A CRITICAL ANALYSIS OF SERVICE QUALITY PERCEPTIONS OF VEHICLE REPAIR AND MAINTENANCE RETAILERS

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DECLARATION

I, Wayne Whitlock, declare that this treatise hereby submitted is my own independent work and has not previously been submitted by myself for a degree at any other university.

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ABSTRACT

The South African motor industry plays a pivotal role in the economy of South Africa and is a leading indicator in economic change. In general, satisfaction of customer service in the motor industry is steadily improving. However, as research has shown, there is still room for improvement within the industry.

Knowing what customers expect is a critical step in delivering good quality service to ensure customer retention in the long-term (Zeithaml, Parasuraman & Berry 1990:62-63). Having a good understanding of the value of forming long-term relationships with customers and their evaluation of the quality of the service provided, cannot be underestimated, as failure to actually ask customers what they think of the service could be detrimental in the long-term.

Vehicle manufacturers conduct ongoing research to monitor customer perceptions of the quality of the service provided by their vehicle retailers. The information generated from the research findings can be used by manufacturers to improve levels of service where this appears to be lacking, and deal promptly with any customer complaints.

Against this background, how vehicle owners judge the quality of the service provided by a franchised vehicle retailer for a repair and maintenance service, will be crucial to understanding how customers form perceptions of service related firms specifically, and in general, even an entire industry. The primary objective of this study is to assess customer perceptions of service quality with a franchised vehicle retailer following a routine repair and maintenance service.

The sample consisted of 3 859 respondents who had their vehicles serviced at a GM South Africa franchised vehicle retailer over a one month period. The empirical results of the study revealed that GM South Africa show general positive results in terms of customer service satisfaction, however, there are some areas where additional attention is required.

KEYWORDS: Motor vehicle manufacturer; Franchised vehicle retailer; Service quality; Customer service

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CHAPTER 1

INTRODUCTION, PROBLEM STATEMENT AND SCOPE OF THE STUDY

1.1 <u>INTRODUCTION AND BACKGROUND TO THE STUDY</u>

The general state of the global economy is that it is moving into a more mature phase being driven by increasing domestic demand. There has been a recovery in the financial markets since the global recession in 2008, but there is still a possibility of banks in the European region coming under pressure. (The World Bank 2010:1).

Globally, the motor industry has gone through major change in the past couple of years. One of the first industries to collapse during the global recession was the motor industry (Symonds 2008:1). The main reason for this negative effect can be attributed to the nature of the motor industry – many new vehicle purchases or replacements are not considered basic needs for human survival. Cash-strapped customers are forced to spend their limited budgets on more essential items like food and shelter. Numerous plant closures and retrenchments have taken place worldwide since 2009 following the global recession, and in particular in the United States of America, where motor vehicle manufacturers have had to resort to loans from government to avoid closure (Motor and Equipment Manufacturers Association 2009:4).

South Africa has not escaped the effects of the global recession, although perhaps not to the same extent as the first world countries. There have also been major changes in South Africa's motor vehicle manufacturers, in terms of re-alignment of operations to meet reducing local demand, and as a result, forced retrenchment due to the current world-wide recession. Consensus is that in 2010, the economy will strengthen and this is evident in the gradual month on month sales increase of new motor vehicles in comparison to 2009. (NAAMSA 2009:1).

The South African motor industry plays a pivotal role in the economy of South Africa and tends to be the leading indicator in economic change. The

manufacturing and engineering sectors, which support the motor vehicle industry, provide employment to thousands of South Africans. The five main role players in the South African motor industry are Toyota, Volkswagen Group SA, General Motors South Africa, Ford Motor Company and Nissan.

In a competitive industry, such as the South African motor industry, customer service makes the difference between a firm's overall success and failure. When poor service is experienced, both the firm and customer are negatively impacted, the customer receives poor service and the firm loses future potential sales. The quality of a firm's customer service becomes even more important in this time of economic recovery through strengthening customer relationships, attracting customers lost and renewing their confidence in the firm by means of effective service recovery strategies.

Blem (1995:6-7) explains that there is more to service other than being able to attend, deliver and be friendly to customers. Whilst these facets are important, service encompasses all activities which produce relationships between the customer and the firm. Furthermore, the cost of bad customer service not only entails the expense of handling complaints, refunds and returns, but also from loss of future sales and the expense of gaining new customers to replace those lost as a result of poor service.

Business enterprises continually develop and provide need-satisfying solutions to customers for a profit to ensure their economic survival and growth (Gray 2010). Customers depend on the ongoing satisfaction of their needs and wants for human survival (Gray 2007:40). The production and distribution of products and services to satisfy customer needs, wants and expectations enable a business to achieve its primary objective – to make a profit (Gray 2007:47). However, a business will not be successful in satisfying customer needs if it is not focused on the customer, or if it does not understand the value of building relationships with its customers (Gray 2007:47).

Zeithaml, Parasuraman and Berry (1990:62-63) correctly point out that knowing what customers expect is probably the most critical step in delivering good quality service to ensure that customers are retained in the long-term. The value

to the business if this is met is a service that can market and sell itself as customers are retained with increased sales over time, less expenditure by the firm to attract new customers and positive word of mouth advertising from loyal customers.

In general, overall satisfaction of customer service is steadily improving in the South African motor industry. This bodes well for customers, franchised vehicle retailers and motor manufacturers alike. There is, however, is still room for improvement. According to NAAMSA (2008:1), while customers might be happy with product quality and reliability, service satisfaction is not at the same level.

Against this setting, participants in the South African motor industry need to find new methods of distinguishing themselves from competitors. If customers are satisfied with the service provided to them, it is easier for those businesses to retain their customers and achieve the subsequent benefits that returning customers provide.

Jenkins (1997:11) affirms that customers play a vital role in sustaining this service advantage. Having this advantage brings something different to the competition, whereas sustainability makes it difficult for competitors to imitate or substitute.

1.2   PROBLEM STATEMENT

While it is assumed that vehicle manufacturers have a good understanding of the value of forming long-term relationships with their customers and their evaluation of the quality of the service provided, failure to actually ask customers what they think of the service could be detrimental in the long run.

In the motor industry, it is standard practice for vehicle manufacturers to conduct ongoing research to monitor customer perceptions of the quality of the service provided by their dealers, namely the franchised vehicle retailers. The information generated from the research findings can be used by manufacturers to improve the levels of service where this appears to be lacking, and deal promptly with any customer complaints.

General Motors South Africa (GM South Africa) is a proprietary limited company which forms part of the multinational company General Motors. This strong link with one of the world's largest automotive firms provides GM South Africa with significant advantages, not least of which is access to international markets and materials procurement. GM South Africa in 2009 achieved third position in domestic new vehicle sales in South Africa, commanding a market share of 12.3% (GM South Africa 2010:3). Its products are distributed across South Africa through an extensive network of 139 franchised vehicle retailers (GM South Africa 2010:2).

GM South Africa is situated in the country's fourth largest city – Port Elizabeth – and employs approximately 1 900 people at its two vehicle assembly plants in the city. The company indirectly provides employment and creates career opportunities to thousands of other workers at its export focused subsidiaries, component manufacturers and the national vehicle retailer network (GM South Africa 2010:2).

The "Friendly City", as Port Elizabeth is commonly known, forms the major part of the Nelson Mandela Bay Metropole which includes the towns of Uitenhage and Despatch. As well as being the largest city in the Eastern Province, the automotive cluster in and around it helps to drive the economic engine of the region.

Berry, Hill and Klompmaker (1995:1) state that the following key areas reflect the importance of service and service strategies:

- Building relationships with existing customers and other role players such as the franchised vehicle retailers.
- Implementing service strategies can be profitable.
- Focusing on customer satisfaction and service quality to generate revenue.

Failure to do so in the competitive environment of the motor industry can lead to the service levels of a firm deteriorating and customer satisfaction and retention decreasing, resulting in a reduction of revenue for the firm (Kotler 2000:48). Firms in the motor industry should have a thorough understanding of what

delivering good customer service means. Since ongoing research is conducted, the assumption is therefore made that motor firms do have this understanding.

There are many aspects to delivering good service from product-based, being the physical vehicle itself, to service-based, in this case, ongoing repair and maintenance over the life of the vehicle. It is this service-based relationship that is so crucial to a vehicle manufacturer because of its reliance on its network of franchised vehicle retailers to carry out the ongoing repair and maintenance services that its vehicles will require. Consideration must therefore always be given to the following aspects of customer service:

- How the quality of service can be improved.
- The need for an in-depth understanding of customer needs.
- To take seriously the business of communicating with the customer.
- Avoiding over-reliance on the image or quality of the physical product only.

A firm not only has an obligation to its customers in terms of communicating the quality and value of its offering and the long-term nature of its relationship with its customers, but also a commitment to ongoing improvements of customer perceptions of service quality.

A critical aspect of services is service quality. According to Parasuraman, Zeithaml and Berry (1985:41), in cases where a combination of physical products and services are offered, such as with motor vehicles, service quality could be an important determinant of customer satisfaction. Such a combination would be characteristic of vehicle repairs (the service) and the vehicle (the physical product). Parasuraman *et al.* (1985:46) found that customers evaluate their perceptions of the quality of the service based on a number of factors, or dimensions.

This study turns to *service quality* in an attempt to identify those dimensions of service quality which are judged to be the most important to customers in the provision of a vehicle repair and maintenance service, as carried out by a franchised vehicle retailer of a vehicle manufacturer, namely GM South Africa. The study will also attempt to propose a service strategy that could assist a

motor vehicle manufacturer's franchised vehicle retailer network to successfully improve the quality of its service that will, in turn, enhance its ability to attract and retain customers in the future.

Against this background, how vehicle owners (i.e. the vehicle manufacturer's customers) judge the quality of the service provided by a franchised vehicle retailer for a repair and maintenance service, will be crucial to understanding how customers form perceptions of service related firms specifically, and in general, even an entire industry. Parasuraman *et al.* (1985:48) view the formation of these perceptions as single or multiple encounters with a service, which consumers will experience over time.

1.3   <u>PURPOSE AND IMPORTANCE OF THE STUDY</u>

Andries (2001:45) argues that increasingly it is becoming clear that the quality of service is the only competitive advantage for a firm. Customers of today and in the future want an experience, not just a product or service, and they want instant gratification.

General Motors vision is to be the world leader in transportation products and related services. This includes striving to earn customer enthusiasm through continuous improvement driven by integrity, teamwork and innovation of the General Motors people (GM South Africa 2006:69).

In support of meeting this vision, GM South Africa's corporate values are as follows (GM South Africa 2006:6):

- Customer enthusiasm
- Integrity
- Teamwork
- Innovation
- Continuous improvement
- Individual respect and responsibility

GM South Africa's cultural priorities are as follows (GM South Africa 2009:2):

- Enhance product and customer focus
- Act as one company
- Embrace stretch targets
- Move with a sense of urgency

GM South Africa is therefore committed to providing customer service of the highest standard. With this in mind, several customer service strategies have been implemented by GM South Africa in order to ensure that the best customer service is offered. One such strategy involves ongoing research to measure customer satisfaction with various aspects of GM South Africa's service, in particular, repair and maintenance service of its customers' vehicles.

At retailer level, customers are contacted after having their vehicles serviced in order to ascertain their satisfaction with the vehicle retailer providing the service. From GM South Africa's perspective, through ongoing research, a structured process is in place to contact the customer in order to obtain their opinion of their service experienced. In this manner, continuous measurement allows GM South Africa to maintain control of the quality of service delivered by its franchised vehicle retailers.

In the event of customer concerns not being resolved by the vehicle retailer, a GM South Africa Customer Relations Section is contactable via a toll-free telephone line. These concerns are then logged and handled in conjunction with the vehicle retailer concerned and every effort is made to reach resolution.

Driver support in the form of technical and breakdown assistance is also offered to allow a stress-free motoring experience. Being a member is like having one's own personal assistant. The driver support plan operator is dedicated to getting the customer and their passengers to their intended destination as quickly, safely and problem-free as possible. Assistance includes technical breakdown, replacement of flat tyres or batteries, etc. Towing services are also available.

Service plans are also offered for new vehicle sales. These plans cover a five year or 100 000km period. Servicing costs, with the exception of some items such as tyres, batteries and bulbs, encountered by the customer are included in the service plan. Alternatively, maintenance plans are offered on selected premium models in the place of these service plans.

Warranty plans are offered on all products, ensuring that any defects or failures are taken care of by GM South Africa at no cost to the customer. This plan extends to five years or 120 000km.

The importance of the research for GM South Africa is to improve and maintain world class leading service levels, not only for the company itself, but also at its franchised vehicle retailers. Failure to do so can lead to lower customer patronage and loyalty. Wilson, Zeithaml, Bitner and Gremler (2008:126) maintain that services research must be continually undertaken and monitored to track service performance. Furthermore, because of the human element involved in service performance, particularly the heterogeneity (variability) element associated with service provision, it is necessary to measure human performance on an ongoing basis. The characteristic of heterogeneity is discussed in section 2.3 of Chapter 2.

In addition, other motor vehicle manufacturers could use published research results to their own benefit, on the assumption that the researched sample represents their customer population.

1.4 <u>RESEARCH OBJECTIVES</u>

In order to guide the researcher to fully understand the purpose of the study, the following primary and secondary objectives have been developed.

1.4.1 Primary objective

The primary objective of this study is to assess customer perceptions of service quality with a franchised vehicle retailer following a routine vehicle repair and maintenance service.

1.4.2   Secondary objectives

The following secondary objectives have been identified which would allow the researcher to identify a suitable service strategy as an outcome of the primary objective.

- To conduct a literature review of selected aspects of services marketing with particular emphasis on services and service quality in order to determine acceptable levels of customer service at GM South Africa's franchised vehicle retailers.
- To analyse the available empirically collected data on customer perceptions of the quality of a vehicle repair and maintenance service.
- To report on the results of the study and make recommendations to improve the current service levels at GM South Africa's franchised vehicle retailers.

1.4.3   Research questions

Given the stated research objectives and the purpose for undertaking the study, a number of research questions have been formulated, which the study will attempt to answer:

- What are customer's perceptions of the quality of a vehicle service?
- How do customers assess or judge the quality of this service?
- How did the customer experience the service provided by the franchised vehicle retailer?
- On which dimensions of the service was the quality evaluated by the customer?

