

**CUSTOMER PERCEPTIONS OF SERVICE QUALITY AT A
DURBAN BASED SPIRIT MERCHANT**

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DECLARATION OF ORIGINALITY

I declare that this research dissertation is my own work and that all sources I have used or quoted have been indicated and acknowledged by means of complete references.

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Abstract

The South Africa alcohol industry is one of the most challenging and competitive sectors of the FMCG. With the strong presence of international brands, the local spirits environment is seemingly becoming tough and uncertain, due to products and prices reaching parity. Organisations within this monopolized industry are faced with intense competition and are seeking ways to differentiate themselves from the competition. One of the differentiating factors being considered by the organisation under study is improving its service delivery.

The aim of this study is to evaluate customer expectations and perceptions of service quality at Edward Snell & Co Ltd. within the greater Durban area. This report has reviewed current literature and opinions about customer service, and has also reviewed factors such as customer service, service characteristics and its measurement. The report also covers data analysis, data collection, and questionnaire design in the research methodology chapter.

The analysis of the results reveals important gap findings amongst the tangibles, reliability, responsiveness, assurance and empathy dimensions of service quality. Finally, in order to improve the levels of customer service at Edward Snell & Co Ltd., recommendations such as regular service quality measurements, education of the organisation's workforce and other general recommendations are included in the study.

TABLE OF CONTENTS

	Page
Declaration	i
Acknowledgements	ii
Abstract	iii
 CHAPTER ONE - INTRODUCTION	
1.1 Introduction	1
1.2 Background to the study	1
1.3 Problem statement	2
1.4 The aim of the study	3
1.5 The objectives of the study	3
1.6 Rationale for the study	3
1.7 Scope of the study	4
1.8 Limitations	5
1.9 Research methodology	6
1.10 Chapter outline	6
1.11 Conclusion	8
 CHAPTER TWO - LITERATURE REVIEW	
2.1 Introduction	9
2.2 Service quality in organisations	9
2.3 The characteristics of service quality	10
2.3.1 Definition	10
2.3.2 Intangibility	11
2.3.3 Inseparability	12

	Page
2.3.4 Variability	12
2.3.5 Perishability	13
2.4 The marketing mix for services	14
2.4.1 Product	15
2.4.2 Price	15
2.4.3 Promotion	15
2.4.4 Place	16
2.4.5 People	16
2.4.6 Physical evidence	16
2.4.7 Process	17
2.5 Service quality	17
2.5.1 Examining service quality	17
2.5.2 Service quality through customer focus	19
2.5.3 The customers' view of service quality	21
2.6 Dimensions of service quality	22
2.7 Customer expectations	27
2.7.1 Predicted service expectations	29
2.7.2 Desired service expectations	30
2.7.2.1 Lasting service intensifiers	30
2.7.2.2 Personal needs	30
2.7.2.3 Explicit service promises	31
2.7.2.4 Implicit service promises	31
2.7.2.5 Word-of-mouth communications	31
2.7.2.6 Past experience	32
2.7.3 Adequate service	32
2.7.3.1 Temporary service intensifiers	32
2.7.3.2 Perceived service alternatives	32

	Page
2.7.3.3 Self-perceived service role	33
2.7.3.4 Situational factors	33
2.7.3.5 Perceived service	33
2.7.4 Zones of customer tolerance	33
2.8 Customer perceptions	34
2.9 Measuring service quality	35
2.9.1 The SERVQUAL instrument	37
2.9.1.1 The tangibles dimension	37
2.9.1.2 The reliability dimension	37
2.9.1.3 The responsiveness dimension	38
2.9.1.4 The assurance dimension	38
2.9.1.5 The empathy dimension	38
2.10 Criticisms of SERVQUAL	39
2.11 Applications of SERVQUAL	39
2.12 Reliability of the SERVQUAL instrument	40
2.13 Validity of the SERVQUAL instrument	40
2.14 Service quality gaps and the gaps model	41
2.15 Gap analysis	43
2.16 Service quality gaps	44
2.16.1 Gap 1: The customer expectation – management perception gap	45
2.16.2 Gap 2: Management perception – service quality specification gap	47
2.16.3 Gap 3: The service quality specification – service delivery gap	49
2.16.4 Gap 4: Service delivery – external communication gap	51
2.16.5 Gap 5: The expected service – perceived service gap	52
2.17 Conclusion	52

CHAPTER THREE - SERVICE QUALITY AT EDWARD SNELL & CO LTD.

3.1 Introduction	54
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	Page
3.2	Service quality expectations 54
3.3	Perceived service performance 55
3.4	The services mix at Edward Snell & Co Ltd. in the greater Durban area 55
3.4.1	Product (Services) 55
3.4.2	Promotion 56
3.4.3	Price 56
3.4.4	Place 57
3.4.5	Physical evidence 57
3.4.6	People 57
3.4.7	Process 58
3.5	Current measurement of Edward Snell's service quality 58
3.6	Conclusion 59

CHAPTER FOUR - RESEARCH METHODOLOGY

4.1	Introduction 60
4.2	Research design 60
4.3	Population 60
4.4	Sampling techniques 61
4.5	Instrument design 61
4.6	Data collection 62
4.7	Data analysis and processing 62
4.8	Statistical approach 62
4.8.1	Descriptive statistics 63
4.8.2	Inferential statistics 63
4.9	Hypotheses tests: P-values and statistical significance 63
4.10	Factor analysis 64
4.11	Cross tabulations 65

		Page
4.12	Cronbach's alpha	65
4.13	Conclusion	66

CHAPTER FIVE - DATA ANALYSIS AND DISCUSSION OF RESULTS

5.1	Introduction	67
5.2	Response rate	67
5.3	Reliability	67
5.4	Validity	68
5.5	Descriptive statistics	68
5.6	Communality scores	71
5.7	Rotated component matrix and factor analysis	76
5.8	Analysis of dimension with gap scores	77
5.8.1	The tangibles dimension	77
5.8.2	The reliability dimension	81
5.8.3	The responsiveness dimension	83
5.8.4	The assurance dimension	86
5.8.5	The empathy dimension	89
5.9	Hypotheses tests: P-values and statistical significance	92
5.10	Conclusion	94

CHAPTER SIX – CONCLUSIONS AND RECOMMENDATIONS

6.1	Introduction	95
6.2	Conclusions	95
6.2.1	Summary of theoretical study	95
6.2.2	Achievement of research objectives	96

		Page
6.3	Recommendations	98
6.3.1	Recommendations based on research design	98
6.3.1.1	Sample – Geographical region	99
6.3.2	Recommendations based on findings	99
6.3.2.1	Measurement of service quality	99
6.3.2.2	Education of the sales force	100
6.3.3	Recommendations to Edward Snell & Co Ltd. in general	101
6.3.4	Recommendations for further research	102
6.4	Concluding remarks	102
	REFERENCES	104
	APPENDICES	
1	Request for confidentiality by Edward Snell & Co Ltd.	115
2	Letter of consent	116
3	The SERVQUAL Questionnaire	117

LIST OF FIGURES

Figure 1	Expanded service marketing mix	14
Figure 2	Dimensions of service quality	23
Figure 3	The five dimensions of service quality	26
Figure 4	Factors that influence desired and predicted service	29
Figure 5	The gaps model of service quality	42
Figure 6	The number of respondents by category	69
Figure 7	Expected and received tangibles' graph	78
Figure 8	Expected and received reliability graph	81
Figure 9	Expected and received responsiveness graph	84
Figure 10	Expected and received assurance graph	87
Figure 11	Expected and received empathy graph	89

	LIST OF TABLES	Page
Table 1	Reliability scores for the expected and perceived responses	68
Table 2	Years of patronage at Edward Snell & Co Ltd.	70
Table 3	Communalities for expected values	72
Table 4	Communalities for received values	73
Table 5	Average communalities values	74
Table 6	Rotated component matrix	75
Table 7	Expected and received tangibles' scores	78
Table 8	Expected and received reliability scores	81
Table 9	Expected and received responsiveness scores	84
Table 10	Expected and received assurance scores	87
Table 11	Expected and received empathy scores	90
Table 12	Paired Samples T-Test	93

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter gives an introduction to the research topic and highlights the rationale to the study. It provides an overview of the research problem, the research objectives and the research methodology that guided the study. The limitations of the study are also outlined in this chapter.

1.2 Background to the study

The South African liquor industry had previously been shaped by the domestic environment in which it operated. More recently, global trends and opportunities are beginning to influence paradigms locally. Past regulation and even political considerations led to a sector that is highly concentrated. This concentration means that, in the spirits segment, a small number of organisations control a large part of the market and are responsible for most of the production, marketing and distribution of liquor (A and T Consulting, 2005:4).

In this highly competitive industry, the toughest challenge that an organisation faces is likeness. Across the industry, products, quality, marketing strategies, and price are approaching parity. Customers have become more knowledgeable and demanding than ever before. They also have more choices about what and where they should buy. In the mind of consumers and purchasing managers, very little differentiates the product/s of one organisation to that of another. As organisations find it harder to differentiate their physical products, they turn to service for differentiation (Rijampianina, Abratt and February, 2003: 362).

Customer service has established its foundations in the fundamental concepts of marketing and is the key ingredient to the success of any business. An important benefit of customer satisfaction is the creation of loyal customers. Presently, spirit merchants are attempting to achieve increased customer satisfaction by diversifying their focus and efforts on quality products and services they provide. They are, therefore, devoting considerable time and resources in clearly identifying the needs of their customers and are attempting to enhance the quality of their services as perceived by these customers.

For customer service philosophy to have a lasting impact in the industry, it is important that the organisation has the correct customer focus. Kim, Morris and Swait (2008:100) emphasize that understanding consumer expectations for services has the potential to reward the organisation with increased profits and customer loyalty, which are crucial for the survival of any business.

1.3 Problem statement

In the spirits industry, the manufacture of quality products, combined with quality customer service, is now becoming the norm in which an organisation distinguishes itself from its competitors. Similar product offerings, coupled by the inevitable rise in competition between rival organisations, have resulted in an increasing need for manufacturers to identify gaps in the market in order to attract new customers and retain existing ones.

One of the problems facing the organisation under investigation in seeking to improve its service delivery is that a body of meaningful performance measures does not yet exist. This study attempts to ascertain current levels of expected and perceived service quality.

1.4 The aim of the study

The aim of this study is to determine customer perceptions of service quality at Edward Snell & Co Ltd., a Durban based spirit merchant.

1.5 The objectives of the study are as follows;

- To identify customer expectations of service quality at Edward Snell & Co Ltd.;
- To identify customer perceptions of service quality at Edward Snell & Co Ltd.; and
- To measure and compare the expectations and perceptions of these customers.

1.6 Rationale for the study

According to Fitzsimmons and Fitzsimmons (2000:93), an increasing number of manufacturing organisations are incorporating a significant service component with their products. They go on to state that service product innovation is no longer just an issue for service organisations as manufacturing organisations are now beginning to embrace the concept as well.

Saravan and Rao (2007:437) argue that service quality is now given significant importance owing to its close relationship with cost, financial performance, customer satisfaction and customer retention. Zeithaml, Berry and Parasuraman (1996:76) agree that the issue of highest priority is to comprehend the impact of service quality on profit and other financial outcomes of the organisation.

Due to growing and similar product offerings of competitors, Edward Snell & Co Ltd. needs to become highly competitive in order to survive.

In an exceedingly competitive industry, it is extremely important and necessary for an organisation to identify and exploit its competitive advantage. As competitors are focused on a product and price war, quality customer service may possibly be the differentiating factor that ensures Edward Snell's survival. If not, the competition will unfavourably impact on its operation.

Customer service may be a key-contributing factor towards the organisation's competitive advantage, and improving the organisation's customer service function will enable the organisation to sustain effectiveness, induce long-term success and become highly competitive.

Research of this nature is of great importance to Edward Snell as it will provide insight into customers' perceptions and expectations of service quality, and may help the organisation identify existing problems or opportunities. Further, insight gained will help implement an appropriate set of processes that will allow the organisation to continuously review and refine service quality.

1.7 Scope of the study

The National Liquor Act No. 59, 2003 regulates manufacturers and bottlers of spirits from selling their products directly to the public (Government Gazette, 2004:10). Hence, the organisation under study is only permitted to distribute products to businesses that are in possession of a valid liquor licence.

This study focuses specifically on customers in the Durban and surrounding areas. These customers are categorized into licensed taverns, retailers and wholesalers.

The findings of this study will be limited to Edward Snell & Co Ltd., and is not applicable to other manufacturers and distributors of spirits in the industry.

The analysis of this study is only valid for the period in which the investigation is conducted and is subject to confidentiality.

1.8 Limitations

This study is exploratory in nature and literature on the topic is scarcely available. Extensive searches of academic literature regarding the topic have been undertaken, and it was discovered that research on customer perceptions and expectations have been conducted by wine (not spirit) industries before. However, the primary focus was on the perceptions and expectations of brand or product offerings rather than on the services that these organisations provided.

Locally, there are a total of six wine and spirit organisations which compete for a share of the South African market. These organisations are mainly family-owned and all business dealings are treated in the strictest of confidence. If a similar study has been conducted within the industry, it is unavailable to the public and other organisations within the industry.

Nevertheless, SERVQUAL literature has been established and widely tested by many academics since its inception. According to Kyrillidou and Heath (2001:543), there have been over eighty doctoral studies that have assessed SERVQUAL applications and SERVQUAL has been applied to fields as diverse as ecology and historical preservation. Thus, various industries, wishing to explore the possibilities of competitive advantage through the delivery of both quality products and services, have successfully incorporated SERVQUAL literature in order to draw findings.

By researching and drawing from the findings of other industries, a strong theoretical foundation was established, and a correlation of findings drawn and applied within the spirits industry.

1.9 Research methodology

The purpose of this research was to investigate customers' perceptions of service quality at Edward Snell & Co Ltd. The research design was based on data collected by means of a quantitative survey questionnaire, using a 5-point Likert scale. The study was descriptive in nature. This closed response questionnaire was self-administered and designed around the main objective i.e. expectations and perceptions of service quality at Edward Snell & Co Ltd.

The sample involved the entire population of 103 customers at Edward Snell & Co Ltd., in the Durban area. Data was collected through the use of questionnaires which were administered by the researcher to customers during July 2008 and processed using the Statistical Package for the Social Sciences (SPSS) for the generation of results. The analysis and interpretation of data was presented using descriptive and inferential statistics.

1.10 Chapter outline

The report on this study is made up of six chapters.

Chapter One: Introduction

This chapter gives an introduction to the topic, research problem and objectives underlining this study.

Chapter Two: Literature Review

The objectives of this study will be achieved through a two-fold process, namely, a literature study of texts, journals and the World Wide Web, with a view of assembling and integrating theoretical material.

The relevant literature on service quality will be addressed in detail. The nature of service quality will also be investigated in this chapter.

Chapter Three: Service Quality at Edward Snell & Co Ltd.

Chapter three examines the services offered at Edward Snell & Co Ltd. according to the service marketing mix and the organisation's current measure of customer perceptions and expectations of service.

Chapter Four: Research Methodology

This chapter will cover the various methods of research, namely, the target population, sampling methods and size. The SERVQUAL instrument will also be reviewed for reliability and validity in order to justify the research.

Chapter Five: Presentation and Discussion of Findings

This chapter will focus on the findings from the study, in respect of overall service quality. These findings will be discussed and analyzed in relation to the study's objectives.

Chapter Six: Summary, Conclusions and Recommendations

Conclusions of this study will be drawn in this chapter. Possible recommendations for the improvement to the level of service quality at Edward Snell & Co. Ltd will be suggested. In addition, limitations of the research will be considered and areas for possible future research will be discussed.

1.11 Conclusion

Chapter one focused on the background to service quality at Edward Snell & Co Ltd. This chapter also outlined the rationale for investigating customers' perceptions of service quality and listed the objectives that guided the study.

In chapter two, the literature review of service quality will be discussed in detail.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The aim of this chapter is to gain an overview of customer service, and to identify and explain the factors of service quality. The characteristics of service and the marketing mix for services are also addressed in order to set the foundation for a better understanding of service quality. This chapter also addresses the five dimensions of service quality and concludes with an examination of the gaps model. The focus of the model is Gap 5, which deals with the difference between customers' expectations and perceptions.

2.2 Service quality in organisations

Adcock (2000:142) states that the decision to pursue quality should be motivated by the desire to build competitive advantages that can be translated into improved organisational performance. He goes on to note that quality has come to be recognized as a strategic tool for attaining operational efficiency and improved business performance.

Based on the above statement, intensifying competition has led many manufacturing and service organisations to seek profitable ways to differentiate themselves; one such strategy being the delivery of high quality service. Yang (2003:310) notes that organisations have not only been seeking business growth and an improved competitive position, but have also been devoting themselves to upgrading 'quality'. The author further notes that most organisations are using service quality as a key weapon in seeking a competitive advantage. Rijamapianina, Abratt and February (2003:364) affirm that quality service sustains customers' confidence and is essential for competitive advantage.

Cook (2002:3) reinforces the belief that organisations constantly need to strive for higher levels of customer service. She states that, in recent years, there has been enormous pressure on organisations to improve the way they do business with their customers, and that organisations must set about finding innovative ways to enhance customer experience.

According to Andronikidis, Georgiou, Gotzamani and Kamvysi (2009:320), service quality is one of the most important issues in achieving competitive advantage and financial success. Improved service quality enhances productivity and reduces costs, as well as increases customer loyalty, market share and general benefits for the organisation (Yang, 2003:310). In essence, organisations that pursue service quality perform better in industries of similar product offerings.

