional based), Peck *et al* (1999) draw on the strategies of operational excellence, service leadership and customer intimacy (Treacy & Wiersema: 1995). Peck *et al* (1999) developed the relationship management chain, highlighting the value proposition; identifying appropriate customer value segments; designing value delivery systems and managing and maintaining delivered satisfaction. Their adapted model is represented in Figure 5.6. Facilitating the model, Zineldin (1998) introduced concepts of cooperation and effectiveness towards an ecological collaborative relationship management perspective.

The relationship model (Peck *et al*: 1999) places emphasis on the six markets framework, which links elements of the service profit chain (Heskett *et al*: 1997); service quality (Zeithaml & Bitner: 2003); franchise relationships (Mendelsohn: 2003) and entrepreneurial orientation (Bolton & Thompson: 2003). Best practice and benchmarking initiatives will add value to the model, to be discussed in Section 5.4.

Figure 5.6 is represented on the following page.

FIGURE 5.6 The relationship management chain
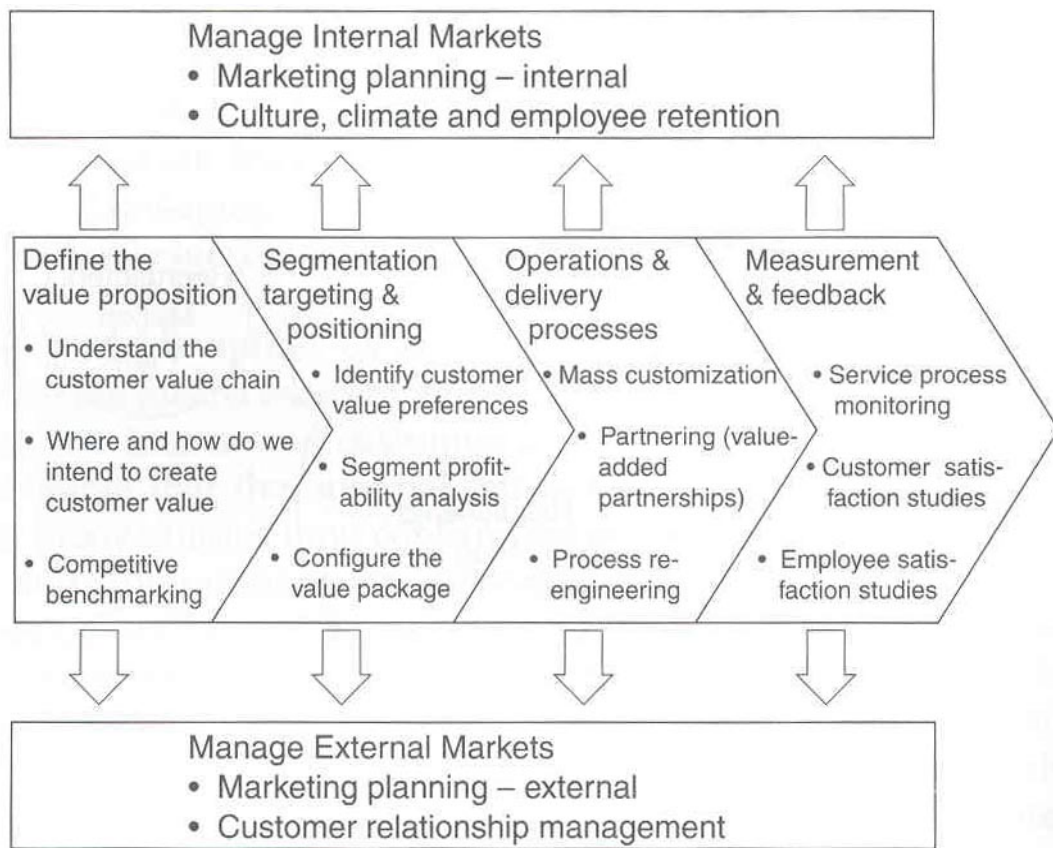
Source: adapted from Peck *et al* (1997: 420)

5.4   BENCHMARKING FOR BEST PRACTICES

Complementing the service vision further led to development of best practice initiatives, often initiated by innovative firms in competitive industries and environments. Such initiatives were regarded as pivotal in survival and achievement of competitive advantage (Porter: 1998). The Video Software Dealers Association of America (VSDA: 2001) identified best practice in the industry, as identified by Arthur Andersen Business Consultants. These were wide ranging, including understanding customers and markets; developing vision and strategy; refining store product offering; implementing the marketing plan; creating promotions and in-store merchandising; and clear in-store operations. Customer service findings included that the best customer service is one-to-one, strong relationships and loyalty are developed between staff and customers through consistency of management and staff, and personalising customer service.

Section 4.4.5 on encouraging internal best practice exchanges evaluates the discipline from the service profit chain (Heskett *et al*: 1997) point of view. Cognisance is taken of best practice initiatives in the franchise system (Mendelsohn: 2003), developing an entrepreneurial orientation to implementation (Bolton & Thompson: 2003). What follows is an overview of best practice and benchmarking in perspective.

The benchmarking exchange (TBE, 2004: 2) defines benchmarking as, "the process of identifying, understanding, and adapting outstanding practices from organisations anywhere in the world to help your organisation improve its performance. It is a highly respected practice in the business world. It is an activity that looks outward to find best practice and high performance and then measures actual business operations against those goals". Customer service quality and satisfaction rates as the second most used discipline of benchmarking and business process best practice (TBE: 2004). A best practice is a generally accepted best way of doing something (Wilkins: 2003), examples being ISO and Six Sigma processes; both force adoption of applying best practices; neither is applied exactly the same across an industry or organisation. Macky and Johnson (2003) identify best practice benchmarking as reviewing what other successful organisations are doing and adapting it to one's own situation.

Benchmarking is the practice of being humble enough to admit that someone else is better at something, and being wise enough to learn how to match them and even surpass them, implementing the new behaviour as a best practice (Andersen *et al*: 1999). They identify the core of implementation as being measurement of one's own and the benchmarking partner's performance level, both for comparison and registering improvements; comparison of performance levels, processes and practices; learning from the benchmarking partner to introduce improvements in the new applicable organisation; and improvement, which is the goal of any benchmarking study. In the Andersen *et al* (1999) empirical investigation, it was suggested that service providers often find it more important to find best practices than numerical performance data.

Jarrar and Zairi (2000) identify best practices as those that have been shown to produce superior results; selected by a systematic process; and judged as exemplary, good or successfully demonstrated. They portray the effective transfer of best practice, from searching, evaluating, validating, implementing (transferring and enabling), reviewing to routinizing. Transfer involves identifying and learning from best practices and applying

them in a new configuration or venue (O'Dell & Grayson: 1997). In their empirical study of internal transfer of best practice for performance excellence, Jarrar and Zairi (2000) indicate a wide spread of benchmarking applications across geographical and sectoral borders. It is the intention to adapt an international best practice study (customer satisfaction) into the context of a South African franchised home entertainment organisation.

Zairi (2000) empirically investigated the management of customer satisfaction from a best practice perspective; postulating that organisations need to see the process as a long-term pursuit of improvement, a culture change that can yield to competitive outcomes of the highest order. Achieving and maintaining an effective customer-focussed culture requires (Zairi: 2000):

- Getting closer to the customer, and having a feel for their future needs (Heskett: 2002)
- Promoting feedback on how well the organisation is performing from the customer's perspective (Parasuraman: 1998)
- Being aware of new introductions and innovations to satisfy future customer requirements (Ruyter & Bloemer: 1999)
- Identifying organisational strengths and weaknesses from a competitive perspective (Porter: 1998)
- Gauging employee performance and the most appropriate reward and recognition systems (Lau: 2000).

An audit tool, aimed at specifically measuring loyalty and retention, was developed by Blazey (1997). For instance, the tool analyzes the measurement aspects of customer satisfaction; the quality of information and data used; the external orientation aspects of focusing on customer satisfaction and the decision-making process itself. Zairi (2000) further provides thoughts on customer focus on a best practice perspective: having a clear service strategy which is deployed with vision, purpose and objectives; key drivers based on best practice, including market dynamics, competition and environmental factors; creating clear and open dialogue with customers; and monitoring customer satisfaction, loyalty, service quality and retention.

Service quality management has been considered a major driver in enhancing business performance (Zeithaml & Bitner: 2003). In service organisations, customer-perceived service quality is considered as one of the key determinants of business performance (Hung-Chan: 2002; Parasuraman: 1998; Teas: 1993; Palmer: 2001). Sureshchandar *et al* (2002) empirically investigated the relationship between management's perception of total quality service and customer perceptions of service quality from a best practice perspective. Their results were indicative of total quality service dimensions being good predictors of service quality. Furthermore, the soft issues of total quality services (such as human resources, customer focus, service culture, employee satisfaction, top management commitment, leadership, and social responsibility) seem to be more vital than do the hard issues in positively influencing customer-perceived service quality.

Within the best practice framework (TBE:2004) and Baldridge National Quality Program (NIST: 2004) identify generic best practice core values and concepts. These include visionary leadership; customer-driven excellence; organisational and personal learning; valuing employees and partners; agility; focus on the future; managing for innovation; management by fact; social responsibility; focus on results and creating value and a systems perspective. Many of these core values are represented in allied disciplines, such as entrepreneurial activity (visionary leadership and innovation); service quality and the service profit chain (customer-driven excellence, valuing employees and partners); franchising (systems perspective) and relationship management (social responsibility, organisational and personal learning). Home entertainment industry best practices are specifically identified.

5.4.1   Home entertainment industry best practices

The Video Software Association of America (VSDA) retained Arthur Andersen Business Consultants to identify the best practices among the top performing independent home entertainment retailers in a study conducted in 2000 (VSDA: 2001). The report is formatted with a table of contents so that retailers may locate specific information. On-site interviews were conducted with the owners/operators of the most profitable independent retailers across five geographically dispersed market areas (based on benchmarking results): upstate New York; southwest Florida; central Ohio; Kansas City, MO; and San Francisco, CA. The retailers represented a wide range of operations:

- Revenue: $ 100,000 to $ 1,200,000 per annum

- Competitive situation: no competition to ultra competitive

- Number of stores: one to multiple store locations

- VHS and DVD purchases: no revenue sharing to revenue sharing

- Location: small town to urban locations

- Product offerings: DVD, VHS, related consumables and services

- Adult entertainment: no adult to significant adult offerings.

The above dimensions are applicable to the current research project. The VSDA (2001) project is complemented with the findings of a customer satisfaction study conducted in a leading home entertainment retailer in South Africa (Maritz: 2002; 2003a; 2003b). VSDA (2001) identified seven core areas of best practice, with corresponding recommendations for implementation.

5.4.1.1   Best practice one: Understanding markets and customers

Finding 1: To understand changes in your business, continually evaluate your markets and customers.

By continually evaluating your market and customers, you allow yourself to refine your product offerings and services to meet the changing needs of your customers, and assist you in more effectively marketing your existing customers and potential customers. The most profitable participants keep in touch by using the following methods: trade journals; customer research; survey cards; mystery shopperss; employee feedback sessions.

Finding 2: Customers want a fun and convenient shopping experience.

Customers now want and expect in-stock movies. They know that they can find the movie they want at other locations. They expect both new releases and library/catalog titles to be in-stock. Customers also want and expect personal customer service. They want to be greeted by staff and appreciated for their business. Knowledgeable sales staff makes a difference with the customers. Convenience in the customers' mind goes well beyond having a convenient location. It is defined in terms of in-stock movies; hours of operation; drop boxes and rental terms. To give customers a fun, convenient in-store experience,

consider your store's visual impact. Make sure it is clean with well-kept surroundings. Your product lines should be organized with a logical, easy-to-follow layout.

Finding 3: Have rental terms that focus on customer expectations.

Clearly define your rental terms and policies for customers and staff. Measure and understand changes in rental terms. The most profitable retailers have developed well thought-out strategies based on their customers' needs and based on their competition.

Finding 4: Of the four home entertainment store selection drivers, price is ranked last.

Measure and understand the impact of price changes. The most profitable retailers are not averse to price increases under the right circumstances.

Finding 5: The most profitable home entertainment retailers in this study were price leaders in their markets.

The most profitable retailers interviewed in this survey had well developed thought-out pricing strategies for all formats of merchandise based on competition and the economics of their marketplace.

5.4.1.2   Best practice two: Develop vision and strategy

Finding 1: The most profitable retailers have developed the vision and strategy for their businesses both on a short term and long term basis.

This process defines the products and services that will be offered to customers and insures that they are in line with the business strategy. Each goes through a process, best characterized as a strengths, weaknesses, opportunities and threats analysis (SWOT), to evaluate the current and future state of the business.

Finding 2: The most profitable retailers define a mission for their store.

Missions include value, availability, selection, experience; dependent on specialization in a particular market.

5.4.1.3 Best Practice three: Refine store product offerings

Finding 1: Determine the products and offerings to deliver your mission.

This finding is facilitated by adding products and services to support the mission; eliminating products and services that are adverse to the mission; remaining customer focussed and balancing short and long term profitability.

Finding 2: Product and service offerings focus on customer satisfaction through meeting or exceeding expectation. Best stores changed product purchases over the past couple of years to meet copy depth expectations of consumers.

The goals and current practices used by the most profitable participants to maximize their customer satisfaction are meeting consumer demand for rental product in week one (goal); and meeting total demand on a movie by week two or three (current practice). This may be achieved by revenue-sharing initiatives, or purchasing rates averaged at a minimum of thirty per cent of rental revenue. Interactive gaming practice is to carry the three dominant game platforms: Playstation, Nintendo 64 and X-Box.

5.4.1.4 Best practice four: Implement marketing plan

Finding 1: Strong focus on community involvement drives awareness and loyalty.

Implementations include point of difference versus national chains, reinforcing activities in-store and focussing on different customer segments. Segments may include high schools and tertiary institutions (teens); boy scouts/girl scouts (families); performing arts (young adults/families) and chamber of commerce (business).

Finding 2: Direct mail is a cost-effective tool used to drive frequency for two customer groups: active customers and inactive customers.

The most effective offers have been determined and used to market to the appropriate customer groups. Both types, dedicated direct mail pieces as well as random are being used.

5.4.1.5 Best practice five: Offer excellent customer service

Finding 1: The best customer service is one-to-one

Motivate staff to develop one-to-one relationships with your customers. Initiatives include greeting customers upon entering the store; greeting the regular customers by name; providing expert advice on movies; and reservations for best customers.

Finding 2: Strong relationships and loyalty are developed between staff and customers through consistency of management and staff.

Many of the most profitable retailers have employees with lengths of service ranging from two to ten years in the store. Many also have generational staffing.