1.5   RESEARCH DESIGN AND METHODOLOGY

In this section, the methodology to be followed for the research project is described.

1.5.1 Literature study

A literature study will be conducted in order to identify the key factors causing customer dissatisfaction and customer loss. In addition, the effect this has on the vehicle manufacturer will also be identified. The model for customer satisfaction management of the company selected will also be consulted to compare with the related literature studied. Literature will be gathered from the libraries of the Nelson Mandela Metropolitan University, the Internet and GM South Africa.

1.5.2 Empirical study

The empirical study conducted will consist of the following parts:

- Service satisfaction survey – Data will be collated from GM South Africa's existing national service satisfaction survey. At present this information is telephonically obtained from customers who have recently had their vehicles serviced or have had problems corrected on their vehicles at GM South Africa franchised retailers country wide.

- Measuring instrument – GM South Africa's national service satisfaction survey will be used as the measuring instrument and the data analysed to evaluate customer service satisfaction. Recommendations for improving the questionnaire and process of analysis will also be made based on the information gathered in the literature study.

- Sample – The sample analysed will be the one complete month of customer's responses. There will be no focus regions to enable a complete understanding from all regions, including metro poles and rural communities.

- Data analysis – Analysis and interpretation of the results will be performed by the researcher, with the assistance of the researcher's supervisor.

1.5.3 The development of an integrated model

The results of the above literature study will be combined with the results of the empirical study to develop an integrated model for the management of service quality and satisfaction.

1.6 <u>LIMITATIONS OF THE RESEARCH</u>

An indication of the limitations of the research serves the purpose of making the study manageable by focusing on the research objectives previously stated. In omitting unrelated topics it allows the research to be specific and small enough to manage.

1.6.1 Geographical demarcation

The South African motor vehicle industry consists of numerous motor vehicle manufacturers and distributors supported by a network of motor vehicle component manufacturers. The majority of vehicle manufacturers in South Africa are located in the provinces of the Eastern Cape, Kwazulu-Natal and Gauteng. A total of 32 motor vehicle manufacturers and distributors are members of the National Association of Automobile Manufacturers of South Africa (NAAMSA). NAAMSA is an important source of information for the motor industry in sub-Saharan Africa and is the official body representing new vehicle manufacturers (NAAMSA 2010:1).

GM South Africa is an integral part of the Nelson Mandela Metropole with a population of 1.8 million in the Eastern Cape Province of South Africa. Lying approximately midway between the ports of Cape Town to the west and Durban to the north-east, GM South Africa's position in Port Elizabeth is strategic from a distribution point of view. Gauteng, the country's largest regional economy and major vehicle market, lies to the north, with easy access by road, rail or air. GM South Africa has customers nationwide, all of whom can be serviced by an accredited franchised vehicle retailer. However, the majority of customers reside in the Gauteng province.

For the purpose of this study, GM South Africa customers from across South Africa who took their General Motors branded vehicles for a repair and maintenance service in the month of September 2009 will be eligible to participate in the study. Data collected from GM South Africa's national service satisfaction survey will be analysed.

1.6.2   Size of vehicle retailer

GM South Africa's 139 franchised vehicle retailers are divided into categories of major, minor and small, which collectively employ over 6700 personnel. All categories of franchised vehicle retailers will be evaluated in this study.

1.6.3   Empirical study

The empirical component of this study will be limited to the South African customer database for GM South Africa's franchised vehicle retailers. There will however be no limitation to the category of customer or size of vehicle retailer, ensuring an accurate sampling of the total population.

1.7   DEFINITION OF KEY CONCEPTS

A definition of the key terms within the context of the research is given below.

1.7.1   Motor vehicle manufacturer

A motor vehicle manufacturer is defined as a firm that designs, assembles and markets new motor vehicles. General Motors South Africa is the vehicle manufacturer selected for this study, together with the company's franchised vehicle retailer network who interact with the customer.

1.7.2   Franchised vehicle retailer

A franchised vehicle retailer is defined as an accredited firm that sells and services motor vehicles on behalf of a motor vehicle manufacturer. As mentioned in section 1.6 above, this consists of GM South Africa's 139

franchised vehicle retailers.

1.7.3   Service quality

Service quality can be defined as the discrepancy between customer expectations and perceptions (Parasuraman *et al.* 1985:42; Parasuraman, Zeithaml & Berry 1988:16-17). A service quality model was developed by Parasuraman *et al.* (1985:47), categorising the ten dimensions that customers use in evaluating the quality of a service. These ten dimensions are tangibles, reliability, responsiveness, competence, access, courtesy, communication, credibility, security, and understanding/knowing the customer. These dimensions enable the measurement of the gap between the service quality expected by the customer and that of the customer's perception of the service delivered (Parasuraman *et al.* 1985:44). These dimensions were further refined down to the five critical dimensions (SERVQUAL) of tangibles, reliability, responsiveness, empathy and assurance (Parasuraman *et al.* 1988:20).

1.7.4   Customer service

Johnson and Jakeman (1997:39) state that customer service can be defined using the following four statements. Good service means listening to the needs of a customer and knowing possible solutions or making agreeable recommendations. Placing an order must be easy for a customer once they have decided to purchase the firm's product or service. Prompt delivery of products or services that are to meet the customer's needs. After-sales assistance addressing any issues must be undertaken in an effective and timely manner. Thus, customer service is a critical aspect of 'service' and is the service provided in support of a firm's core products (Wilson *et al.* 2008:6).

1.8   <u>STRUCTURE OF THE TREATISE</u>

This paper consists of five chapters as follows:

Chapter 1 serves as the introduction and background to the study. It includes the definition of the problem under investigation, the purpose and importance of

the study, research objectives, brief description of the research design and methodology, the limitations of the research and definition of selected concepts relevant to the study.

Chapter 2 provides a review of the literature, with the emphasis on selected aspects of services marketing relevant to the present study. Specific emphasis is given to service quality and the various dimensions which impact on the provider-customer relationship.

Chapter 3 examines the research design and methodology to be used in the study.

Chapter 4 provides an analysis of the empirical results of the study and an interpretation of the findings.

Chapter 5 presents the summary, conclusions and recommendations for future research possibilities. The limitations of the study and reflections on learning conclude the chapter.

CHAPTER 2

**FUNDAMENTAL SERVICES MARKETING CONCEPTS FOR MOTOR
VEHICLE MANUFACTURERS AND THEIR FRANCHISED VEHICLE
RETAILERS**

2.1   INTRODUCTION

Business enterprises whose offerings are physical products would find it difficult
to compete unless they included a range of services with their products. While
manufactured products are typically more tangible than services, they are
nevertheless marketed with an accompanying degree of intangible services, as
will be demonstrated in this chapter. Wilson *et al.* (2008:7) argue that very few
products are purely intangible or totally tangible. This argument holds true for a
motor vehicle manufacturer, which is classified in the manufacturing sector of
the economy. While vehicles are the obvious product offering, several services
accompany the purchase of a new motor vehicle, such as distribution to the
motor trade, transportation for the customer and repair and maintenance over
the lifespan of the vehicle.

Leedy and Ormrod (2001:71) view that reading the literature related to a
researcher's topic of interest as essential to problem identification its and
ultimate resolution. A literature review has numerous benefits. The findings of
previous research can aid similar, current investigations. Problem identification
is made clearer and new ideas and approaches can be made apparent to the
researcher. The literature review also allows for comparisons between research
conducted by various individuals. This can increase the confidence of the
researcher and shows that others are doing similar studies and that they too
have invested time and effort in a particular area of interest. New sources of
data and important research personalities are revealed. (Leedy & Ormrod
2001:71).

In this chapter, an overview of related literature will be presented covering
selected areas of services marketing, service quality, customer expectations,
pricing and a South African customer service perspective.

2.2 THE NATURE AND IMPORTANCE OF SERVICES

What is a service and what makes it unique? A service is a deed, a performance, an effort and can be almost any human activity (Fisk, Grove & John 2008:5). A service is an act offered from one party to another (Lovelock & Wright 2001:5). A service is not a thing, but relies on things for performance (Fisk *et al.* 2008:5). Services are activities that create value and benefits to a customer (Lovelock & Wright 2001:5).

Fisk *et al.* (2008:11) further classify services under the following categories:

* Health care services
* Travel and hospitality services
* Financial services
* Professional services
* Entertainment services
* Supply services
* Knowledge services
* Information services
* Repair and maintenance services
* Governmental, quasi-governmental, and non-profit services

2.3 CHARACTERISTICS OF SERVICES

Fisk *et al.* (2008:8-10) review the characteristics of services, namely intangibility, inseparability, variability, perishability and ownership.

* **Intangibility**. Most services are not physical and cannot be touched, seen, heard, smelt or tasted by customers and can therefore bring a sense of risk.
* **Inseparability**. The production and consumption of a service occurs simultaneously. The customer is thus involved in the production of the service and this can lead to issues such as inability to adapt to the varying needs.
* **Heterogeneity**. Because the nature of a service is variable, the service provider is not able to standardise the quality thereof and it may change over time.

- **Perishability**. The majority of services are perishable, meaning that they cannot be produced and stored for later usage, thus making it difficult to adapt to market demands. Ways of overcoming this is by implementing a reservation process for customer to schedule timing to suite themselves and allow the service provider to plan their workload.

- **Ownership**. In contrast to physical products, the ownership of services is never transferred and is merely in temporary possession of the customer.

2.4 <u>SERVICES MARKETING FOR PRODUCT-BASED MANUFACTURING</u>

In the response to the many issues and challenges related to the marketing of services, the 1980's focused on the development of services marketing as a separate discipline from marketing. As the field of services marketing continues to evolve in the 21st century, Wilson *et al.* (2008:9) argue other industries, such as the manufacturing of cars, are increasingly recognising the need to provide quality service in order to compete worldwide. This section will examine selected aspects of services marketing which a motor vehicle manufacturer could turn to in its ongoing endeavours to maintain its strategic competitive advantage.

The dynamic nature of the business environment, an uncertain future and increasingly demanding customers are well documented (Gray 2010), as is the need to ensure that customer expectations are met.

Services marketing is best represented by the services marketing triangle proposed by Fisk *et al.* (2008:13-14). The services marketing triangle consists of three components, namely customers, service providers and the firm. Linking these components are three forms of marketing, these being internal, external and interactive as illustrated in Figure 2.1.

Internal marketing is the effect of the firm on its service providers. In other words how the parent vehicle manufacturer supports and controls to some extent how the vehicle retailer will provide a service (Fisk *et al.* 2008:14).

External marketing represents how the firm interacts with the customer. In the context of this study interaction would take the form of handling complaints or praises directly with the motor manufacturer (Fisk *et al.* 2008:14).

Last, and most importantly, is the interaction between the customer and the service provider. This is the face to face contact point and where customer satisfaction is either made or broken (Fisk *et al.* 2008:14).

Figure 2.1: The services marketing triangle

Firm

Internal Marketing
"Enabling promises"

External Marketing
"Making promises"

Providers

Customers

Interactive Marketing
"Keeping promises"
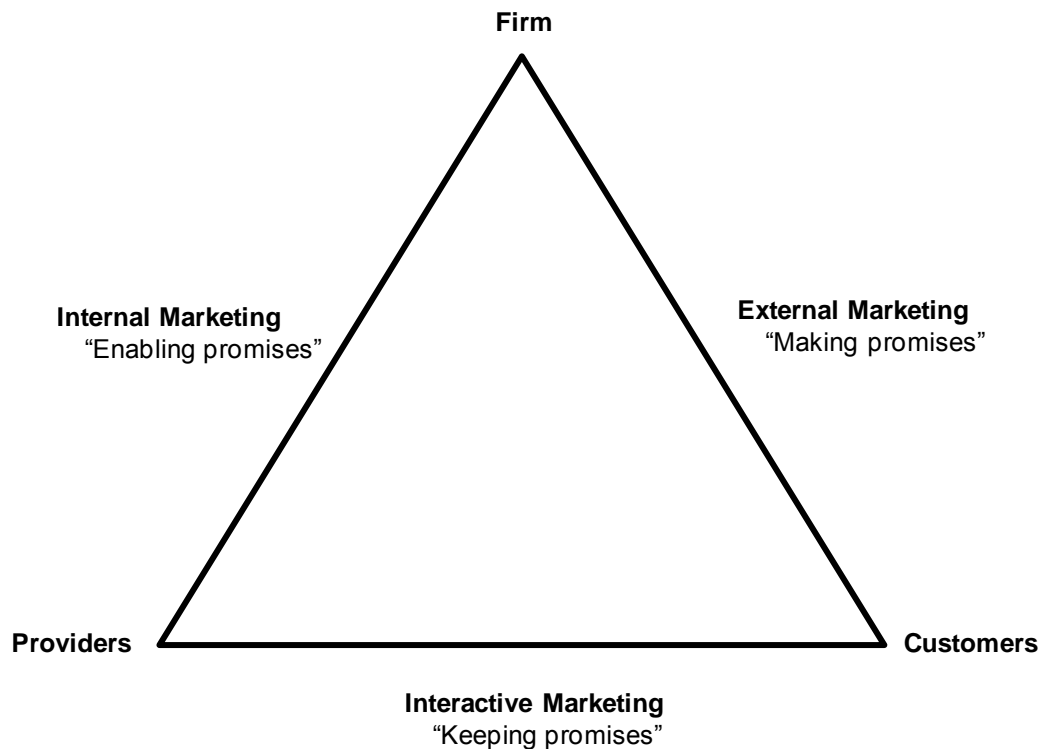
Source: Adapted from Fisk *et al.* (2008:14).

2.4.1   Service as a system

The types of relationships between a customer and the service provider depend on the level of contact the between the two parties. Whether a service contact is high, medium or low determines the total service system (Lovelock & Wright 2001:60). The total service system comprises of three units, service operations system, service delivery system and service marketing system (Lovelock & Wright 2001:60; Baron, Harris & Hilton 2009:45).

The service operations system is the part of the total service system where the inputs are processed and the elements of service are produced. These are operations that are usually invisible to the customer such as training and stock replenishment, as well as visible attributes such as the contact personnel (Baron *et al.* 2009:45). The terms back-stage (invisible) and front-stage (visible) are used by some service providers to dramatise service as a performance (Lovelock & Wright 2001:60).

The final assembly of elements in the delivery of the service to the customer takes place in the service delivery system and consists of only visible attributes (Lovelock & Wright 2001:61). In many service firms, positive on-site interaction can contribute vastly to the overall perception of the service by the customer (Baron *et al.* 2009:47).