Research has shown that in order for organisation to flourish, it is paramount that high levels of quality service are implemented. There is extensive research focused on tangible goods quality. However, literature for the understanding of service quality is inadequate due to the fact that services differ when compared to physical or tangible goods. In order to begin to identify what service actually is, one has to go further to differentiate a service from tangible goods.

2.3 The characteristics of service quality

2.3.1 Definition

There is no universally accepted definition of the word “service”. Kotler (2003:444) considers service as *“any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything”*. However, services do have the distinctive characteristics of intangibility, inseparability, heterogeneity and perishability, which differentiate

them from goods or products. These characteristics influence the manner in which a service is marketed by an organisation to its customers.

2.3.2 Intangibility

Services are essentially intangible because it is not possible to feel, touch, taste, hear or even smell before they are purchased (Zeithaml and Bitner, 2000:12). Thus, intangibility is the primary characteristic that differentiates products from services. The dilemma with the concept of intangibility is that customers often do not know what criteria to use in evaluating a service. Over time, this intangibility also results in inconsistencies and variability of performance.

Service intangibility also requires that an organisation obtain a real understanding of what the customer wants, and that the organisation providing the service does a good job of listening to the customer (Kotler, 2003:446).

For this to happen, the organisation has to overcome the problem of service intangibility by highlighting the tangible aspects of service. Blythe and Zimmerman (2005:165) suggest that the use of tangible clues or signs are essential when marketing a service as customers look at the physical evidence that surrounds the service to assist them in making evaluations. According to Oliva and Bean (2008:163), intangible services are difficult to describe to new customers, and it is likewise difficult for customers to express precisely what they expect from the service. This may be due to the difficulty in communicating effectively the attributes of a service because of the unique characteristics of services, especially intangibility. Further, customers tend to rely more on word-of-mouth communications and personal referrals in their selection of an organisation they choose to do business with (Clow, James, Kranenburg and Berry, 2006:404). Therefore, customers may also rely on personal evaluations (word-of-mouth) from family and friends when selecting an organisation.

2.3.3 Inseparability

Service inseparability means that services cannot be separated from their providers (Maddern, Maull, Smart and Baker, 2007:1000). This ultimately means that the organisation is physically and simultaneously connected to the service they are providing.

Palmer (2001:17) states that it is the above inseparability that has important marketing implications when it comes to services.

- (i) Goods are produced first, then offered for sale and finally sold. Inseparability causes this process to be modified for services because it is being produced and sold simultaneously.
- (ii) Unlike the production of physical goods, the production process of services is critical to the enjoyment of the service.

Since services are inseparable, employees play an integral role in service delivery by representing the service to the customer and their behaviour strongly influences customers' perceptions of service personality (Harris and Fleming, 2005:188). Bitner, Ostrom and Morgan (2008:68) suggest that the quality of the service and customer satisfaction depends on what occurs during the transaction. Consequently, the customer may use the employees of the organisation to evaluate service and it is essential that the organisation has strategies in place to ensure that the service it is providing is a favourable physical indicator.

2.3.4 Variability

Since each unit of service varies from one transaction to the other, it is difficult to achieve standardization in services. Therefore, it is also difficult to ensure the

same level of output in terms of quality. From the customers' point of view, it is difficult to judge quality in advance in terms of a purchase. According to Kotler (2003:48), this is due to the human element, as service quality will vary according to who provides it, and when it is provided. Put simply, people perform services and, people are not consistent in their duties, thereby making it difficult to achieve standardization of the output of services.

Services are also an interactive process, in other words, services are performed in front of the customer, which leaves no time to establish quality-control measures should something go wrong. It is also not possible to control service quality before it reaches a customer; the result is a potential lack of uniformity of services.

The problem with variability is the fact that service standardization and quality control are difficult to achieve. Since people frequently perform services, the quality can vary from one employee to the next. Armstrong and Kotler (2007:406) suggest the recruiting of the right employees and providing them with excellent training, regardless of the employees' skills.

2.3.5 Perishability

Along with variability, services are also perishable. Perishability is a direct result of the inseparability of production and consumption of services. Unlike a product, services cannot be saved, stored, resold or returned (Armstrong and Kotler, 2007:407). Services that are not sold when they become available cease to exist.

Organisations are thus faced with challenges due to the fundamental differences of service characteristics as outlined above and these challenges centre on the effective application of marketing mix, as per Figure 1.

2.4 The marketing mix for services

Figure 1: Expanded service marketing mix



(Source: Rust, Zahorik and Keiningham, 1999:11)

Armstrong and Kotler (2007:342) state that the services mix can set one organisation apart from the other. In essence, the marketing mix is a term that is used to describe the combination of elements that constitute the core of an organisation's marketing system. Zeithaml, Bitner and Gremler (2006:25) state that the elements of the service marketing mix include:

- Product (Service outcome);
- Price;
- Promotion;
- Place;
- People;
- Physical evidence; and
- Process.

2.4.1 Product

Lovelock and Wirtz (2007:23) state that the marketing mix begins with creating a service concept that will offer value to target customers and satisfy their needs better than competing alternatives. A product can be a tangible or intangible offering, which the organisation offers to potential customers. The product component of the service marketing mix is the outcome of the service. It consists of two components; the technical and the functional:

- The technical outcome is the end result of the service; and
- The functional outcome is the process of receiving the service.

2.4.2 Price

Price may play an important role in differentiating the services of one organisation from the competition. Price becomes important to customers as an indication of what to expect because services are intangible and experimental in nature (Bruhn and Georgi, 2006:193). When rendering a service, it is difficult for customers to see what type of service they are paying for. Hence, price becomes an indication of what the customer can expect in terms of service. Lower priced products tend to convey poor quality services and higher prices indicate higher quality service for some customers.

2.4.3 Promotion

As with a product, the element of service promotion consists of all the various methods of communication with the market and includes advertising, personal selling activities, promotion and all other forms of publicity. Due to the intangible nature of a service, it is difficult to advertise a service, as something that is intangible is not easily depicted in an advert (Clow, James, Kranenburg and Berry, 2006:404).

Therefore, advertising of services must emphasize tangible clues or symbols of the service that are more easily perceived and understood by the customer.

2.4.4 Place

Baker (2003:602) refers to place as being the location of the organisation, and that accessibility considerations are important to many potential customers. Place is a major factor in developing a service marketing strategy due to the inseparability of services from the producer. Baker goes on to state that as competition grows, the value of convenient location becomes a key factor as it enables the organisation to get the product to where the customers want it and when they want it.

2.4.5 People

People are also an important element to the services marketing mix. They perform an operational or production role and are part of the service itself. Therefore, employees' behaviour is a critical part of the assessment process by customers. Lovelock and Wirtz (2007:25) encourage people planning within the marketing mix in order to develop the interaction between the customers and employees. This development is crucial as human interaction provides cues to the customer regarding the nature of the service itself.

2.4.6 Physical evidence

Services cannot be defined in terms of its physical attributes because they are intangible. Therefore, service evaluation takes place before making an acquisition, and is based on tangible elements (employees or the actual facility), which help form a product (Zeithmal and Berry, 2003:25). Brochures, dress code and even the physical environment are all contributors to potential customers' service purchase decisions. Thus, organisations need to pay attention to these

tangible elements and ensure that they are consistent with the select image of the service.

2.4.7 Processes

According to Lovelock and Wirtz (2007:25), smart managers know that where services are concerned, how an organisation performs the underlying processes is often as important as what it does, particularly if the product being offered is similar to its competitors. Storbacka, Ryals, Davies and Nenonen (2009:893) suggest that processes in a business-to-business context must be, firstly, collecting customer information and requirements and feeding them back to their own organisation, and, secondly, collating organisational knowledge and resources.

Another aspect of service that is receiving increasing attention is that of the quality of services. Many organisations have recognized that when competing organisations are similar, customers are won or lost based on the quality of the service (Jamal and Anastasiadou, 2009:398).

2.5 Service quality

Service quality will focus on the following aspects:

2.5.1 Examining service quality

Jamal and Anastasiadou (2009:398) state that organisations need to differentiate their service offerings by meeting the needs of their customers better, improving customer satisfaction, and by delivering service quality that is higher than that provided by the competition. Service quality is a concept that has provoked considerable interest and debate in research literature because of the difficulties in defining and measuring it (Pollack, 2009:42). There are various definitions as

to what is meant by service quality. Pollack (2009:43) defines service quality as “the delivery of excellent or superior service relative to customer expectations”.

García and Caro (2008:437) propose that service quality, as perceived by customers, stems from a comparison of what they feel an organisation should offer, with the perception of the actual service the organisation is performing. Where it is possible to link observable characteristics and ideas to quality, as with tangible goods, the key criterion for defining or assessing quality is whether the product conforms to a measurable standard and with tangible goods. It is possible to measure quality objectively using indicators such as durability or checking for defects (Hoffman *et al.*, 2005:335).

However, such an approach cannot be employed where the product is combined with a service. Lovelock and Wirtz (2007:420) note that the intangible, multifaceted nature of services makes it harder to evaluate the quality of a service compared to a good. Consistency of the human element also makes services difficult to guarantee because what the organisation intends to deliver may be entirely different to what the customer receives. Finally, the production and consumption of services is largely inseparable and quality cannot be developed as a package and delivered directly intact to a customer.

In essence, service quality can be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and results in customer dissatisfaction (Hedrick, Beverland and Minahan, 2007:65). Service quality can thus be defined as the difference between customer expectations of service and perceived service. A gap is thus created when expectations are greater than the actual service quality received. The gaps model can explain this gap between expectation of the quality of service and the perceived quality of the service received.

2.5.2 Service quality through customer focus

Andronikidis *et al.* (2009:319) emphasize the importance of understanding what the customer needs because, in current times, customers are faced with a multitude of choices and options. The authors further add that an understanding of customers' service expectations is a prerequisite for delivering superior service because it represents implicit performance standards that customers use in assessing service quality. Bebko, Sciulli, and Garg (2006:7) agree and note that customers have a clearly defined set of needs, requirements and expectations. An organisation that manages to satisfy most of the customers' needs most of the time is a quality organisation.

In order to meet these needs, organisations must develop and maintain a strong customer focus. Organisations that succeed in doing so are known as responsive organisations. These organisations realize the importance of understanding their customers' needs and preferences, and try to approach things from a customer's perspective (Laroche, Ueltschy, Abe, Cleveland, and Yannopoulos, 2004:58).

Milakovich (2006:73) articulates that, if an organisation wants to become customer focused, necessary changes have to be put into effect by management, who need to consistently remind their employees that they are there to serve the customer and that is what is most important. In addition, all employees must be made aware of their roles in the new organisation, going as far as re-training of current employees. If this is insufficient to create an environment of customer focus, revised criteria for hiring new staff should include a willingness to provide quality service (Milakovich, 2006:139).

Bateson and Hoffman (2000:279) attribute the success of most organisations to their focus on identifying and meeting their customers' needs to the best of their abilities.

Various authors of service literature (Shum, Bove and Auh, 2008: 1347; Bouranta, Chitiris and Paravantis, 2009:277; Jamal and Anastasiadou, 2009:398 and; Droege, Hildebrand and Forcadan, 2009:132) note that the common links to successful organisations are:

- Commitment to service quality and ability to track quality levels that the organisation has achieved;
- Developed strategies that will create customers that are satisfied and are loyal to the organisation by focusing on what their customers' needs are;
- Systems that monitor service performance of the organisation and competitors. Service quality levels are rated and corrective action is taken, where necessary;
- The ease in which customers are able to complain where service levels are less than acceptable. In addition, systems are in place to ensure that these complaints are attended to quickly and effectively;
- The understanding of employee relations and their impact on customer relations; and
- Management's ability to create an internal environment of employee support and rewards.

Laroche *et al.* (2004:58) note that customers' evaluations of service quality and their expressions of satisfaction are critical inputs to the development of marketing strategies, and are a meaningful indicator of service quality, which is the most important perspective.

However, quality can mean different things to different people and this has implications on the organisation as they seek to provide quality service for their customers. In addition, customers have different values and backgrounds and, thus, may perceive service in different ways.

2.5.3 The customers' view of service quality

In service literature, quality refers to perceived quality where perceived quality is the customer's opinion about an organisation's overall excellence. In actual fact, service quality results from a comparison of the customer's expectation that exists prior to receiving the service and the actual experience of the service (Bebko, Sciulli, and Garg, 2006:3).

Services do not merely mean producing high quality products, although product quality is an important aspect of customer service. Dissatisfied customers do not tolerate inferior goods or services; they will simply take their business somewhere else (Gee, Coates and Nicholson, 2008:363). Christopher (2000:31) suggests that, firstly, organisations must sell customers quality products to win them over. Then, organisations must provide superior customer service to keep them.

Further review of literature reveals that there is explicit support for the concept that perceived service quality stems from the comparison of what the customers feel organisations should offer with customer perceptions of the performance of organisations providing the service (Saravanan and Rao, 2007:435).

Regardless of the type of industry, customers tend to use the same general criteria in arriving at a judgement about service quality. The quality of service provided by an organisation can be measured by determining the difference between what the customer wants (expectations) and how the customer experiences the service (customer's perception) (Bebko *et al.*, 2006:2).

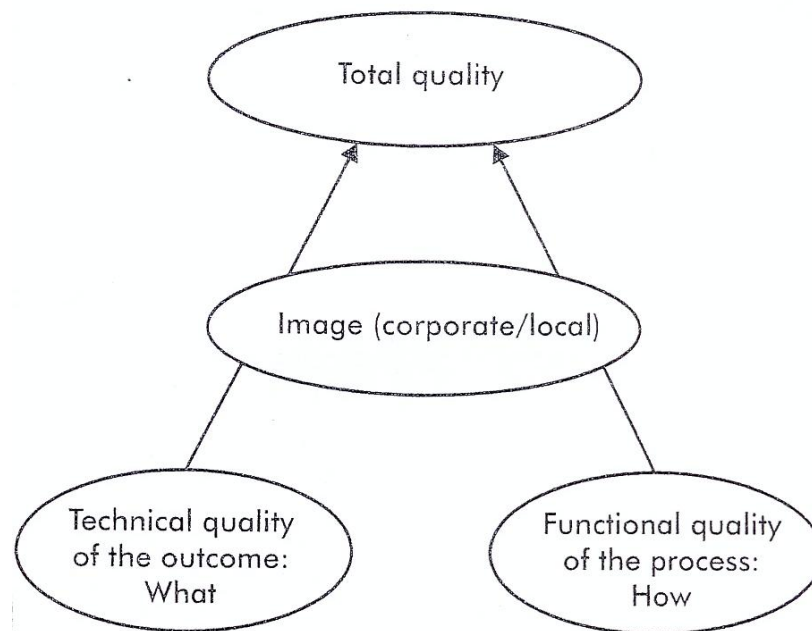
Thus, delivering service that is of quality means conforming to the customers' expectations on a regular basis.

Further, it is the organisation's responsibility to ensure that either satisfactory quality or ideal quality is attained each time the organisation provides a service. Organisations are more likely to achieve this if they understand what the customers' expectations are. This will require an understanding of the dimensions of service quality as well as what drives customers' expectations (Jamal and Anastasiadou, 2009:401).

2.6 Dimensions of service quality

There has been an ongoing debate about how to measure service quality. Many studies agree with the multi-dimensionality of service quality and focus on two prevailing dimensions. The first dimension includes the core or outcome aspects of service, which is known as "technical quality". The second dimension includes the relational or process aspects of service delivery, and is referred as the "functional quality" (Onyeaso and Adalikwu, 2008:55). These dimensions of service quality are revealed in figure 2 on the next page.

Figure 2: Dimensions of service quality



(Source: Gronroos, 2000:65)

Jamal and Adelowore (2008:1321) and Ladhari (2008:76), who researched Gronroos' findings on the above dimensions, note the following:

- **Functional quality:** of the service encounter refers to “how” the service is provided, and the interaction between the organisation providing the service and the recipient of the service;
- **Technical quality:** of the actual outcome of the service encounter and relates to “what” is provided during the service process; and
- **Organisation image:** is concerned with the customers' perception of the organisation. This perception is influenced by price, physical location, appearance of site and competence and behaviour of the organisation's employees.

Although Gronroos's contributions of service quality dimensions are valuable, it lacks sufficient detail in identifying the elements of service quality. Zeithaml, Bitner and Gremler (2006:116) define service quality as a global attitude, relating to the superiority of the service. They explained that it involved making judgments about what the customer actually receives, as well as the process of in which the service is delivered.

Zeithaml, Bitner and Gremler further pose the question of what customers perceive to be the key attributes of service quality. Their findings revealed that customers apply the same general criteria when assessing service quality, and were able to identify ten dimensions that customers use to assess service quality (Amed and Shoeb, 2009:18-19):

- **Tangibles** – this refers to the appearance of the physical facilities, equipment, personnel and communications material;
- **Reliability** – this refers to the organisation's ability to perform the promised service accurately and dependably;
- **Responsiveness** – this refers to the organisation's willingness to help customers and to provide prompt service;
- **Competence** – refers to whether the organisation's employees possess the skills and knowledge required for performance;
- **Courtesy** – refers to the politeness, respect, consideration, and friendliness of the organisation's employees;
- **Credibility** – refers to trustworthiness, believability and honesty of the organisation;

- **Security** – refers to the degree of freedom from danger, risk or doubt that a customer feels when he/she purchases a service;
- **Access** - refers to the approachability of the organisation's employees and the ease in which to contact the organisation;
- **Communication** - refers to the degree to which the organisation listens to customers and keeps them informed in a language that they understand; and
- **Understanding the customer** – refers to the degree to which the organisation makes an effort to know who its customers are and what their needs are.