5.4.1.6 Best practice six: Create promotions and in-store merchandising

Finding 1: The use of customer-driven merchandising bring ease of use and convenience to the rental experience.

Initiatives include new releases on the outer wall sorted alphabetically; library/catalogue sorted alphabetically; DVD in a separate section sorted alphabetically; interactive games in a separate section sorted alphabetically; adult entertainment in a separate room, sorted by category and alphabetically within each category; and previously viewed titles sorted alphabetically.

Finding 2: A range of in-store promotions programmes have helped maintain loyalty of consumers despite competitive store openings. These programmes help bring a point of differentiation to the in-store experience. Examples include free popcorn and 'happy-hour'.

Finding 3: A pleasing store is important to keeping your customers coming back.

Have consistent appearance of merchandising materials to correspond with your store décor. This includes clear, singular messages per merchandising piece; update or change every six to eight weeks; and minimize clutter of the message. All category and pricing

signage is professionally produced and consistent throughout the store with no handwritten signs. The interior of the store should reflect the image that needs to be projected to your customer.

Finding 4: The best stores regularly remodel/update stores to reinforce a strong and positive image to customers.

Implementations include replacing carpets; painting; updating fixtures; exterior signage and category signage.

5.4.1.7   Best practice seven: Have clear in-store operations

Finding 1: Store operating procedures are clearly documented in an operations manual for consistency of execution by staff.

Procedures include the store opening; cash management; customer service; cash wrap or check out; merchandising; loss prevention; setting the store-street date; and safety and security. Store hours of operations were found to have consistent opening times of 09h00 or 10h00. Closing times vary depending on community from 22h00 to midnight on Sunday through Thursday and 23h00 to midnight on Friday and Saturday.

Finding 2: Staffing procedures and requirements vary by store depending on volume and location.

Finding 3: Store guidelines have an overall focus of serving the customer.

Findings indicate that customers expect to wait in lines at major outlets, but not at home entertainment outlets. Home entertainment outlets are perceived to be havens of personalized, friendly service every time.

Most of the findings relate to operating processes that can be segmented into five key areas: understand markets and customers; develop vision and strategy; refine products and services; market and sell; and in-store operations. These five key best practice processes have been identified by Arthur Andersen under a process classification scheme, ten steps to success (VSDA: 2001). They are operational processes and focus on the 'front of the

house' that directly impacts the customer experience such as store offerings and customer service. These processes have direct bottom line impact. The report is concluded with a handy checklist of operational best practices for home entertainment retailers.

The practicality of these best practices aligns with literature on the service profit chain (develop vision and strategy); service quality (understanding markets and customers); relationship management (offer excellent customer service); benchmarking (have clear in-store operations); and franchising (clearly documented operations manual). Overall, service quality (Zeithaml & Bitner: 2003), relationship management (Peck *et al*: 1999) and best practice/benchmarking (TBE: 2004; VSDA: 2001) are consolidated to enhance customer satisfaction and loyalty.

5.5   CONCLUSION

Service quality is an attitude or global judgement about the superiority of a service, identifying dimensions of reliability, assurance, tangibles, empathy and responsiveness. The integrated gaps model of service quality is introduced, identifying five gaps; representing the organisation and the customer. The foundation of the model revolves around customer service expectations and perceptions of service quality. Implementing service quality is discussed from a generic marketing and services marketing perspective. Integration of service quality relationships places emphasis on market orientation, loyalty, customer satisfaction, marketing culture, previous experience, internal marketing and future consumer behaviour. Measurement scales of service quality evaluated include SERVQUAL, SERVPERF, EP/NQ, Qualitometro, critical factor approach, bank service quality, and the two-way model.

Relationship management primarily evaluated the six markets model; which includes customer, internal, referral, influence, recruitment and supplier/alliance markets. The six markets model identifies all facets of internal and external relationships that can contribute to an organisation's marketplace effectiveness. The purpose of evaluating relationship marketing is to analyse the effect of networks and relationships on customer satisfaction and loyalty. The relationship management chain is introduced as highlighting the value proposition; identifying appropriate customer value segments; designing value delivery systems and managing and maintaining delivered satisfaction.

Benchmarking is the process of identifying, understanding, and adapting outstanding practices from organisations anywhere in the world, to help an organisation improve its performance. Best practice and benchmarking are identified from the perspectives of customer satisfaction, service quality, business performance and values. The Video Software Association of America (VSDA: 2001) identified best practice in the home entertainment industry, as identified by Arthur Andersen Business consultants. Most of the findings relate to operating processes that can be segmented into five key areas: understanding markets and customers; developing vision and strategy; refining products and services; marketing and selling; and in-store operations.

The overall assessment of the chapter is the synergy between service quality, relationship management, best practice and entrepreneurial orientation, the service profit chain, and the franchise system.

In Chapter 6 research methodology and design is discussed. The study commences with an exploratory search of literature, followed by an empirical investigation to scientifically validate hypotheses. Methodology includes sampling techniques, instrument design and analysis of questionnaire design. Data collection and analysis techniques follow; inclusive of descriptive measures, frequencies, range, measures of association, graphical representations, significance tests, factor analysis and correlation.

CHAPTER 6: RESEARCH METHODOLOGY

"The creation of knowledge, regardless of the context, requires the collection and analysis of data. Quality knowledge will result only if the research process is systematic and follows the scientific method" (Borland, 2001: 5).

6.1 INTRODUCTION

Research methodology is regarded as the sequence of stages underlying the design and implementation of a research project , including the establishment of the research purpose and objectives, information value estimation, research design and implementation (Aaker *et al*: 2001). The term methodology is closely related to the term epistemology, which stems from the Greek word episteme; which is their term for knowledge and is the philosophy of how we come to know. Trochim (1997) identifies the intimate relationship between epistemology and methodology; the former involving the philosophy of how we come to know the world and the latter involving the practice. This chapter aims to provide insight into the practical methods employed in gathering information for the empirical section of this research project.

The research process is identified as a sequential process foro conducting a research study. The research problem is developed into research questions, objectives and, ultimately, hypotheses. Hypotheses are, in turn, identified as primary and secondary hypotheses; evaluating entrepreneurial orientation in a franchise system and strategic service initiatives. Exploratory and conclusive research design is evaluated with applicability to the current research project, followed by methodology employed in this research project. Sources of data and data collection highlight a quantitative approach, identifying the survey method. The sampling frame includes a census approach, representative of the population. A questionnaire is developed using a combination of nominal, ordinal and interval scales; identifying permissible descriptive and inferential statistical analysis. Questionnaire questions, sections and links are discussed, followed by instrument editing, coding, reliability and validity.

Descriptive statistical techniques identify the application of univariate (single variable) measures of centre and spread and bivariate (two-variable) measures of association. Inferential statistics include relevance tests (hypotheses tests), identifying implementation

of the Kruskal-Wallis one-way analysis of variance (ANOVA). Cronbach's Alpha is introduced as a construct reliability measure, identifying overall inter-item correlation. Applicable software used for the collection and analysis of data include Surveypro and SPSS version 11.0. Synthesis and interpretation concludes the research methodology chapter.

6.2 THE RESEARCH PROCESS

Best and Kahn (1998: 18) define research as, "the systematic and objective analysis and recording of controlled observations that may lead to the development of generalizations, principles, or theories, resulting in prediction and possibly ultimate control of events". Page and Meyer (2003: 321) identify pure research as research conducted for the purpose of adding to the body of knowledge, and building theory. This is in contrast to applied research, which is research with a specific application in mind (Page & Meyer: 2003: 312).

Malhotra, Hall, Shaw and Oppenheim (2002: 32) define the research process as a sequential process which defines the tasks to be accomplished in conducting a research study. They identify six key steps in the process:

- Problem (or opportunity) definition, consisting of collecting background information; research problem formulation; and setting the decision criteria.
- Development of an approach to the problem, establishing theoretical foundations; developing conceptual and analytical models, setting the research questions; specifying appropriate hypotheses and specifying research objectives
- Research design formulation, involving type of research design (exploratory, descriptive or causal); establishing costs; definition of target population; sampling process and sample size; sources of data (secondary and primary); methods of data collection (qualitative and quantitative); questionnaire design and data analysis approach
- Field work or data collection, with objectives of minimising interviewing errors and maintaining field work quality
- Data preparation and analysis, which includes the checking editing, coding transcription and verification of data

- Report preparation and presentation, addressing the specific research question/s identified, together with interpretation of results.

Dillon, Madden and Firtle (1993: 24) define the research process as a sequence of stages that provide a general framework to follow when implementing a research study. Whilst similar to the definition of Malhotra *et al* (2002: 32) and that of Churchill (1996); they identify a process which differs only slightly from these authors. The Dillon *et al* (1993) research process is set out in seven stages:

- Formulate the problem
- Determine the research design
- Preparation of data, comprising determination of the source of data; determining the data collection format; designing of the sampling plan and designing the questionnaire
- Implementing the field work
- Processing the data, including editing and coding
- Tabulation and analysis of the data
- Preparation of the research report.

Page and Meyer (2003) in turn identify a five step sequence to the research process:

- Generating ideas
- Building a theoretical framework
- Research design, consisting of translation of research questions into research variables; appropriate sampling and data-collection methods; analysis methods; time frame; budget and writing the research proposal
- Management of the research process, with contributory factors of preparation; funding issues; ethical issues, data management and people management
- Evaluating and reporting results.

Despite similarities between the identified research processes (Page & Meyer: 2003; Malhotra *et al*: 2002 and Dillon *et al*: 1993), it is the decision of the researcher to combine the processes, and not follow the research process of any individual author/s. As such, a combination of the processes will be followed in this methodological paradigm.

Distinct characteristics will be identified from each, leading to an objective and systematic evaluation of the process, identifying the research strategy. In addition, the tailored design methodology identified by Dillman (2000) is primarily implemented as a mail and internet survey tool. This will facilitate the purpose of this research study, with the outcome categorised as a combination of scientifically adding to the body of knowledge whilst solving an immediate specific problem (Page & Meyer, 2003: 19).

6.3   PROBLEM FORMULATION

Malhotra *et al* (2002) identify this stage as steps one and two, in their research process model. This consists of problem (or opportunity) definition and development of an approach to the research problem. Martins, Loubser and van Wyk (1996) see problem formulation as the most important step in the research project, whilst Trochim (1997) identifies it as one of the most difficult (and least discussed) steps. Malhotra *et al* (2002) are also of the opinion that inadequate problem definition is a leading cause in the failure of research projects.

The background discussion in Chapter 1 highlights the requirement of the conceptualisation of an entrepreneurial strategic vision in the franchised home entertainment system. Whilst the existing body of knowledge has influenced strategic service visions in many service related industries; entrepreneurship and the service profit chain, together with other strategic initiatives have received minimal formal research in the lucrative South African home entertainment industry. To date, no published entrepreneurial service vision within this industry is to be found in reviews, standing operating procedures, nor any literature search. This study will not only enhance understanding of the dynamics of the industry on the African continent, but also conceptualise an entrepreneurial service vision in the home entertainment industry. The contribution of such a strategic service vision will facilitate competitive advantage throughout the supply chain; involving distributors, retailers (primarily franchise based) and the interaction with customers.

Theoretically, the value the investigation provides will be in understanding that the home entertainment industry is worthy of developing a body of knowledge, to be shared by all industry participants. Similarly, linking entrepreneurship, franchising and strategic service in the form of a matrix may be of interest and application to other academic disciplines.

This will facilitate both researchers and students in related business management disciplines.

As a contribution to practice, the entrepreneurial service vision will enhance the longevity of the industry, together with sharing entrepreneurial service vision recommendations to all industry participants. As such, the general oligopolistic nature of major industry participants will be dissolved; making the industry more accessible, creating more employment, and increasing industry participants. Since the industry is a product of technology; the identification of entrepreneurial and relationship behaviour of franchisor/franchisees will highlight the re-defining of industry practices.

This study, the first of its kind in the home entertainment industry and in the specific organisation, will smooth the way for implementation of entrepreneurial franchise service initiatives in the organisation. It will also assist franchisees in their advancement in the organisation and could be used to complement other programmes within the home entertainment, entrepreneurial and franchised communities.

On a macro level, successful implementation of the matrix will enhance industry participation; together with entrepreneurial contributions towards the creation of wealth, economic growth and creation of employment in a dynamic, yet turbulent developing economy such as South Africa. As such, the study will enhance South African companies' competitive advantage in an international marketing environment. Limitations however rest upon the motivation and entrepreneurial orientation of implementation within a franchised environment, ultimately in the hands of the franchisee.

Problem formulation applicable to the current research project involves the research question, key terms (background), research objectives and development of hypotheses.

6.3.1   The applicable research question

The purpose of the investigation is to determine the entrepreneurial orientation of participants in a franchised environment, coupled with the association of service vision factors. Once explored, the entrepreneurial orientation and service vision factors will be synergised to develop an entrepreneurial service vision within a franchised environment.

6.3.1.1 Primary research question

To determine the entrepreneurial orientation within a franchised system.

Question 1: Does entrepreneurial orientation exist within a franchised system, and if so, to what extent?

6.3.1.2 Secondary research questions

To determine the contribution of franchising as an entrepreneurial option towards creating and developing ventures.

Question 2: Does franchising lead to an entrepreneurial option for creating and developing ventures?

To determine the contribution of the service profit chain to service quality.

Question 3: Do service profit chain initiatives lead to service quality?

To determine the contribution of relationship marketing to service quality.

Question 4: Does relationship marketing lead to service quality?

To determine the contribution of best practice to service quality.

Question 5: Does best practice lead to service quality?

To determine service quality in a franchise system

Question 6: What is the level of service quality in a franchise system?

Entrepreneurial orientation is however also proposed from a multiple franchisee point of view; being franchisees that operate more than one franchised unit (multiple-outlet franchising).

6.3.2 Key terms of entrepreneurial orientation, franchising and strategic service vision

Integrating entrepreneurial activity and strategic service within a franchised system may best be explained in the context of networks. The most widely held view of 'network' refers to an organized system of relationships, linking a defined set of persons, objects or events (Nelson: 1988; Szarka: 1990). This networking in small business serves to provide owner-managers with the necessary support, contacts, and credibility (Ostgard & Birley: 1996). Consequently, the owner-managers will benefit from obtaining necessary information and will learn more about their own competitive capabilities relative to their competition, thereby minimizing the harsh lessons the market place may present (Dilts: 2000). As such, networking is seen as a major tool for achieving desired business results, and as a key source of resources that are typically outside the reach of many entrepreneurs (Zhao & Aram: 1995). This network view correlates entrepreneurship and franchising, yet the study of entrepreneurial orientation amongst franchisees in the franchise system requires investigation. In this context, the study will include an entrepreneurial character theme analysis, based on twenty associated themes, developed by Thompson and Bolton (2003). In addition, franchising as an entrepreneurial option for creating and developing ventures will be evaluated within the defined franchise system.