The third system of the total service system is the service marketing system. This is where the firm has any form of contact with the customer from advertising to billing. As with the service delivery system, the service marketing system can contribute to the overall customer perceptions of the service (Lovelock & Wright 2001:67).

2.5   **MYTHS ABOUT CUSTOMERS**

The most accurate means of getting to understand customer requirements is through extensive research. Thompson (2000:98) however, generated the following ten common myths about customers:

i)   Any customer wants the lowest price. It is rare that customers make a purchase decision based on price only. High levels of quality, support and accounting procedures can be used as leverage for higher pricing.

ii)   Firms know what their customers want. Even though many firms may have been in the business for years, there is only one person that knows what the customer wants, and that is the customer. It is up to the firm to probe and ascertain from the customer what they really want.

iii)   Customers cannot envision what does not exist, focus groups are a waste of time. This myth comes as a result of numerous focus groups where firms have

not benefited from the expensive exercise. The issue in fact is not that customers cannot envision, but rather that marketing research techniques do not encourage this forward thinking.

iv) Customers do not want to be telephoned at home at any time. It is true that general marketing surveys frustrate many people, but customers with a vested interest in a product or service are willing to put in the time.

v) Customers do not want to be sold to when they telephone for service. This is a common misunderstanding and the loss of a great opportunity to gather vital information. The opportunity is reciprocal, as long as the customer's issue is resolved first and the offering is targeted at the customer's personal interests and values.

vi) Customers do not want to give out personal information. There is the real threat of personal information abuse or identity theft, but customers do see the advantage of personalised servicing. As long as appropriate confidentiality and privacy measures are in place and explained, customers will share this information.

vii) Customers who telephone dislike being transferred. This situation depends on why the customer is calling. If the customer is calling to get general information from the firm, then they will expect to get what they need from the first person they speak to. However, if they are seeking expert advice the opposite is true, the customer would rather not get this information from the first person that answers the phone.

viii) An apology is never enough. Customers don't want apologies, they just want some form of personal compensation or concession when they have been wronged. Unfortunately, it is the procedure of many firms never to admit or take responsibility. An apology with the appropriate assurances that the issue will never re-occur is one of the strongest means of responding to a mistake.

ix) Customers and their needs are unique. Another misconception that customer needs are unique. Almost all customers have a requirement for responsiveness and ease of access. Within an industry, customer segments will tend to have similar needs but different priorities.

x) Firms know what their customers need. This misconception is as a result of firms believing their experience and expertise are best in understanding the customer's needs. Understanding why customers need something is crucial, and the only way to understand this is to ask the customer.

2.6   <u>**CUSTOMER REQUIREMENTS**</u>

Thompson (2000:98) states that in today's competitive environment, firms must find fresh ways to separate themselves from the rest of the competition. This differentiation often comes in understanding and delivering high customer benefit during process or service contacts. This can often also assist firms that may have strong product and value propositions.

Research on how 50 firms could influence and manage customer satisfaction by Dr. Noriaka Kano, as reviewed by Thompson (2000:98), had the following findings.

- Firms could identify many customer needs.
- All customer needs were not ranked similarly in order of importance.
- Customer's needs could be placed into a classification of three tiers.

According to Thompson (2000:99), the bottom tier refers to customer's basic needs which, when not met, would end in dissatisfaction. The next tier was more directly linked to increased satisfaction in that it exceeded expectations. A linear relationship was found between the firm's performance and its results. The more the firm fulfilled or provided, the greater the customer satisfaction. The third tier in the Kano framework is referred to as exciters or delighters. Whereas the basic tier needs are driven by dissatisfaction when the service is not provided. This category only results in satisfaction if the firm performs in offering its service.

2.6.1   **Maslow's hierarchy of needs**

Abraham H Maslow was a clinical psychologist who developed a motivation theory by observing his patients over many years. Maslow found that people growing up in an environment without basic needs could eventually suffer from physiological complaints later in life (Schultz, Bagraim, Potgieter, Viedge & Werner 2003:54). Maslow's hierarchy of needs is shown in Figure 2.2.

In order of ascending importance, the first level at the bottom end of Maslow's hierarchy is physiological needs. These are basic needs essential for survival such as the need for water, food and air. The next level is the need for safety and only comes into effect once the survival needs are met. This includes the need for protection from both physical and emotional harm. Once the safety needs are met, the need for social acceptance, affection and friendship is stimulated. Esteem needs are the third level and include the desire to feel a sense of self respect, autonomy and achievement and receive recognition from others. The final and notably most difficult level of needs to achieve is that of self-actualisation. Very few people reach this level and realise the desire to be all that they can be beyond their own interests. (Schultz *et al.* 2003:55). Appreciation of this theory tends towards an understanding of customer needs and being able to provide appropriate customer service.

Figure 2.2: Maslow's hierarchy of needs
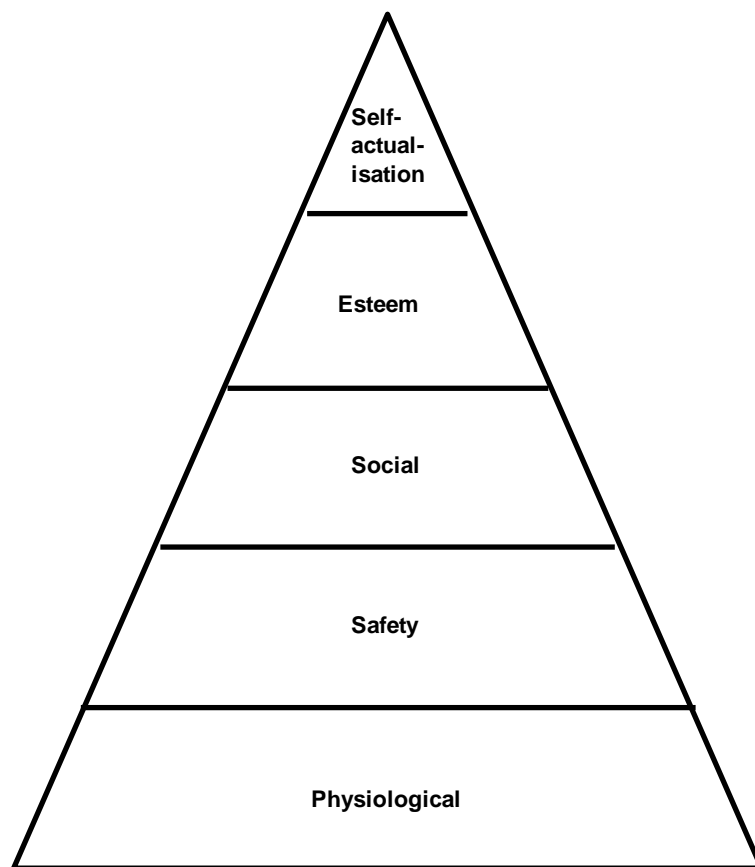
Source: Schultz *et al.* (2003:55).

2.7   <u>**CUSTOMER EXPECTATIONS OF SERVICE**</u>

Zeithaml and Bitner (1996:91) present a model of customer expectations, as shown in Figure 2.3. At the centre of the model are the expectations showing the desired and adequate service levels. The sources of each expectation are shown alongside the model.

The main controllable factors from the view of the service provider are explicit and implicit service promises. Explicit reflects the service actually delivered rather than the idealised versions of the service. The implicit service promises ensure that the service tangibles accurately reflect the type and level of service provided. (Zeithaml & Bitner 1996:92).

The comparison between expected service and perceived service is the perceived service superiority gap. If the gap between the expected service and perceived service is small, then perceived service superiority of the service provider is high. (Zeithaml & Bitner 1996:93).

Figure 2.3: Nature and determinants of customer expectations of service

ENDURING SERVICE INTENSIFIERS
- Derived expectations
- Personal service philosophies

PERSONAL NEEDS

TRANSITORY SERVICE INTENSIFIERS
- Emergencies
- Service problems

PERCEIVED SERVICE ALTERNATIVES

SELF-PERCEIVED SERVICE ROLE

SITUATIONAL FACTORS
- Bad weather
- Catastrophe
- Random over demand

EXPECTED SERVICE
Desired service
Zone of tolerance
Adequate service

GAP 5

PERCEIVED SERVICE

EXPLICIT SERVICE PROMISES
- Advertising
- Personal selling
- Contracts
- Other communications

IMPLICIT SERVICE PROMISES
- Tangibles
- Price

WORD OF MOUTH
- Personal
- "Expert" (consumer reports, publicity, consultants, surrogates)

PAST EXPERIENCE

PREDICTED EXPERIENCE

Source: Bitner (1996:91).

2.8   SERVICE QUALITY

To understand what service quality is, Zeithaml, Parasuraman and Berry (1990:5-7) describe the characteristics of service leaders.

- **Service vision**. This refers to the service as an integral part of the firm itself. Service leaders see the quality of service as the foundation for competing. Service leaders also understand that service quality is never ending, requires continued improvement and regular adaption. (Zeithaml *et al.* 1990:5-6).

- **Setting high standards**. Service leaders aim to offer legendary service as goods themselves are not sufficient to differentiate from competitor firms. Attention to detail is paramount and attention to small actions that competitors may see as trivial sets the tone for handling the bigger issues. Service leaders

are enthusiastic about the service being right the first time with zero defects and improving the reliability of the service. (Zeithaml *et al.* 1990:6).

- **In the field leadership style**. Service leaders lead in the field and not from their desks. Not only are they then visible to the customer, but also to the customer contact personnel. As a result, service leaders are able to see the customer interaction and guide their staff accordingly. In the field approach can also stimulate teamwork in the firm. (Zeithaml *et al.* 1990:7).

- **Integrity**. Service leaders show the essential characteristic of integrity. Integrity is achieved by doing the right thing even if the circumstances don't call for it. A premium is placed on being fair, consistent and truthful. The reward for this integrity is the trust of those associated, and without trust there won't be any followers. Service leaders recognise the interconnection between service excellence and employee pride, and appreciate that it is formed by their management. (Zeithaml *et al.* 1990:7).

2.8.1 Two service quality dimensions

Grönroos (2007:73) describes the service experience on the basis of technical and functional elements as shown in Figure 2.4. Technical elements refer to what the customer receives from the service. The functional elements refer to how the service is delivered. This model emphasises that firms need to be careful of their promises to customers, in that their marketing activities used to promote services must be realistic.

Figure 2.4: Two service quality dimensions
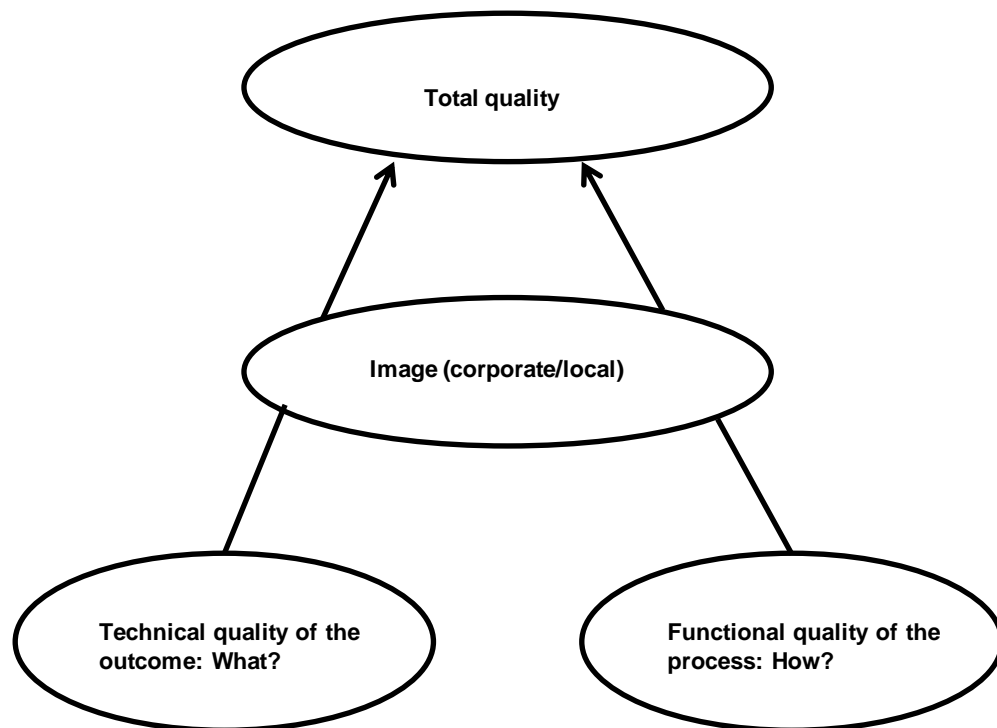
Source: Grönroos (2007:74).

2.8.2 Components of quality

Rust and Oliver (1994:10-13) explain the components of quality as shown in Figure 2.5. The three components feeding into this model are the service environment, the service product and the service delivery. In the centre of the diagram is the physical product which is absent in service industries.

The first component, the service product segment, refers to the service as it is intended to be offered and includes the specifications and targets of the service. These specifications and targets are essential in ensuring the design of the service is a success.

The second component, the service environment, includes various dimensions of the service which can be classified into two categories, namely the internal and external environment. The main dimensions of the internal environment are the service provider's marketing orientation, service firm, new customer generation and retention, internal marketing and employee support system. The

external environment is the environment in which the service will be offered.

Lastly, the service delivery component refers to the interaction between the customer and the firm.

Figure 2.5: Components of quality
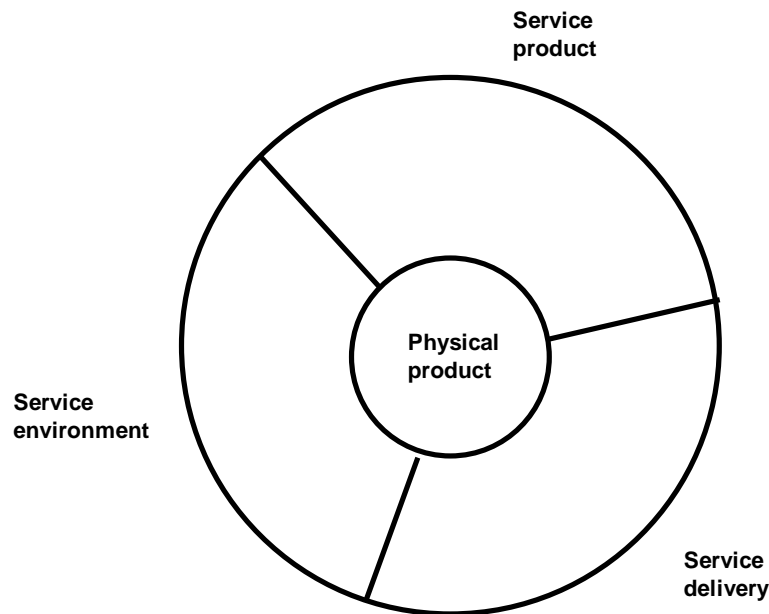
Source: Rust and Oliver (1994:11).