Through further research, Zeithmal, Parasuraman and Berry (1990:25) conclude that there were significant correlations amongst items representing several of the original ten dimensions and these dimensions were consolidated into two broader dimensions as follows:

- **Assurance**: consolidated the dimensions of competence, courteously credibility, and security; and
- **Empathy**: was the consolidation of access, communication, and understanding the customer.

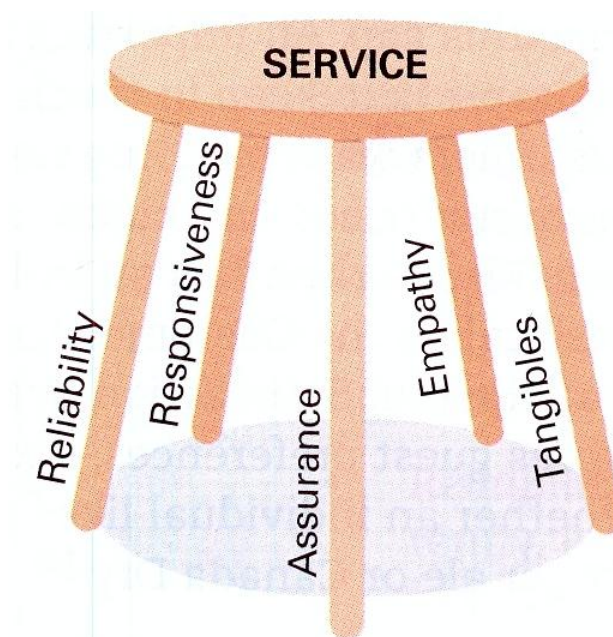
According to Blythe and Zimmerman (2005:160), Zeithaml, Berry and Parasuraman revised their findings and now incorporate five broader dimensions:

1. **Reliability** – relating to the ability to perform the promised service dependably and accurately;

2. **Responsiveness** – the willingness to help customers and to provide prompt service;
3. **Assurance** – the knowledge and courtesy of employees and their ability to convey trust and confidence;
4. **Empathy** – the caring, individualized attention provided to the customers; and
5. **Tangibles** – the appearance of physical facilities, equipment, personnel, and communication materials.

These five dimensions are represented in figure 3 below.

Figure 3: The five dimensions of service quality



(Source: McDaniel, Lamb and Hair, 2008:338)

The above five dimensions can be applied to most organisations. Once understood, the organisation can take steps to improve the level of service offered. The organisation needs to focus its attention on making improvements to their service offerings in each of the identified areas. In addition, the identified factors may enable customers to form an opinion of service quality (McDaniel, Lamb and Hair, 2008:336).

The findings of Lovelock and Wright (2002:267) are that reliability is the core dimension as customers value this characteristic above the other dimensions. This means that very little matters to customers when services are unreliable. Walker, Boyd, Mullins and Larreche (2003:246) found that that more organisations were deficient in respect of reliability than any other dimension.

Liu (2005:428) deduces that service quality can be defined by customers' perceptions regarding:

- The organisation's technical and functional quality;
- The service product, delivery and environment; and
- The reliability, responsiveness, empathy, assurances and tangibles associated with a service experience.

2.7 Customer expectations

Bebko, Sciulli and Garg (2006:3) define customer expectations as customer beliefs about a product or service, which are used by the customer as a point of reference and state that consumers use these expectations as a standard against which their subsequent experiences are compared. This explains why multiple organisations, which are in the same business, can offer different levels of service and still keep their customers happy.

A customer's expectation serves as a reference point against which a service performance is judged. Expectations may be either positive or negative and are usually based, at least partially, on the perceptions. Together, these expectations are what the customer would like to see embodied in a product or service.

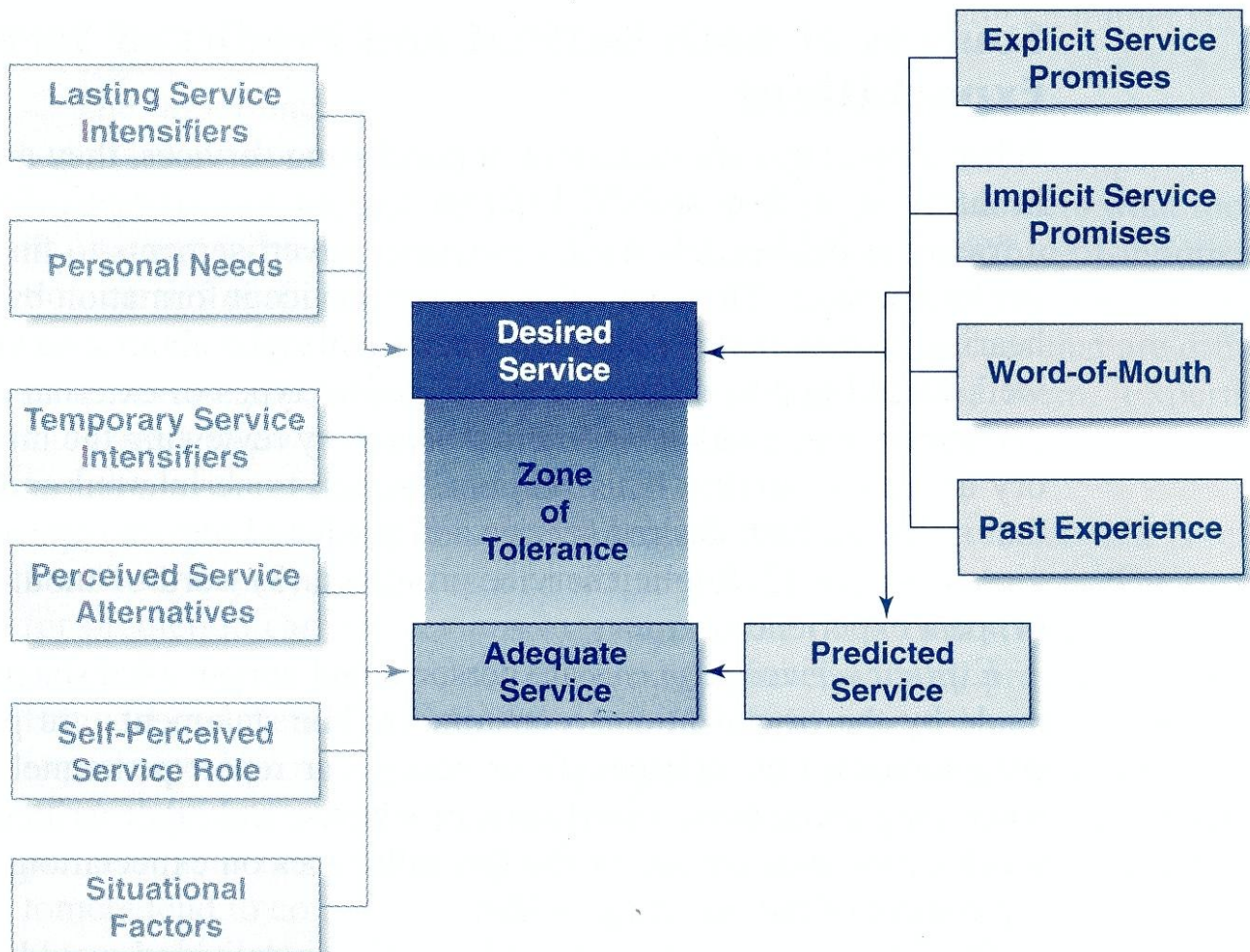
Kasper, van Helsdingen and de Vries (2005:196) suggest that a result in assessment of quality occurs when expectations serve as a benchmark, in which present and future encounters can be compared. Customers bring their previous experiences and overall perceptions of a service organisation to each encounter (Gronroos, 2001:151). If the customers' last experience with an organisation was negative, they may approach a new situation with the expectation that they will again be dissatisfied.

Zeithaml, Bitner and Gremler (2006:93) conducted research into the nature of service expectations and identified three different types of service expectations:

- Predicted service;
- Desired service; and
- Adequate service.

The above factors that influence desired and predicted service are depicted in figure 4 on the next page.

Figure 4: Factors that influence desired and predicted service



(Source: Zeithaml, Bitner and Berry, 2003:93)

2.7.1 Predicted service expectations

Predicted service expectations reflect the level of service that the customer believes is likely to occur. It is generally believed that customer satisfaction evaluations are developed by comparing predicted service to perceived service received (Harris, 2003:166). Predicted service is the expectation that is employed in customer satisfaction evaluations.

2.7.2 Desired service expectations

Desired service expectations reflect the “wished for” level of performance. This level is the ideal expectation of service that reflects what a customer actually wants compared with predicted service. The desired service expectations generally reflect a higher level of expectation than perceived service (Kurtz & Clow, 2002:67). This level of service is the level that the customer employs in service quality evaluations.

Desired expectations are developed as a result of 6 factors:

2.7.2.1 Lasting service intensifiers

Lasting service intensifiers are personal factors that are stable over time, and increase a customer’s sensitivity to how a service should be performed. Factors such as derived service expectation and personal service philosophy are also taken into consideration. Derived service expectations exist when another person or group of people drives the customers’ expectations. To an extent that customers have personal philosophies about service provision, their own expectation of most organisations are likely to be intensified (Zeithaml, Bitner and Gremler, 2006:88).

2.7.2.2 Personal needs

Personal needs also influence desired expectations. Some customers have more needs than others, and, as a result, expect more than other customers.

The remaining factors influence both desired service expectations and predicted service expectations.

2.7.2.3 Explicit service promises

Explicit service promises are personal and non-personal statements about the service that are made to customers by the organisation. They comprise of the organisation's advertising, personal selling and other forms of communication. Customers may rely heavily on advertising when forming expectations of the service. The higher the level of explicit promises, the higher the level of desired and predicted service (Horovitz, 2004:10).

2.7.2.4 Implicit service promises

Implicit service promises are service related cues other than explicit promises that lead to presumptions about what the service should be. These quality cues include price and the tangibles associated with the service. In the absence of the tangible product, the price of the service becomes the indicator of quality. Similarly, lavish surroundings may be interpreted as a sign of quality. Implicit service promises evaluate the levels of desired service and predicted service (Horovitz, 2004:10).

2.7.2.5 Word-of-mouth communications

Customers tend to rely heavily on personal sources of information when choosing amongst service alternatives (Lu and Seock, 2008:905). Word-of-mouth information is often perceived as unbiased by the customer, and tends to be important in services because services are difficult for customers to evaluate prior to purchasing them. Positive word-of-mouth communication elevates the levels of desired and predicted service.

2.7.2.6 Past experience

Past experiences relate to customers' previous exposure to the organisations service and to other organisations in the industry. A positive relationship exists between levels of past experience with a service and the levels of desired service and predicted service (Zeithaml, Bitner and Gremler, 2006:92).

2.7.3 Adequate service

According to Zeithaml, Bitner and Gremler (2006:90), an adequate level of service is the minimum level of service the customer will tolerate and accept without being dissatisfied. The authors go on to state that the factors that compose adequate service are as follows:

2.7.3.1 Temporary service intensifiers

Temporary service intensifiers are individualised, short-term factors that heighten customers' sensitivity to service. In the presence of temporary service intensifiers, the level of adequate service will increase and the zone of tolerance will narrow.

2.7.3.2 Perceived service alternatives

Perceived service alternatives are customer perceptions of the degree to which they can obtain a better service through organisations other than the current one. The customers' perception of the existence of service alternatives raises the level of adequate service and narrows the zone of tolerance.

2.7.3.3 Self-perceived service role

Self-perceived service role is defined as the customers' perceptions of the degree to which they influence the level of service that they receive (customers' involvement in the service). Where the provision of the service depends on the customers' involvement, their expectations are partly shaped by how well they believe they are performing their own roles. Customers' zones of tolerance tend to expand where they are not fulfilling their own roles and their expectations tend to be heightened where they believe they are doing their part in the service delivery (Lovelock and Wirtz, 2007:49).

2.7.3.4 Situational factors

Where circumstances occur that are beyond the control of the service provider, and the customer is aware of these circumstances, adequate service expectations are temporarily lowered, and the zone of tolerance widened (Zeithaml and Bitner, 2003:71).

2.7.3.5 Perceived service

Perceived service is the level of service quality that the customer believes is likely to occur, thus, adequate service expectations are then set (Zeithaml and Bitner, 2003:69).

2.7.4 Zones of customer tolerance

Mukherjee and Nath (2005:175) state that current research on service quality has shown that customers think in terms of adequate and desired expectations and develop a "zone of tolerance" when evaluating service quality. The zone of tolerance is the difference between adequate service and desired service.

It may still be acceptable if perceptions fall below the desired level of service, provided that these perceptions do not fall below expectations based on the minimum acceptable level of service.

Bebko, Sciulli and Garg (2006:4) state that if service drops below the minimum acceptable level, then the customers' satisfaction with the organisation will be impaired. However, if the service performance exceeds the desired level, the customer will be pleasantly surprised.

2.8 Customer perceptions

Levels of customer expectations play an important role in perceived service quality. Perceptions are frequently developed over time and are formed each time the customer comes into contact with any aspect of the organisation during the service provided (Laroche *et al.*, 2004:16). McDaniel, Lamb and Hair (2008:172) add that two people can share the same experience and then describe it differently. Perceptions are formed by how the customer is served and are believed to have a stronger influence on the customers' behaviour. However, perceptions are not necessarily based on rational ideas and may be influenced by momentary emotions that the customer may be experiencing.

According to van Doorn and Verhoef (2008:126), customers bring their previous experiences and overall perceptions of a service organisation to each encounter. This is why organisations need to anticipate customer resistance based on the customers' prior interactions and to work at providing the customers with excellent service so that their most current perception is a positive one. Customers may not remember every detail of an experience, but they will retain an overall feeling about it.

In their research, Lien and Kao (2008:522) found that customer perceptions of service quality to be a serious determinant to customer satisfaction. Espejel, Fandos and Flavian (2008:867) define customer satisfaction as a global evaluation or a state of feelings toward a product or service. Customer satisfaction is also an important factor for organisations because of its impact on loyalty (Brunner, Stocklin and Opwis, 2007:1095). Brunner *et al.* also state that a positive impact of satisfaction is repurchasing behaviour, repurchase intent, positive word-of-mouth and customer retention.

In summary, Zeitaml, Bitner and Gremler (2006:133) found that customer perceptions are also linked to the dimensions of reliability, assurance, empathy, responsiveness and tangibles. Where there is a disparity between customers' expectations and the perceived service provided, a service gap exists (Lovelock and Wirtz, 2007:425).

2.9 Measuring service quality

Kang, Jame and Alexandris (2002:279) state that the most popular measure of service quality is SERVQUAL, a model developed by Parasuraman *et al.* in 1985. SERVQUAL is a multiple-item scale that may be used by organisations to understand the service perceptions and expectations of their customers. The instrument is used to obtain respondents' opinions about their expectations and perceptions of the organisation's performance along the five quality dimensions:

1. Tangibles, which pertain to the physical facilities, equipment, employees, and communications materials;
2. Reliability, which refers to the ability to perform the promised services dependably and accurately;
3. Responsiveness, which refers to the willingness of the organisation to help customers and provide prompt service;

4. Assurance, which relates to the knowledge and courtesy of employees and their ability to convey trust and confidence; and
5. Empathy, which refers to the provision of caring and individualised attention to customers (Han and Hong, 2005:316).

For an organisation to deliver high-quality service, a balance between customers' expectations and perceptions has to exist, and any gaps between the two must be closed. The SERVQUAL methodology can aid in determining where the gaps in service exist and to what extent (Douglas and Conner, 2003:167).

SERVQUAL contains 22 pairs of Likert-type items. The first half contains items that are divided into the five dimensions (tangibles, reliability, responsiveness, assurance and empathy, as discussed above) and measures the respondents' expected level of service for a particular industry. The second half measures the perceived level of service provided by a particular organisation in that industry within the same dimensions.

According to Coulthard (2004:480), service quality is measured by the difference in scores (i.e. the gap scores) between the perceived level (P), and the expected level of service (E). The result is that the service quality may be quantified as $P - E$, with the score being evaluated as follows:

- Where $P > E$, service is higher and greater than expected; and
- Where $P < E$, service quality is poor.

An organisation's quality of service can then be assessed along each of the dimensions utilising the customers' average SERVQUAL scores on statements making up the dimensions. The SERVQUAL scores for all five of the dimensions obtained in the preceding fashion can be averaged to obtain an overall measure of service quality.

Zeithaml *et al.* (1990:176) state that this overall measure is an un-weighted SERVQUAL score because it does not take into account the relative importance that customers attach to the various dimensions. They further state that an overall weighted SERVQUAL score takes into account the relative importance of the dimension when computing the scores.

2.9.1 The SERVQUAL instrument

Originally, the ten determinants of service quality were: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. Parasuraman *et al.* (1988:14) refined and condensed the initial SERVQUAL instrument through several stages of data collection and analysis and the following five dimensions were established.

2.9.1.1 The tangibles dimension

Due to the nature of a service, customers often rely on tangible evidence for clues. An organisation's tangibles consist of physical facilities, equipment, and the appearance of staff (Kang *et al.*, 2002:285). The tangible dimensions of SERVQUAL measure a customer's expectations and the organisation's performance regarding its ability to manage its tangibles.

2.9.1.2 The reliability dimension

According to Zeithaml, Bitner and Gremler (2006:117), reliability is the ability to perform the promised service dependably and accurately. This reflects the consistency and dependability of an organisation's performance. Customers perceive reliability to be the most important of the five SERVQUAL dimensions. Bruhn and Georgi (2006:52) propose that reliability designates the organisation's capability to supply the promised output as the stated level.