Extensive literature in the areas of customer satisfaction and loyalty abound, yet few link the disciplines of service quality, the service profit chain, relationship management and best practice. The development of a service vision matrix (incorporating these disciplines) involves an investigation into the relationship and association between these constructs independently and as a stratified matrix. Such a study will include strategic service initiatives of service quality (Zeithaml & Bitner: 2003), the service profit chain (Heskett *et al*: 1997), the relationship marketing six markets framework (Peck *et al*: 1999), and best practice principles (VSDA: 2001).

An important aspect of the study will be synergising the overall entrepreneurial orientation of the franchised system within the framework of a strategic service vision.

6.3.3　Research objectives

The research objectives are to investigate the current situation of entrepreneurial orientation in a franchise system, together with examining the contribution of a strategic service vision to service quality. The purpose is thus to identify entrepreneurial behaviour amongst franchisees, franchising as an entrepreneurial option; and to identify elements of service quality, service profit chain, relationship management and best practice; and,finally, to develop a matrix of an entrepreneurial service vision, to be initiated within the franchise system.

The first objective of investigating entrepreneurial orientation within the franchise system is based around the entrepreneurial character themes as depicted by Bolton and Thompson (2003: 62-80). The outcome of orientation will facilitate decision-making and implementation of the strategic service vision. Multiple-outlet entrepreneurial orientation is proposed.

The second objective, consisting of the four constructs (service profit chain; service quality, relationship management and best practice) associated with the vision; include investigation of issues relating to relationships within and between the constructs. An additional construct, the franchise paradox, measures the contribution of the franchise system as an entrepreneurial option for creating and developing ventures.

The final objective is the development of an entrepreneurial service vision, based upon the findings of the first two objectives. Such a matrix may be described as a full representation or description of the set of associations between these factors, including statements about the assumptions and interactions in the matrix (Page & Meyer, 2000: 7).

6.3.4　Hypotheses to be tested

Hypothesis testing uses statistical techniques to support predictions arising from theory. This is done at a statistically significant level, in that hypotheses (predictions) are either accepted or rejected. Page and Meyer (2000: 23) define a hypothesis as "a testable speculative statement delineating the relations between all the elements of a theory". The two hypotheses involved in hypothesis testing are the null and alternate hypothesis

(represented by H0 and H1 respectively). H1 represents the research hypothesis, whilst H0 assumes the research hypothesis is false (Page and Meyer, 2000: 166).

The hypotheses supplement the research questions and objectives:

6.3.4.1 Primary hypothesis

The primary hypothesis postulates that there is evidence of entrepreneurial orientation in a franchise system.

H1:   Entrepreneurial orientation exists in a franchise system.
H0:   Entrepreneurial orientation does not exist in a franchised system.

A proposition is introduced with reference to multiple-outlet franchising.

P1:   Entrepreneurial orientation exists in a multiple-outlet franchise syatem.

6.3.4.2 Secondary hypotheses

The secondary hypotheses postulate that there is evidence of a positive association between:

- The franchise system is an entrepreneurial option towards creating and developing ventures
- The service profit chain and service quality
- Relationship marketing and service quality
- Best practice and service quality

H2:   The franchise system is an entrepreneurial option towards creating and developing ventures.
H0:   The franchise system is not an entrepreneurial option towards creating and developing ventures.

H3:   Service profit chain initiatives are positively associated with service quality.
H0:   Service profit chain initiatives are not positively associated with service quality.

H4:   Relationship marketing initiatives are positively associated with service quality.

H0:   Relationship marketing initiatives are not positively associated with service quality.

H5:   Best practice initiatives are positively associated with service quality.

H0:   Best practice initiatives are not positively associated with service quality.

Hypotheses testing will include non-parametric testing, indicative of the assumption that the dependent variable does not necessarily have a normal distribution (bell-shaped). Hypothesis tests produce P-values, measuring significance, whereby there is a chance that the null hypothesis is true (Malhotra *et al*: 2002). Hypothesis tests will include the Kruskal-Wallis one way ANOVA test , together with interaction tests for greater than one independent variables (Page & Meyer: 2003). Service quality, the dependent variable, will be measured using similar inferential statistics as the stated hypotheses.

6.4   RESEARCH DESIGN

Neuman (1997: 62) portrays a paradigm as a basic orientation to research and theory, distinguishing between quantitative and qualitative methodology. This is not to be confused with qualitative and quantitative analysis. The term research methodology refers to the procedure employed when research is undertaken and constitutes the blueprint for the gathering, measurement and analysis of data (Mouton: 2001). The research design is in turn a framework for conducting a research project (Malhotra *et al*: 2002). Churchill (1996) identifies it as the blueprint that is followed in the completion of a study. A research design lays the foundation and building blocks for conducting the research (Page & Meyer: 2003).

The study commences with an exploratory search of published data in the disciplines of entrepreneurship and franchising. Related literature is reviewed, with particular reference to entrepreneurial orientation and characteristics, linked to the franchise paradox. In addition, experts and well informed people with credentials in these arenas are canvassed for their opinions and thoughts relating to the research objectives. This not only includes academia, but also industry-knowledgeable individuals. Published data reviewed includes books and journals, in addition to international academic conference proceedings.

The literature review (secondary data) forms the foundation on which the research is built, and Neuman (1997) informs that it should integrate and analyse what is known in the specific area by synthesizing different prior studies. To combine a literature study of the service profit chain, service quality, relationship management and best practice; there is in the first place a theoretical perspective investigation into the process of a strategic service vision. Thereafter a theoretical disposition evolves incorporating these factors into a strategic vision.

Literature on the home entertainment market is scarce, and very little research has been conducted in this industry on the African content. Analysis however is to be conducted from the Video Software Association of America (VSDA), together with formal research in leading South African market participants. Customer satisfaction data is however available from one of the leading home entertainment retailers in the South African market (conducted previously by the researcher, as Managing Director of the second largest market participant).

An empirical investigation (primary data) follows hereon. Grounded on theoretical investigation, empirical research is conducted to scientifically validate hypotheses as depicted. Quantitative methodology shall be employed to test hypotheses, with measurement in terms of numerical, interval and ordinal data; being data that is in the form of numbers from precise measurement. Theory is causal and deductive, with analysis proceeding with tables and statistics; discussing how this relates to the hypotheses.

Research design is the general form or system according to which the study is executed, with surveys enabling the researcher to collect data in a standardized format from a census (Struwig & Stead: 2001). It is done in such a way that it is possible to make generalizations to the population. The survey will be implemented to collect data about a great number of similar cases, executed in a circumscribed area at a given time. The survey follows a deductive approach, whereby it commences with a theoretical or applied research problem and ends with empirical measurement and data analysis (Neuman, 1997: 109).

Whilst the identified authors vary on their inclusion of factors into this stage, a composite ideology from all three is proposed (Malhotra *et al*: 2002; Page & Meyer: 2003; Dillon *et*

al: 1993). What follows is intended to provide insight into the practical ways and methods that will be employed in gathering the information for the empirical part of this study. This commences with research and design, followed by the next chapter on data processing, analysis and proposed evaluation of results.

6.4.1 Classification of research design

Research designs may be classified as either being exploratory or conclusive (Malhotra *et al*: 2002). Conclusive research design is further classified as descriptive and causal research. Page and Meyer (2003) advise that whether research is pure or applied, the purpose of the study can be descriptive, exploratory, comparative, or to test specific hypotheses (predictions) generated by theory. This study will incorporate a combination of the points of view of Malhotra *et al* (2002) and that of Page and Meyer (2003). The combined classification (adapted from these sources) is depicted in Figure 6.1.

FIGURE 6.1 A combined classification of research design
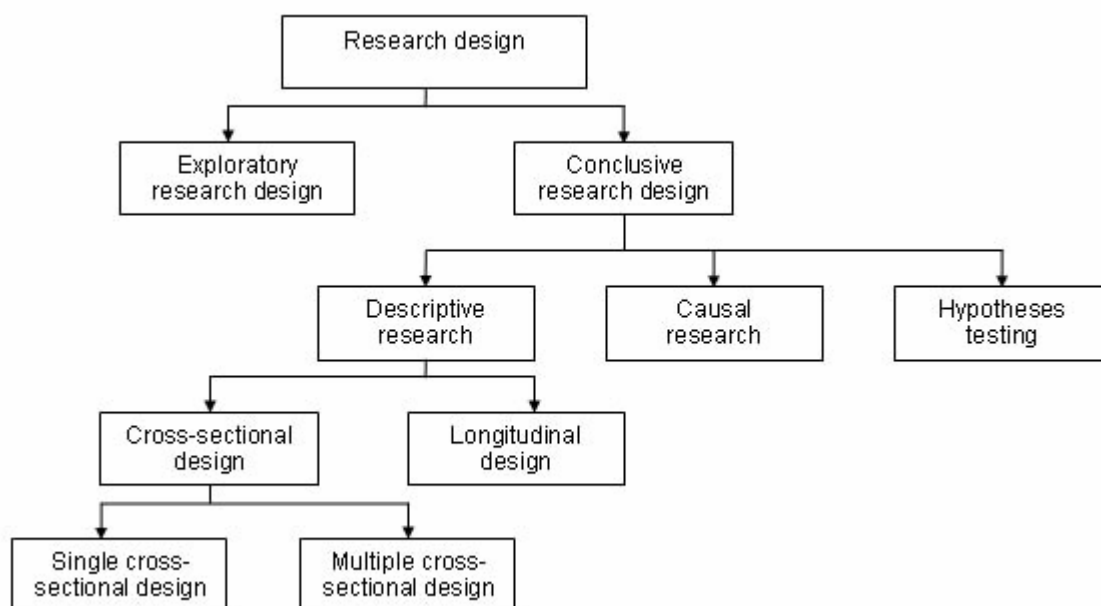
Source: adapted from Malhotra *et al* (2002: 33) and Page and Meyer (2003: 35)

Towards identifying the research classification appropriate to this study, a broad differential viewpoint is required. Exploratory research is used in cases when the problem must be defined more precisely, relevant courses of action must be clarified or additional insights must be gained before an approach can be developed. The primary objective of

exploratory research is to provide insights into and an understanding of the problem confronting the researcher and may consist of personal interviews with industry experts. The sample is small and non-representative, with primary data being qualitative in nature. Findings are regarded as tentative or as input to further research. Such research is then typically followed by further exploratory or conclusive research (Malhotra *et al*: 2002). Page and Meyer (2003) identify an exploratory study as looking for ideas, patterns or themes; an exploration of a phenomenon, event, issue or problem. Their approach is similar to that of Malhotra *et al* (2002), except that they place additional emphasis on secondary data.

Malhotra *et al* (2002) inform that the insights gained from exploratory research may be verified by conclusive research; due to the objective of conclusive research testing specific hypotheses and examining specific relationships. This identifies the more formal and structured approach; based on large representative samples, with data obtained subject to quantitative analysis. The findings of conclusive research are considered conclusive in nature and are used as input into managerial decision-making. Table 6.1 summarises the differences between exploratory and conclusive research.

TABLE 6.1 Differences between exploratory and conclusive research

Difference variable	Exploratory	Conclusive
Objective	To provide insights and understanding	To test specific hypotheses and examine relationships
Characteristics	Information needed is loosely defined Research process is flexible and unstructured Sample is small and non-representative Analysis of primary data is qualitative	Information needed is clearly defined Research process is formal and structured Sample is large and representative Data analysis is quantitative
Findings/results	Tentative	Conclusive
Outcome	Generally followed by further exploratory or conclusive research	Findings used as input into decision-making

Source: Malhotra *et al* (2002: 125)

Based on the previous discussion in this section it can be stated that this research project will be conclusive in nature; where the primary objective is to test hypotheses of entrepreneurial orientation and a strategic service vision (service profit chain, service quality, relationship marketing and industry best practice). This however does not negate the use of exploratory data, originally used in this study to develop hypotheses and develop questions (framework). Applicable research designs used in this study are discussed in greater depth.

6.4.1.1 Exploratory research

Whist only constituting a small part of the project, this approach was used on an exploratory level; due to the original lack of a clear idea to the problem. The objective of exploratory research is meaningful in any situation where the researcher does not have enough understanding of the research project (Malhotra *et al*: 2002). This process enabled the researcher, through exploration, to develop concepts more clearly, establish priorities, develop operational definitions, and improve the final research design. Formal protocols and procedures were not used, highlighting the flexibility and versatility of this approach (Churchill: 1996). Although the focus of investigation shifted constantly, the main topic themes remained constant. Methods of exploratory research used in this study included survey of experts (home entertainment and discipline specific); pilot surveys (franchisee and pre-test specific); and secondary data (entrepreneurial orientation, franchise paradox, service profit chain, relationship marketing and best practice specific).

The purpose of exploratory research was based on the findings of Churchill (1996): formulating a problem for more precise investigation; developing hypotheses as a result of the initial investigation; establishing priorities for further research; gathering information about the practical problems of carrying out research on particular issues; increasing the researcher's familiarity with the problem; clarifying concepts. Applicability to the current research project included a background study of the home entertainment industry (applying Porter's five forces model); customer satisfaction levels in the industry (Maritz: 2002); identifying the relevant franchise system; measurement instruments and designs for various constructs (Thompson: 2003; Zeithaml *et al*: 2003; Heskett *et al*: 1997; Peck *et al*: 1997; VSDA: 2001); developing hypotheses (based on exploratory research in the home entertainment industry); practical solution for carrying out research (such as identifying studies in related disciples, an example being the self evaluation by management of service quality (Chang & Chen: 1998); and exploratory research conducted with home entertainment industry participants and academia regarding specific disciplines. The disciplined exploratory research included interaction with academia specialising in the discipline areas at international conferences and symposiums.

Cognisance is however taken of the exploratory, tentative and insightful nature of this research; which is followed by conclusive research (Page & Meyer: 2003).

6.4.1.2   Conclusive research

As highlighted, this research project is primarily conclusive in nature; being more formal and structured. It is based on large, representative samples and the data obtained are subjected to quantitative analysis. The findings from this empirical research are considered to be conclusive in that they are used as input into managerial decision-making (Malhotra *et al*: 2002). Applicability to this study is the testing of hypotheses, followed by the development of a conceptual matrix, proposing an entrepreneurial service vision in the franchised home entertainment sector. Malhotra *et al* (2002) identify conclusive research as being either descriptive or causal; whereas Page *et al* (2003) also include alternatives of hypotheses testing and comparative research. Table 6.2 shows the difference between these research designs.