2.8.3   The customer's view of service quality

Previously, the majority of service research has been conducted on product quality. According to Zeithaml *et al.* (1990:16), service quality research has revealed the following:

- The quality of service is more difficult for customers to perceive than that of product quality. As a result, marketers find it difficult to comprehend the criteria that customers use to evaluate service quality.
- Customers consider both the process of service delivery and the outcome of the service during the evaluation of service quality.
- During service quality evaluation, customers only consider their criteria for service quality.

2.8.4   Service quality dimensions

Parasuraman *et al.* (1985:47) summarised the customer's view of service quality into ten dimensions as shown Figure 2.1.

Table 2.1:   The ten dimensions of service quality

Dimension and definition

Tangibles
• Includes the physical evidence of the service.
   o   The physical service facilities;
   o   Appearance of service personnel;
   o   Tools or equipment used to provide the service;
   o   Physical representations of the service;
   o   Other customers in the service facility.

Reliability
• Involves consistency of performance and dependability.
   o   The firm performs the service right the first time;
   o   It also means that the firms keep promises.

Responsiveness • Concerns the willingness or readiness of employees to provide service.   o   Also involves timeliness of service.

Competence
• Possession of the required skills and knowledge to perform the service.
   o   Knowledge and skill of the contact personnel;
   o   Knowledge and skill of operational support personnel;
   o   Research capability of the firm.

Access
• Involves approachability and ease of contact.
   o   The service is easily accessible by telephone;
   o   Waiting time to receive service is not extensive;
   o   Convenient hours of operation for the service;
   o   Convenient location of the service facility.

Courtesy
• Involves politeness, respect, consideration and friendliness of contact personnel.
   o   Showing consideration for the customer's property;
   o   Clean and neat appearance of public contact personnel.

Communication
• Means keeping customers informed in a language they can understand and listening to them. It may mean that the firm has to adjust its language or sophistication for different customers.
   o   Explaining the service itself;
   o   Explaining how much the service will cost;
   o   Explaining the trade-offs between service and cost;
   o   Assuring the customer that a problem will be handled.

Credibility
• Involves trustworthiness, believability and honesty. It involves having the customer's best interests at heart.
    o Firm name and reputation contributes to credibility;
    o Personal characteristics of the contact personnel;
    o The degree of hard-sell involved in interactions with the customer.

Security
• Is the freedom from danger, risk, or doubt and involves:
    o Physical safety;
    o Financial security;
    o Confidentiality.

Understanding and knowing the customer
• Involves making the effort to understand the customer's needs.
    o Learning the customer's specific requirements;
    o Providing individualised attention;
    o Recognising the regular customer.

Source: Adapted from Parasuraman *et al.* (1985:47).

As stated in section 1.7.3 in Chapter 1, the ten dimensions were refined down to the five critical dimensions of tangibles, reliability, responsiveness, empathy and assurance as part of SERVQUAL, a multidimensional instrument to measure service quality perceptions and expectations of service quality (Parasuraman *et al.* 1988:20). The dimensions of competence, courtesy, communication, credibility and security formed part of the assurance dimension and access and understanding and knowing the customer dimensions formed part of the empathy dimension.

Service quality perceptions judged by customers will create a competitive advantage in the motor vehicle service industry as the competition all offer good products and the service levels can be a differentiating factor. Favourable service quality perceptions will also impact on profitability as customers are more satisfied with the service offered. Loyalty is increased and retention leads to repeat services and reduced costs to attract new customers. (Kotler 2000:48).

2.8.5   Customer assessment of service quality

Zeithaml *et al.* (1990:20) through their studies propose that service quality is the discrepancy between customer's expectations and perceptions, that word of

mouth, personal needs, experience and external communications influence customer expectations and that customers use the ten aforementioned dimensions to access service quality. This theory is represented in Figure 2.6 and affirms that service quality is a judgment that only a customer can make Parasuraman *et al.* (1990:23).

Figure 2.6: **Customer assessment of service quality using the ten dimensions**
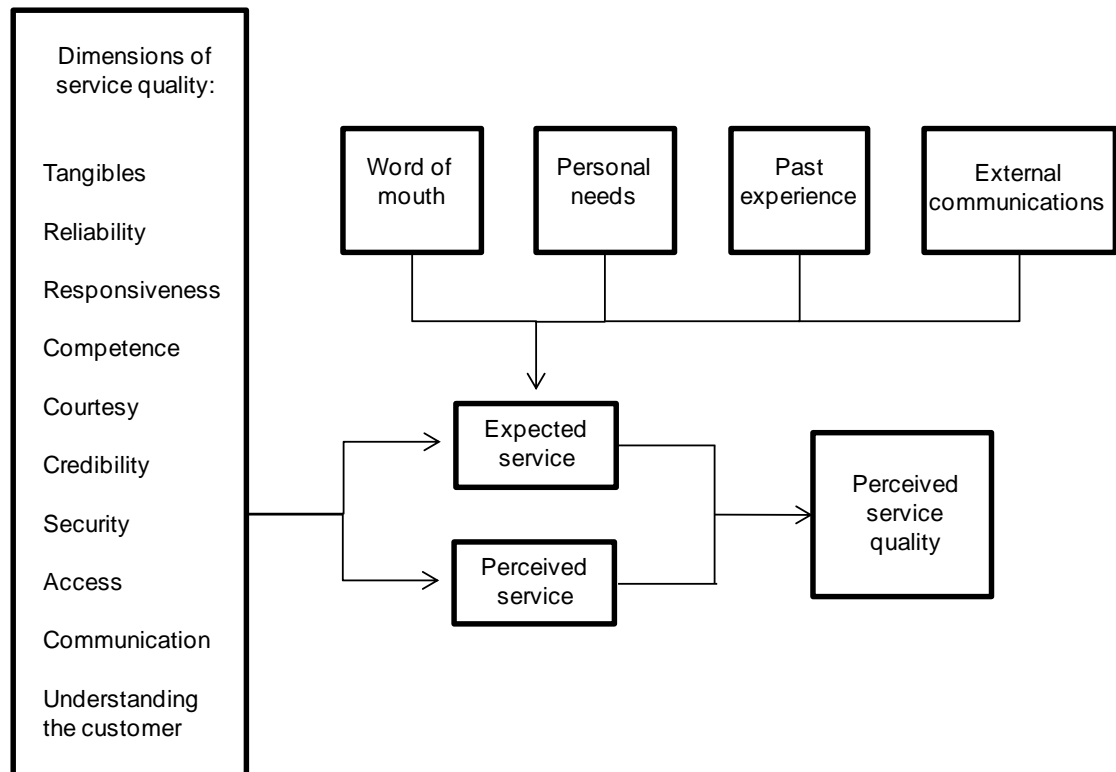
Source: Parasuraman *et al.* (1990:23).

Customers can contribute to the quality, satisfaction and value of the service delivery in that they contribute to their own satisfaction experienced (Bitner, Faranda, Hubbert & Zeithaml 1997:197). Customers feel gratified when they are involved in the development of the service. The acceptance of the quality of service is also improved as chances are good that the customer's expectations are fulfilled. (Bitner *et al.* 1997:198).

2.8.6 Five Gaps model of service quality

The Gaps Model is a conceptual model especially developed to qualitatively measure service quality. It was developed by Parasuraman *et al.* (1985) based

on results from empirical research. The in-depth study of service businesses consisted of personal interviews with executives from various areas of the firms, to understand their perception of service quality expectations versus focus customer groups. The Gaps Model identifies five organisational gaps within the process of service design and delivery that causes deficits in quality, leading to unsatisfied customers. (Parasuraman *et al.* 1985:43).

As illustrated in Figure 2.7, the Gaps Model locates and maps five generic gaps that apply regardless of the type of service.

Figure 2.7: The five gaps model of service quality
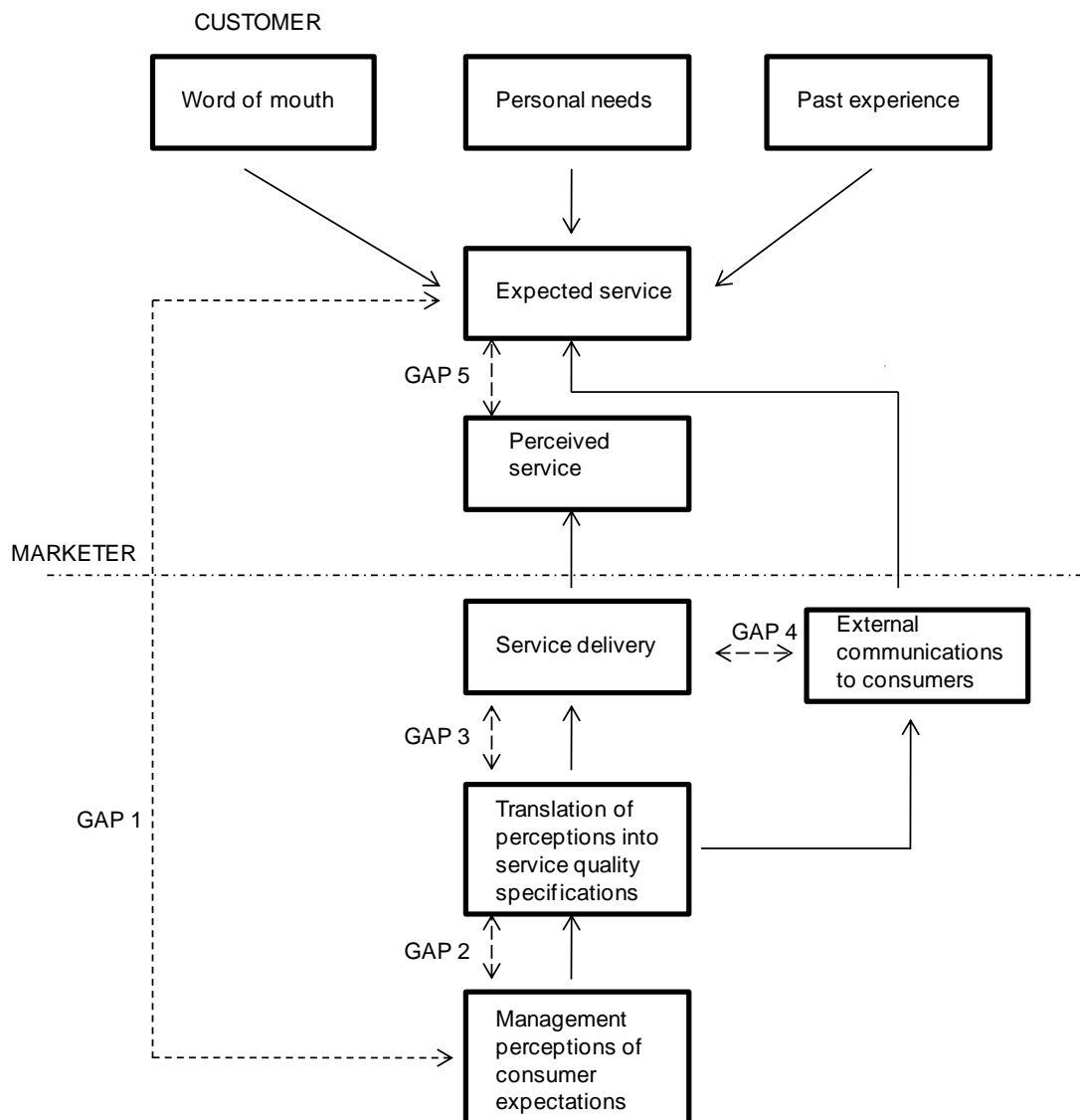
Source: Parasuraman *et al.* (1985:44).

Gap 1: Is the difference between the customer's actual expectations and that of management perceptions of customer expectations. There was a degree of correlation between the executive and customer perceptions of service quality, but there were some discrepancies in terms of confidentiality, security and the size of service firms determining the ability to offer quality service levels. (Parasuraman *et al.* 1985:44).

Gap 2: Is the difference between management perceptions of customer expectations and by the firm's stated service standard. The gap occurs when the service firm is not able to set the expected customer service standards due to lack of understanding. (Parasuraman *et al.* 1985:45).

Gap 3: Is the difference between the service delivered and the requirements stated in the firms' service standards. This gap occurs when the firm is not able to meet the service quality as set out in their standards. (Parasuraman *et al.* 1985:45).

Gap 4: Is the difference between the firm's stated service standard and the firm's external communication. This gap is as a result of inflated service standards being communicated to the customer and the firm is not being able to meet these standards. (Parasuraman *et al.* 1985:45-46).

Gap 5: Is the difference between the expectations of the customer regarding the service delivered and the actual service experience. The key to ensuring good customer service is being able to meet or exceed the expectations of the customer. The result is this gap if the service quality cannot be achieved. (Parasuraman *et al.* 1985:46).

Customer perceived service quality depends on the extent of gap 5. The gaps associated with design, marketing and service delivery as reviewed impact the extent of gap 5, thus resulting into the equation as below (Parasuraman *et al.* 1985:46):

Gap 5 – f(Gap 1, Gap 2, Gap 3, Gap 4)

2.8.7   Relative importance of the service quality dimensions

Zeithaml *et al.* (1990:28) describe a study conducted to determine the importance of the service quality dimensions. Approximately 400 customers from five separate firms were asked to allocate a total of 100 points to each of the five SERVQUAL dimensions according to how important they perceive each dimension to be. The results of the study are shown in Figure 2.8.

The service quality dimension perceived by customers to be the most important was reliability and the least important dimension was tangibles. This is important to take into consideration when analysing the construction of the measuring tool of the present study.