2.9.1.3 The responsiveness dimension

Responsiveness reflects the organisation's commitment to provide its services in a timely manner (Kang *et al.*, 2002:285). It relates to the willingness and/or readiness of employees to provide the service. It also reflects the organisation's preparedness to provide the service.

2.9.1.4 The assurance dimension

This dimension addresses the organisation's competence, the courtesy that it extends to its customers, and the security of its operations, where competence relates to the organisation's knowledge and skills in performing its services. The statements in SERVQUAL ask whether the organisation possesses the required skills to complete the service on a professional basis.

Courtesy relates to how the organisation's employees interact with customers. It includes respect, politeness and consideration of the customers' property (Metters *et al.*, 2006:185).

2.9.1.5 The empathy dimension

Empathy is the ability to experience another's feelings as one's own. Empathetic organisations have not lost touch with what it is like to be a customer in their own organisation. Empathetic organisations understand their customers' needs with personalised attention when requested, and ones that do not offer operating hours convenient to the customers, fail to demonstrate empathy (Hoffman and Bateson, 2000:350).

2.10 Criticisms of SERVQUAL

Badri, Abdulla and Al-Madani (2004:820) note that since its development, the SERVQUAL instrument has received a lot of criticism. Although the SERVQUAL model has been broadly criticised, the impact of SERVQUAL, in the domain of service quality, is widely accepted. Even though few of its claims remain undisputed, its major critics note its popularity (Coulthard, 2004:491). Thus, in spite of its inadequacies, researchers acknowledge the usefulness of SERVQUAL. However, further research is needed to adopt new positions and strategies (Coulthard, 2004:491).

2.11 Applications of SERVQUAL

Metters *et al.* (2006:187) note that data obtained through the SERVQUAL instrument can be used to compute service quality gap scores at different levels. By examining each of the gap scores, an organisation cannot only assess its overall quality of service as perceived by customers, but also identify key dimensions and facets within those dimensions, on which it should focus its quality improvement efforts (Zeithaml *et al.*, 1990:176).

Kyrillidou and Heath (2001:543) clearly affirm that SERVQUAL has been widely applied in various fields. They go on to state that over eighty doctoral dissertations have been written in the past decade to assess its applications to fields as diverse as ecology and historical preservation.

The following are examples of how SERVQUAL has been used in practice in various studies across different industries:

- In the hotel and catering industry, a study on customer perceptions of room service was conducted in four and five-star hotels in Hong Kong.

This was also a comparative study that sought to assess whether hotel guests have different perceptions and expectations between the two types of hotels (Luk and Layton, 2004:262).

- Another comparative study was performed in northern Cyprus where the service qualities of the banks were measured by using the SERVQUAL method with the perspective of the luxury hotels (Cafakli, Hüseyin and Özdeğer, 2008:161).

- Tsitskari, Tsiotras and Tsiotras (2006: 623) and Shonk and Chelladurai (2008: 587) conducted evaluations of service quality in sport and recreation organisations. They concluded that given the centrality of service quality to the mission of sport and recreation centres, research toward a better understanding of the nature of service quality should be a primary concern to all organisations.

2.12 Reliability of the SERVQUAL instrument

The advantage of SERVQUAL is that it is a tried and tested instrument, which can be used comparatively for benchmarking processes (Bryson and Curry, 2001:390). Critics of the SERVQUAL instrument include Brown, Churchill and Peter (1993:65), who tested the instrument and showed strong reliabilities for both the expectation (0.94) and perception (0.96) component of the questionnaire using Cronbach's Alpha, suggesting high levels of reliability and internal consistency (Parasuraman *et al.*, 1988:16).

2.13 Validity of the SERVQUAL instrument

Furthermore, according to Bryson and Curry (2001:390), SERVQUAL does, however, benefit from being a statistically valid instrument as a result of extensive field-testing and refinement.

It, therefore, escapes the disadvantage of being perceived by service users and providers as a questionnaire that has been skewed to elicit certain types of responses.

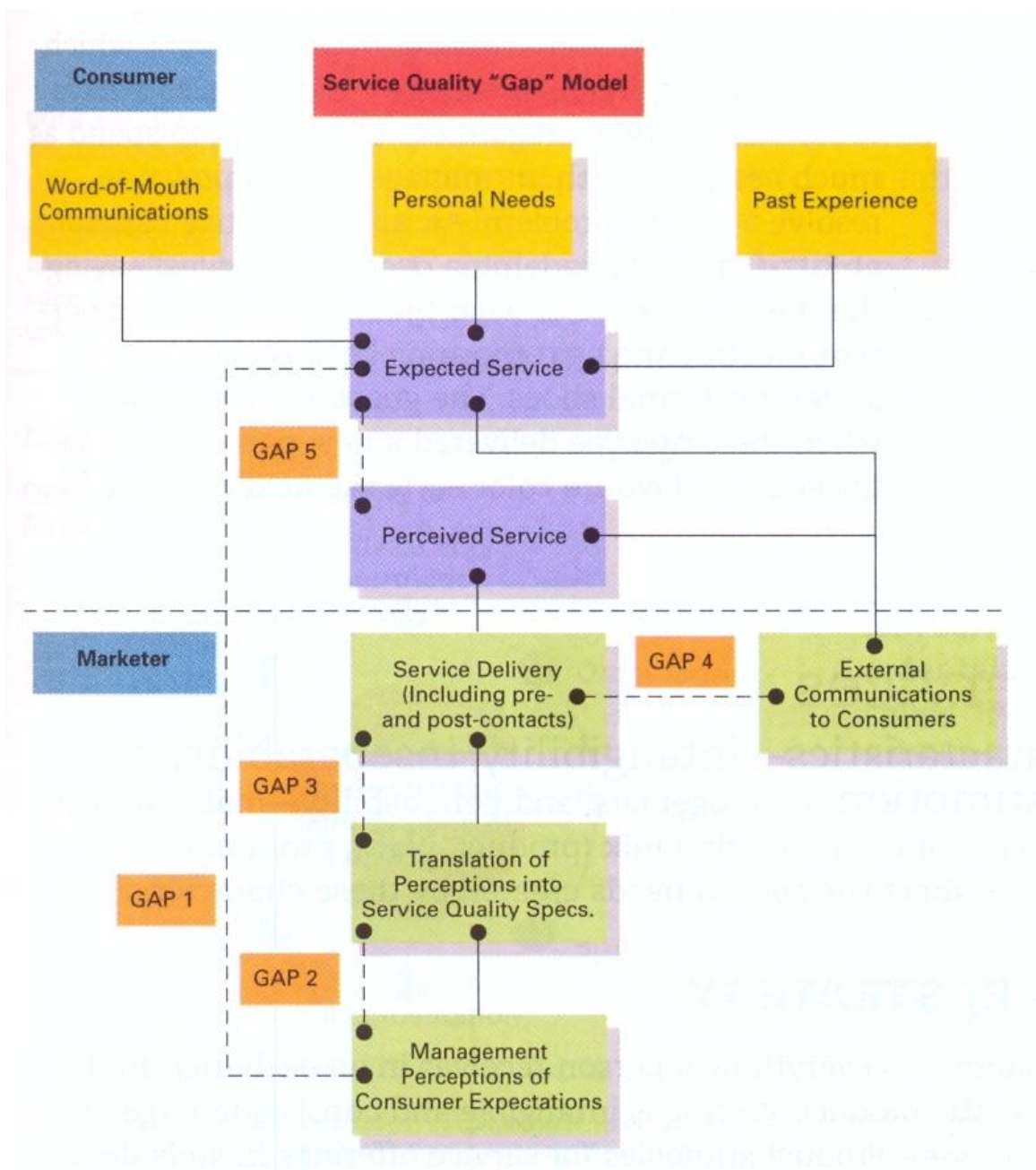
As a generic and universally applicable instrument, SERVQUAL can also be administered on a repeated, regular basis and used for comparative benchmarking purposes.

Having understood what the characteristics of service quality are, it is necessary to understand the variables of perceptions and expectations in service quality.

2.14 Service quality gaps and the gaps model

The Gaps model suggests that service quality is a gap that exists between the customer's perceptions (P) and their expectations of the service received (E) as seen in figure 5 on the next page.

Figure 5: The gaps model of service quality



(Source: McDaniel, Lamb and Hair, 2008:337)

Lau, Akbar and Fie (2005:48) state that service quality is measured as follows:

$$SQ = P - E$$

The quality of a service can be measured by determining the discrepancy between what the customer wants (customer expectations) and how the customer experiences the service (customer perceptions). According to Silvestro (2005:216), if perceptions and expectations are not equal, then a service quality gap occurs or the expectation is said to be disconfirmation. There are two types of disconfirmation, i.e. positive (when perceptions exceed expectations), and negative disconfirmation (when perceptions of service fail to meet the customer expectations).

When service delivery fails to live up to customers' expectations, service quality failure is said to have occurred. It is essential that organisations are able to identify service quality preventative and corrective controls. This process is a crucial part of any service quality improvement initiative.

2.15 Gap analysis

Zeithaml *et al.* (2006:33) define customer expectations as standards that customers bring into the service experience, whereas customer perceptions are subjective assessments of actual service experiences. Customer expectations often consist of what a customer believes should or will happen and it is important for organisations to understand the gaps that exist in the delivery of their service and what hinders them from providing a better quality of service to their customers.

According to Ganesan-Lim, Russell-Bennett and Dagger (2008:551), the GAP model identifies five gaps where there may be a shortfall between expectations of service levels and perceptions of actual service delivery.

Gaps 1 - 4 identify service quality shortfalls within the organisation, and Gap 5 denotes the service quality discrepancy of perceived and expected service from the customers' point of view. The four service-provider gaps contribute to Gap 5 and can hinder delivery of services that customers perceive to be of a high quality. The extent of Gap 5 depends on the size and direction of the other four gaps that exist within the organisation and inhibit the quality of service provided. Gap 5 is the gap that is addressed in Servqual.

The four organisational gaps, as identified by Zeithaml and Bitner (2003:32), are:

- **Gap 1:** The difference between customer expectations and management perceptions of customer expectations;
- **Gap 2:** The difference between management perceptions of customer expectations and service quality specifications;
- **Gap 3:** The difference between service quality specifications and the actual service delivered; and
- **Gap 4:** The difference between service delivery and what is communicated about the service to customers.

2.16 Service quality gaps

Service quality gaps will focus on the following:

2.16.1 Gap 1: The customer expectation – management perception gap

Silvestro (2005:216) declares that this gap is the difference between what customers want and what the organisation's management thinks they want. Silvestro also states that a primary cause in many organisations not meeting customer expectations is that the organisation fails to understand what those expectations are.

Hoffman and Bateson (2000:302) identify some of the mistakes that tend to occur when such a knowledge gap exists:

- The wrong employees may be hired;
- Incorrect employees' training procedures may be provided;
- The wrong facilities may be provided; and
- There may be some unnecessary services provided to customers, whilst the services that they do require are not provided.

The number of levels of management that exist within the organisation also affects the size of Gap 1. Too many layers of management inhibit communication because they provide a barrier between customer and management.

In order to close the gap, management needs a much deeper understanding of what the customer actually wants, and must then build a suitable response into their service operating system (Hoffman and Bateson, 2000:302).

Zeithaml, Bitner and Gremler (2006:35) declare that the size of the gap depends on the following:

- Lack of upward communication;

- Inadequate marketing research orientation;
- Lack of relationship focus; and
- Inadequate service recovery.

Lack of upward communication

This refers to the flow of information from the customer-contact staff to the upper levels of the organisation. When top level management do not have an organisation grasp of customer quality expectations, customer-contact employees may be used to convey vital information to top management (Bruhn and Georgi, 2006:422).

Inadequate marketing research orientation

This refers to the collection, analysis and interpretation of data for guiding marketing decisions and is a key component in developing products and services that are based on customers' needs. The information obtained from customer research defines customer expectations and is insufficient as the focus must be on the issue of quality. In order for market orientation to be beneficial, management must implement the results of the research undertaken (Zeithaml and Bitner, 2003:534).

Lack of relationship focus

Another contributing factor to Gap 1 is a lack of organisational strategy to retain customers and strengthen relationships with them. When organisations have strong relationships with customers, Gap 1 is less likely to occur (Zeithaml and Bitner, 2003:534).

Inadequate service recovery

This relates to the organisation's ability to understand the importance of service recovery: why customers complain, what they expect when they complain, and how to develop effective service recovery strategies for dealing with inevitable service failures (Bruhn and Georgi, 2006:102).

2.16.2 Gap 2: Management perception – service quality specification gap

Lovelock and Wirtz (2007:424) state that Gap 2 means that service quality specifications are not consistent with management perceptions of quality expectations. Management's correct perceptions of customers' expectations are necessary, but not sufficient, for achieving superior service quality. Another prerequisite for delivering high service quality is the presence of performance standards that mirror management's perceptions of customer expectations. This means that even if management perceive their customers' wants correctly, problems arise when they find it difficult to match or exceed such expectations. Problems arise when there is inability on the part of management to translate customer expectations into service quality specifications (Zeithaml, Bitner and Gremler, 2006:38).

Metters, King-Metters, Pullman and Walton (2006:186) find that the following factors impact this gap:

- Absence of customer-driven standards;
- Management's commitment to service quality; and
- Management's perceptions of the feasibility of customers' expectations.

Literature advocates that organisations that have been successful in delivering high service quality are noted for establishing formal standards relating to service quality. In general, management emphasise their objectives in cost reduction and short-term profit, which, in turn, surpasses the need for quality.

Those responsible for setting standards believe that customer expectations are unreasonable or unrealistic.

These standards should be defined in terms of identified problems and parameters should be set so that progress made towards achieving the standards can be measured. There should be a regular review of progress towards meeting the standards and constructive feedback should be offered (Zeithaml, Bitner and Gremler, 2006:39).

According to Zeithaml and Bitner (2003:535), resources made available for quality initiatives will also have an impact on the size of the gap. Where resources have been earmarked for programmes, such as internal quality control, the gap is expected to shrink. The feasibility of customer expectations must also be taken into consideration. Where management believes that meeting customer expectations is not feasible, the size of the gap will increase.

Zeithaml, Bitner and Gremler (2006:39) further assert that the quality of service delivered by employees to customers is critically influenced by the standards against which they are evaluated and compensated. Another important factor to consider is whether managers believe their attempts to improve service quality will be recognised and rewarded within the organisation: only where managers are given recognition for their attempts will they remain committed to quality initiatives.

2.16.3 Gap 3: The service quality specification – service delivery gap

Gap 3 is the difference between the service quality specifications and the delivery of those specifications to the customer (McDaniel, Lamb and Hair, 2008:338). Unforeseen problems or poor management can lead to an organisation failing to meet service quality specification.

This may be due to human error or mechanical breakdown. Even when guidelines exist for performing good service and treating customers correctly, there is no guarantee for high quality service delivery or performance.

The gap arises from a shortage of resources in key areas such as lack of commitment and motivation, inadequate quality control procedures and inadequate staff training.

Zeithaml and Bitner (2003:536) also note that, for service standards to be effective, in addition to reflecting customer expectations, adequate and appropriate resources must also back them up. The standards must also be enforced to be effective. This requires that employees must be measured and compensated on the basis of performance along these standards.

A drop in the level of service delivery performance below the standards set in Gap 3, affects the service-delivery of what customers expect in Gap 5. By ensuring that all resources are in place to achieve standards set, Gap 3 is reduced and thus should also reduce Gap 5 (Zeithaml, *et al.*, 1990:43).

There are several factors that contribute to the size of Gap 3:

Teamwork: Is a distinguishing feature in many successful organisations and its value cannot be ignored. Employees must be included and work together in

setting standards, improving work procedures and identifying opportunities to make improvements (Lovelock and Wirtz, 2007:330).

Employee Job-Fit: Some employees may be hired for jobs that they are not qualified to handle, unsuited for, or have not received adequate training in. In such cases, employees are less willing to keep trying (Gronroos, 2000:104).

Technology Job-fit: In order to provide high service quality, the organisation must have access to the correct technology that is required to provide such a service. The equipment should be well maintained, as equipment failure can interfere with adequate employee performance (Gronroos, 2000:104).

Perceived Control: This refers to the fact that individuals' reaction to stress depend on whether they feel they can control the situation or not (Nishii, 2008:505).

When employees are not allowed to make independent decisions about individual cases, without conferring with a manager, they will feel alienated from the service and less a part of their job. In such cases, employees may experience learned helplessness and feel unable to respond to customers' requests for help. The gap grows, as the employee feels more helpless.

Role Conflict: Contact employees act as an important link between the customer and the organisation, thus they must satisfy the need of both. Sometimes, the expectations of the organisation and the customers are in conflict. In such situations, employees experience role conflict: the perception that they cannot satisfy the demands of everyone (Zeithaml, Bitner and Gremler, 2006:40). This has a negative impact on the employee's satisfaction and performance within the organisation and increases absenteeism and turnover. Organisations that recognize the inherent conflicts in the contact employee's job

will assist in eliminating the distress of role conflict. The result will be better employee performance and a reduction of the gap.

Role Ambiguity: Employees experience ambiguity when they do not possess the information necessary to perform their jobs adequately (Gronroos, 2000:104). Ambiguity occurs when employees are unsure of what their superiors expect of them and how to satisfy those expectations. They are also unsure of how their performance will be evaluated and rewarded. The effects can be moderated through downward communication and training. The more managers are able to provide clear and concise communication about what is required of employees, the less ambiguous their roles will be. Training can be used to provide employees with an accurate understanding of what is required from them (Zeithaml *et al.*, 2006:41).