TABLE 6.2 A comparison of basic research designs

Comparison variable	Exploratory	Descriptive	Causal	Hypotheses	Comparative
Objective	Discovery of ideas and insights	Describe market characteristics or functions	Determine cause and effect relationships	Accept or reject pre-determined hypotheses	Comparison with what would be expected in theory
Characteristics	Flexible and versatile Often the front end of total research design	Marked by prior formulation of specific hypotheses Preplanned and structured design	Manipulation of one or more independent variables Control of other mediating variables	Marked by prior formulation of specific hypotheses Preplanned and structured design	Experimental groups compared with control groups Preplanned and structured design
Methods	Expert surveys Pilot surveys Secondary data Qualitative research	Secondary data Surveys Panels Observations and other data	Experiments	Statistical techniques	Secondary data Surveys Panels Observations and other data

Source: adapted from Malhotra *et al* (2002) and Page and Meyer (2003)

The comparisons in Table 6.2 identify similarities among descriptive, hypotheses and comparative research in particular. To avoid semantics, the researcher will incorporate hypotheses and descriptive research into the descriptive research portfolio. The operational difference between causal and descriptive research is the manipulation of independent variables (in the former), lending itself to experimentation (Malhotra *et al*: 2002). Applicability to the current research project involves hypotheses testing, using

secondary data, survey approach and describing the relationships of constructs identified (section 6.3.1). What follows is justification of the descriptive approach for this study.

6.4.1.3   Descriptive research

Often referred to as the phenomenological approach, a descriptive study sets out to describe a phenomenon or event as it exists, without manipulation or control of any elements involved in the phenomenon or event under study (Page & Meyer, 2003: 22). This type of research presents a picture of the specific details of a situation, creating a set of categories or classification types (Neuman, 1997: 19). Malhotra *et al* (2002) define descriptive research as a type of conclusive research which describes market characteristics or functions, following a pre-planned and structured approach. They reason that descriptive research is applicable as follows:

- To describe the characteristics of relevant groups; with applicability to the current research project describing the entrepreneurial orientation of franchisees (Thompson: 2003) and franchising as an entrepreneurial option
- To determine the perception of service characteristics; with applicability being perception of service quality (Zeithaml & Bitner: 2003); service profit chain (Heskett *et al*: 1997); relationship marketing (Peck *et al*: 1999) and best practice (VSDA: 2001)
- To determine the degree to which behaviour and marketing variables are associated; application being the association between variables of the constructs identified in this study
- To make specific predictions; with applicability to the current research project being the acceptance or rejection of hypotheses (section 6.3.4)
- To estimate the percentage of units in a specified population exhibiting a certain behaviour, with applicability being entrepreneurial orientation by character themes (Thompson: 2003) of franchisees within a defined franchise system.

Prior knowledge of the problem situation was obtained from exploratory research (Section 6.4.1.1). Descriptive research, in contrast to exploratory research, is marked by a clear statement of the problem (Section 6.3.1); specific hypotheses (Section 6.3.4) and detailed information needs (Malhotra *et al*: 2002). The survey method is identified as appropriate for descriptive design (Neuman: 1997), and will be used in the current

research project. Descriptive research using the methods in table 6.2 can further be classified into cross-sectional and longitudinal research (Figure 6.1). Cross-sectional research involves the collection of information from any given sample of population elements only once; whereas longitudinal design involves a fixed sample of population elements, which is measured repeatedly (Malhotra *et al*: 2002). Cross sectional design is further differentiated into single and cross-sectional design. The former, as its singular connotation implies, refers to design in which one sample of respondents is drawn from the target population and information is obtained from the sample once. The latter involves two or more samples of respondents and information from each sample is obtained once only. Applicability to the current research project will involve single cross-sectional design, using a census approach. Although a census will be used (single cross-sectional), data is stratified by region (geographical and franchise location stratification).

This section highlighted stage 1 and 2 in the research process (Section 6.2) identified by Dillon *et al* (1993), namely, determining the research design. Section 6.5 will concentrate on stage 3 in the process, being sources of data; data collection; sampling plan and instrument design. These sections are incorporated under the heading methodology, where-after data processing and analysis will be discussed.

6.5   METHODOLOGY

Dillon *et al* (1993) refer to this stage as preparation of data; comprising determination of the source of data, determining the data collection format, designing of the sampling plan and designing the questionnaire. This section however falls under research design and formulation (Malhotra *et al*: 2002; Page & Meyer: 2003). Section 6.5 shall however follow the Dillon *et al* (1993) paradigm.

6.5.1   Sources of data

Information sources available to the researcher can be classified as primary or secondary data (Dillon *et al*: 1993: 78). Aaker, Kumar and Day (2001) postulate that these methods may be used either singly or in combination. They explain secondary data as being already available, being collected for some purpose other than solving the present problem; whilst primary data are collected especially to address a specific research

objective. Applicable to the current research project is the use of both secondary and primary data.

Malhotra *et al* (2002) compares primary and secondary data using four key categories, identified in Table 6.3.

TABLE 6.3 A comparison of primary and secondary data

Purpose/Process	Primary data	Secondary data
Collection purpose	For the problem on hand	For other problems
Collection process	Very involved	Rapid and easy
Collection cost	High	Relatively low
Collection time	Long	Short

Source: Malhotra, Hall, Shaw and Oppenheim (2002: 157)

6.5.1.1   Secondary data

Page and Meyer (2003) place emphasis on secondary data in exploratory studies, whilst Hernon (2004) recommends secondary data as the commencement phase of exploratory data. Secondary data are collected for some purpose other than the problem at hand (Malhotra *et al*: 2002), consisting of either internal or external sources (Aaker *et al*: 2001). Internal sources are available within the organisation, such as customer database and feedback; sales and patronage results/outcomes and franchisee performance. External sources are those generated outside the organisation, such as published material (printed and electronic) and information made available by syndicated services (standardised sources of marketing data and the internet).

Uses of secondary data include providing input for exploratory data (Page & Meyer: 2003); a valuable source of new ideas that can be explored later through primary research (Aaker *et al*: 2001); being a prerequisite for primary data (Martins *et al*: 1996); complementing the primary data, other investigations in similar studies may be useful in planning the present one (Aaker *et al*: 2001); helps define the population and sample selection (Vaus: 1995); and as reference base against which to compare the validity or accuracy of primary data (Aaker *et al*: 2001). In agreement with Churchill (1996), Aaker *et al* (2001) identify the most significant benefits secondary data offer a researcher are savings in cost and time. Limitations relate to data that was collected for some other purpose, questioning validity to the current research project (Churchill: 1996); no control

over data collection; accuracy dilemma; possibly outdated; and not meeting data requirements and assumptions that have to be made (Aaker *et al*: 2001).

Criteria for evaluating secondary data involve routine evaluation, using specified criteria. Due to the large volume and multi-disciplinary approach of secondary data required for the current research project, the criteria as specified by Malhotra *et al* (2002) was evaluated. The criteria are depicted in Table 6.4.

Applicability to the current research project is the extensive literature study as part of the exploration stage of the study (identified in Chapters 2, 3, 4 and 5). Interestingly enough, even the research methodology chapter under review is part of the exploration stage.

TABLE 6.4 Criteria for evaluating secondary data

Criteria	Issues	Remarks
Specifications and methodology	Data collection method; response rate; quality of data; sampling technique; sample size; questionnaire design; field work; data analysis	Data should be reliable, valid and generalisable to the problem at hand
Error and accuracy	Examine errors in approach, research design, sampling, data collection, data analysis, reporting	Assess accuracy by comparing data from different sources
Currency	Time lag between collection and publication; frequency of updates	Census data are periodically updated by syndicated organisations
Objective	Why were the data collected?	The objective will determine the relevance of data
Nature	Definition of key variables; units of measurement; categories used; relationships examined	Reconfigure the data to increase their usefulness, if possible
Dependability	Expertise, credibility, reputation and trustworthiness of the source	Data should be obtained from an original rather than an acquired source

Source: Malhotra, Hall, Shaw and Oppenheim (2002: 159)

6.5.1.2   Primary data

Page and Meyer (2003) refer to primary data as generating new data. Dillon *et al* (1993) view primary data as data collected from potential customers in cases where secondary and syndicated sources are not sufficient to solve the marketing research problem at hand. This view is however somewhat limited, as the research in the current project does not involve potential customers, but franchisees in the franchise system. As such, the definitions of Aaker *et al* (2001) and Malhotra *et al* (2002) bear relevant thought; identifying primary research as data collected to address a specific research objective. The researcher will thus implement this approach. The collection of primary data involves all

six steps of the research process as identified by Malhotra *et al* (2002), reflected in Section 6.2. Primary data forms an integral constituent of the balance of this chapter, identifying requirements of the current research project. The data collection format follows, identifying qualitative and quantitative methodology.

6.5.2 Data collection format

Data collection methods include both secondary and primary data, and the emphasis on the balance of the chapter concerns primary data. Primary data collection methods are essentially divided into four main categories: verbal communication; written communication; observation and experimentation (Martins *et al*: 1996). Within these categories, quantitative and qualitative methodologies are identified (Malhotra *et al*: 2002; Page & Meyer: 2003). Qualitative research provides insights and understanding of the problem setting, whereas quantitative research seeks to quantify the data and apply some form of statistical analysis. The identification of primary data being qualitative or quantitative in nature is depicted in Figure 6.2 (represented on the following page). Malhotra *et al* (2002) inform that the distinction between qualitative and quantitative research closely parallels the distinction between exploratory and conclusive research (refer Table 6.1). The relationship between qualitative and quantitative research should not be considered in terms of a mutually exclusive dichotomy but rather as a continuum of complementary paradigms (Borland: 2001). This complementarity is a point of view shared by Page *et al* (2003), however, placing emphasis on the research objectives as a guiding formation.

Figure 6.2 is represented on the following page.

FIGURE 6.2 A classification of market research data
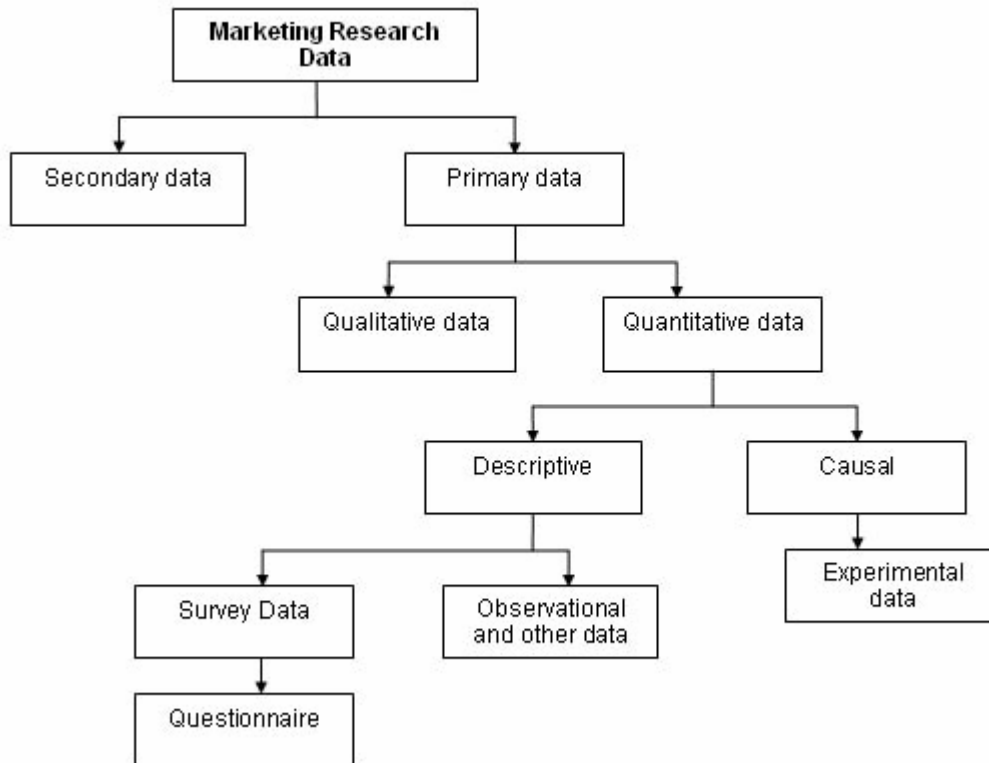
Source: Malhotra, Hall, Shaw and Oppenheim (2002: 191)

The applicability of the current research project is quantitative in nature, despite the advantages and merits of qualitative research being complementary. The two were synergized, evaluated and then determined to construct a niche setting with clear research objectives. Qualitative data was primarily used during the exploratory phase, followed by primary data to test hypotheses. Malhotra *et al* (2002) postulate variables against which qualitative and quantitative may be evaluated. Theses are depicted in Table 6.5 (represented on the following page), together with input from Borland's (2001) study. Analyses again highlight the parallel between the distinction between exploratory and conclusive research. Applicability to the current research project is emphasized in the final outcome of both conclusive and quantitative research; that of recommending a final course of action. Applicability will be the acceptance or rejection of hypotheses, leading the development of an entrepreneurial strategic service vision. Quantitative data methodology used in this project will now be evaluated.

Table 6.5 is represented on the following page.

TABLE 6.5 Qualitative versus quantitative research

Evaluation variable	Qualitative	Quantitative
Objective	To gain a qualitative understanding of the underlying reasons and motivations; insight of phenomena through intensive collection of narrative data	To quantify the data and generalise the results from the sample to the population of interest; explain, predict or control phenomena through focused collection of numerical data
Sample	Small number of non-representative cases Purposive: intent to select small, not necessarily representative sample to acquire in-depth understanding	Large number of representative cases Random: intent to select large, representative sample to generalize results to a population
Data collection	Unstructured	Structured
Data analysis	Non-statistical; raw data are words Nonstandardized, narrative, ongoing Essentially ongoing, involves synthesis	Statistical; raw data are numbers Standardized, numerical, at the end Performed at end of study, involves statistics
Outcome	Develop an initial understanding Conclusions tentative, reviewed on an ongoing basis Generalizations speculative or nonexistent	Recommend a final course of action Conclusions and generalizations formulated at end of study Stated with predetermined degree of certainty

Source: adapted from Malhotra, Hall, Shaw and Oppenheim (2002: 192) and Borland
(2001: 9)

6.5.2.1   Quantitative research

The objectives of the research, namely, the investigation of the current situation of entrepreneurial orientation in a franchise system, together with examining the contribution of a strategic service vision to customer satisfaction and loyalty; compels the researcher to make use of quantitative research to obtain and analyse the required information. A structured and quantitative approach is also required due to the empirical nature of the research project. The purpose of quantitative research is to describe, predict and control. In this type of research, specific variables are isolated through control of the environment (often through sampling techniques) to eliminate the effects of confounding variables and testing their relationship to various behaviours (Borland: 2001). Figure 6.2 depicts quantitative research as being either descriptive or causal. Descriptive research is designed to provide a summary of some aspects of the environment when the hypotheses are tentative and speculative in nature. Causal research has very specific hypotheses, designed to provide the ultimate level of understanding – a knowledge that one construct under certain conditions causes another construct to occur or change (Aaker *et al*: 2001). Application to this research project is that theory is causal and deductive, using survey and experimental data.