Figure 2.8:   Relative importance of the service quality dimensions
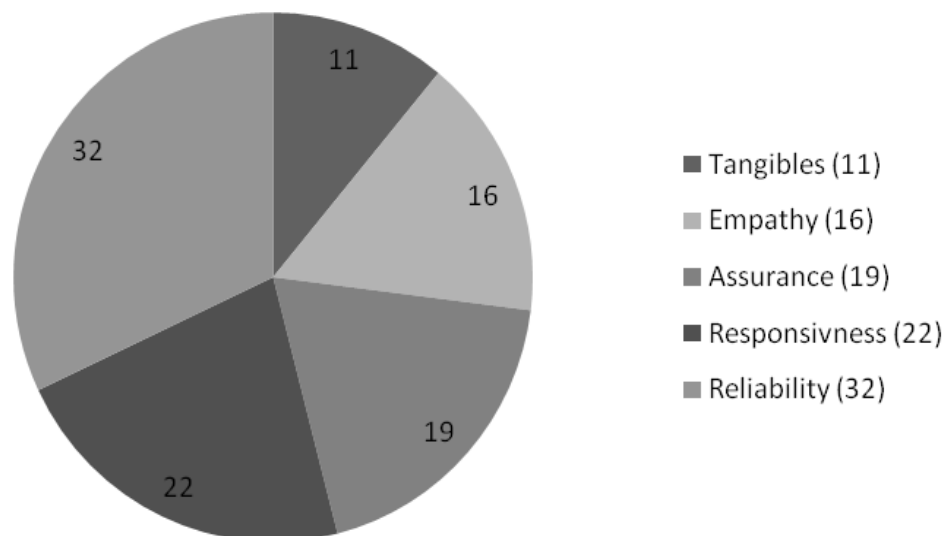
Source: Adapted from Zeithaml *et al.* (1990:28).

2.9   SERVICE PRICING

When a customer has their anticipation of product quality, service quality and price met or better yet surpassed, that is when high levels of customer satisfaction is experienced (Naumann & Giel 1995:5).

The question of what price should be charged for services cannot be solely left to the financial department to decide. The challenges of service pricing requires input from the marketers who understand the customer needs and from the operational managers who know the importance of matching demand to capacity. (Lovelock & Wright 2001:168).

Lovelock and Wright (2001:168-172) evaluated the factors which make service pricing different to that of product pricing:

- There is no ownership of services. Calculating the financial costs involved in creating an intangible service is harder than identifying labour, material, storage and shipping costs for a tangible product. (Lovelock & Wright 2001:168).
- Higher ratio of fixed costs to variable costs. The labour and infrastructure required to support services have a higher ratio of fixed versus variable costs than that of products. But whilst the fixed costs for a services firm may be high, the variable costs to serve one extra customer may be minimal. (Lovelock & Wright 2001:168).
- Variability of both inputs and outputs. It is difficult to establish a basis for service pricing if a unit of service is not easily calculated. Similar services may not cost the same to produce and customers may place different values on services delivered. The variability in service personnel may also lead to different customers paying the same price for different levels of service quality. (Lovelock & Wright 2001:168).
- Many services are hard to evaluate. Customers find it difficult to evaluate what they are getting for their money during a service as they do not see the background costs that are required, thus creating issues in price setting for the service provider. (Lovelock & Wright 2001:169).
- Importance of the time factor. Time often drives value and customers are sometimes willing to pay more for a service that they receive at a convenient time. Customers may also choose to pay more for faster delivery of the service. (Lovelock & Wright 2001:170).
- Availability of both electronic and physical distribution channels. The use of different distribution channels may affect the cost and perceived value of the service. For example, electronic banking transactions are cheaper than dealing

with a bank teller. However, the customer may feel that the face to face contact improves their service experience. (Lovelock & Wright 2001:170).

In the competitive environment of the motor vehicle service industry, it is very important for the vehicle retailers (i.e. as service providers) to overcome these issues and establish a competitive price whilst maintaining high levels of service quality perceptions.

2.10 <u>TOTAL QUALITY MANAGEMENT</u>

Slack, Chambers and Johnston (2001:677) define total quality management (TQM) as consistent conformance to customers` expectations.

TQM places customers at the forefront of quality decision-making, their needs and expectations are always considered first in measuring achieved quality. TQM also takes a firm-wide perspective by holding all areas of the firm responsible for making a positive contribution to quality. TQM often encourages the idea of empowering individuals to improve their operations by their own self. Concentrated emphasis is also applied in problem solving and continuous improvement. (Slack *et al.* 2001:698).

2.10.1 Making TQM work

Johnson and Jakeman (1997:31) state that changing the culture of how a firm operates can be a long, slow and agonising process. Most firms need to make the lives of customers easier. The key values needed to accomplish this are as follows (Johnson & Jakeman 1997:32):

* Putting customers first
* Being professional
* Respect for one another
* Working as a team
* Commitment to continuous improvement

TQM leads to placing the customer as the key stakeholder in the service transaction. This is expected from customers in the motor vehicle service industry. This leads to commitment from all involved in the providing of the service.

2.11   CUSTOMER LOYALTY AND RETENTION

Today, more and more firms are seeing the importance of satisfying and retaining customers. Acquiring customers can cost up to five times more than servicing or serving an existing customer. It also requires a great deal more time and effort to persuade a satisfied customer to switch to a new service provider. (Kotler 2000:49).

Furthermore, Kotler (2008:49) argues that the average firm loses 10 percent of its customers each year. Reducing this customer desertion by just five percent can increase profits by up to 85 percent. Following this, profit rates tend to increase over the life of a retained customer.

A highly satisfied customer has the following traits (Kotler 2000:48):

- Satisfied customers stay loyal for longer.
- They purchase more as the firm produces new products and upgrades its existing offerings.
- Satisfied customers also talk favourably to others about the firm they have a good relationship with.
- More product suggestions and service ideas are offered by satisfied customers.
- Existing customers cost less to serve than new customers, as transactions are rationalised.

2.11.1 Customer retention strategies

Baran, Galka and Strunk (2008:347-348) identify three customer retention strategies namely rewarding, bonding and service structure strategies, which are based on the benefits of long-term customers. Firms could implement one or more of these strategies in developing relationships with their customers.

Programmatic retention strategies consist of rewarding loyal customers by informing them of sales, discounts and events and offering them special deals. Bonding retention strategies make it difficult for customers to terminate or move to competitor firms. These procedures include termination penalties or waiting time and lengthy forms to complete. Humanistic retention strategies refer to the contact provided by the trained sales personnel to the customer. (Baran *et al.* 2008:348-349).

The following are examples of the customer retention strategies.

2.11.1.1 Preferential treatment

Preferential treatment is the customer's perception of how much better they are treated than the firm's other customers. This can be achieved in various ways, for example, offering special memberships or status cards for regular customers. Firms can also offer regular customers special shopping periods. Others notify regular customers of special sales ahead of notification to the general public. (Baran *et al.* 2008:349-350).
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2.11.1.2 Rewarding loyal customers

Rewarding occurs when the manufacturer or retailer offers tangible benefits such as pricing incentives or gifts to its regular customers. Examples of these are frequent flyer programmes, points for repeat purchases or free gifts. (Baran *et al.* 2008:350-351).

2.11.1.3 Employing the idiosyncratic-fit heuristic in creation of loyalty programmes

Programmes of this nature have a tendency to entice customers with offers for which they enjoy a relative advantage. Increasing the programme requirements can improve the likelihood customers will join the programme if it shows an advantage over other customers. (Baran *et al.* 2008:351-352).

2.11.1.4 Personalisation of the service

Personalisation is the degree to which the customer feels personal attention during the service encounter. This can be achieved by monitoring the regular customer purchasing patterns and providing products or services which compliment these patterns. (Baran *et al.* 2008:352).

2.11.1.5 Customisation of the service

Customisation entails delivering a product or service to meet a customer's individual desires or requirements. This can be achieved though effective dialogue with the customer to understand these requirements. (Baran *et al.* 2008:352-353).

2.11.1.6 Cross-selling

Cross-selling is achieved by bundling products to present a complete package or lifestyle to the customer. For example, if a purchase is made for a kayak, safety equipment such as a helmet, gloves or life-vest can be introduced as part of the sale. (Baran *et al.* 2008:353-354).

2.11.1.7 Up-selling

Up-selling is different to the concept of cross-selling and demands perhaps the most dialogue orientation of all strategies with the customer. This involves offering services or products at a higher specification to what they are accustomed to purchasing. Up-selling is however only best introduced once the customer's buying patterns are well understood. (Baran *et al.* 2008:354).

2.11.1.8 Managing migration: reducing and reversing downward migration

Firms tend to concentrate less on reducing or reversing sales trends such as customers who tend to buy less over time. This downward migration can be caused by dissatisfaction, change in life-style or attraction to a better attribute mix offered by a competitor. To manage this migration, firms need to first

analyse the migration rates and then understand the reasons behind the pattern, only then can they implement the necessary counter strategies or programmes. (Baran *et al.* 2008:355).

2.11.1.9 Conversion of transactional buyers to relational buyers

Even though firms are determined to improve the retention of customers, one should not spend time trying to convert the transactional customers as these tend to be profitable. This can be explained by understanding the costs involved, through incentive programmes to obtain return purchases. Firms should rather spend less time and effort on transactional buyers and put those resources on maintaining the relational buyers. (Baran *et al.* 2008:355).

2.11.1.10 Use of profit drivers as segmentation variables

Firms should use both customer cost information and customer revenue information to analyse which customers are driving up profits and which are driving profits down (Baran *et al.* 2008:356).

2.11.1.11 Customer relationship management as a brand-building tool

The characteristics that brands convey can be organised into three categories, symbolising, evoking and creating. In other words, brands are symbols that express meaning, induce feeling and create bonds. (Baran *et al.* 2008:356-357).

2.11.1.12 Customer relations management: providing and attaining intimacy

Relationships are often defined from the firm's point of view and not that of the customer. Customers do not want deep relationships with many firms, but rather only with those that offer products or services with which they are highly involved. For firms to understand these relationships they must go past the usual customer surveys to appreciate how their product or service can form part of the customer's life. Firms should not try establishing these bonds with all their customers, only with those with whom their products are important. (Baran *et al.* 2008:357).

2.11.1.13 On-line customer management

On-line customer management entails computing the recent purchases, the frequency and size of purchases and the margins gained during these transactions. Firms can then modify their websites to their customer's footprint and life time value. Understanding customers segments can lead to developing marketing strategy and tactics. (Baran *et al.* 2008:357-358).

2.11.2 Types of loyalty

Baron, Harris and Hilton (2009:205) state that there has been a debate going back to the 1990's around whether loyalty is an attitude or behaviour or both. Behavioural loyalty is related to the customer's purchase behaviour measured by characteristics such as frequency, repetition or monetary value (Baron *et al.* 2009:205). Attitudinally, loyal customers are driven by an evaluation of the product or service and their commitment to a particular brand (Baron *et al.* 2009:205). According to Baron *et al.* (2009:205-206), loyalty can be analysed by review of the following four scenarios:

- **No loyalty** – patronage behaviour low and relative attitude low
  In most instances the product or service is seen as a commodity. There is no loyalty as the customer is able to get the same satisfaction or result from competing firms. An example would be petrol from a filling station. (Baron *et al.* 2009:205-206).
- **Spurious loyalty** – patronage behaviour high and relative attitude low
  Spurious loyalty is when a customer is not swayed by the branding of a product or service, but rather by the price or when sales incentives are offered. The customer has little concern with switching to other competing firms in the market place. (Baron *et al.* 2009:206).
- **Latent loyalty** – patronage behaviour low and relative attitude high
  In this case customers may have loyalty towards a particular brand or service provider, but in some instances cannot make the purchase due to unavailability or not meeting their requirements. (Baron *et al.* 2009:206).
- **Sustainable loyalty** – patronage behaviour high and relative attitude high
  Sustainable loyalty is the case to which firms should be striving and is often

referred to as true loyalty. Firms need to reinforce attitude and behaviour through the development of appropriate strategies. (Baron *et al.* 2009:206).

2.11.3 Loyalty strategies

Jenkins (1997:113-116) describes four distinct strategies by which a firm can grow through establishing particular relationships with customers.

- **Customer loyalty strategies**. Customer loyalty strategies rely on the premise that customer loyalty has been found to generate increased profitability. Customers spend more money with a firm over time, as they act as referral agents and cost less to serve. These factors advocate that firms should focus strategies on maintaining current customers, rather than seek out greater market share. (Jenkins 1997:113).

- **Customer extension strategies**. Customer extension strategies are concerned with maintaining existing alliances, but developing them further with extended product and service offerings. This leads to firms previously in discrete sectors of the market, now diversifying for the support of the same customers in other territories. (Jenkins 1997:113).

- **Customer acquisition strategies**. Customer acquisition strategies apply where there is a need to transform the existing shape of the customer-base by acquiring more appropriate customers. An efficient means of achieving this is by using a high profile client, even though they may be less profitable, to secure further business from other customers. (Jenkins 1997:113-114).

- **Customer diversification strategies**. Customer diversification strategies entail the greatest risk as they include developing business with new customers using new products or services. It is unlikely a firm would follow this strategy unless there are particular opportunities available or a merging partner with the necessary technical and experience qualities to achieve success. (Jenkins 1997:114-115).

2.11.4 Benefits of customer retention and loyalty

Relationship marketing is a strategic orientation that focuses on improving and keeping existing customers rather than trying to acquire new customers (Zeithaml & Bitner 1996:171). The benefits of customer retention can be experienced by both the service provider and the customer. It is not only in the service provider's best interests to build and maintain a loyal customer database, but customers can also benefit from such long-term relationships with rewards or special offerings (Zeithaml & Bitner 1996:173).

2.11.4.1 Benefits for the customer

Zeithaml and Bitner (1996:173) explain the benefits of customer retention for the customer. Assuming they have a choice in their purchases, customers will remain loyal as long as they believe they are receiving a product or service which is unmatched to that of competitor firms. A customer's perceived value is their overall assessment of the service based on perceptions of what is received or given. When firms can consistently deliver in line with the customer's needs, the customer clearly benefits and continues supporting the relationship.