2.16.4 Gap 4: Service delivery - external communication gap

This gap is a result of the difference between service delivery and external communication. It essentially reflects an underlying breakdown in coordination between those responsible for delivering the service and those in charge of describing or promoting it to customers (Lovelock and Wirtz, 2007:427).

Customer expectations are shaped by the external communications of an organisation and there may be dissatisfaction with service due to the excessively heightened expectations developed through the organisation's communication efforts. Dissatisfaction tends to occur where actual service delivery does not meet up to expectations held out in an organisation's communication. Failure to deliver can result from inaccurate marketing communications, lack of poor coordination between marketing and delivery personnel and over-promising (Zeithaml, *et al.*, 2006:40).

In summary, Zeithaml and Bitner (2003:539) state that external communications from marketing efforts can create a larger customer gap by raising expectations about service delivery. In addition to improving service delivery, companies must also manage all communications to customers so that inflated promises do not lead to higher expectations.

2.16.5 Gap 5: The expected service - perceived service gap

Metters, King-Metters, Pullman and Walton (2006:187) argue that Gap 5 is the most crucial gap as it indicates the difference between expected and perceived service quality. The key to ensuring good service quality is meeting or exceeding what customers expect from services rendered.

This is the gap that exists between customers' expectations of service and their perception of the service actually delivered. In order to improve service quality, management must close Gap 5, by closing Gaps 1 – 4. Action must be taken because how the customers perceive the level of service performance meets their expectations will reflect on the quality of the service provided by the organisation (Zeithaml *et al.*, 2006:43).

The process of gaining an understanding of the nature and extent of Gap 5 may be undertaken by administering the SERVQUAL questionnaire to the organisations customers. This is the starting point for closing the Gaps 1 through 4 of the conceptual service quality model (Douglas and Connor, 2003:168).

2.17 Conclusion

In this chapter, various literature sources on service characteristics, services mix, dimensions and various other aspects of service quality were reviewed and discussed.

In summary, the key to delivering quality service rests in the organisation's ability to understand what their customers' perceptions and expectations of service quality are. Models such as SERVQUAL and the GAPS model can assist organisations in identifying the various perceptions and expectations of customers and provide valuable feedback to the organisations to re-assess their current levels of service quality.

Further, organisations need to create an internal culture that is conducive to meeting customer needs. Customers do not evaluate service solely on the outcome of service itself, but on almost all activities supporting the service and indirect support systems are considered as part of the process of service delivery. Thus, every member of the organisation becomes vital to the provision of quality service.

Chapter 3 covers service quality provided at Edward Snell & Co Ltd.

CHAPTER THREE

SERVICE QUALITY AT EDWARD SNELL & CO LTD.

3.1 Introduction

In Chapter 2, the literature on service, service quality dimensions, customer satisfaction, customer perceptions and expectations and the five dimensions of service quality was examined. The Gaps Model of service quality, developed by Parasuraman, Zeithaml and Berry (1985), was also discussed. In chapter 3, service quality at Edward Snell & Co Ltd is examined using the services mix.

When considering ways to manage service quality, there are two fundamental concerns:

- How to manage customers' expectations; and
- The matter of perceived service performance.

Since service quality judgements are based on expectations and perceptions, it is important to understand the origins of those expectations and perceptions as they impact heavily on service quality.

3.2 Service quality expectations

As discussed earlier in the chapter, customer expectations are shaped by their previous service experiences and, as a result, expectations may be unrealistic. These unrealistic expectations may have a negative influence on the organisation's service performance. Further, when considering customer expectations with regard to service quality, it is important to recognise the essential dimensions of service quality, and identify which dimensions are more important to the customers. This, in turn, is most likely to have an overall impact on customer satisfaction.

However, Edward Snell & Co Ltd. does not have a formal measure of these service quality dimensions. The organisation attempts to align customer expectations with management's perception of an acceptable standard.

3.3 Perceived service performance

There are several factors that can possibly influence a customer's perception of service performance. Factors such as employees' appearance and personal interaction between customers and employees have an impact on how the customer perceives the service. Employees who are neat, well presented and organised may be perceived as being more in control and competent. Neat and well presented employees are tangible clues that positively influence customer perceptions of the services being delivered.

Service reliability is another key factor that influences customer perceptions. In the spirits industry, reliability will include performing the correct service (e.g. calling on the customers) at the designated time and reliably delivering on promises made. Where services require one-on-one interaction (e.g. a sales representative physically calling on a customer), it is essential that the customer perceives the employee as both reliable and empathetic.

3.4 The service mix at Edward Snell & Co Ltd. in the greater Durban area

3.4.1 Product (Services)

Along with the physical brands that Edward Snell & Co Ltd. offers, the following services are performed with the sale of the organisation's products:

- Telesales: Telephonically communicating with customers and informing them about the latest promotions and specials that the organisation is

offering. Further, the employees are required to follow-up on customers on an ongoing basis and offer assistance with additional service requirements;

- Sales: The organisation's sales force is required to call on customers and is the touch-point between the customer and the organisation. Along with the promotion of brands, they promote other services that the organisation offers, i.e. an in-store promotion that the organisation will host, in order to promote the customer's business, etc.; and
- Delivery of goods purchased: the organisation offers to deliver all products that are purchased by the customer. This service is beneficial as it creates customer convenience.

3.4.2 Promotion

In terms of promoting the above services to its customers, Edward Snell & Co Ltd. has only two communication strategies in place. Its delivery vehicles contain the organisation's branding and there is a website that could possibly communicate the organisation's services to prospective and current customers.

However, the website does not contain updated information on the service offerings of the organisation, and is rarely operational.

3.4.3 Price

Although price is a differentiating factor when it comes to customer perceptions of service and the quality of the organisation's brands, in Edward Snell's context, price has very little influence with regards to the service aspect of the marketing mix.

However, with the gradual introduction of premium and international brands (e.g. Glenfiddich whisky and Hennessy brandy), customers are beginning to change their perceptions and expectations of the organisation's service. Customers automatically perceive and expect a higher level of service that is associated with the purchase of such brands.

3.4.4 Place

The organisation is situated in 49 Joyner Road, Prospecton and is one of five branches located nationally. Its location is central to most of its customers and is ideally accessible.

3.4.5 Physical evidence

The organisation's buildings, facilities and offices are well maintained and facilities are generally good. Its equipment and distribution vehicles display the organisation's brands and logos. This strategy helps promote the organisation's brands and associated services. The vehicles and equipment, which are modern and well-maintained, create positive customer perceptions.

As mentioned earlier in the chapter, tangible elements of the service are used by current and prospective customers to evaluate the service before deciding to do business with an organisation. Customers may use the presentation of the sales representatives, the organisation's delivery vehicles and even the physical buildings (e.g. the warehouse and administration offices) as indicators of the organisation's standing amongst its competitors in the wine and spirit industry.

3.4.6 People

According to a 2007 organisational services survey, a large part of the service quality problems experienced by the organisation's customers are attributed to its

sales force. Many of the sales representatives are not calling on customers regularly. This lack of empathy and unreliable behaviour are negatively impacting on customers' perceptions of service quality. This could be attributed to the fact that the criteria for employment with the organisation are sales experience over formal sales or marketing qualifications and the fact that there are no formal service quality standards set.

Further, the telesales and sales representatives are not required to attend regular training to ensure they are competently up-to-date with new techniques and developments in their fields. Some customers feel that these employees lack up-to-date skills training which creates negative perceptions amongst the customers regarding their competence.

3.4.7 Process

The organisation relies heavily on its sales force which has to maintain current and prospective customer service requirements. When the service delivery processes experience a disruption, alternative arrangements cannot be made as the sales force is quite small and demands on their time are unrealistic. Thus, some customers experience frustrations with the organisation's service delivery and this is beginning to negatively influence customer perceptions of the organisation's service.

3.5 Current measurement of Edward Snell's service quality

Presently, there are limited service quality measurements conducted by the organisation. Internal service quality and performance evaluations are conducted on the sales and telesales representatives annually. However, customer evaluations of service quality are rare, and are conducted once every three years. This delay in getting regular customer feedback on service quality and failure by the organisation's management to address problems experienced

by the customers could be detrimental in the organisation's attempt to differentiate itself from its competitors.

3.6 Conclusion

Currently, there are no processes in place to evaluate whether the quality of Edward Snell & Co Ltd. service offered is acceptable to its customers. Thus, the failure to address service quality related issues timously will negatively impact on Edward Snell's image with its customers. These issues will be measured using the SERVQUAL instrument in chapter five.

The next chapter focuses on the research methodology followed in the study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

In chapter 3, service quality at Edward Snell & Co Ltd. was discussed. Chapter 4 addresses the research methodology, instrument design, data collection procedure, data analysis, questionnaire design, and target population of the study.

4.2 Research design

The research is exploratory and quantitative in nature. The purpose of this research is to investigate customers' perceptions of service quality at Edward Snell & Co Ltd., Durban. The research design was based on a cross-sectional study involving data collection by means of a quantitative survey questionnaire, using a 5-point Likert scale. The study was also descriptive in nature. Appropriate statistical techniques were used to evaluate the data and reach conclusions. The questionnaires were self-administered, closed response and had been designed around the main objective i.e. customer expectations and perceptions of service quality at Edward Snell & Co Ltd.

4.3 Population

According to Armstrong and Kotler (2006:110), a population refers to the entire group of people, events or topics of interest that the researcher wishes to investigate. Service quality surveys were conducted in the 2009 financial year and 103 subjects were drawn from the organisation's database. SERVQUAL questionnaires were distributed in Durban and surrounding areas, to the entire population.

4.4 Sampling techniques

The sample involved the entire census of 103 customers.

4.5 Instrument design

To achieve the objectives of the study, service quality, customer expectations and perceptions were measured using the standard SERVQUAL questionnaire (Appendix 2).

The survey consisted of two sections:

- i) Statements focused on customers' expectations and perceptions of service quality at Edward Snell & Co Ltd, Durban; and
- ii) Demographic data about the respondents (type of business the customers run and the time period of their business associations with Edward Snell & Co Ltd, Durban).

A total of 21 statements in the SERVQUAL questionnaire were used to investigate perceptions and expectations of service quality at Edward Snell & Co Ltd.

The questionnaire also covered the five dimensions of service quality, namely; reliability, tangibles, responsiveness, assurance and empathy. The wording was modified to suit the characteristics of Edward Snell & Co Ltd.

A letter of informed consent was prepared (Appendix 1), and a 5-point Likert scale adopted rather than the 7-point scale used in the original survey. This is in line with the research conducted by Coulthard (2004:488). The scale was arranged so that strongly disagree (SD) was coded as one and, strongly agree

(SA) was coded as five. Each question was associated with the numbers one to five. Respondents were asked to tick the number that best matched their opinion.

4.6 Data collection

Self-administered questionnaires (SERVQUAL) were used as the research instrument to obtain the required data. The SERVQUAL questionnaires were then distributed by the organisation's sales representatives to the customers, together with a letter of consent acknowledging confidentiality (Appendix 1). The questionnaires were also collected in the same manner. The sales representatives were trained to administer the questionnaires. On collection of the questionnaires, the sales representatives also ensured that all questions were completed.

4.7 Data analysis and processing

Welman and Kruger (2003:194) state that once research has been conducted according to its planned design, the results obtained must be interpreted. The analysis was performed using the statistical software packages SPSS (version 17) – a comprehensive set of programmes designed for use by social scientists. Frequency tables were also utilized to contribute to the accuracy and efficiency of processing the data.

4.8 Statistical approach

On completion of the fieldwork, data was verified and descriptive and inferential statistics were extracted from the study.

4.8.1 Descriptive statistics

Descriptive statistics describe the organising and summarising of quantitative data. Lind, Marchal and Mason (2001:6) state that descriptive statistics are useful as they summarise results for an experiment, thereby allowing for more constructive research after more detailed analysis.

Descriptive data analysis include summarised tables, measures of central tendency (mean), dispersion quantities, tables, charts and graphs to describe, organise, summarise and present raw data (Curwin and Slater, 2008:111).

4.8.2 Inferential statistics

Inferential analysis is concerned with the testing of hypothesis. The independent t-test is the most appropriate parametric test for a comparison of the means, and tests for any significant difference between the two variables. Primary data was collated and analysed and comments and concluding discussions are thereafter based on the results obtained (Lind *et al.*, 2001:348–351). Inferential statistical analysis allows the researcher to draw conclusions about populations from the sample data. The paired sample t-test was used in this study.

4.9 Hypotheses tests: P-Values and statistical significance

The most important application in the social sciences of the statistical theory around sampling distributions has been significance testing or statistical hypothesis testing (Curwin and Slater, 2008:305). The researcher's interest lay in the outcome of a study on the impact of service delivery.

The traditional approach to reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic.

A significant result is indicated with " $p < 0.05$ " (Lind *et al.*, 2001:347). The choice of the value 0.05 as the level of significance is totally arbitrary, but is a standard in statistics.

According to Curwin and Slater (2008:305), hypothesis testing is applied to nominal, ordinal, interval and ratio data in the form of statistical tests. Table 12 represents the results of the paired sample T-test applied in the study.

4.10 Factor analysis

Factor analysis is a statistical technique that is used to identify a relatively small number of factors in order to represent the relationship among a set of interrelated variables. The range of variables identified in the study and the intercorrelations between these variables is of significance in the research study. Given the wide range of variables, the researcher was interested to know whether these variables could be more meaningfully represented by a small number of underlying dimensions. Such variables can be most useful for future research into the subject matter.

The researcher utilized the three steps in factor analysis: computing the intercorrelations between the variables, extracting initial factors and rotating the factors to obtain a clearer picture of the factor content. Factor analysis is a statistical technique whose main goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors (<http://faculty.chass.ncsu.edu/garson/PA765/factor.htm>).

4.11 Cross tabulations

Cross tabulation is a combination of two (or more) frequency tables arranged such that each cell in the resulting table represents a unique combination of specific values of cross tabulated variables.

Thus, cross tabulation allows for the examination of observations that belong to specific categories on more than one variable. By examining these frequencies, relations can be identified between cross-tabulated variables, as used in Table 2.

4.12 Cronbach's alpha

According to the Academic Technology Services at the University of California, Los Angeles (UCLA Academic Technology Services, 2002), the Cronbach's alpha measures how well a set of items (or variables) measures a single one-dimensional latent construct.

When data have a multidimensional structure, Cronbach's alpha will usually be low. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. The formula below shows the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{r}}{1 + (N - 1) \cdot \bar{r}}$$

(Source: <http://www.ats.ucla.edu/stat/sas/notes2/>)

Here N is equal to the number of items and r-bar is the average inter-item correlation among the items. It is evident from this formula that if the number of items is increased, Cronbach's alpha increases accordingly. Additionally, if the average inter-item correlation is low, alpha will be low.

As the average inter-item correlation increases, Cronbach's alpha increases as well (UCLA Academic Technology Services, 2002).

If the inter-item correlations are high, then there is evidence that the items are measuring the same underlying construct. This is really what is meant when someone says they have "high" or "good" reliability. They are referring to how well their items measure a single one-dimensional latent construct (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

A reliability coefficient of 0.80 or higher is considered as “acceptable” (UCLA Academic Technology Services, 2002). The reliability analysis for residents and council officials yields values that are very high and acceptable. This implies that the respondents in this category scored similarly for the various factors. In this study, an overall reliability score of 0.922 was obtained, which is consistent with the findings in the literature.

4.13 Conclusion

This chapter covered the research methodology used to investigate customer perceptions and expectations of service quality at Edward Snell & Co Ltd. in the Durban area.

Chapter 5 discusses the analysis and discussion of the findings of the research.

CHAPTER FIVE

DATA ANALYSIS AND DISCUSSION OF RESULTS

5.1 Introduction

In Chapter 4, the research design, data collection methods and questionnaire design were addressed. In chapter 5, the presentation, interpretation and discussion of the findings in this study are covered. The chapter further encompasses detailed analysis of data that provides an insight into the findings of the study, accompanied by numerical and graphical representations of the data and interpretation of the results. The presentation of the detailed analysis and the findings that were drawn from questionnaires administered to customers of Edward Snell & Co Ltd., in the Durban area, will also be discussed.

5.2 Response rate

According to the organisation's records, there were 103 customers on the database. Questionnaires were administered to the entire population, and 84 completed questionnaires were collected. The findings are based on 49 liquor stores, 26 taverns and 9 wholesalers who are the total number of respondents.

5.3 Reliability

One of the two most important aspects of precision is reliability. Reliability refers to the reproducibility of a measurement and is quantified by taking several measurements on the same subjects. Poor reliability degrades the precision of a single measurement and reduces the ability to track changes in measurements in experimental studies. Cronbach's alpha was calculated in order to assess the reliability of the total results.

According to the UCLA Academic Technology Services (2002), a reliability coefficient of 0.80 or higher is considered as “acceptable”. In this study, the overall reliability score of 0.922 indicates a high degree of acceptable, consistent scoring for the different categories for this research. Table 1 demonstrates the results.

Table 1: Reliability scores for the expected and perceived responses

Section	Cronbach’s Alpha
Expected	0.926
Perceived	0.901
Overall	0.922

5.4 Validity

The second most important aspect of precision is validity. According to Welman, Kruger and Mitchell (2005:142), validity is the extent to which the research findings accurately represent what is really happening in the situation. Validity is also the agreement between the value of a measurement and its true value and is quantified by comparing one’s measurements with values that are as close to the true values as possible. Poor validity also degrades the precision of a single measurement, and it reduces the ability to characterise relationships between variables in descriptive studies.