Page *et al* (2003) see experimental research as seeking to establish direct cause-effect relations between the variables examined in research, in terms of quantifying the direction and strength of the observed relations. Applicability to the current research project is the effect of variables such as retention, related sales, referrals and responsiveness (causal agents) on customer satisfaction and loyalty (effect). Survey research, on the other hand, usually entails the careful random selection of samples that enable results to be generalized to wider populations with a high degree of confidence (Gill & Johnson: 1991). The survey follows a deductive approach, beginning with a theoretical or applied research problem and ends with empirical measurement and data analysis (Neuman: 1997). Such descriptive research is also referred to as correlational research (Borland: 2001). Applicability to the current research project is the correlation between variables and constructs, such as the relationship between service profit chain initiatives and customer service and loyalty.

Borland (2001: 10) developed a conceptual model of quantitative research, adapted by the researcher for application to the current research project. The process commences with previously conducted secondary and exploratory research, through data collection and interpretation, identifying development of an entrepreneurial strategic service vision. This is represented in a new conceptual model in Figure 6.3.

FIGURE 6.3 A conceptual model of quantitative research
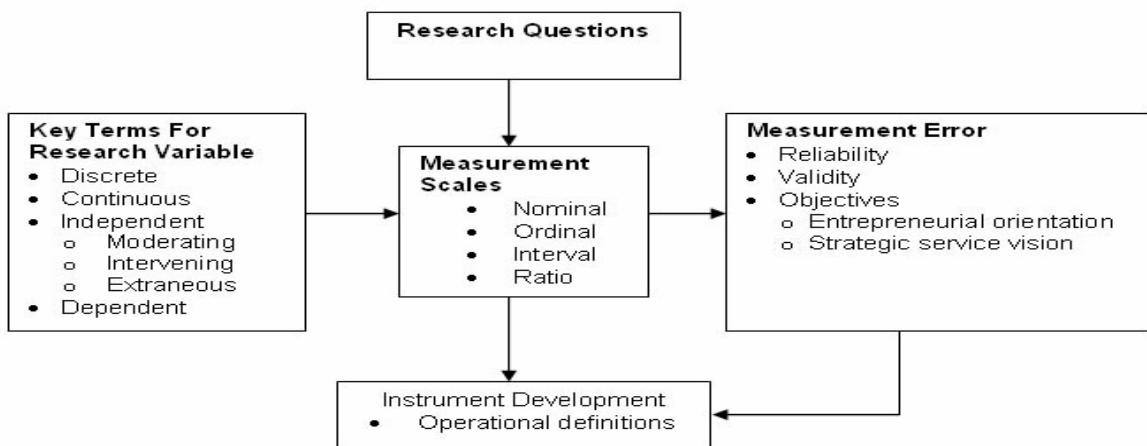
Source: adapted from Borland (2001: 5-13)

6.5.2.2   The survey method

The previous section on quantitative research identified the survey as the preferred format of data collection. The survey method of obtaining information is based on questioning of respondents. Respondents are asked a variety of questions regarding their behaviour, intentions, attitudes, awareness, motivations, demographics and lifestyle characteristics. Questions may be verbal, in writing or electronic. The questions are typically structured and in this type of research a formal questionnaire is used and questions are asked in a pre-arranged order (Malhotra *et al*: 2002). Janes (2001) believes that surveys can do a good job of describing a population, eliciting reliable answers to the same set of questions by all respondents.

Malhotra *et al* (2002) classify survey methods by the nature of survey interaction; and mode of administration of the questionnaire. Nature of survey interaction identifies the manner in which the interviewee interacts during the survey; whilst mode of administration refers to the technology or approach used to conduct the survey. Classification by nature of survey interaction involves either of person-to-person; computer assisted or self-completion. Classification by mode of administration includes personal interviewing; telephone interviewing; electronic interviewing and mail interviewing. Aaker *et al* (2001) identify the choice of survey methods as being a factor of sampling plan to be employed; the type of population to survey; the response rates required and available resources. These factors are discussed in the next section, entitled sampling plan.

Applicability to the current research project was that of classification according to nature of survey interaction via electronic interviewing (web interviews) through self-completion. Self-completion via an electronic web-mail interview was found as appropriate in this franchise system. The email was however used as a secondary and auxiliary medium. Surveypro, an online software application, was used to present the questionnaire at http://www.survey.unitec.ac.nz/mrvideo.

Dillman (2000) argues that the use of a tailored design method (TDM) perspective accounts for higher response rates. An adaptation of Dillman's (2000: 27) model is represented in Figure 6.4 (represented on the following page); highlighting tailored design, social exchange and respondent behaviour, creating trust, influencing the

respondent's expectations for cost and reward, exchange concepts, resulting in a reduction of survey errors from coverage, sampling, measurement and nonresponse. The approaches identified by Malhotra *et al* (2002), Aaker *et al* (2001) and the tailored design method of Dillman (2000) were instrumental in the design of the survey applicable to the research project on hand. The instructions page particularly used a tailored design perspective, using guidelines such as sponsorship by a legitimate authority (University of Pretoria and Mr. VIDEO Franchise), making the task appear important (part of a Doctorate thesis), invoke other exchange relationships (contact details) and giving social validation (similarity within a successful group). Other concepts adapted from Dillman (2000) towards establishing trust and reducing social costs included showing positive regard, thanking respondents, supporting group (franchise) values, avoiding subordinating language, avoiding inconvenience, minimizing requests to obtain personal information and placing emphasis similar to that of other respondents.

FIGURE 6.4 A schematic overview of the tailored survey design perspective
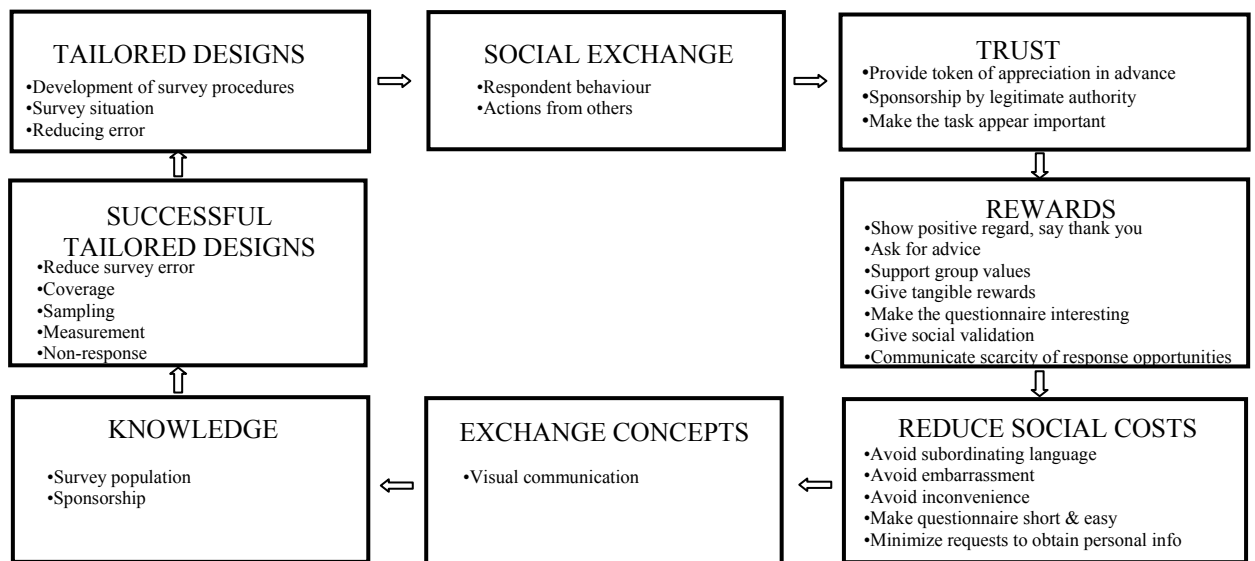
Source: adapted from Dillman (2000: 27)

Potential sources of survey error are identified by Aaker *et al* (2001), and they identify seven steps toward reducing their impact on survey findings. What follows are the seven points, with applicability to the current research project identified alongside each point:

- Population has been defined correctly: Mr. VIDEO franchise system (franchisees) in South Africa

- Sample is representative of the population: census application, identified in the following section

- Respondents selected to be interviewed/researched are available and willing to cooperate: an initiative requested jointly by the Chairman of Mr. VIDEO and the Mr. VIDEO franchise council

- Respondents understand the questions: the questionnaire will be explained and discussed with all participants at Mr. VIDEO regional franchise meetings

- Respondents have the knowledge, opinions, attitudes, or facts required: all participants are active Mr. VIDEO franchisees

- Respondents are willing and able to respond: feedback of results and development of an entrepreneurial service vision, for application in the franchise system used as a motivator to elicit response

- Interviewer understands and records the responses correctly; self-administered questionnaires to avoid this bias.

Additional survey error factors include ambiguity of questions and inaccuracy in response (Hernon: 2004). These will be discussed in the section entitled instrument design. The questionnaire is a popular method of data collection in a structured direct survey; with most questions being fixed-response alternative questions that require the respondent to select from a predetermined set of responses (Fink: 1995c). In a survey the questionnaire is relatively simple to administer and the data obtained seen as reliable and valid because responses are limited to the alternatives stated (Page & Meyer: 2003). Applicability to the current research project is the use of a structured questionnaire distributed to franchisees in a franchise system. Details of the instrument design and sampling plan follow.

6.5.3 The sampling plan

Aaker *et al* (2001) identify sampling as the process of surveying only a sample of the whole population to make inferences about the population. Samples can reflect the populations from which they are drawn with varying degrees of accuracy; and a sample accurately reflecting its population is referred to as being a representative sample (de Vaus: 1995). Sample characteristics, referred to as statistics, are then used to make inferences about the population parameters. The inferences that link sample

characteristics and population parameters are estimation procedures and tests of hypotheses (Malhotra *et al*: 2002). To achieve an overview and discipline topic related structure, the steps in sampling as identified by Martins *et al* (1996) include defining the population; identifying the sampling frame; selecting the sample method; determining the sample size and selecting the sampling elements. Saunders, Lewis and Thornhill (1997: 126) identify a similar overview, incorporating identifying a suitable sampling frame based on the research objectives; deciding on a suitable sample size; selecting the most appropriate sampling technique; and checking that the sample is representative of the population. Whilst not following this sequence, the researcher will elaborate on these sampling disciplines with applicability to the current research project.

Cognisance must however be taken that the current research project identifies entrepreneurial orientation and strategic service initiatives in a defined franchised system, with contradictory opinions regarding the population as a census or sampling determinant (Churchill: 1996). This will be evaluated in the following sections, however; highlighting the defined franchise system of one hundred and sixty four franchised outlets (cognisance of multiple unit franchisees).

6.5.3.1   Defining the target population

Sampling refers to only selecting a part of the research population (Page & Meyer, 2000: 43); and since most concepts are not directly observable or testable in the field, these concepts need to be represented by indicators or measures. The target population is the collection of elements that possess the information sought by the researcher and about which inferences are to be made. Elements are in turn objects that possess the information sought by the researcher and about which inferences are to be made. A sampling unit is the basic unit that is available for selection during the research process (Malhotra *et al*: 2002). The sampling unit and elements are integral components of the target population. A similar point of view is postulated by Martins *et al* (1996: 251), defining the target population in terms of elements, sample units, time and size.

The current research project identifies the Mr. VIDEO franchise system within the home entertainment industry as sample unit and element. The time period is 2004 and 2005, with size indicative of franchise system participants in the home entertainment industry. Retailing in the industry is dominated by a few franchisors, operating on a national (and

rest of Africa) basis. The market leader, Mr. VIDEO, was founded ten years ago, and has experienced this domination for the past five years. Mr. VIDEO has a market share of approximately 18 per cent, and is the largest franchised home entertainment rental chain in Africa. This chain was identified as appropriate for this study, particularly as they are seen by industry participants as leaders in the industry.

6.5.3.2   Determination of the sampling frame

Once the target population has been defined, the next step entails obtaining a frame of the population (Page *et al*: 2003). The sampling frame can be seen as a complete list of all the cases in the population from which the sample will be drawn (Saunders *et al*, 1997: 127). Martins *et al* (1996) identify the sampling frame as a record of all the sample units available for selection at a given stage of the sampling process. In this research project, the sampling frame will include all of the Mr. VIDEO franchised outlets (one hundred and sixty four stores, one hundred and ten franchisees). Annexure 2 depicts the outlets and distribution by region.

6.5.3.3   Determination of sampling technique and sample size

Martins *et al* (1996: 253) divide sampling techniques into probability and non-probability sampling. De Vaus (1995), Page and Meyer (2003), Fink (1995), Aaker *et al* (2001), Saunders *et al* (1997) and Hernon (2004) also support this methodology. Malhotra *et al* (2002) however depict a broader nature to sampling technique; in that the researcher must decide whether to use a Bayesian or traditional sampling approach. In the Bayesian approach, the elements are selected sequentially; with explicit prior information about population parameters, as well as costs and probabilities associated with making wrong decisions. The approach is theoretically appealing, however practical application difficult due to the required information on costs and probabilities not being readily available. In traditional sampling approaches, the sample is selected before data collection begins. The traditional approach consists of sampling with replacement and sampling without replacement. The former is a sampling technique whereby an element can be included in the sample more than once; whereas the latter is a sampling technique in which an element cannot be included in the sample more than once. Malhotra *et al* (2002) do however believe that the most important choice of sampling technique is between probability and non-probability sampling, an important component of traditional sampling

methodology. Prior to evaluating probability choices, applicability to the current research project will follow the traditional approach; however, certain Bayesian factors, such as prior information about population parameters will be considered.

For non-probability samples there are no real controls on the sample selection process, samples may be unrepresentative of the population and the researcher will therefore be unable to generalize the results of the sample to the population of interest with any degree of confidence. (Page & Meyer: 2003). The opposite is true for probability samples. Aaker *et al* (2001) identify non-probability sampling as any sampling method where the probability of any population's element's inclusion is unknown, such as judgemental or convenience sampling. In contrast, they identify probability sampling as any sampling method where the probability of any population element's inclusion is known and is greater than zero. These two sampling techniques involve population sub-division into smaller sections (Saunders *et al*: 1997), whereas a census is a survey of the whole population (Page & Meyer: 2003).