In addition to the inherent benefits of the service, customers also benefit from long-term relationships. Customers feel a sense of well-being and quality of life as a result. These relationships also eliminate the upfront stress to the customer, special needs are accommodated and the customer learns what to expect. This is particularly true when services are of high or status value. Human nature tends towards customers not wanting to change service providers as this would mean educating the new service providers in terms of their needs. The impact of switching service providers can include monetary, physiological and time costs. Geographical considerations would also need to be taken into consideration by changing the service provider. (Zeithaml & Bitner 1996:173).

Most customers have competing demands for their time and money and are continually searching for ways to balance these with other important requirements in their lives. Staying with the same service providers gives

customers this freedom for their other priorities. In some long term relationships, the service provider can become part of the customer's social support system. These types of relationships can develop for business-to-business customers as well as for end-customers. These social support benefits go far beyond the technical benefits of the service. (Zeithaml & Bitner 1996:174).

2.11.4.2 Benefits for the firm

Zeithaml and Bitner (1996:174-176) propose the following benefits of customer retention for a firm.

Increasing purchases as a benefit to the firm. Customers tend to spend more each year with a particular service provider than they did in the preceding period. As customers get to know the service provider and are satisfied with the quality of the service offered, they will give more of their business to the service provider. Similarly, as customers mature in terms of age or business growth their frequency of purchases increases. (Zeithaml & Bitner 1996:174).

Lower costs as a benefit to the firm. There are many start-up costs associated with attracting a new customer. These include amongst others advertising, administrative and getting to know the customer costs. In the short-term these costs can sometimes exceed the revenue gained from the new customer. This tendency lasts typically until the third or fourth year of the relationship. The maintenance cost of existing customers also tends to reduce as the relationship matures. (Zeithaml & Bitner 1996:175).

Free advertising through word of mouth as a benefit to the firm. When a product or service is complicated or difficult to understand, potential customers would often look towards existing customers for guidance. Satisfied customers are more likely to promote the service provider in a positive light through word of mouth. This form of endorsement can have more impact than traditional advertising and can reduce costs associated with attracting new customers. (Zeithaml & Bitner 1996:176).

Retention of employees as a benefit to the firm. An indirect result of customer retention is employee retention. It is easy for an employee to work with a database of satisfied customers than trying to forge new relationships. Their jobs are more satisfying and they are able to spend more time on entrenching their customer relationships. This in turn has a positive impact to the customer. Reduced turn over in employment reduces costs and strengthens service quality and experience of personnel. (Zeithaml & Bitner 1996:176).

2.11.5 Demanding customers

Martin (1994:1) states there is little difference with customer dealings and dealing with management issues. Dealing with people may result that the challenges are more varied. As with other management problems, one needs to render as follows.

- Identify the challenge.
- Avoid the incidence of the encounters that must otherwise be resolved.
- Recognise that one's aim may differ from that of the person being interacted with.
- Realise that the service provider and the customer may have different standards that must be reconciled.
- Take into cognisance the continually changing needs of the customer's demands and expectations.

2.11.6 Effective service recovery

According to Grönroos (2007:125), the real test of a service provider's ability comes in with service recovery. Ideally quality should always be of the highest level and failures should not occur, but that is not reality and service providers need to be equipped to handle this in a fast and effective manner. Research has shown that service providers are often given a second chance by customers who have experienced poor service, if their issue is addressed to meet their needs.

Research on the characteristics in the service industry has revealed that customers who are found to complain about service received tend to be customers who are generally loyal. The percentage of complaining customers is usually low and service providers often find it difficult to identify them and implement corrective action. (Baron, Harris & Hilton 2009:207).

Firms, whilst considering failure prevention, should also implement strategies to effect recovery of disgruntled customers. The recovery process will shape the affected customer's perception of the failure. Even if the outcome is not the desirable one, the customer may feel that the firm has done all they could to resolve the situation. (Slack *et al.* 2001:662).

Four scenarios exist for a customer's service experience (Slack *et al.* 2001:663):

i)   The service is delivered to the customer's expectations without any issues.
ii) There are faults in the service delivery, but the customer does not complain.
iii) There are faults in the service delivery, the customer complains but has their pleas rejected and thus resulting in no customer satisfaction.
iv) There are faults in the service delivery, the customer does complain but feels satisfied with the service provider's response to the situation.

The customers in scenario 1 are the most loyal followed by customers in scenario 2 who have been left feeling that their complaint has been reviewed and dealt with appropriately. Next loyal are the customers in scenario 3 followed by those in scenario 4 (Slack *et al.* 2001:663). This affirms the importance of an effective recovery system.

Figure 2.9 illustrates the stages in failure planning.

In order to turn the negative of a service failure into a positive, a firm needs to plan for failure. The first stage is to determine the exact nature of the failure by understanding what has happened, who was affected and why the failure occurred. The next stage is to act on failure by informing all affected parties of the proposed solution including most importantly, the customer. When the

resolution is in place it is also important to ensure the consequences of the failure are contained to ensure no spread to other customers. Then follow up with the affected customers to ensure the actions have resolved the failure. The next stage is to ensure that there are lessons learned from the occurrence and implementing necessary changes to ensure no reoccurrence. The final stage is to revisit the failure plan and document appropriate procedures as a result of the failure experience. (Slack *et al.* 2001:663-665).

Figure 2.9: The stages in failure planning
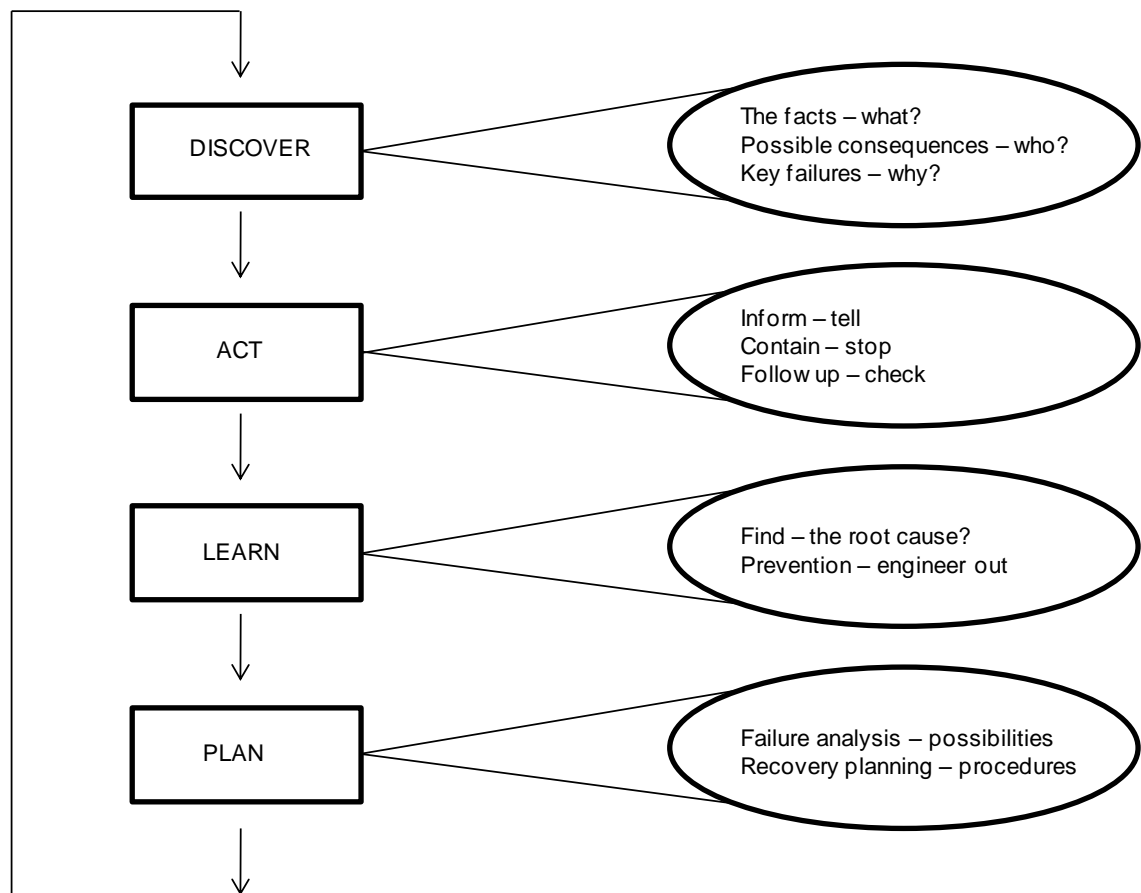
Source: Slack *et al.* (2001:664).

2.12   SERVICE STANDARDS: THE SOUTH AFRICAN PERSPECTIVE

The service industry is globally becoming the leading contributor to gross domestic product and thus the future for industries lies in value-added services. South Africa is following this global trend and there is room for improvement in

the South African service industry. (Finance Week 2004:17).

The South African motor industry is a competitive environment and customers today are more selective where their business is placed (Nyadzayo & Roberts-Lombard 2010:168). Customer retention has become a key focus area for vehicle retailers due to the competition in the South African motor industry for acquiring and retaining customers (Nyadzayo & Roberts-Lombard 2010:168).

Blem (1995:10) poses the question as to why service standards are so bad in South Africa? One reason could be the bureaucratic nature of South Africans which has left customers helpless, dependent and accustomed to being told what to do (Blem 1995:10). Another reason is possibly a history of racial intolerance, as service is seen as a form of servitude pre democratic South Africa (Blem 1995:10). Ignorance could be another reason whereby firms just do not know how to or never apply the process of taking care of customers (Blem 1995:10). Customer happiness is fundamental in marketing, some firms just tend to adapt a take it or leave it approach (Blem 1995:10). Many firms today still need to realise that happy customers come back and stay loyal (Blem 1995:10).

The management of many firms is set on cutting costs to maintain competiveness in the market. They therefore believe that customer satisfaction is driven by market conditions. One should in fact be doing the opposite and be making customers happy whilst managing costs thus reducing marketing costs as the existing customers return for repeat purchases. A cost focused approach provides short term rewards, but leaves a firm vulnerable to competition in the long term. (Blem 1995:11-13).

In terms of after sales service, customers want complaints to be heard with understanding and handled with urgency through to implementation of the appropriate counter measure. The ideal outcome is that the customer gets a refund or replacement, but many firms will go out of their way to argue and interrogate complainants. (Blem 1995:36).

For after sales support, customer satisfaction must be treated as most important to the service provider. After-sales support is impacted by the phases of the supply chain and therefore suffers from the same problems, but with direct impact to the customer. The service supplier is expected by the customer to service the product and therefore the customer has greater expectations than they had in the pre-sale phase. Many car manufacturers have unfortunately not taken hold of this concept and in most cases servicing is considered to be the number one concern in the purchase of motor vehicles. Aspects such as parts availability, service quality and ease of maintenance are of the upmost importance to a customer. When these qualities are present, high levels of satisfaction and high brand loyalty are experienced. (Blem 1995:40).

Blem (1995:42-44) points out that after-sales support becomes important when the product requires long-term servicing such as in the case of the purchase of a motor vehicle. The lower the cost of issues like breakdowns, parts replacement and maintenance, the better the after-sales service is perceived. Improvement in the following supports an improved service perception (Blem 1995:42-44):

- Improvement in response time by implementing support systems and making technicians available or closer in location to the customer.
- Reductions in product repair time by effective training of technicians and giving them the tools to perform their tasks.
- Implementing strategies to reduce customer risk and uncertainty such as:
    o Warranty programmes
    o Service contracts
    o Information availability to customers
    o Efficient spares systems

The effectiveness of the service strategy is the way service quality is defined and why that quality is important to the customer. Service needs to be handled differently to that of a product and by setting a service strategy the firm assumes the responsibility. (Blem 1995:68).

2.13   <u>SUMMARY</u>

In this chapter, an overview of selected services marketing concepts to support the research study, was examined. The term 'service' was defined from the perspective of several authors and the unique characteristics of services, namely intangibility, inseparability, variability, perishability and ownership were presented. The relevance of services marketing to a manufacturer of physical products was highlighted to emphasise a motor vehicle manufacturer's reliance on its franchised vehicle retailers to carry out repair and maintenance services to its customer's vehicles.

The literature review also addressed several aspects of the customer relationship, namely customer myths, customer requirements and customer expectations. A detailed review of service quality and its dimensions was presented, followed by an overview of pricing issues related to services. Other important aspects of services marketing included a discussion on customer loyalty and retention and a brief review of the South African perspective on service standards.

In Chapter 3 the research design and methodology, validity and reliability of the research study will be addressed.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1   INTRODUCTION

The preceding chapter provided a theoretical overview of selected aspects of services marketing and, in particular service quality. The theoretical aspects examined for the purpose of this study will be tested by means of an empirical investigation.

In this chapter, the research design and methodology deemed appropriate for this study is presented. The aim of the study is to assess customer perceptions of service quality with a franchised vehicle retailer following a routine vehicle repair and maintenance service. The empirical investigation will therefore focus on an element of customer service levels at GM South Africa's franchised vehicle retailers nationwide. The data collected from customers following their vehicle service was obtained from GM South Africa's independent market research agency for the month of September 2009.

The chapter commences with a discussion of the two recognised research paradigms and a motivation for the paradigm considered most suitable for this study. A distinction is made between research design and methodology and includes a detailed discussion of the components used to achieve the research objectives. An analysis of the sample and measuring instrument used to collect the data is also presented.

3.2   RESEARCH PARADIGMS

In general, two main research paradigms are available to a researcher, namely quantitative and qualitative research. Quantitative (positivistic) research is used to answer questions about relationships among measured variables with the purpose of explanation, while qualitative (phenomenological) research is used for answering questions about complex situations, often from a participant's point of view (Leedy & Ormrod 2001:101).

The purpose of quantitative research is to predict, confirm and test a theory as opposed to qualitative research that attempts to explore, interpret and build a theory (Leedy & Ormrod 2001:102).

For the purpose of this study, a process of quantitative research will be followed as the intention is to measure the responses of a large number of GM South Africa customers concerning their opinions of the quality of vehicle repair and maintenance service offered by the company's franchised vehicle retailers.

3.3   RESEARCH DESIGN AND METHODOLOGY

Some researchers view 'research design' and 'research methodology' as two distinct areas of research (Babbie & Mouton 2001:74). Essentially, research design is to plan and research methodology is the process, i.e., the execution of the plan (Leedy & Ormrod 2001:91). The distinction between research design and research methodology is explained in this section, as well as the procedure appropriate to the present study.