5.5 Descriptive statistics

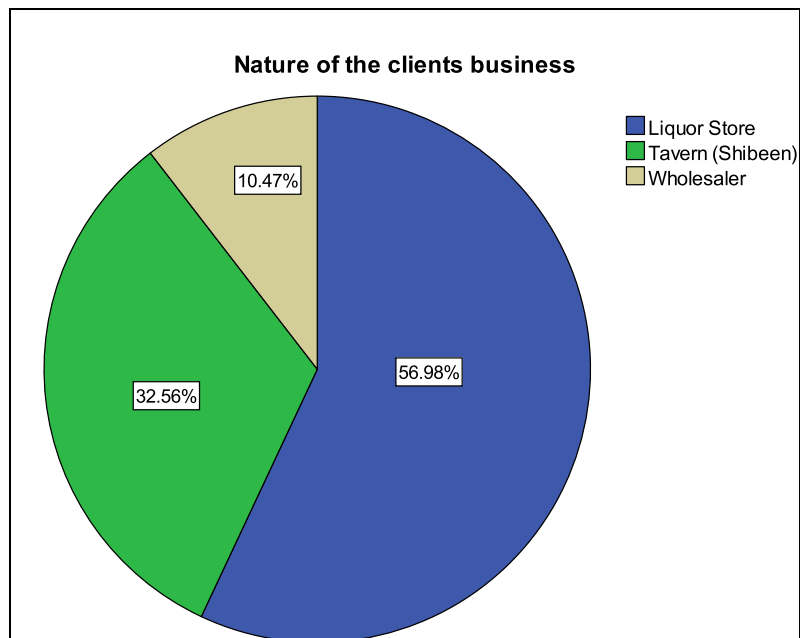
Walliman (2004:225) defines descriptive statistics as a method of quantifying the characteristics of data, and how one aspect of the data relates to another aspect of the same data.

In addition to the SERVQUAL questionnaire, customers were asked two demographic questions relating to:

- The nature of their business; and
- How long they have been customers of Edward Snell & Co Ltd.

Figure 6 reveals the total percentage of respondents that have participated in the study.

Figure 6: The number of respondents by category



From a total of 84 respondents, 56.98 percent are liquor store owners. This means that almost three quarters of Edward Snell's customers in the Durban area comprise of liquor stores. Taverns are the second biggest client base, making up 32.56 percent of Edward Snell's customers. The remaining 10.47 percent of respondents are wholesalers.

Table 2 indicates the length of time that the respondents have been customers of Edward Snell & Co Ltd.

Table 2: Years of patronage at Edward Snell & Co Ltd.

			Number of years that client has been a customer of Edward Snell & Co Ltd.					
			Number of years					Total
			Under 4 years	5 to 10 years	11 to 15 years	Longer than 15 years	5	
Nature of the customers' business	Liquor Store	Count	14	22	9	3	1	49
		% within Nature of the clients business	28.6%	44.9%	18.4%	6.1%	2.0%	100.0%
		% within Number of years that the respondent has been a customer of Edward Snell & Co Ltd.	60.9%	55.0%	60.0%	60.0%	100.0%	58.3%
		% of Total	16.7%	26.2%	10.7%	3.6%	1.2%	58.3%
	Tavern (Shibeen)	Count	9	11	4	2	0	26
		% within Nature of the clients business	34.6%	42.3%	15.4%	7.7%	.0%	100.0%
		% within Number of years that the respondent has been a customer of Edward Snell & Co Ltd.	39.1%	27.5%	26.7%	40.0%	.0%	31.0%
		% of Total	10.7%	13.1%	4.8%	2.4%	.0%	31.0%
	Wholesaler	Count	0	7	2	0	0	9
		% within Nature of the clients business	.0%	77.8%	22.2%	.0%	.0%	100.0%
		% within Number of years that the respondent has been a customer of Edward Snell & Co Ltd.	.0%	17.5%	13.3%	.0%	.0%	10.7%
		% of Total	.0%	8.3%	2.4%	.0%	.0%	10.7%
	Total	Count	23	40	15	5	1	84
		% within Nature of the clients business	27.4%	47.6%	17.9%	6.0%	1.2%	100.0%
		% within Number of years that the respondent has been a customer of Edward Snell & Co Ltd.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	27.4%	47.6%	17.9%	6.0%	1.2%	100.0%

Table 2 illustrates the cross-tabulation between the respondents' nature of the business with the total number of years spent doing business with Edward Snell & Co Ltd. It is observed that more than 83% of the liquor stores have been customers for at least 5 years. This finding indicates that these stores have now established their business within the industry and will most likely be doing business with Edward Snell & Co Ltd. for an extended period of time.

Another finding is that only 15 customers have been doing business with the organisation for an 11 to 15 year period and 5 for a period longer than 15 years. These findings are particularly interesting as the organisation has been in the industry since 1982. This means that customers in the liquor industry are unable to sustain their businesses for a period longer than 15 years. When the total numbers of customers under the 10-year period are compared to the total respondents, a trend becomes evident; 75 percent fall under the 10-year period and the figures diminish for a period longer than 10 years.

According to Gil-Saura, Frasset-Deltoro and Cervera-Taulet (2009:597), customer loyalty has proven to have a relevant impact on an organisation's performance, and is considered to be a source of competitive advantage. They further state that research has shown that loyal customers tend to take cooperative actions that result in mutual benefits for both parties and will increase competitiveness and reduce transaction costs. Currently, the majority (47.62 percent) of the organisation's customers are in the 5 to 10 year period, as noted above. Further investigation should be undertaken to determine how the organisation can assist their customers in extending the life-span of their businesses in order to improve its competitive advantage.

5.6 Communalities scores

An ideal communality score has a value that is close to one. This means that a value close to one would indicate that the model explains most of the variation for those variables (refer to Table 3 for expected values and Table 4 for perceived

values). The model is the instrument that is being tested in its complete form, and in this instance, the model measures customer satisfaction.

Table 3: Communalities for expected values

Communalities	Extraction
Modern looking layout and equipment such as computers, scanners, furniture (E)	.703
The physical facilities are visually appealing (warehouse, premises) (E)	.690
Employees are neat in appearance (E)	.614
Materials associated with ES & Co Ltd (e.g. pamphlets, promotions, pricelists) are visually appealing (E)	.592
When an employee promises to do something by a certain time, they do so (E)	.652
When customers have a problem, ES & Co Ltd will show a sincere interest in solving it (E)	.586
Performing the service right the first time (e.g. correct orders taken, deliveries of all goods ordered) (E)	.778
Providing the service at the time promised (deliveries of goods, reps visits, telesales call on time) (E)	.861
Inform customers exactly when services will be offered (E)	.758
ES & Co Ltd gives prompt service to customers (E)	.683
All employees are always willing to help customers (E)	.804
All employees are never too busy to respond to a customer's request (E)	.857
The behaviour of employees instil confidence in customers (E)	.802
A customer feels safe in their dealings with the company (E)	.758
Employees are consistently courteous with customers (E)	.781
Employees have the knowledge to answer customers' questions (E)	.694
ES & Co Ltd gives customers individual attention as requested (E)	.796
Employees give customers personal attention (E)	.490
ES & Co Ltd has the customer's best interest at heart (E)	.895
The employees understand the specific needs of the customers (E)	.765
The operating hours are convenient to customers (E)	.718

The communality for a given variable can be interpreted as the amount of variation in that variable and is further explained by the factors that constitute the variable. The average scores of the dimensions are represented in Table 5.

Table 4 represents the results of the communalities for perceived values.

Table 4: Communalities for perceived values

Communalities	Extraction
Modern looking layout and equipment such as computers, scanners, furniture (P)	.687
The physical facilities are visually appealing (warehouse, premises) (P)	.742
Employees are neat in appearance (P)	.765
Materials associated with ES & Co Ltd (e.g. pamphlets, promotions, pricelists) are visually appealing (P)	.715
When an employee promises to do something by a certain time, they do so (P)	.721
When customers have a problem, ES & Co Ltd will show a sincere interest in solving it (P)	.525
Performing the service right the first time (e.g. correct orders taken, deliveries of all goods ordered) (P)	.696
Providing the service at the time promised (deliveries of goods, reps visits, telesales call on time) (P)	.750
Inform customers exactly when services will be offered (P)	.805
ES & Co Ltd gives prompt service to customers (P)	.609
All employees are always willing to help customers (P)	.821
All employees are never too busy to respond to a customer's request (P)	.831
The behaviour of employees instil confidence in customers (P)	.619
A customer feels safe in their dealings with the company (P)	.789
Employees are consistently courteous with customers (P)	.629
Employees have the knowledge to answer customers' questions (P)	.783
ES & Co Ltd gives customers individual attention as requested (P)	.791
Employees give customers personal attention (P)	.631
ES & Co Ltd has the customer's best interest at heart (P)	.803
The employees understand the specific needs of the customers (P)	.811
The operating hours are convenient to customers (P)	.455

In this study, for example, there are four variables that make up the first component as indicated in the component matrix in Tables 3 and 4 above. For the first variable on modern equipment for 'expected', the analysis is similar to that for multiple regression: signage against the two common factors yields a $R^2 = 0.703$, indicating that about 70% of the variation in terms of the expected equipment is explained by the factor model, and the remaining 30% are attributed to reasons beyond the researcher's control (extraneous reasons).

In other words, any deviation from the expected value of 1 has a justifiable reason and this argument can then be extended to the rest of the model as the communality values are high for both expected and perceived scores.

An assessment of how well this model is doing can be obtained from the communalities. The ideal is to obtain values that are close to one. This would indicate that the model explains most of the variation for those variables. In the context of this study, the model is fairly decent as it explains approximately 72% of the variation for the 21 variables. The results suggest that the use of factor analysis best explains the variations for the different components of customer responses in the questionnaire.

The average scores of the components are as follows:

Table 5: Average communalities' values

Component	Expected – Mean Score	Perceived – Mean Score
Tangibles	64.98%	72.73%
Reliability	71.93%	67.30%
Responsiveness	77.55%	76.65%
Assurance	75.88%	70.50%
Empathy	73.28%	69.82%
Overall	72.74%	72.62%

Table 5 represents the average and overall communality scores by respondents for expected and perceived service and give the percentage of variation explained in the model. Both expected and perceived communality scores are in the seventy-two percent category. This means that with respect to expected and perceived mean scores, the model can explain 72.74% and 72.62%, respectively, of the variation across the different components of customer responses in the questionnaire. The scoring is consistent across the dimensions, and the communality values are high.

Table 5 gives the percentage of variation explained in the model. The percentage scores may be looked at as an overall assessment of the performance of the model. The individual communalities tell how well the model is working for the individual variables, and the total communality gives an overall assessment of performance of the questionnaire.

However, certain components divide into finer components. The consistent scoring is further illustrated in Table 6, the rotated component matrix.

Table 6: Rotated component matrix

	Component - E						Component – P				
	1	2	3	4	5		1	2	3	4	5
Modern looking layout and equipment such as computers, scanners, furniture	.178	.086	-.068	-.110	.805		.021	.205	.095	.793	-.078
The physical facilities are visually appealing (warehouse, premises)	.035	-.054	.052	-.005	.826		.118	-.063	-.199	.696	.448
Employees are neat in appearance	.058	.039	.074	.737	-.247		.179	.076	.313	.104	.786
Materials associated with ES & Co Ltd (e.g. pamphlets, promotions, pricelists) are visually appealing	.356	.291	.513	.288	.183		.694	.080	.322	.138	.323
When an employee promises to do something by a certain time, they do so	.521	.576	.156	.138	.073		.044	.445	.672	-.057	.259
When customers have a problem, ES & Co Ltd will show a sincere interest in solving it	.150	.689	.102	.280	-.012		.300	.589	.207	.063	.204
Performing the service right the first time (e.g. correct orders taken, deliveries of all goods ordered)	.294	.797	.227	-.049	-.044		.518	.176	.372	.450	-.237
Providing the service at the time promised (deliveries of goods, reps visits, telesales call on time)	.344	.773	.373	-.023	.075		.180	.116	.838	-.031	-.005
Inform customers exactly when services will be offered	.641	.562	.086	-.153	.006		.701	.030	.457	.122	-.297
ES & Co Ltd gives prompt service to customers	.523	.366	.479	.211	.041		.391	.190	.620	.062	.182
All employees are always willing to help customers	.786	.075	.377	.163	.106		.883	.154	-.041	.042	.119
All employees are never too busy to respond to a customer's request	.790	.072	.390	.213	.174		.798	.411	.060	-.076	.127
The behaviour of employees instil confidence in customers	.218	.058	.859	.116	.017		.626	.298	.187	.048	.319
A customer feels safe in their dealings with the company	.303	.570	.579	-.075	-.033		.124	.818	.303	.107	-.038
Employees are consistently courteous with customers	.131	.220	.842	.041	-.063		.645	.312	.230	-.037	.247
Employees have the knowledge to answer customers' questions	.687	.216	.376	-.163	.083		.379	.777	.022	.138	-.128

Table 6 continued

	Component - E						Component – P				
	1	2	3	4	5		1	2	3	4	5
ES & Co Ltd gives customers individual attention as requested	.331	.182	.670	.450	.056		.367	.793	.028	-.009	.164
Employees give customers personal attention	.162	.192	.222	.470	.397		.570	.513	.190	.076	.018
ES & Co Ltd has the customer's best interest at heart	.805	.299	.000	.374	.134		.684	.508	.032	.208	-.181
The employees understand the specific needs of the customers	.415	.256	.437	.571	.104		.778	.438	.102	.032	-.043
The operating hours are convenient to customers	-.187	.711	.023	.394	.147		-.022	-.022	.481	.408	.237

5.7 Rotated component matrix and factor analysis

Factor analysis is a statistical technique whose main goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors (SPSS, version 17.0).

With reference to table 6, the rotation method used is the Varimax Method with Kaiser Normalization. This is an orthogonal rotation method that minimizes the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors (SPSS, version 17.0). Factor analysis was also utilised in loading, showing the inter-correlations between variables. Items of questions that loaded similarly imply measurement along a similar factor. An examination of the content of items loading at or above 0.5 (using the higher or highest loading in instances where items cross-loaded at greater than this value) effectively measured along the five components.

It is noted that it was only for the components of Reliability and Responsiveness for expected scores that the four variables that constituted the component loaded perfectly in one factor for the expected (E) scores. This means that the questions (variables) that constituted these components perfectly measured the component.

However, all of the other components have factors that overlap, indicating a mixing of the factors. This means that the questions in the overlapping components did not specifically measure what it set out to measure and that the respondents did not clearly distinguish between the questions constituting the components. This could be with respect to interpretation or inability to distinguish what the questions were measuring. The results are, however, reliable as indicated by the high Cronbach's alpha scores earlier.

Most of the components spread over two components. However, the tangibles and empathy components showed the most spread across components.

In section 5.8, the component analysis with gap scores of Edward Snell & Co Ltd. are examined in greater detail.

5.8 Analysis of dimension with gap scores

5.8.1 The tangibles dimension

The quality dimension of tangibles is related to the appearance of physical facilities, equipment, personnel and communication materials (Zeithaml *et al.*, 2006:120). Tangibles are the physical representation of the service that customers will use to evaluate service quality. Figure 7 and Table 7 reflect the tangible factors expected and perceived by customers of Edward Snell & Co Ltd., in addition to the relevant gap for each component.

Figure 7: Expected and perceived tangibles graph

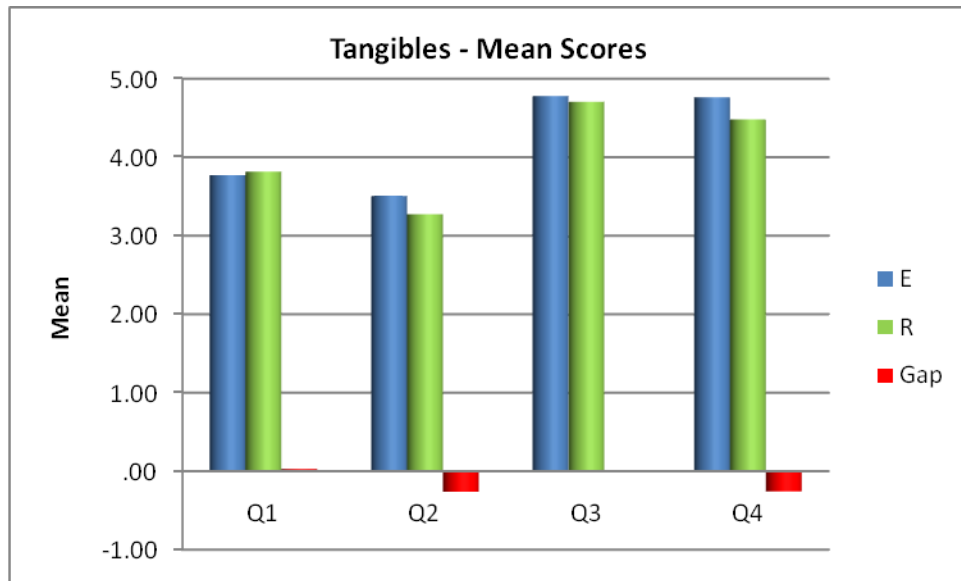


Table 7: Expected and perceived tangibles' scores

	Expected	Perceived	Gap
Q1	3.77	3.82	0.03
Q2	3.51	3.27	-0.26
Q3	4.78	4.70	-0.02
Q4	4.76	4.48	-0.26
Average	4.21	4.07	-0.13

It is observed that the average score for this component was 4.21 for the expected scores. This finding indicates a fair degree of agreement with the statements that constitute this component.

Question 1: Edward Snell & Co Ltd. has modern-looking equipment.

The data reflected in Figure 7 reveals the expectations and perceptions of respondents in this study in terms of the organisation and modern-looking equipment. The aim of question 1 was to gain customer expectations and perceptions of the modernity of the organisation's equipment.