Hair, Bush and Ortinau (2000: 343) advocate that if the population size is five hundred elements or fewer, a census should be conducted on the population elements rather than estimating the correct sample size. Malhotra *et al* (2002: 361) however do not stipulate the actual number of elements, but advise that in most cases, accuracy considerations would favour a sample over a census. The high cost of non-sampling error favour sampling (Fink: 1995c; de Vaus: 1995). Conditions favouring the sample include a small budget; short time constraints; small variance in characteristic; and low cost of sampling errors. Despite the varying opinions (Hair *et al*: 200; Malhotra *et al*: 2002), the scientific and empirical nature of the current research project requires vigorous application.

A census is a complete enumeration of the elements of a population, whilst a sample is a subgroup of the population selected for participation in the study. Advantages to using a census primarily revolve around the variance in the characteristic of interest being large; the high cost of sampling error; and ultimately a small sample. (Malhotra *et al*: 2002). Table 6.6 (overleaf) identifies conditions favouring the use of a sample or census. The best sample designs ensure that the sampled data represent the research population efficiently and reliably (Page & Meyer: 2003). A census is obtained by collecting information about each member of the group (de Vaus: 1995); applicable to all Mr. VIDEO franchisees in the current research project. Since the sample unit and sample

frame (Section 6.5.3.2) consist of all Mr. VIDEO franchisees, a census was done of the population elements and all one hundred and ten franchisees were included in this study.

TABLE 6.6 Conditions favouring either census or sample

Characteristic	Census	Sample
Budget	Large	Small
Time available	Long	Short
Population size	Small	Large
Variance in characteristic	Large	Small
Cost of sampling errors	High	Low
Cost of non-sampling errors	Low	High
Nature of measurement	Non-destructive	Destructive
Attention to individual cases	No	Yes

Source: adapted from Malhotra, Hall, Shaw and Oppenheim (2002: 361)

Non-response is forecast to be very low, as the researcher has already gained approval for the study from the Chairman and founder, Mr Peter Scott. This will further be presented as a strategic business initiative to all franchisees in due course. Confidence is required in the data, that is, the level of certainty that the characteristics of the data collected will represent the characteristics of the total population. The margin of error tolerated refers to the accuracy required for any estimates made from the response rate (Page & Meyer: 2003). This research project demands a ninety-five per cent level of certainty, with margin of error no larger than five per cent. As such, a response-rate of at least eighty six franchisees is required.

Whilst the study is within the franchised environment in the Mr. VIDEO network; it is the opinion of the researcher that the study cannot be extended to the entire franchised home entertainment industry, primarily due to confidential marketing strategies. Different franchised groups would not be willing to share their competitive strategies outside their own franchise grouping. This limits the study to a single franchised group, and in this case, the market leader (approximately three times larger than its closest competitor). Furthermore, the researcher was the managing director of the second largest franchised group in the industry, and participants may question ethical considerations. Ideally, the entire home entertainment market would have been the optimal population, opening avenues for further research.

Once the source and collection of data, combined with the sampling (census) plan, have been conducted, the instrument design follows. It is however apt to provide insight into

the selection of measurement scales prior to detailing instrument design. Section 6.5.4 will provide insight into application of measurement scales to the current research project.

6.5.4 Measurement scales

Page and Meyer (2003: 72) refer to measurement scales as, "a set of measures where some level of value or intensity or characteristic is conveyed by a position, usually a number, on the scale". Sometimes referred to as levels of measuremen; Janes (1999) highlights the importance of well-defined, competent measurement and correct interpretation of scales as key factors to descriptive statistics. Dillon *et al* (1993) describe measurement as a process of assigning numbers to objects to represent quantities of attributes; whilst Aaker *et al* (2001) describe measurement as the assignment of numbers by rules to objects in order to reflect quantities of properties. They further identify scaling as the process of creating a continuum on which objects are located according to the amount of the measured characteristic they possess. Towards identifying the appropriate scale for the current research project; basic characteristics, common examples, marketing examples and permissible statistics were evaluated. These are depicted in Table 6.7 on the following page.

Table 6.7 highlights four variable measurement scales, namely, nominal, ordinal, interval and ratio scales. In a nominal variable scale, numbers represent a particular characteristic, despite numbers not conveying any sense of order or value in the measurement (Page & Meyer: 2003). Nominal scales are, for example, used to categorize male and female responses to a survey by coding females '1' and males '2' in order to test whether gender has influenced responses (Fink: 1995c). The simplest forms of nominal scales are dichotomous scales, where there are only two options (Cooper & Schindler: 1998). Ordinal variable scales provide some order to the values of the variable being measured, providing more information than nominal scales (Page & Meyer: 2003). Whilst nominal scales do not have the property of order among them, ordinal scales have the property of order among scale points (Sudman & Blair: 1998: 448).

Table 6.7 is represented on the following page.

TABLE 6.7 Primary scales of measurement

Scale	Basic Characteristics	Common examples	Marketing examples	Permissible statistics	
				Descriptive	Inferential
Nominal	Numbers identify and classify objects	Medicare numbers, numbering of rugby players	Brand numbers, store types, gender classification	Per centages, mode, frequencies	Chi-square, binomial test, cross tabulation
Ordinal	Numbers indicate the relative positions of the objects but not the magnitude of differences between them	Quality rankings, rankings of teams in a tournament	Preference rankings, market position, social class	Per centile, median, frequencies	Rank order correlation, Friedman, Kruskal-Wallis ANOVA, cross tabulation
Interval	Differences between objects can be compared; zero point is arbitrary	Temperature (Celsius)	Attitudes, opinions, index numbers	Range, mean, median, standard deviation	Product-moment correlations, *t* tests, Pearson correlation coefficient, Kruskal-Wallis ANOVA, regression, factor analysis
Ratio	Zero point is fixed; ratios of scale values can be computed	Length, weight	Age, income, costs, sales, market share	Geometric mean, harmonic mean	Coefficient of variation

Source: Malhotra, Hall, Shaw and Oppenheim (2002: 293)

Interval variable scales measure variables whereby the measurement units are equidistant, but there is not necessarily a defining beginning point to the measure. There is no true zero point to embed numerical calculations (Page & Meyer: 2003). Whilst ordinal variable scales have only the property of order among scale points, interval scale variables have both property of order and equal distance among scale points (Sudman & Blair: 1998). Interval scales are appropriate for the measurement of discrete and continuous data (Fink: 1995c). Ratio scales are an advanced type of interval scale, whereby the spaces between measuring units are exactly the same, with the advantage of an absolute zero point (Page & Meyer: 2003). Ratio measurement scales provide an increasing depth of information about a variable, having order among scaling points, equal distances among all adjacent scale points, and an absolute zero (Sudman & Blair: 1998).

Final evaluation of variable measurement scales to use in the current research project required an overview of the types of scales and their properties (Aaker *et al*: 2001).

Applicable criteria and characteristic terminology include:

- Nominal scale; dichotomous (yes/no) scales, objects are either identical or different, typical classification (by sex, geographic area, social class) using per centages, mode or chi-square
- Ordinal scale; comparative, rank order, paired comparison, objects are greater or smaller, rankings (preference, class standing) using per centile, median, rank-order correlation, Friedman, ANOVA
- Interval scale; Likert, Thurstone, associative, semantic-differential, intervals between adjacent ranks are equal, index numbers, attitude measurement using mean, standard deviation, product moment correlations, t tests, ANOVA, regression and factor analysis
- Ratio scale; certain scales with special instructions, comparative and absolute magnitudes possible due to an absolute zero, using geometric and harmonic mean and coefficient of variation.

Applicability to the current research project involved a bi-variable measurement approach; that of nominal and interval measurement scales. Application is identified as follows:

- Nominal scales; appropriate when there are multiple options and only one sought. Objects are assigned to be mutually exclusive, labelled categories, but there are no necessary relationships among the categories. The only arithmetic operation that can be performed on such a scale is a count of each category (Aaker *et al*: 2001). Such scales produce nominal data, such as franchisee demographics. Nominal scales may also be referred to as the multiple choice, single response scale (Fink: 1995c). Application is the demographic and biographical information section of the questionnaire
- Interval scales; the numbers used to rank the objects also represent equal increments of the attribute being measured (Aaker *et al*: 2001). Malhotra *et al* (2002) confirm the numerically equal distances, representing equal values in the characteristic being measured. Application will be the use of interval scales for franchisee evaluation of strategic initiatives, including the service profit chain, service quality, relationship marketing and best practice. Interval scales are also applicable for the questionnaire sections on entrepreneurial orientation and franchise system. The measurent scale applicable for the collection of interval data will be the Likert scale (Aaker *et al*: 2001).

The Likert-style rating-style rating scale is used in this study on a conjoint rating and attitudinal scale (Fink: 1995a). The former asks respondents to rate or rank items, whilst the latter measures attitudes and perceptions. Likert scales, identifying a five-point scale, are often used to measure the same construct, across varying numbers of items (referred to as themes in this study). The Likert scale is preferred to nominal and ordinal scales as the latter scales limit the use of statistical techniques that may be used to analyse the data (Page *et al*, 2000: 125). This scale is the most frequently used variation of the summated rating scale, being statements that express either a favourable or unfavourable attitude toward the object of interest (Aaker *et al*: 2001). The respondent is asked to agree or disagree with each statement. Each response is given a numerical score to reflect its degree of conformity and totalled at the end. Malhotra *et al* (2002) identify advantages of using the Likert scale in that it is reasonably easy to construct and administer and respondents readily understand how to use the scale. The main disadvantage however is that it takes longer to complete than other rating scales. They further highlight the use of a consistent scoring procedure, so that a high (or low) score consistently reflects a favourable response.

The Likert scale also lends itself to potential sources of error (Churchill: 1996). Cooper and Schindler (1998: 190) identify three of the most common tendencies to cause errors:

- The error of leniency; resulting in the respondent being an easy rater or hard rater
- Central tendency; whereby the respondent is reluctant to give extreme judgement
- Halo effect; when a respondent introduces systematic biases by carrying over a generalised impression of the subject from one rating to the other.

It is imperative to stress that no measures are perfect; however, measurement error in research is a critical issue and is an insescapable weakness that needs to be recognised and reduced as far as possible (Page & Meyer: 2003). Applicability to the current research project will be the use of a standard five-point Likert-scale, facilitating consistency and ease of completion. The applicable measurement scales have been identified, and what follows is a discussion on the instrument design.

6.5.5 Instrument design and testing

Section 6.3 highlights that the existing body of knowledge has limited exposure with regard to entrepreneurial orientation and strategic service in the home entertainment industry. In combination with the objectives of the current research project, the aim of the measurement instrument is to obtain meaningful data, from which inferences to the population may be made. Section 6.4 identifies the research design, noting the use of a questionnaire as a measuring instrument. This section details the use and applicability of the questionnaire to the current research project. The development of the questionnaire is linear to the research process in Sections 6.3, 6.4 and preceding section. This process is depicted in a conceptual model followed by the researcher, adapted from Page and Meyer (2003). Figure 6.5 diagrammatically represents the process referred to. The process commences with the research question (Section 6.3.1), and a unilateral process of key data terminology determinants (Sections 6.4 and 6.5). Measurement scales were evaluated in context (Section 6.5.4), leading to measurement error (reliability and validity), to be evaluated this section. Instrument development follows.

FIGURE 6.5 The current research project approach to instrument development
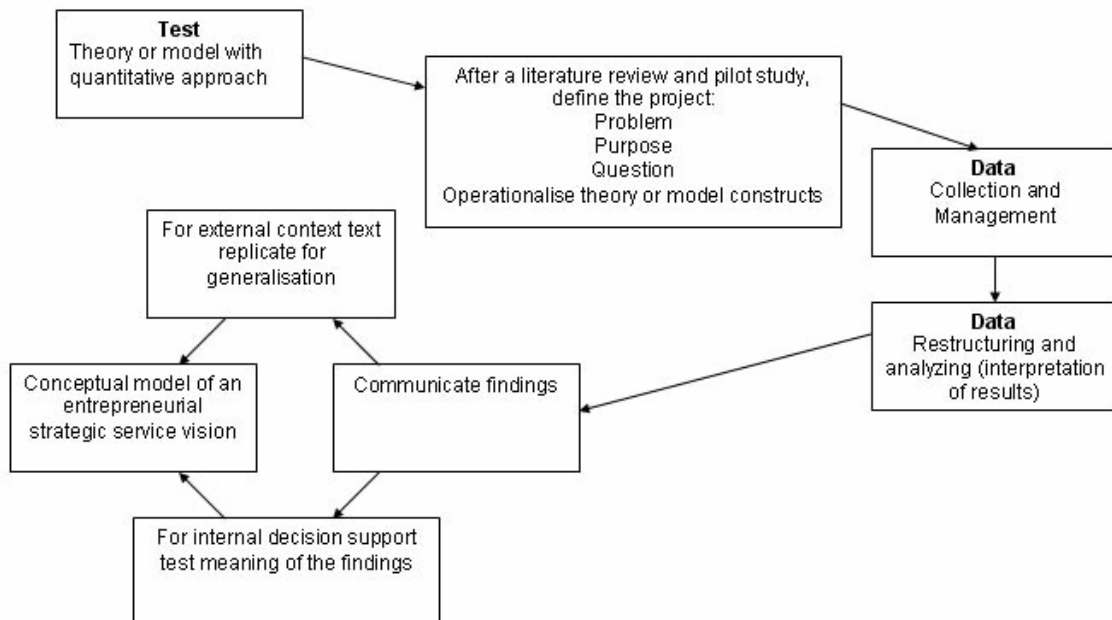
Source: adapted from Page and Meyer (2003: 95)

There are many different measuring instruments that can be utilized to quantify the variables and indicators being researched. Since this research is of a descriptive and exploratory nature, the questionnaire is deemed to be a feasible data collection alternative (Saunders: 1997). In descriptive research, questionnaires will assist to identify and describe the variability in different phenomena. Exploratory research however aims to examine and explain relationships between different variables. Due to a relatively small population, self-administered questionnaires shall be used. Self-administration has the advantages of foregoing interviewer bias, geographical dispersion, and due to expected response rates, the instrument is deemed to be effective (Neuman: 1997).

The questionnaire is a formalised set of questions for obtaining information from respondents (Malhotra *et al*: 2002), and may be identified by administration. Self-administered questionnaires are those completed by the respondent without assistance from the researcher; whilst interviewer-administered questionnaires have researcher interaction (Saunders *et al*: 1997). Attributes of the self-administered questionnaire include (Saunders *et al*: 1997):

- Suitable for population characteristics where target respondents can be selected with ease
- May be contaminated by consultation with others
- Response rate moderately high, with 30-50% being reasonable.
- Feasible length of questionnaire 8-10 A4 pages
- Question suitability favouring closed questions but not too complex, simple sequencing, of interest to the respondent
- The role of the interviewer/fieldworker is to enhance participation.