3.3.1   Research design

Babbie and Mouton (2001:74) propose that research design is a plan or blueprint to facilitate conducting the research. Once the researcher has a good idea of the research to be conducted, it can then be formulated into a plan (Babbie & Mouton 2001:74). The plan deemed appropriate for this study consists of the following accepted elements of research design:

- Formulation of the research problem
- Secondary data research
- Primary data research

3.3.1.1 Formulation of the research problem

The core of any research project is the actual research problem to be investigated. The researcher must understand the research objectives and purpose for undertaking the research (Leedy & Ormrod 2001:51). The research

problem relevant to the present study was stated in section 1.2 of Chapter 1. Briefly restated, it is concerned with the identification of service quality dimensions, as judged by consumers, to be the most important in the provision of vehicle repair and maintenance services.

The purchase of a motor vehicle usually necessitates a long-term relationship with the vehicle manufacturer and its network of franchised vehicle retailers who provide the repair and maintenance services a vehicle will require over its lifespan. The value of developing and maintaining these relationships with customers was discussed in Chapter 2. It is therefore important that vehicle manufacturers have a good understanding of what their customers expect of the service and how they evaluate the quality of the service provided. This study will therefore attempt to identify the dimensions of service quality which the GM South Africa customer deems most important in the provision of vehicle repair and maintenance services carried out by the vehicle manufacturer's network of franchised vehicle retailers.

The ultimate purpose for undertaking this study is to utilise the results to propose a new customer-focused service strategy which could assist a motor vehicle manufacturer's franchised vehicle retailers to improve the quality of their service, which, will in turn, lead to enhanced customer perceptions of service quality. More importantly, to improve and maintain leading world class service levels in order to be the leader in transportation products and related services.

3.3.1.2 Secondary data research

In order to further learn about the research problem under investigation, a secondary data search will be conducted. This secondary data search takes the form of a literature review (Babbie & Mouton 2001:566). The secondary data research can provide an in-depth understanding of the research problem and also provide methods for resolving the research problem from related studies undertaken in the past (Leedy & Ormrod 2001:71). A discussion of the literature reviewed for the present study was presented in Chapter 2.

3.3.1.3 Primary data research

Primary data is the layer of information closest to the truth (Leedy & Ormrod 2001:95). Primary data can be collected in various ways, namely face-to-face interviews, telephone interviewing and questionnaires (Leedy & Ormrod 2001:196-197):

- **Face-to-face interviewing**: This interview method is versatile and can be done anywhere and at leisure. The questionnaire can be presented to the respondent so as to avoid misinterpretation. This method results in high response rates and accurate data. (Leedy & Ormrod 2001:196-197).

- **Telephone interviewing**: This method is less costly compared to face-to-face interviewing but still has the personal contact of the interviewer. Response rates are also high although time can be a limiting factor due to the limitation of keeping someone occupied on the telephone. (Leedy & Ormrod 2001:197). Accessibility by telephone has vastly improved over the years with many people having cellular phones today, so reaching the target audience is not necessarily an issue. Facial expressions are obviously however not possible, thus a disadvantage of not being able to read the physical feedback of the responders.

- **Self-administrated questionnaire**: This method is commonly used due to the low cost and ease of use. Response rate can however be very low. (Leedy & Ormrod 2001:197).

For the purpose of this study, the primary data will be collected from a service satisfaction survey via telephone interview. This data will be obtained from an independent market research agency that researches customer service on behalf of GM South Africa, as well as all other South African motor vehicle manufacturers. The market research agency is the leader in customer service research in the South African motor industry.

It is important to note that the category of survey, in this case a telephone survey, conducted by GM South Africa can be deemed a *relationship survey*. Wilson *et al.* (2008:132) describe a relationship survey as one which poses questions about all elements in the customer's relationship with the firm (including service, product and price). The results can be used to track service

performance and relationship strengths and weaknesses (Wilson *et al.* 2008:132). Service quality, which was addressed in Chapter 2, or more specifically service quality perceptions, can be measured by means of customer evaluations of service. A useful measure, or tool, to measure service quality, is SERVQUAL (refer to sections 2.8.4 and 2.8.7 in Chapter 2). The SERVQUAL instrument has been widely used throughout the world in many service industries and contexts (Wilson *et al.* 2008:134).

It is important to point out that Wilson *et al.* (2008:134) allow the SERVQUAL instrument to be adapted and conceptualised to the situation in which it would be used. When compared to the SERVQUAL instrument, the existing GM South Africa questionnaire was found to contain items very similar to the SERVQUAL items. For the purpose of this study, it was therefore considered that the existing measuring instrument was sufficiently appropriate to adapt to measures of service quality perceptions. Thus, the service related items in the existing questionnaire were appropriately grouped into five service quality dimensions discussed in Chapter 2, namely tangibles, reliability, responsiveness, empathy and assurance.

This adaption could be considered a first attempt to measure service quality perceptions with a view to later re-designing the existing GM South Africa questionnaire to be in line with the SERVQUAL dimensions.

3.3.2   Research methodology

Once the researcher has a clear idea of the plan to be followed for the research, the next step of the research, namely research methodology can be formulated (Gray 2010). Babbie and Mouton (2001:74-75) define research methodology as the process or procedure to be followed which includes the design, data collection, sampling, measuring instrument, data analysis and reporting. In Babbie and Mouton's view (2001:74-75), it is therefore the implementation of the plan.

No one best methodology exists to achieve the primary objective of the study (Gray 2010), but it is determined by the research problem at hand and the kind of data to be gathered to address the problem (Babbie & Mouton 2001:75).

This section will elaborate on the research methodology tools used during the research, namely the sample and response rate, and measuring instrument, as constructed by the independent market research agency contracted by GM South Africa.

3.3.2.1 Sample selection and response rate

For more than 10 years, GM South Africa has been conducting ongoing research of its customers to determine their levels of satisfaction with a vehicle repair and maintenance service carried out by the company's accredited franchised vehicle retailers across South Africa. In this process, the details of every customer who takes their GM owned vehicle to one of the 139 franchised vehicle retailers across the country for a service, is captured in a database. Customers are randomly selected from the database and contacted telephonically within a week following the service to participate in the service satisfaction survey.

An interview team from the market research agency then proceeds to conduct a telephone interview with the respondent, which takes approximately 10 minutes. Complete confidentiality and anonymity is guaranteed at all times.

For the present study, customers from across South Africa, who had their vehicles serviced by a GM South Africa franchised vehicle retailer, were included in the survey database. The diverse population used gave an accurate understanding of overall service levels. The response rate due to the nature of data gathering by means of a telephone interview (survey) is high. The response rate could however not be calculated due to the limited data provided by the independent market research agency.

3.3.2.2 Qualifying criteria to participate

According to Babbie and Mouton (2001:173), in sampling terminology, an element is that unit about which information is collected and which provides the basis of analysis. Thus, in survey research, elements can be people, or certain categories of people, as well as firms or products. These elements would be members of the target population of the study.

In order to be eligible to participate in the service satisfaction survey, a respondent had to have had their vehicle serviced, is assumed to be 18 years or older based on the legal driving age. Respondents cannot be an employee or have a household family member employed at a GM South Africa franchised vehicle retailer. Additional qualifying questions are asked to establish whether the person being interviewed was in fact the person who took the vehicle in for the service i.e., the owner of the vehicle may have asked an employee to take the vehicle for the service. If the interviewee was not present and the actual person could not be located, the interview is then terminated. There are no qualifying criteria in terms of vehicle age to participate.

3.3.2.3 Realised sample

The sample selected for this study was based on data collected for one month of the service satisfaction survey, this being September 2009, i.e., all respondents contacted and who participated in the telephone survey between the 1st and 30th of September 2009. The sample size (n = 3 859) was considered to be adequate for a survey of this nature. Thus, the data for 3 859 questionnaires could be statistically analysed.

The response rate and demographic data was not provided by the independent market research agency and could therefore not be analysed.

3.3.2.4 The measuring instrument

The GM South Africa service satisfaction survey makes use of a telephone survey, and was therefore the data collection method selected for the purpose of this study.

The measuring instrument was jointly constructed by the independent market research agency which GM South Africa uses to conduct their research and GM South Africa itself. The questionnaire is divided into four sections, namely overall satisfaction, about the facilities, about the service advisor and about the vehicle handover process after the service.

Silverman-Goldzimer (1989:85-86) states that it is important that questions in the questionnaire are simple and designed in such a way that the intended information is drawn out of the respondent.

The questionnaire in this study consisted of 15 close-ended questions. Likert scaling, as used in the measuring instrument, is the allocation of numerical scores to allocated responses to assist a researcher in data analysis. For example, a score of 1 is assigned the comment 'strongly disagree' and 5 'strongly agree'. (Babbie & Mouton 2001:154). The questions for customer satisfaction are based on a 5-point Likert scale ranging from 'completely dissatisfied' (1) to 'completely satisfied' (5). The single question on recommendation is also based on a 5-point Likert scale ranging from 'definitely not recommend' (1) to 'definitely recommend' (5). The remaining questions are based on yes or no type responses to ascertain the service levels experienced.

Table 3.1 indicates the number of questions used to measure each dimension of service quality.

The final question in the service satisfaction survey enquires whether the customer has any additional comments or recommendations for the vehicle retailer to consider. For the purposes of this study, the recommendation question is not analysed as it is an open-ended question and therefore falls outside the scope of this study, since it could prove difficult to analyse.

Table 3.1: Service satisfaction survey items used to measure service quality

Item code	Service quality dimension & definition	Items per dimension
Tan1-Tan2	Tangibles – the physical facilities and appearance of personnel and equipment.	2
Rel1-Rel4	Reliability – the ability to perform the service correctly the first time and at the promised date.	4
Resp1	Responsiveness – the willingness or readiness to perform the service.	1
Emp1-Emp2	Empathy – the ability to understand the customer's needs and provide individual attention.	2
Assu1-Assu4	Assurance – the courtesy, knowledge and self-belief of the service provider.	4
Total items		13

Source: Researcher's own construction

A copy of the questionnaire is attached as Annexure A.

3.3.2.6 The interview process

GM South Africa conducts ongoing research amongst owners of its vehicles following a routine repair and maintenance service at accredited GM South Africa vehicle retailers. The purpose of this research is to continually monitor service levels offered to customers. Contact is made directly from the retailer, within a day or two following the vehicle service to establish if the service was satisfactory. The customer is advised beforehand that it is likely that an independent market research agency may contact them to establish a more detailed satisfaction level of the service offered. Following the analysis of the service satisfaction survey, the customer may also be contacted directly by GM South Africa or the vehicle retailer again to handle any issues which may have been identified during the service survey.

Szwarc (2005:127) states that one of the most critical aspects of the interview is its introduction. This needs to be short and to the point, but engaging enough to make the participant want to participate in the survey. In addition to the

questionnaire a short introduction is given by the telephone interviewer before the data gathering commences. This introductory questionnaire can be found in Annexure A. The purpose of the introduction is to ensure the following (Szwarc 2005:127):

- To introduce the interviewer by name and inform the respondents that they are from an independent market research agency who is calling them on behalf GM South Africa.
- Confirm the particulars of the participant's service visit, thus giving a sense of security.
- Explain to the participant that this information will be used in the future to help improve customer service and that they may be contacted separately by GM South Africa or its franchised vehicle retailer.
- Express appreciation for the client's participation in the research study.

It is important that overall satisfaction questions are asked at the start of the questionnaire. Asking at the start will capture the respondent's most likely response that they would give to an acquaintance or relative. Asking this question during the interview would lead to the participant saying how satisfied they were before explaining what it was that made them feel that way. Asking this at the end, the survey may have unwittingly placed ideas in the mind of the respondents that may influence their response (Szwarc 2005:140). Further to this, research shows that this approach does not mislead the respondent to justify their initial overall customer satisfaction answer, as critical responses have been received post during the interview (Szwarc 2005:140). As for this questionnaire format, the overall satisfaction question is asked at the start of the interview.

3.4 EVALUATION OF THE MEASURING CRITERIA

Validity and reliability are vital in the process of designing a measuring instrument. They represent yardsticks against how the success or failure of the research is judged (Babbie & Mouton 2001:118). This section will explain the aspects of validity and reliability and provide reasons to consider the measuring for the present study instrument both valid and reliable.

3.4.1 Validity

The term validity refers to the extent to which the measuring instrument measures what it is intended to measure (Babbie & Mouton 2001:122). Leedy and Ormrod (2001:98-99) indicate that there seven ways to determine the validity of a measuring tool:

- **Face validity** – Face validity is the subjective evaluation of the questions by the researcher to ensure the instrument is measuring what it intended.
- **Content validity** – The content validity is the accuracy at which the instrument measures the content of the research.
- **Criterion validity** – Criterion validity is the extent to which the results of the measuring instrument correlate with each other.
- **Construct validity** – Construct validity is the degree to which the content of the study is measured by the questionnaire.
- **A table of specifications** – A researcher can construct a table of contents that provides a representative sample of the field of study.
- **A multi-trait multi-method approach** – This approach is used by some researchers and entails measurement of the same criteria by different tools. Validity is confirmed if the results show correlation.
- **Judgement by a panel of experts** – Experts in the related field can be used to scrutinise the validity of a measuring tool.

Validity of the questionnaire was deemed high because of the use of trained personnel conducting the interviews. Each interview was conducted following the same process and set of questions. An assumption is made that the marketing research agency has also confirmed the validity of the measuring instrument.

3.4.2 Reliability

The reliability of a measuring instrument is indicated by the repetitive measurement of the same units producing similar results (Leedy & Ormrod 2001:31). Leedy and Ormrod (2001:99) indicate that there are four means to ensure the reliability of the measuring instrument:

- **Interrater reliability** – The extent to which similar results are achieved by different individuals conducting the research with the same instrument.
- **Internal consistency reliability** – The extent to which all the items within one instrument can yield similar results.
- **Equivalent forms reliability** – The extent to which two forms of the same instrument yield the similar results.
- **Test-retest reliability** – The extent to which repetition of the same instrument yields the same result.

The findings in this study are deemed reliable because the questions have been designed in such a manner that the required responses are obtained. Additionally, an assumption is made that the independent marketing research agency has also confirmed the reliability of the measuring instrument.