The expectation's mean score was 3.77, and the perceived mean score was 3.82, (on scales from 1 to 5). The mean gap score was 0.03. This finding reveals that the gap is relatively small and, therefore, it can be concluded that Edward Snell & Co Ltd. customers are satisfied with the equipment at the organisation.

Question 2: Edward Snell & Co Ltd., has visually appealing facilities.

The aim of question 2 was to determine the customers' expectations and perceptions on whether Edward Snell & Co Ltd. provided visually appealing facilities. Figure 7 reveals that customers' expected and perceived scores for visually appealing facilities were 3.51 and 3.27, respectively. The gap score for this question was -0.26. The result exhibits that customers are generally satisfied with the organisation's facilities, and is consistent with the findings in the literature review.

Question 3: Employees are neat in appearance.

The first two questions of the tangibles dimension deal with the physical structure and equipment, whilst question 3 deals with the organisation's personnel. In this question, the expected scores are much higher than the first two questions. In Table 7, employees of Edward Snell & Co Ltd. obtained scores of 4.78 for expected appearance, and a score of 4.70 for perceived appearance. The gap between the expectations and perceptions was a negative 0.02. This finding reveals that there is almost no gap regarding the appearance of employees. This means that these variables meet customers' expectations.

Question 4: Material associated with Edward Snell & Co Ltd. is visually appealing.

As with the findings of question 3, the scores of question 4 are much higher than the first two questions. The expectations and perceptions relating to materials associated with service were 4.76 and 4.48, respectively.

The gap for this question was a mean of -0.26, which is relatively small, and suggests that the materials associated with Edward Snell & Co Ltd. are visually appealing to customers.

In the tangibles dimension, the first two questions deal with the physical structure and equipment, whilst the latter two questions deal with personnel and promotional material. There is almost no gap regarding the equipment, or the appearance of employees. This means that these variables meet customers' expectations. However, question 2 and question 4, although satisfactory in the eyes of the customer, show a negative gap. The indication is that the respondents believe that the organisation should pay more attention to the physical facilities and the promotional materials. The actual rating of the Edward Snell & Co Ltd. is satisfactory, as the average score for the tangible dimension was 4.21 for the expected scores. This average indicates a fair level of agreement with the questions that comprise this dimension. Almost all of the expected scores are similar to the average score. The indication is that the respondents believe that an organisation should have acceptable levels of tangibles in terms of the layout and design of the organisation. Respondents were satisfied with the questions in this dimension, as illustrated by the average score of 4.07 for the perceived scores. This finding implies that the respondents were satisfied with the manner of the physical design and attributes of the organisation. It is interesting to note that none of the questions showed a uniquely large gap and the average gap score was -0.13.

The results, therefore, imply that Edward Snell & Co Ltd. has managed to achieve the service quality dimension of tangible factors with regard to the equipment and facilities being visually appealing and modern and employees being neat in appearance.

5.8.2 The reliability dimension

The following questions were used to assess the reliability of service quality at Edward Snell & Co Ltd. in the greater Durban area. Figure 8 and Table 8 reveal the expected and perceived scores for the reliability dimension, together with the gap scores for each question. This dimension effectively measures the timelines to solving and giving attention to customer problems.

Figure 8: Expected and perceived reliability graph

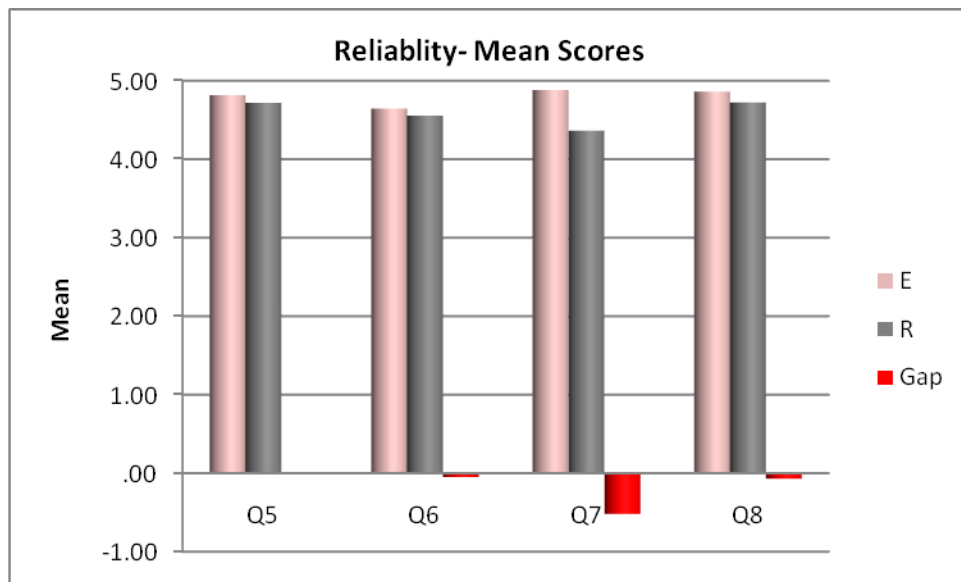


Table 8: Expected and perceived reliability scores

	Expected	Perceived	Gap
Q5	4.81	4.72	0.00
Q6	4.64	4.56	-0.08
Q7	4.88	4.36	-0.52
Q8	4.86	4.72	-0.07
Average	4.80	4.59	-0.16

Question 5: When employees promise to do something by a certain time, they do so.

Question 5 aims to determine whether customers can timeously trust Edward Snell & Co Ltd. employees to deliver on commitments made to them. The respondents' mean scores for delivery on services promised were 4.81 for expectations and 4.72 for perceptions. The service quality dimension gap was 0, and reveals that Edward Snell & Co Ltd. employees meet customer expectations and perceptions when it comes to delivering on their promises. It must be noted from the results that, in this industry, customer employee relationships are strongly based on the commitment to deliver.

Question 6: When customers have a problem, Edward Snell & Co Ltd. will show a sincere interest in solving it.

In terms of the organisation showing a sincere interest in solving its customers' problems, Table 8 revealed that Edward Snell & Co Ltd. scored 4.64 for expectations and 4.56 for perceptions. The mean gap score was -0.08, which indicates that when customers do experience problems, there is a sincere interest by the organisation in solving it. According to Chowdhary and Prakash (2007:495), problem resolution is a key dimension when evaluating service quality. This affirms the discussion in chapter two, where reliability is the most important determinant when it comes to service quality. The purpose of question 6 was to assess whether employees are sincere in solving customer problems. However, the responses to this question did reveal a minor gap in this dimension.

Question 7: Performing the service right the first time (e.g. correct orders taken, deliveries).

The data in Table 8 shows the expectations and perceived service of respondents in terms of performing the services correctly, the first time around. The mean scores for customer expectations and perceptions were 4.88 and 4.36, respectively. The gap score was -0.52. It is interesting to note that this gap is

the highest in the reliability dimension. The results indicate that customers are not satisfied with the organisation's ability to deliver the correct service the first time around.

Sang-Lin and Sung-Tai (2005:316) note, that from a management perspective, the level of service quality is highly correlated with the level of customer retention. Management of Edward Snell & Co Ltd. should take note of the above indicator, as this is the biggest gap in the reliability dimension.

Question 8: Providing the service at the time promised (deliveries perceived timorously).

The average score for this component was 4.80 for expected values with a minor gap score of 0.16. All of the variables that constitute the reliability component had a similar score. The perceived average score was 4.59. Question 7, which dealt with performing the service right the first time, showed the largest gap. In essence, customers were relatively satisfied that Edward Snell & Co Ltd. provides services at the promised time.

Blose and Tankersley (2004:78) state that organisations are evaluated on the extent to which services are timeously delivered. Question 8 aims to determine whether prompt service is provided to customers. The mean scores for expectations and perceived service were 4.86 and 4.72, respectively. Table 8 shows that the gap score was -0.07, indicating a third gap in the reliability dimension for service quality.

5.8.3 The responsiveness dimension

The questions in this dimension probe into the skills and abilities of employees and how they are able to interact with customers. Figure 9 and Table 9 illustrate the expected and perceived Edward Snell & Co Ltd. scores for the responsiveness dimension; in addition with the gap scores for each question. Questions in this dimension primarily describe the willingness of employees

being able to provide prompt service. Sang-Lin and Sung-Tai (2005:316) state that responsiveness is the willingness of the organisation to help customers and to provide prompt service.

Figure 9: Expected and perceived responsiveness graph

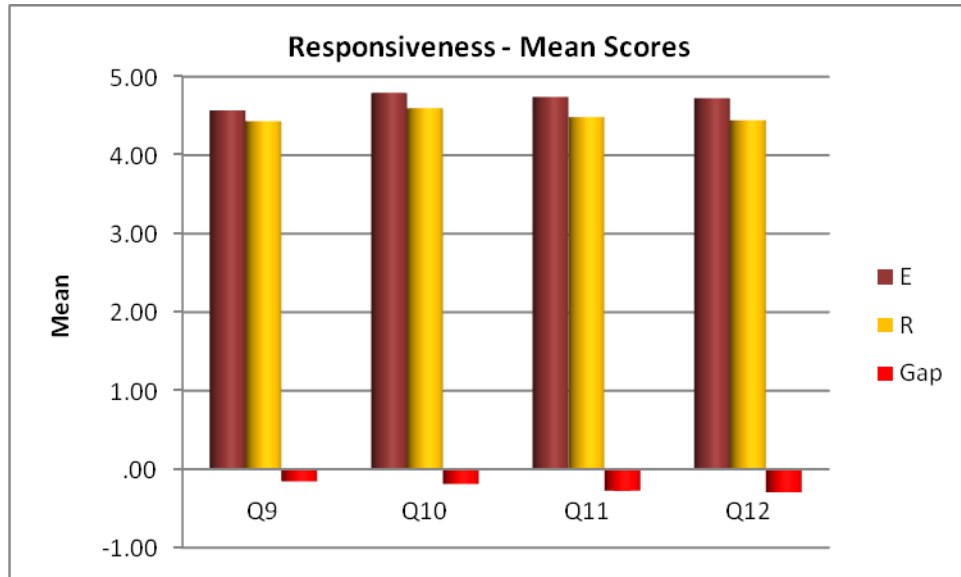


Table 9: Expected and perceived responsiveness scores

	Expected	Perceived	Gap
Q9	4.57	4.43	-0.16
Q10	4.79	4.60	-0.19
Q11	4.74	4.49	-0.28
Q12	4.72	4.44	-0.29
Average	4.71	4.49	-0.23

Question 9: Inform customers exactly when services will be offered.

Question 9 aims to assess whether employees of Edward Snell & Co Ltd. inform customers exactly when services are being offered. In Table 9, Edward Snell & Co Ltd. received scores of 4.57 for customer expectations, and 4.53 for customer perceptions of the organisation's services being offered. The mean gap score was -0.16 . This finding suggests that Edward Snell & Co Ltd. mildly neglects this important element in their service delivery process.

Question 10: Edward Snell & Co Ltd. gives prompt service to customers.

This question measures the speed in which the organisation delivers its services to the customers. In Figure 9, Edward Snell & Co Ltd. obtained a score of 4.79 for customer expectations, and 4.60 for customer perceptions of prompt service. The gap score obtained in this question was -0.19 . These findings suggest that customers are not entirely satisfied with the rate in which Edward Snell & Co Ltd. delivers their services.

Question 11: All employees are always willing to help customers.

Question 11 assessed whether Edward Snell's employees were always willing to help customers with their requests. Table 9 reveals that customers' overall expectations and perceptions for this aspect of service were 4.74 and 4.49, respectively. The employees of the organisation also obtained a negative gap score of 0.28 for their willingness to help customers. The results suggest that Edward Snell & Co Ltd. needs to pay attention to this aspect of service and train its employees accordingly.

Question 12: All employees are never too busy to respond to a customer's request.

In Figure 9, Edward Snell & Co Ltd. obtained scores of 4.72 for perceived services, and 4.44 for perceived services. A gap of -0.29 exists for employees' willingness to respond to the request of a customer. There seems to be a relationship between the gap scores of question 11 as compared to the gap score of question 12. These results mean that customers are dissatisfied with the employees' willingness to respond to their requests.

It is noted that there are gaps present across all criteria in the responsiveness dimension when compared to the tangible and reliability components. The responsiveness dimension compares favourably to the reliability component for expected values, and reveals that customers want good service, promptly. All of the variables that constitute this component had a similar score. The overall score of 4.49 for customer perceptions in this dimension implies that customers were generally satisfied with the responsiveness of the organisation's employees. Questions 11 and 12 also indicated similar negative gaps of -0.28 and 0.29 , respectively. These gaps need to be addressed by the organisation in order to improve on its service delivery.

5.8.4 The assurance dimension

Figure 10 and Table 10 depicts the respondents' expected and perceived scores in the assurance dimension. In addition, to the gap scores for each component of the assurance dimension are discussed. Assurance relates to the organisation's capability to deliver the output, specifically in terms of the knowledge, politeness and trustworthiness of the employees (Bruhn and Georgi, 2006:52).

Figure 10: Expected and perceived assurance graph

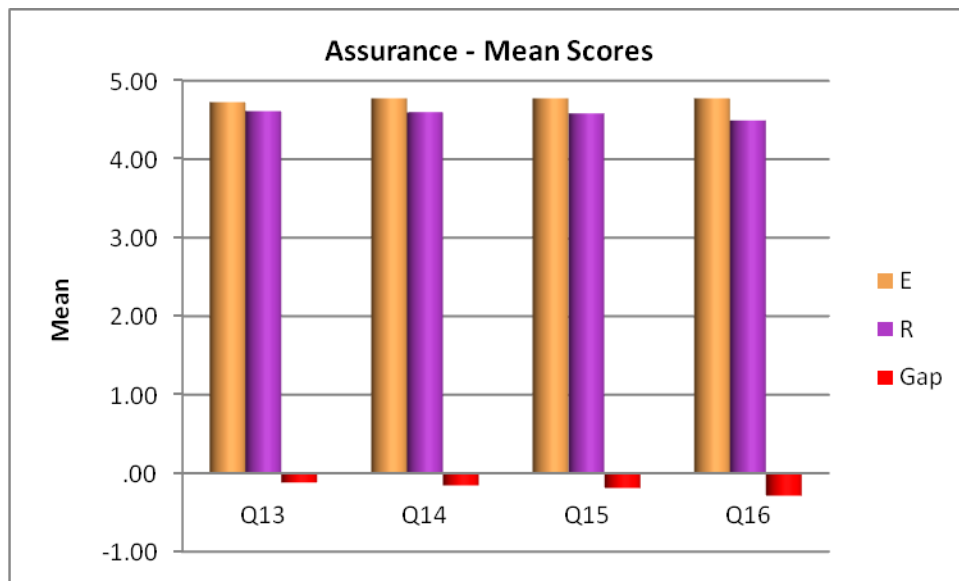


Table 10: Expected and perceived assurance scores

	Expected	Perceived	Gap
Q13	4.72	4.61	-0.12
Q14	4.78	4.60	-0.16
Q15	4.78	4.58	-0.19
Q16	4.78	4.49	-0.29
Average	4.76	4.57	-0.19

Question 13: The behaviour of employees instils confidence in customers.

The aim of question 13 was to determine whether the behaviour of employees at Edward Snell & Co Ltd. instil a sense of confidence with the customers. In Table 10, Edward Snell & Co Ltd. obtained scores of 4.72 for customer expectations and 4.61 for perceptions of employee confidence. Further, Table 10 revealed a negative gap score 0.12 for employee confidence. Therefore, the results imply that employees at Edward Snell & Co Ltd. require room for improvement when it comes to gaining customers' confidence in this aspect of service delivery.

Question 14: Customers feel safe in their dealings with the organisation.

Figure 10 illustrates that the respondents' mean scores regarding their expectations and perceptions in dealing with Edward Snell & Co Ltd. were 4.78 and 4.60, respectively. The gap score was -0.16. These results suggest that customers feel mildly safe in their dealings with the organisation.

Question 15: Employees are consistently courteous with customers.

Question 15 aims to determine whether Edward Snell & Co Ltd. employees are consistently courteous to its customers. As reflected in Figure 10, the employees of Edward Snell & Co Ltd. received scores of 4.78 for customer expectations and 4.58 for customer perceptions of employee courtesy. The gap score received for employee courtesy was -0.19. This gap is the second highest amongst all component scores for this dimension. However, the gap is minor (close to zero) and implies that, for the most part, the employees are courteous to the customers.

Question 16: Employees have the knowledge to answer customer questions.

The data in Table 10 reveals the expectations and perceived scores of respondents in terms of professional knowledge of employees. The expectation score was 4.78 and the perception score was 4.49. The gap score was -0.29. The gap score was the largest in the assurance dimension, suggesting that customers are weary of the knowledge of Edward Snell & Co Ltd. employees.

The mannerisms of the employees also ranked extremely highly to customers. As employees are the face of the organisation, and the foundation of interaction between the customer and the organisation, the demeanour and deliverable service of the employees is of utmost importance. The expected value for this component was 4.76. The perceived rating was 4.57. This ranked within the

agreement level, and the level of significance is indicated in the section on hypothesis testing.

As per the findings in the literature review, questions 15 and 16, which pertain to employee courteousness and knowledge, reveal that employees of Edward Snell & Co Ltd. lack the necessary skills required to perform services professionally. The organisation will have to address these components as it is a service dimensional shortfall.

5.8.5 The empathy dimension

Figure 11 and Table 11 reveal customer expectations, perceptions and gap scores of Edward Snell & Co Ltd. in each component of the empathy dimension. According to Lovelock and Wright (2002:267), empathy is the organisation's ability to provide caring and personalised attention. The essence of empathy conveys the message that customers are unique and special.