These attributes correspond to applicable requirements of the current research project, hence the use of self-administered, closed questions. Dillon *et al* (1993) relate obvious advantages of close-ended questions as being their ease of use in the field, their ability to reduce interviewer bias and their ability to reduce bias based on differences in how articulate respondents are. Neuman (1997) further adds that closed questions are easy to code and that less articulate respondents can easily answer the questionnaire. The disadvantages however include misinterpretation of questions that may go unnoticed, and that respondents with no opinion on a particular issue may still give an answer (Neuman: 1997). It is the researcher's opinion that despite the Likert scale shortcomings, these

disadvantages are negated by the careful design of interval scales. Saunders *et al* (1997) list questionnaire design issues, identified within this research project. The following were taken into account:

- Characteristics of respondents that the researcher wishes to collect
- Importance for the researcher to reach a particular respondent
- Importance of answers not being contaminated or distorted
- Sample size requirement (applicability to census)
- Types of questions to be answered to collect the appropriate data
- The number of questions to be asked.

The design of questions, structure of the questionnaire and rigor of pilot testing are determinants of the validity and reliability of collected data (Saunders *et al*: 1997). Reliability refers to the random error component of the questionnaire (Aaker *et al*: 2001), and total reliability is achieved when the instrument provides identical repeated measures relating to some constant factor (Page & Meyer: 2003). Validity is the ability of a questionnaire to measure what it purports to measure (Aaker *et al*: 2001). Reliability and validity are however detailed in the section on data analysis. Individual questions (current research project specific) were designed by adopting questions used in other questionnaires; adapting questions used in other questionnaires and developing discipline specific new questions. Principles of good question writing were evaluated from many researchers and authors, with an overview reflected by Neuman (1997). Main considerations included the avoidance of jargon, ambiguity, confusion, vagueness, emotional language, double-barrelled questions, leading questions, false premises, double negatives, future intentions, unbalanced or overlapping response categories and asking questions beyond the respondents' capabilities.

6.5.5.1   Constructing the questionnaire

The questionnaire includes a two-tiered approach, divided into seven distinct sections. The first tier includes collection of data regarding franchisee classification, entrepreneurial orientation and franchising; whilst the second section tier deeming responsibility for collection of strategic service data (service quality, service profit chain, relationship management and best practice). The questionnaire can be observed on page 1 in Appendix 3. The sections are depicted as follows:

- Section A: Franchisee demographics and details, questions 1-8
- Section B: Entrepreneurial orientation, questions 9-28
- Section C: Franchise system, questions 29-38
- Section D: The service profit chain, questions 39-48
- Section E: Service quality, questions 49-58
- Section F: Relationship marketing, questions 59-68
- Section G: Best practice, questions 69-78.

Questions in Section A: Questions 1 to 8 are classification questions, formulated to distinguish demographic, geographic and franchise-system specific determinants (nominal data).

Questions in Section B: Bolton and Thompson (2003: 69) identified entrepreneurial character themes, constituting the facets of the entrepreneur. These consisted of focus, advantage, creativity, ego, team and social facets. Thompson (in Global Entrepreneurship Monitor, 2003: 34) further developed a twenty-question character theme matrix to measure entrepreneurial orientation. The empirical research, based on the character theme matrix, was published in the Global Entrepreneurship Monitor 2003 (GEM). A character theme is a personality attribute or characteristic that defines our normal, expected behaviour. Thompson's (2002) set of themes forms our inner psychological core and defines things we do most readily and instinctively. These themes were adapted for this study. The objective is to evaluate franchisees against these themes and associations, facilitating support of the hypothesis.

Twenty questions were included; each addressing an individual character theme- some related to those characteristics specifically associated with the entrepreneur and others to the inventor, the leader and someone we might call the non-entrepreneur. The questions describe behaviour that would typify the presence of a particular character theme. Respondents were requested to allocate a personal score (out of five) indicating the extent to which they believe it describes them. The relationship between themes should also be insightful, notwithstanding the anticipated variation between franchisor and franchisee associations. Entrepreneurial orientation was considered the dependent variable, with the themes considered independent variables (interval data).

Questions in Section C: The end result of the study is to develop a conceptual model of an entrepreneurial service vision in a franchised environment. Towards applicability of this objective, the franchisee is ultimately responsible for service implementation. This section will thus focus on the franchise paradox, identifying franchising as an entrepreneurial option towards creating and developing ventures. Mendelsohn (2003) identified various relationship and operational factors within the franchise system, coupled with entrepreneurial orientation within the system (Lindsay & McStay: 2004). Ten questions are set on a Likert scale, being part of five factors (entrepreneurship link to franchising, franchise rationale, franchise relationships franchise system cooperation and franchise leadership); representing interval data.

Questions in Section D: Heskett *et al* (1997) identify links in the service profit chain, many coinciding with the SERVQUAL (Ziethaml *et al*: 2003) perception items. A distinguishing characteristic of the service profit chain model is the relationship to profit, and implementation of strategic initiatives. This study focuses on the links in the service profit chain, together with strategic initiatives of retention, related-sales and referrals. These strategic initiatives are referred to as factors, with themes developing from each factor. Franchisees were requested to gauge their perceptions of each of these factors (with a total of 10 themes included) in a Likert scale, representative of interval data. Sections D to G evaluate the relationship with service quality (identified in Chapters 4 and 5; representing the dependent variable).

Questions in Section E: Ziethaml *et al* (2003: 136-137) identify twenty-one perception items (SERVQUAL) that are distributed throughout the five quality dimensions. The five quality dimensions, referred to as factors, include reliability, responsiveness, assurance, empathy and tangibles. Each factor identifies themes (10 in total), represented in a likert-style rating-style rating scale (Likert) response, representing interval data. One will represent 'strongly disagree', whilst at the other end, five will represent 'strongly agree'. An adaptation of the empirical study of Tung-Zong and Su-Jane (1998) using SERVPERF will be implemented; a management self-evaluation of service quality. In addition, the empirical study of Bloemer *et al* (1999) in the entertainment industry will also be adapted for implementation in this research project. This construct represents the dependent variable.

Questions in Section F: Peck *et al* (1999: 23) identified a six markets model in researching relationship management. Once again, many perception items mirror that of the SERVQUAL scale. Each market will be analysed as a factor, with identifiable themes under each. Factors include internal markets, referral markets, influence markets, recruitment markets, and supplier/alliance markets. Similarly, ten themes shall be presented in a Likert scale, identifying interval data.

Questions in section G: The Video Software Dealers Association of America (VSDA) 2001 commissioned Arthur Andersen Management consultants to conduct research into industry best practice. They identified seven core issues, to be identified as factors in this study. These factors include understanding markets and customers, developing vision and strategy, refining store product offerings, implementing the marketing plan, creating promotions and in-store merchandising, and clear in-store operations. The seven factors will be used to develop twenty themes to be represented in a Likert scale, representative of interval data.

Validity and reliability of collected data depend on issues of question design, question structure and rigour of pilot testing. Designing individual questions will require adaptation from other questionnaires or models (for example SERVQUAL/SERVPERF and entrepreneurial orientation), together with researcher development of personal questions. According to Neuman (1997), there is however always a possibility that certain questions could cause problems. This identifies the need for questionnaire testing to identify and eliminate such problems.

Pre-testing of the questionnaire requires that the instrument is tested on an appropriate group before the major study. A small sub-group (6-12 respondents) of the target population is appropriate for pre-testing (Page & Meyer: 2003). The researcher was however concerned that such pre-testing consisted of twelve per cent of the final population, enough to introduce a systematic bias into the responses of the final study (de Vaus: 1995). As such, another group with similar characteristics was used in the pilot study. Although the advice of pre-testing is not empirical, conventional wisdom is sound in facilitating corrective action and revision of adapted questions. Insights and ideas for refining the questionnaire resulted from thoroughness in this approach. Among the purpose of the pre-test were determining respondent interest, discovering whether the questions have meaning for the respondent, examining question continuity and flow,

experimenting with question sequencing patterns, collecting early warning data on item variability and evaluating length and timing of the instrument. An overall objective was to ensure accuracy (validity) and consistency (reliability). The questionnaire was adapted after the pilot phase, with the necessary corrections to enhance validity and reliability.

6.5.5.2   The linkage between the questions, research objectives and hypotheses

The synergies of the various disciplines applicable to the current research project have been discussed and empirically tested throughout the literature review. Links have also been identified between the disciplines, which have been carried through to the questionnaire. Table 6.8 on the following page identifies these links, together with linkage to research objectives and hypotheses.

Figure 6.5 highlights the instrument development process as conceptualised by the researcher. Following on from instrument development; Malhotra *et al* (2002), Dillon *et al* (1993) and Page and Meyer (2003) identify the data analysis process as the penultimate phase in the research process. This involves statistics, being the science that deals with the collection, classification, and use of numerical facts or data, bearing on a subject or matter (Brien, Correll, Olsson, Hall & Sutton: 1995). Section 6.6 evaluates applicability of data analysis to the current research project.

6.6   DATA ANALYSIS

Simply defined, data analysis is a statistical procedure employed in coding, editing, analyzing and interpreting data (Aaker *et al*: 2001). Cooper and Emory (1995: 379) identify two steps in statistical analysis; the first is data preparation, which includes editing, coding and data entry; and the second step involves preliminary data analysis, breakdown, inspecting, and rearranging data to start the search for meaningful descriptions, patterns and relationships. Prior to statistical analysis, editing and coding of raw data is discussed.

Table 6.8 is represented on the following page.

TABLE 6.8 The linkage between the sections, questions and hypotheses

Sections and questions linked to hypotheses	Direct linkage	Indirect linkage
Demographic and biographic franchisee information	Section A	B-G
H1 Entrepreneurial orientation exists in a franchise system	Section B	A,C
H2 The franchise system is an entrepreneurial option towards creating and developing ventures	Section C	A,B,D,E,F,G
H3 Service profit chain initiatives are positively associated with service quality	Section D	A,B,C,E,F,G
Dependent variable: Service quality is positively associated with the service profit chain, relationship marketing and best practice	Section E	A,B,C,D,F,G
H4 Relationship management initiatives are positively associated with service quality	Section F	A,B,C,D,E,G
H5 Best practice initiatives are positively associated with service quality	Section G	A,B,C,D,E,F
Questions linked to factors and themes	**Hypotheses/Questions**	**Questions**
Entrepreneurial orientation	H1; 10-19	1, 11-28
Franchise paradox	H2; 29-32	10,11,13,61,62,65,66,77,78
Franchise relationships	H2; 33-36	14,61,66
Franchise leadership	H2; 37,38	19,61,62,65,66
Service profit chain links	H3; 39-43	33-36,65,66,74
Retention strategies	H3; 42,44,45,48	49-60,64,64,68,71
Referral strategies	H3; 47,48	63,64,69
Related sales strategies	H3; 46	71
Reliability	49,50	41,48,59,60
Assurance	53,54	42,59,60
Tangibles	57	59,60,75,76
Empathy	55,56,58	43,59,60
Responsiveness	51,52	44,59,60
Customer markets	H4; 59,60	39,40,44,45,48-59
Internal markets	H4; 61,62,66,65	11,14,33-36,41,43,74
Referral markets	H4; 63,64	47,48,69
Influence markets	H4; 63-66	42,44,45,48
Recruitment markets	H4; 67,68	61,62
Supplier and alliance markets	H4; 61,62	14
Understanding markets and customers	H5; 69	47,48,59,60
Developing strategy and vision	H5; 70,78	32,48,67
Refining offerings	H5; 71	46,60
Implementing the marketing plan	H5; 72-74	42,44,46,47,49-58
Promotions and in-store merchandising	H5; 75	46,57
Clear in-store operations	H5; 76,77	25,26,41

6.6.1   Editing and coding

Editing entails a thorough and critical review of a completed questionnaire in terms of compliance with the criteria for collecting meaningful data; to deal with questionnaires not duly completed (Martins *et al*, 1996: 295). Aaker *et al* (2001) introduce editing prior to data analysis, informing that data have to be checked for any error that might have come from the process of data entry. Once the data are error free, statistical adjustments to the data can be made. Whilst appropriate for a researcher to complete a missing answer

(de Vaus: 1995; Martins *et al*: 1996); it is the opinion of the researcher to defect from this practice as it could bias responses (Fink: 1995c). All completed questionnaires were vigorously checked for completeness and accuracy. The facilitation of reliability and validity will be discussed in the data analysis section.

Coding is the conversion of questionnaire responses into numeric form in order to allow quantitative analysis (Page & Meyer: 2003). Similarly, Aaker *et al* (2001) regards coding as the categorization and numbering of responses. Since coding refers to the process whereby codes are assigned to the answers of the respondents (Martins *et al*: 299); applicability to the current research project includes numerical values assigned during questionnaire design. A coding frame was developed, facilitating data capture.

Martins *et al* (1996) and Brien *et al* (1995) postulate that researchers often neglect to point out possible shortcomings and pitfalls in research results. Reliability and validity are a prerequisite for research data to be useful and it is therefore important to prove reliability and validity.

6.6.2   Reliability and Validity

Reliability involves the quality of measurement and refers to the amount of agreement between independent attempts to measure the same theoretical concept (Martins *et al*: 1996; Brien: 1995). In agreement herewith, Page and Meyer (2003) regard reliability being achieved when the questionnaire provides identical repeated measures relating to some constant factor; relating to consistence of a method in its ability to yield reproducible results (Martins *et al*, 1996: 26). Techniques have been developed to establish the degree of reliability in a questionnaire, on the premise that no written instrument will have perfect reliability (Page & Meyer: 2003). Reliability techniques are identified by Page and Meyer (2003):

- Test-retest reliability: whereby the researcher tests the same group of people repeatedly, and compares the different sets of responses for the groups and individuals. Correlation between responses is an appropriate measure. Trochim (1997) recommends ways of implementation, consisting of measuring the instrument twice for multiple persons; computing correlations between the two

measures, assuming there is no change in the underlying trait between the first and second time

- Split-half reliability: refers to the testing of summed ordinal scales (indices). Index items are split, creating two separate sets of items, for the purpose of correlating one half with the other

- Inter-item reliability: where items in the questionnaire deemed to be measuring the same thing ought to be highly correlated to each other. Application to this research project is reliant on inter-item reliability, as many of the items have proposed synergies.

Bagozzi (1994: 18) distinguishes between two types of reliability, being internal and external consistency. Cooper and Emory (1995: 153) purport that reliability means many things to many people, but in most contexts, the notion of consistence emerges.

Validity is the ability of a measurement instrument to measure what it purports to measure (Brien *et al*: 1995), whilst Martins *et al* (1996: 26) relate validity specifically to measuring instruments. Bagozzi (1994) is of the opinion that a measure is valid to the extent that it measures what it is intended to measure. Trochim (1997) however notes that it is technically incorrect to prove validity. Validity is usually discussed in terms of internal and external validity (Page & Meyer: 2003: 86). Internal validity refers to the extent to which the measure can be said to reflect changes in response to manipulation of the independent variables. Manipulation refers to changing levels, values and hence influencing the outcome. In this instance, validity is the degree of accuracy with which the research has measured the cause-effect relationship (Page & Meyer: 2003). External validity refers to the extent to which the results are relevant to individuals and settings beyond the study conditions, accepting the assumption of generalisability.

Validity application to the current research project requires discussion (Page and Meyer, 2003: 86):

- Face validity: established by determining on face value whether the items are logically and conceptually accurate, usually with help of a panel of experts in the area. Application includes input from industry experts and relevant academic experts

- Content validity: where items are shown to represent fully the area under study with no omissions. Exploratory and secondary research facilitated in this regard

- Construct/congruent validity: relating to how well the variables were selected and defined with regard to the construct being measured. Best practice and prior empirical studies facilitated in this regard

- Criterion-related validity: where the measures taken by the instrument correlate highly with another instrument or measure of a construct. Similar studies (construct specific), adapted for this research project, facilitated criterion-related validity. Criterion-related validity is often referred to as predictive validity, due to their similarity.

Validity is summarized as the extent to which differences in response scale scores reflect true differences among objects on the characteristics being measured, rather than systematic or random errors (Malhotra *et al*: 2002). Regarding validity and reliability, Page and Meyer (2003: 87) believe a process of refinement is called for, whereby the relevance of the items can be determined, and the problematic or weak items discarded or replaced.

The following section evaluates basic data analysis and theoretical evaluation of results. Quantitative data analysis essentially involves the ascription of numbers to data; henceforth the connotation "exploring the numbers" (Page *et al*, 2000: 143). Similar to the data collection phase, a linear approach to methodology has been implemented. This may be summarized as follows: summarising the data, using graphs and descriptive measures for each variable, measures of spread (mean, median, mode, standard deviation), graphical representation (pie charts, bar graphs, histograms), bivariate analysis (relationships between variables), appropriate measures of association (correlation coefficients and cross-tabulations), and graphs (scattergraphs). In general the objective of descriptive measures is to summarise responses; the objective of graphs to display response distributions and relationships, and hypothesis tests to test whether sample results can be generalised to the population (Page *et al*, 2000: 144). Descriptive and inferential measures appropriate to the current research project are depicted in Table 6.7. Data analysis was evaluated using SPSS version 11.0 (Coakes & Steed: 2004).

6.6.3 Descriptive or summary measures

Descriptive measures are particularly for useful comparing the response pattern for different questions, as well as different groups (refer geographical stratification of Mr. VIDEO outlets). Descriptive statistics commences with the construction of a frequency distribution for each variable of interest. Univariate (single variable) measures of centre and spread and bivariate (two-variable) measures of association are calculated.

6.6.3.1 Frequency distributions and modes (questionnaire section A)

Modes are useful measures of the centre for discrete data (nominal data), whereas frequency distributions are useful for multi-modal situations (Page *et al*, 2000: 149). The mode is a measure of central tendency given as the value that occurs the most in a census distribution (Malhotra *et al*, 2002: 473). Frequency distributions give an indication of data spread. The frequency distribution's objective is to obtain a count of the number of responses associated with different values of one variable and to express these counts in per centage terms (Malhotra *et al*, 2002: 468). Absolute (simple counts) or relative (per centage) terms are used to indicate how often the different values are encountered in the census. Cumulative frequencies result in adding of the frequencies associated with a particular value to the sum of the frequencies corresponding to all preceding values (Diamantopoulos & Schlegelmilch, 1997: 65). Frequency distribution will be used to describe the data in Sections A of the questionnaire as a measure of centre and spread. Similarly, modes will be used in this section as a measure of centre; with per centages used to depict distribution of responses.

6.6.3.2 Means and medians (questionnaire section B-G)

The mean is referred to as the average, whilst the median refers to middle value after the scales have been sorted in order (ascending or descending). Histograms will be used to explain the skew distribution. Right-skew distributions have unusual high/top values, whilst left-skew distributions have low/bottom values. In situations of a normal distribution (bell shaped), the mean score gives a more reliable central indication than the median (Page and Meyer, 2000:149). Malhotra *et al* (2002: 473) identify the mean as the most appropriate measure of central tendency for interval data, applicable to

questionnaire Sections B-G (trimmed mean specifically). Due to right-skew proposition, the median will however also be considered.

6.6.3.3   Measures of variability (questionnaire section B-G)

Measures of variability are a statistic that indicates the distribution's dispersion, calculated on interval data. Malhotra *et al* (2002: 474) identify measures such as range, interquartile range, variance or standard deviation and coefficient of variation. Applicability to the current research project will make use of standard deviations and kurtosis (questionnaire Sections B-G specific). The standard deviation measures the square root of the average deviation from the mean, whilst the standard error of the mean measures the standard deviations for the sample mean (Page *et al*, 2000: 151). The range is the difference between the minimum and maximum responses, whilst the interquartile range measures the range for the middle fifty-per cent of data (Malhotra *et al*: 2002). The greater the dispersion of scores, the greater the variance. Variances will also be calculated in the strategic service component, being the square of the standard deviation. Kurtosis is a measure of the peakedness or flatness of the curve designed by the frequency distribution. Applicability will involve analysis across all sections.

6.6.3.4   Bivariate measures of association (questionnaire section A-G)

Sections 6.6.3.1 to 6.6.3.3 calculated univariate (single-variable) measures of centre and measures of spread, whereas this section identifies bivariate (two-variable) measures of association. Association measures are important to analyse association between two discrete variables (cross tabulation), and association between any two continuous variables (correlation coefficient). It is important that association is being measured and not causation. Cross tabulation is a statistical technique that describes two or more variables simultaneously and results in tables that reflect the joint distribution of two or more variables with a limited number of categories or distinct values (Malhotra *et al*, 2002: 477). Page and Meyer (2003) advise that cross-tabulation is an appropriate association measure for nominal and ordinal data. Applicability of cross-tabulation to the current research project will be throughout the questionnaire.

The measure of the relationship between two interval variables in a straight line is referred to as the Pearson correlation coefficient. This measure is however inappropriate

for non-linear relationships (Page & Meyer: 2003). When using ranks (instead of actual values), the Pearson correlation coefficient may be calculated as a measure of association (de Vaus: 1995). Positive results in Pearson and Pearson analysis depict some form of association, with a near zero value suggesting a relatively weak linear relationship. The sample correlation coefficient r is an estimate of the population correlation coefficient p (Aaker *et al*, 2001: 504). Applicability to the Pearson correlation coefficient (at 0.01 level) will be bivariate analysis in Sections B-G of the questionnaire.

6.6.3.5   Graphical representations

Recommended graphs will consist of univariate (single variable distribution) and bivariate (relationship between two variables). In essence, graphical representation will facilitate a quick birds-eye view and overview of summary measures. Univariate distributions will primarily include pie charts (applicable to variables in section A of the questionnaire), bar charts (applicable to variables in Section B of the questionnaire), and histograms and box-plots for interval continuous variables (applicable to variables in Section B-G of the questionnaire). Bivariate associations will include two pie charts (section A), stacked or clustered bar charts (Section B), and box-plots and scatter plots for continuous and interval variables (Section B-G).

Interpretation and presentation of descriptive statistics will be presented in Chapter 7.

6.6.4   Inferential statistics

Descriptive measures depicted in Section 6.6.3 are now combined to make inferences and associations about the census. Inferential measures appropriate to the current research project include significance tests (hypotheses testing), factor analysis and Cronbach's Alpha.

6.6.4.1   Significance tests (hypotheses tests)

Only when a hypothesis test has given a statistically significant result can a conclusion extend beyond the immediate set of data to the research census (Page & Meyer: 2003). The hypotheses to be tested in this research project are depicted in Section 6.3.4. Hypothesis testing is the measurement of an unproven statement or proposition about a

factor or phenomenon that is of interest to the researcher (Malhotra *et al*: 2002). Hypothesis tests are primarily differentiated into parametric and non-parametric tests (Page & Meyer: 2003). Parametric tests are prone to rigid assumptions; such as the independent variable being at least interval (continuous) and the dependent variable having a normal (bell-shaped) distribution with the same standard deviation for each population group. Non-parametric hypotheses tests make no assumption about the distribution of the dependent variable (Page and Meyer: 2003). Applicability to the current research project is the use of non-parametric tests. Non-parametric tests will include the Kruskal-Wallis test (identified later in this section).

Hypotheses tests produce P-values, being the probability of obtaining results no more supportive of H0 than those found in the sample, when the null hypothesis is true (Page & Meyer: 2003). A significant test result is produced if P is less than 5 per cent, that is, then it is most unlikely that the null hypothesis is true (at the 95 per cent confidence interval). The test statistic is however optimal at a one per cent cut off, but applicability of this research project will be a five per cent cut-off. P-values of greater than five per cent represent the null hypothesis as not being unlikely, therefore not rejecting the null hypothesis (referred to as a non-significant test result).

The Kruskal-Wallis one-way analysis of variance (ANOVA) will be used in comparing ordinal variables (H1) and interval variables (H1-H6). It is applied to a census of values for one independent discrete variable and one dependent continuous variable (Page & Meyer: 2003). The Kruskal-Wallis test is a non-parametric test used when the parametric assumptions are not valid. It is appropriate for data that are collected on an ordinal scale or for interval data that do not meet F-assumptions, that cannot be transformed, or that for some other reason prove to be unsuitable for a parametric test (Diamantopoulos & Schlegelmilch, 1997: 65). The K-W one-way ANOVA is based on an approximation of the chi-square distribution with k-1 degrees of freedom, where k is the number of groups compared. In this test, all data are sorted in ascending order, with ranks assigned to each observation. A test statistic (H) is defined in order to compare the ranks for the census. The interpretation will be presented in Chapter 7.

6.6.4.2   Factor analysis

Hair *et al* (2000) introduce factor analysis as a generic name for a group of multivariate statistical methods whose primary purpose is to define the underlying structure of a set of variables and to reduce a set of variables, measures or items to a smaller set of common factors. Many authors agree that the process ultimately ends with a reduced number of packages of variables (Page & Meyer: 2003; de Vaus: 1995; Churchill: 1995). Since factors are being recognised in the second section of the questionnaire, exploratory factor analysis was necessary. Outputs of factor analysis include factor loadings, factor scores, factor communalities and variable communalities. Whilst initially proposing a factor analysis approach, exploratory research identified that variables being used as appropriate, which negated the use of factor analysis for this research project. It is deemed that descriptive and inferential statistics used in this research project are appropriate to evaluate current constructs, factors and variables; without reducing more variables. Cronbach's Alpha is one such measure, testing for internal consistency of identified factors (Page & Meyer: 2003).

6.6.4.3   Cronbach's Alpha (α)

The identified constructs (entrepreneurial orientation, franchise paradox, service profit chain, service quality, relationship management and best practice) were tested for reliability (internal consistency) using Cronbach's Alpha. Results of the Cronbach's Alpha are provided in the research findings in Chapter 7. This measure is defined as an overall measure of inter-item correlation (Page & Meyer, 2003: 198). Alpha values should ideally exceed 0, 80; however, a value of 0, 70 is satisfactory for exploratory research (Nunnally & Bernstein, 1994: 265). Reliability is estimated from the consistency of all items in the sum scales, and the reliability coefficient computed in this manner is also referred to as the internal-consistency reliability (Cooper & Emory, 1995: 155).

The proportion of true score variance that is captured by the items could be estimated by comparing the sum of items variances with the variance of the sum scale. The formula for calculating Cronbach's Alpha (α) is:

$$= (k/k-1) \ [1-\sum(si^2)s^2sum]$$

Where Si^2 = the variance for the k individual items; and

       S^2sum = the variance for the sum of all items

If there is no true score but only error in the items (esoteric and unique, uncorrelated across subjects) then the variance of the sum will be the same as the sum of variance of the individual items. Coefficient alpha will therefore be equal to zero. If all items are perfectly reliable and measure the same thing (true score), then coefficient alpha is equal to 1. Specifically, $1-\sum(si^2)^2sum$ will become equal to $(k-1)/k$; if multiplied by $k/(k-1)$ 1 is obtained (Cooper & Emory, 1995: 155).

Since the objective of this research project is to evaluate relationships between loyalty/satisfaction (dependent variable) and strategic service constructs (independent variables), correlation analysis will be used. This involves measuring the strength of the relationship between two or more variables (correlation coefficient). Since this research project is not predicting the dependent variable, regression analysis will not be implemented (Aaker *et al*, 2001: 525). Towards wrapping up the data analysis section, synthesis and interpretation requires mention. Synthesis is the synergy of all research efforts in the applicable research project; being an amalgam of previous research efforts, the current research and future research needs (Page & Meyer, 2003: 238). Applicability to the current research project will include exploratory and previous related studies, secondary and primary sources; and future research opportunities such as regression analysis and industry wide research projects.

6.7   CONCLUSION

This chapter provided a description of research methodology applicable to the current research project. This research study can be classified as conclusive, where the primary objective is to test hypotheses of entrepreneurial orientation in a franchised system; and a strategic service vision (service profit chain, service quality, relationship management and industry best practice). This however does not negate the use of exploratory research, originally used in this research study to develop hypotheses and questions. A quantitative methodology is implemented, adopting the survey method. The sampling frame consists of a census, with questionnaires distributed to all Mr. VIDEO franchisees. Measurement

scales in the questionnaire consist of nominal, ordinal and interval scales, identifying permissible descriptive and inferential statistics. The various questions and sections in the questionnaire were discussed, together with linkages.

The study tests hypotheses, making use of descriptive and inferential statistics. Research editing, coding, reliability and validity were discussed. Descriptive statistics identified univariate and bivariate measures of association. Inferential statistics identified significance tests (hypotheses tests), highlighting the use of a Kruskal-Wallis one-way analysis of variance (ANOVA). The Cronbach alpha has been introduced as a measure of internal consistency and overall measure of inter-item correlation. Applicable software used for data collection and analysis included Surveypro and SPSS version 11.0. Synthesis and interpretation concludes the theoretical component of research methodology.

The next chapter will provide a discussion on the research findings and interpretation of data analysis; together with the outcomes of the different hypotheses as formulated in the introductory chapter and substantiated in Chapter 6.