Figure 11: Expected and perceived empathy graph

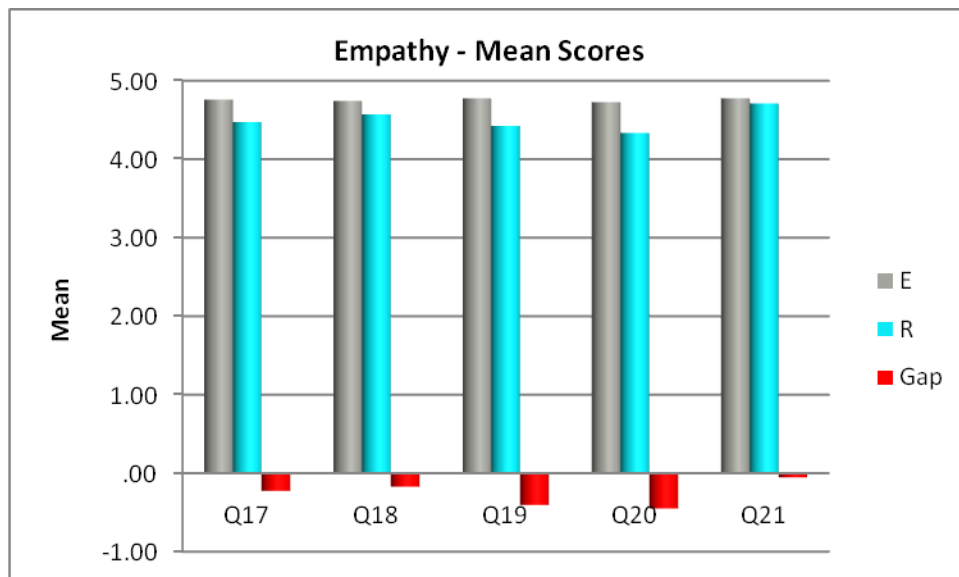


Table 11: Expected and perceived empathy scores

	Expected	Perceived	Gap
Q17	4.76	4.47	-0.22
Q18	4.74	4.57	-0.17
Q19	4.78	4.42	-0.40
Q20	4.72	4.33	-0.45
Q21	4.78	4.71	-0.05
Average	4.76	4.50	-0.26

Question 17: Edward Snell & Co Ltd. gives customers individual attention as requested.

Question 17 aims to determine whether Edward Snell's employees give individual attention to its customers. As shown in Figure 11, respondents rated a mean score of 4.76 for what they expect from employees and their actual mean for perceived service was 4.47. The gap score for this question was -0.22. The result indicates that Edward Snell & Co Ltd. should place some emphasis on this element of service. [This is consistent with the literature findings of Harris and Fleming \(2005:187\)](#), who affirm that the human characteristics represent an important aspect that organisations can use to differentiate their goods and services.

Question 18: Employees gives customers personal attention.

The data in Table 11 reveals the expectations and perceptions of respondents in terms of customers receiving personal attention. Respondents rated their expectation as a score of 4.74 and their perception of what they receive as 4.57. The gap score for this question was -0.17. This score suggests that Edward Snell's employees should take more care about how they are currently attending to their customers and must improve this component to enhance the organisation's service delivery.

In keeping with the empirical findings, Liang and Wang (2007:341) state that investing time, effort, and other irrecoverable resources in a relationship creates psychological bonds that encourage customers to stay in that relationship and sets an expectation of reciprocation. When an organisation makes any kind of relationship investment on behalf of a customer, the customer may be favourably impressed.

Question 19: Edward Snell & Co Ltd. has their customers' best interest at heart.

Table 11 reveals the expectations and perceptions of respondents in terms of how the organisation considers what is best for its customers. As shown in Figure 11, Edward Snell & Co Ltd. obtained scores of 4.78 for expectations and 4.42 for perceptions. The negative gap score of 0.40 is one of the two biggest gaps in the empathy dimension of service quality. The result suggests that customers are concerned about the organisation doing what is best on their behalf. As it is one of the significant gap scores in this dimension, Edward Snell & Co Ltd. should begin to address this matter with its customers.

Question 20: Employees understand the specific needs of the customers.

The aim of question 20 was to further estimate the influence that employees have in understanding the needs of the organisation's customers. The respondents' mean scores for expectations and perceptions were 4.72 and 4.33, respectively. The mean gap score for this dimension of service quality was - 0.45. It must be noted that the score was significantly higher than other scores in this dimension and the gap was still bigger than most. This finding suggests that employees of Edward Snell & Co Ltd. should consider changes to practice, which are necessary to enhance the empathy shown to customers.

Question 21: The operating hours are convenient to customers.

Table 11, reveals the expectations and perceptions of respondents in terms of convenience of operating hours. The respondents' mean scores were 4.78 for customer expectations and 4.71 for customer perceptions of convenient operating hours. The gap indicated a score of -0.05, and is the lowest of all four components that make up the empathy dimension. The result suggests that Edward Snell and Co Ltd. is providing adequate operating hours for its customers and this result will have a positive impact on the assessment of service quality in the empathy dimension.

The negative gap scores in this category are larger than in any other category. The customers rated the degree of attention expected at a mean score of 4.76. The perceived score was 4.50. It is observed that the gaps are not more than one scale rating in magnitude which makes a difference in terms of the rating. When that the gaps are not more than one scale rating in magnitude, the scale could change from Undecided to Agree, or Agree to Strongly Agree.

However, this is not the case in this study. Due to the high reliability scores and the high agreement scores, in general (with corresponding small negative gaps), levels of ratings within components showed small differences in scores. The significance of these differences is shown in hypothesis testing.

5.9 Hypotheses tests: P-values and statistical significance

Tests were performed to determine whether there was a statistically significant difference between the expected and perceived scores. The results are presented in table 12.

Table 12: Paired Samples T-Test

Paired Samples t-Test	p-value
Modern looking layout and equipment such as computers, scanners, furniture	.775
The physical facilities are visually appealing (warehouse, premises)	.016
Employees are neat in appearance	.784
Materials associated with ES & Co Ltd (e.g. pamphlets, promotions, pricelists) are visually appealing	.002
When an employee promises to do something by a certain time, they do so	1.000
When customers have a problem, ES & Co Ltd will show a sincere interest in solving it	.651
Performing the service right the first time (e.g. correct orders taken, deliveries of all goods ordered)	.000
Providing the service at the time promised (deliveries of goods, reps visits, telesales call on time)	.209
Inform customers exactly when services will be offered	.129
ES & Co Ltd gives prompt service to customers	.007
All employees are always willing to help customers	.010
All employees are never too busy to respond to a customer's request	.001
The behaviour of employees instil confidence in customers	.128
A customer feels safe in their dealings with the company	.140
Employees are consistently courteous with customers	.015
Employees have the knowledge to answer customers' questions	.020
ES & Co Ltd gives customers individual attention as requested	.046
Employees give customers personal attention	.096
ES & Co Ltd has the customer's best interest at heart	.000
The employees understand the specific needs of the customers	.000
The operating hours are convenient to customers	.536

The traditional approach to reporting a result requires a statement of statistical significance. A **p-value** is generated from a **test statistic**. A significant result is indicated with " $p < 0.05$ ". These values are highlighted in yellow. The table also indicates that each component has at least one p-value that indicates a significant difference between the perceived and expected scores, and that the results are not due to chance. These results verify the gap analysis done earlier.

5.10 Conclusion

According to Welman *et al.* (2005:227), once data has been collected, the researcher has to make sense of it. Thus, the results of the data collected in this study were presented and analysed in this chapter. The chapter presented a number of different methods of quantitative analysis applied to obtain descriptive statistics. The results were presented in the form of charts and tables which helped to provide a detailed analysis.

A comparison of the service quality expectations and perceived service for Edward Snell & Co Ltd. were determined and presented. According to the Gap analysis of service dimensions, the gaps between the expectation and perception of Edward Snell & Co Ltd. were also presented and analysed. Moreover, the results identified service quality dimensions that require further attention.

The final chapter of the study contains the conclusions and recommendations.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

In the previous chapter, the results of the study were interpreted using the conceptual framework of the literature review. This chapter encompasses an in-depth discussion of the results and findings in respect of the objectives of the study. Further recommendations for future studies are also made.

6.2 Conclusions

6.2.1 Summary of theoretical study

The purpose of the study was to investigate customers' perceptions and expectations of service quality at Edward Snell & Co. Ltd., a Durban based spirit merchant. Further, the study sought to use the data of customers' views of service quality to identify the factors that resulted in service quality gaps.

Put simply, the primary focus of the study was to gather data about customers' perceptions and expectations for use in a service quality-improvement initiative. The results of the survey could then be used to identify areas of concern for management review. Another area of focus was to determine whether there were any service quality shortfalls that could be contributing to customers' negative perceptions of Edward Snell & Co. Ltd., and, if so, what could be done to remedy the situation.

It was noted in the literature review that, in order to improve service quality, the causes of service quality shortfalls need to be identified. Zeithaml and Bitner (2003:313) identified that, from a customer perspective, the primary cause of any

service quality shortfall is the fact that discrepancies exist between expected and perceived service quality.

Zeithaml and Bitner further note that any service quality improvement initiative should be initiated by gaining an understanding of the nature and the gap between customers' expectations and perceptions (referred to as Gap 5 in the service quality model). This is achieved by administering the SERVQUAL instrument to the organisation's customers.

According to Silvestro (2005:216), understanding customer expectations and monitoring the changes in customer expectations and perceptions over time are critical to the delivery of service quality, and should be the starting point for any analysis of service improvement. This will enable the organisation's management to identify areas in need of intervention.

6.2.2 Achievement of research objectives

The achievement of research objectives are briefly discussed below:

- **To identify customers' expectations in terms of the services provided at Edward Snell & Co Ltd.**

Chapter two researched literature and provided an understanding of the characteristics and the five dimensions of service quality, i.e., reliability, responsiveness, empathy, tangibility and assurance. Customers' expectations, in terms of service quality were tested and analyzed in Chapter 4. The gap between customers' expectations and perceptions were also measured. The results indicated that the respondents were not entirely satisfied with service quality at Edward Snell & Co Ltd. in the greater Durban area. Therefore, the first objective has been achieved.

- **To ascertain the perceptions of customers towards the services provided at Edward Snell & Co Ltd.**

As per the literature review, the process of service delivery is influenced by the five dimensions of service quality. Customers' perceptions were evaluated on the five dimensions. The literature review explained the importance of all five dimensions in the delivery of service quality. Customers' perceptions, in terms of service quality at Edward Snell & Co Ltd. Durban, were tested and analyzed in Chapter 5. The results indicated that the respondents' perceptions of the organisation were not what they expected. This reveals that customers are not entirely satisfied with the service delivery at Edward Snell & Co Ltd. in the greater Durban area. Thus, this objective has been achieved.

- **To measure the gaps between customers' expectations and perceptions of service quality, using a modified version of the SERVQUAL model**

The basis of this research was to determine if a gap exists between customers' expectations of service quality and the actual service delivered at Edward Snell & Co Ltd., Durban. Chapter 2 presented a review of the research by Parasuraman, Zeithaml and Berry on the gaps model of service quality which uses the SERVQUAL as the preferred instrument in measuring the gap between customers' expectations and actual services received.

In the reliability component, question 5 revealed a gap score of 0. This indicates that, in terms of promising to undertake certain services, Edward Snell & Co Ltd. meets customer perceptions and expectations. However, the findings of the empirical study revealed service quality gaps across all five service quality dimensions.

The three largest gaps were found in the reliability and empathy dimensions. A gap score of -0.52 for question 7 was identified in the reliability dimension, and in the empathy dimension, gap scores of -0.40 (question 19), and -0.45 (question 20) were identified.

- **To calculate and measure the score of the SERVQUAL dimensions**

In chapter five, a statistical analysis revealed the calculations and measurements of the data collected from the respondents. Cronbach's alpha was calculated in order to assess the reliability of the results. It was found that with a score of 0.922, the results were highly reliable across all five dimensions of service quality. Thus, this objective has been achieved.

In the latter part of this chapter, recommendations on how to improve service delivery are presented.

6.3 Recommendations

Some of the recommendations relate directly to the service mix provided by Edward Snell & Co Ltd. These are in respect of the "people" and "process" elements of the mix. The other elements of the mix need not be changed.

6.3.1 Recommendations based on research design

6.3.1.1 Sample – Geographical region

In this study, respondents were selected from the greater Durban area only. It will be beneficial to extend the study to other Edward Snell & Co Ltd. customers in other provinces in order to assess the impact of service quality of these respondents for further studies. The opinions of customers in other areas will

enable the researcher to compare and contrast the results between geographical regions.

6.3.2 Recommendations based on findings

6.3.2.1 Measurement of service quality

It is essential that service at Edward Snell & Co Ltd. be measured regularly (using the SERVQUAL instrument for example) to measure whether progress has been made. This is in line with recommendations made in the literature and by Malhotra, Ulgado, Agarwal, Shainesh and Wu (2005:261) who state that organisations need to follow a relentless pursuit of continuous improvement in service quality. If the measurement process indicates that progress is not being made, alternative recommendations should be implemented. In order to give the recommendations and the changes time to take effect, annual measurements of service quality are recommended.

Ideally, a comparison of service quality against other spirit merchants within the industry would be valuable. However, in light of the limited work being done in respect of service quality in the industry, this may not be possible. In addition, due to high competition amongst the six organisations within the industry, obtaining such information on services performed will be difficult.

6.3.2.2 Education of the sales force

An organisation consists of a chain of individuals and functional units linked together with the objective of satisfying the needs of their external customers (Bouranta *et al.*, 2009:276). Thus, the salespersons' expertise and customer orientation are crucial to the quality of the relationship and the creation of customer loyalty (Poujol, 2009:274).

It is apparent that, even though Edward Snell's employees are able to perform their duties, many customers do not believe that all employees are effective in their delivery. In light of these perceptions, it is clear that employees require continuous training in order to be able to perform their jobs more effectively.

As per Gould (2008:1), many organisations have identified that managing relationships is an important technique in business-to-business markets. Gould also states that it is important for organisations to develop positive relationships with its customers as they can provide the best opportunities for growth and long-term profit opportunities, especially in light of growing competition and market globalization.

At present, field experience, rather than formal sales and marketing qualifications, is the pre-requisite for employment with the organisation. However, it would greatly enhance the organisational image and the interaction of the customers if the sales forces are required to attend regular training in customer relationship management, and other facets of sales and service.

Such training would address the gap findings in the empathy and reliability dimensions. Again, such a policy should be enforced within the organisation to ensure compliance.

6.3.3 Recommendations to Edward Snell & Co Ltd. in general

The competition within the spirits industry is fierce and customers have different options when choosing an organisation to purchase their products. Furthermore, competitors offer the same make of products and services, and differentiation in the industry is difficult. Edward Snell & Co Ltd. needs to create an image of being efficient, friendly, helpful, and with a culture of service quality excellence.

The organisation also needs to develop means for the continual evaluation of service delivery to its customers. This development could enlighten the organisation as to how it needs to improve on certain dimensions in order to satisfy customers in terms of service delivery.

Although there were no “additional comments” required for the purposes of this research, additional comments were made by a few customers. Management at Edward Snell & Co Ltd. need to understand that these comments, complaints, and questions provide critical information needed to anticipate areas of potential dissatisfaction. Thus, the organisation should encourage its customers to provide regular feedback. This feedback should be seen as an opportunity to improve on service delivery, and this way of thinking should also be adopted by all of Edward Snell & Co Ltd. employees.

As discussed in the literature review, outstanding service quality can aid the organisation with a competitive advantage for the future. As per the research findings, an area which needs to be addressed by management and employees is the ability to develop a unique relationship with all customers, and treating each individual as someone special. The more service customization Edward Snell & Co Ltd. is able to build, the better the relationship it will have with each customer.

Edward Snell & Co Ltd. and its employees should go the extra mile and show its customers how dedicated they are to making sure that they feel good about being part of the organisation as a whole. In general, the organisation should seek to provide a service that satisfies, if not, exceed its customers’ expectations and needs.

6.3.4 Recommendations for further research

It is recommended that a future study should be done on service delivery and its impact on customers at Edward Snell & Co Ltd. It was noted that some customers wanted to elaborate more about the service delivery they receive but the questionnaire was not designed to allow for further recording of information. Therefore, the SERVQUAL instrument should be adjusted accordingly.

The study also raises new questions for further research. Firstly, in this study, the empathy and reliability dimensions were found to be relatively more important than the responsiveness, assurance, and tangibles dimensions. This finding highlights the fact that, in the Durban area, customer care and individual attention is the most important factor of service delivery. In addition, future research may also look at whether the perceived and expected service quality levels differ between the different demographic characteristics.

6.4 Concluding remarks

This study has highlighted the expectations and perceptions of customers at Edward Snell & Co Ltd. in the greater Durban area. Issues relating to the delivery of service quality and the gap scores were highlighted and discussed. In a fiercely competitive environment, the importance of service delivery is crucial to the survival of Edward Snell & Co Ltd. In today's volatile economy, providing excellent service delivery can be the critical contributing factor to any organisation's success. In order to accomplish profits, the organisation needs to constantly review the quality of its service delivery.

The recommendations and conclusions discussed in this chapter represent some of the measures that could possibly be taken by Edward Snell & Co Ltd. in the Durban area to improve the delivery of service quality and narrow the negative service quality gaps.

This study will have an impact on the delivery of service quality, which will assist the organisation's management to increase their efforts in attaining customer satisfaction.

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