3.5 <u>DATA ANALYSIS</u>

Data analysis is the interpretation of collected data for the purpose of drawing conclusions (Babbie & Mouton 2001:101). In quantitative research, data analysis can be calculated by means of descriptive and inferential statistics (Babbie & Mouton 2001:458). Descriptive statistics is a means for describing data in manageable forms, whereas inferential statistics assists in drawing conclusions from observations (Babbie & Mouton 2001:458). For the purpose of this study, the descriptive statistics will include the mean scores of the Likert scale and industry comparison.

The analysed data will be communicated to a target audience at GM South Africa for the purpose of providing recommendations concerning its customers' current perceptions of service quality with the company's franchised vehicle retailers. In addition, emanating from the results, recommend a new customer service strategy to further improve perceptions of service quality.

3.6   <u>SUMMARY</u>

The main purpose of this chapter was to explain the research methodology used for the research study.

This chapter commenced with an overview of the research paradigms available to a researcher, namely quantitative and qualitative research. A quantitative approach proved to be the most appropriate research strategy for the present study. The design and research methodology of the research was reviewed, followed a review of the validity and reliability of data was introduced and reasons given why the data can be deemed valid and reliable.

In Chapter 4, the results of the study are graphically presented and the data is analysed.

CHAPTER 4

EMPIRICAL RESULTS

4.1   INTRODUCTION

In Chapter 3 an overview of the research design and methodology deemed appropriate for this study was presented. A description of the sample and response rate, as well as measuring instrument was also dealt with.

In this chapter, the results of the empirical study are presented with a comparison made of the existing GM South Africa questionnaire items against the service quality dimensions.

The chapter concludes with how GM South Africa's franchised vehicle retailers performed in comparison to competing retailers.

4.2   EMPIRICAL STUDY RESULTS

In this section, the results of the questionnaire and analysis of the findings are presented. As discussed in Chapter 3, the measuring instrument consists of 13 items to measure customer perceptions of the quality of the service provided by GM South Africa's franchised vehicle retailers (i.e. the firm's dealer network). This research is ongoing, the methodology of which was also explained in Chapter 3. The results for each of the five dimensions are discussed separately.

It is standard practice in research that before the data can be analysed, it needs to be prepared (Babbie & Mouton 2001:410). Since this process would have been undertaken by the independent market research agency contracted by GM South Africa (refer section 3 in Chapter 3), a discussion of the data preparation falls outside the scope of this study. However, each item in the questionnaire was matched to an appropriate service quality dimension and assigned a corresponding item code.

In Table 4.1, each question where applicable, is identified by the service quality dimension and the item code as referenced in Chapter 3. It should be noted that questions 1 and 2 of the GM South Africa questionnaire are related to overall service satisfaction and recommendation and are therefore not directly related to the five SERVQUAL dimensions. Likert scale ratings of '1' (completely dissatisfied) and '2' (dissatisfied) are automatically grouped into one category.

The questions represented in this section are verbatim from the questionnaire and therefore the following clarifications are made:

- 'Dealer' or 'dealership' refers to a GM South Africa franchised vehicle retailer.

Table 4.1: Related questionnaire items used to measure service quality

Item code	Service quality dimension	Related question number
Tan1-Tan2	Tangibles	3, 14
Rel1-Rel4	Reliability	4, 9, 12, 13
Resp1	Responsiveness	10
Emp1-Emp2	Empathy	6, 15
Assu1-Assu4	Assurance	5, 7, 8, 11

Source: Adapted from Parasuraman *et al* (1988:29).

Similarly, as discussed in Chapter 3, validity and reliability of the measuring instrument, which was obtained from the independent market research agency, could not be conducted due to the data not be available to do so. It was, however, assumed that for ongoing study of this nature, the independent market research agency would have assured GM South Africa that these measures would have already been established.

4.2.1 Tangibles

The questionnaire contained two items (Tan1-Tan2) that could be related to the service quality dimension tangibles. These items referred to the dealer's physical facilities and the cost charged (price) for the service respectively, as shown in Table 4.2.

Table 4.2: Questionnaire items related to tangibles

Item code	Question number	Question
Tan1	3	Were the facilities comfortable and pleasant?
Tan2	14	Were the costs charged reasonable?

The vast majority of respondents (94%; n = 3 625) perceived the dealer's facilities as comfortable and pleasant, as depicted in Figure 4.1. However, two thirds of respondents (66%; n = 2 535) deemed the cost charged (price) for the service to be reasonable, as shown in Figure 4.2.
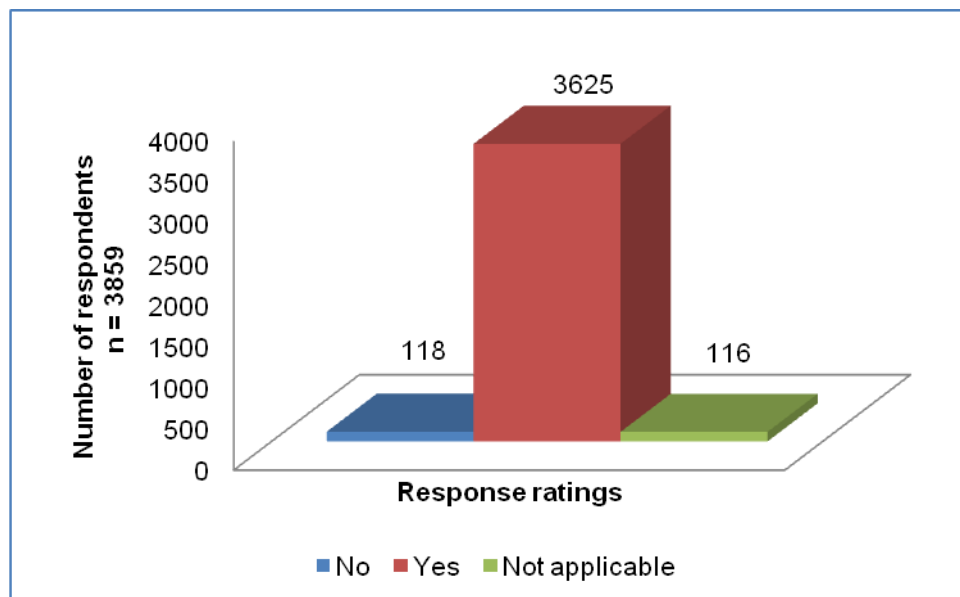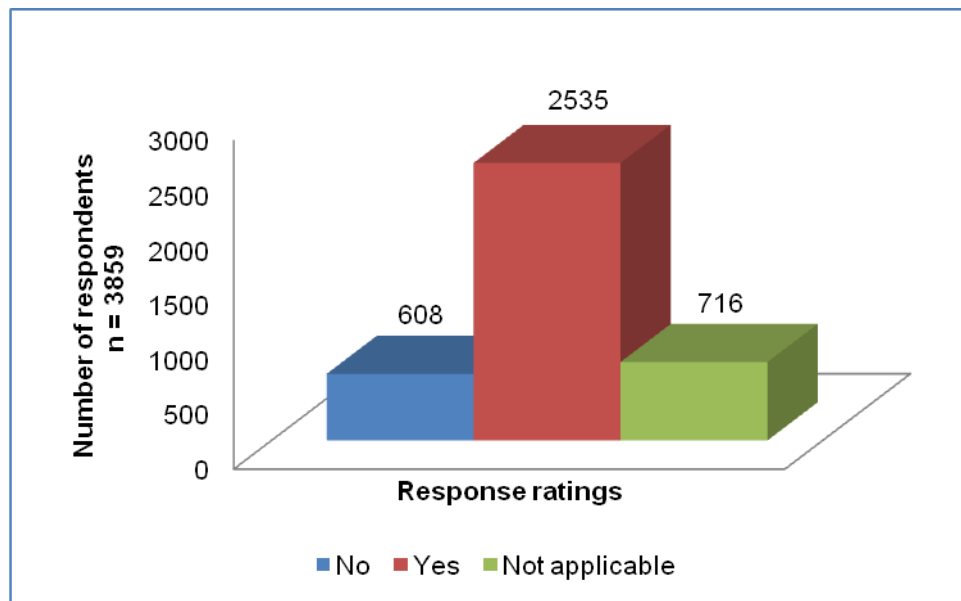
Figure 4.1: Tangibles: physical facilities

Figure 4.2: Tangibles: cost of the service

Thus, for the purpose of this study, the empirical results for physical evidence of the service relate to the dealer's physical facilities and cost of the service, as defined by the service quality dimension *Tangibles*.

4.2.2   Reliability

The questionnaire contained four items (Rel1-Rel4) that could be related to the service quality dimension reliability. These items referred to the performance of the Service Advisor, the handover of the vehicle to the customer and the service repairs (including a checklist) carried out to the vehicle, as depicted in Table 4.3.

Table 4.3: Questionnaire items related to reliability

Item code	Question number	Question
Rel1	4	On a scale of 1 to 5, wherein '1' means 'Completely Dissatisfied' and '5' means 'Completely Satisfied', in general what is your level of satisfaction with the job performed by the Service Advisor?
Rel2	9	On a scale of 1 to 5, wherein '1' means 'Completely Dissatisfied' and '5' means 'Completely Satisfied', in general what is your level of satisfaction with the handover of your vehicle after services were performed?
Rel3	12	Were all the service repairs corrected on this visit?
Rel4	13	Why do you say so? □ Work performed did not correct the problem □ Parts not available □ Service Department did not identify the problem □ Service Department was too busy □ Don't know □ Other □ Not applicable

As shown in Figure 4.3, most respondents (71%; n = 2 750) were generally satisfied with the job performed by the Service Advisor. With regard to the handover of the vehicle after the services were performed, just over two thirds of respondents (68%; n = 2 626) were satisfied with the after-service handover process, as shown in Figure 4.4. The service repairs component of the service was in two parts. The first part measures the whether all the repairs requested by the customer had been corrected during the service visit. For the vast majority of respondents (85%; n = 3 263), all the repairs had been covered during the service of their vehicle, as shown in Figure 4.5. The second part was in response to those customers who revealed that not all the service repairs had been corrected on their vehicles during the visit, as shown in Figure 4.6

Of the 479 respondents to this question, the majority (42%; n = 203) answered that the work performed had not taken care of the problem. Spare parts non-availability resulted in 16% (n = 75) of the service not being fully completed. The service department not being able to identify the problem equated to 13% (n = 64) of the respondents. A small percentage (2%; n = 9) responded that the service department was too busy to conduct the work, sounding a warning that should be of grave concern to the dealer that the work could not be completed due to the service workshop being too busy. Of the 479 respondents, 7% (n = 31) were not able to identify the reason for the repairs not being completed and

the balance of 20% (n = 97) were related to other issues.

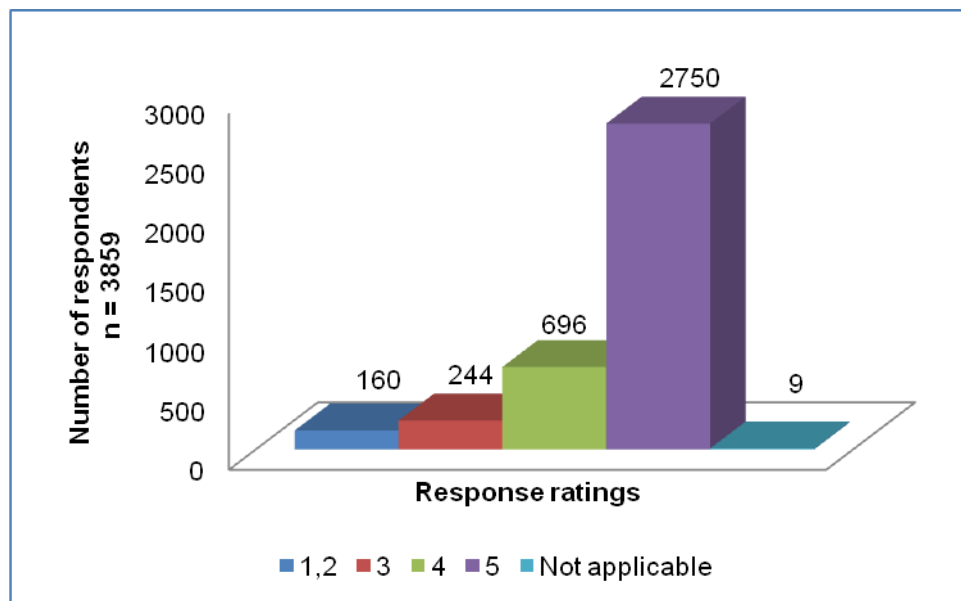**Figure 4.3: Reliability: job performance of the Service Advisor**

Figure 4.4: Reliability: after-service handover process
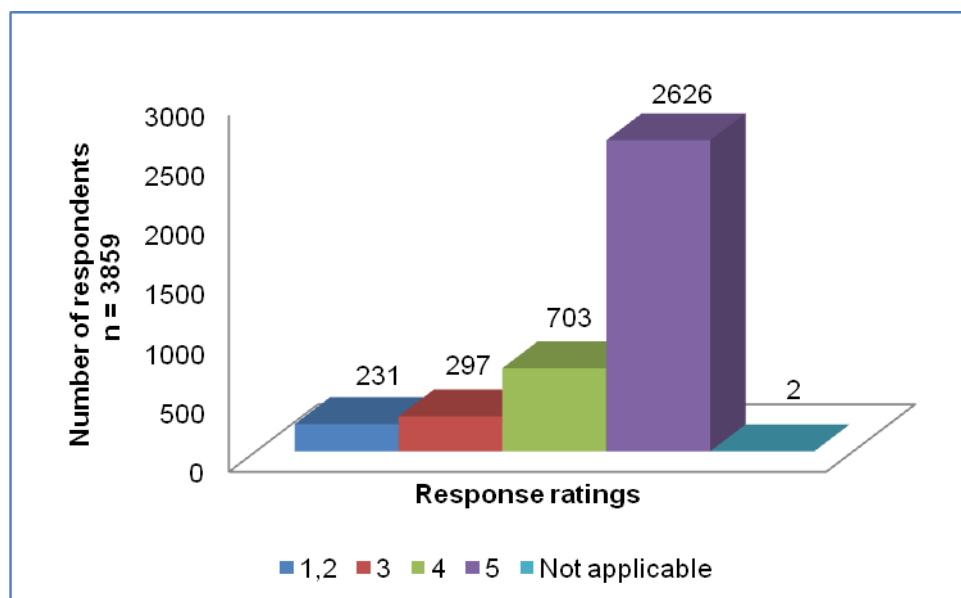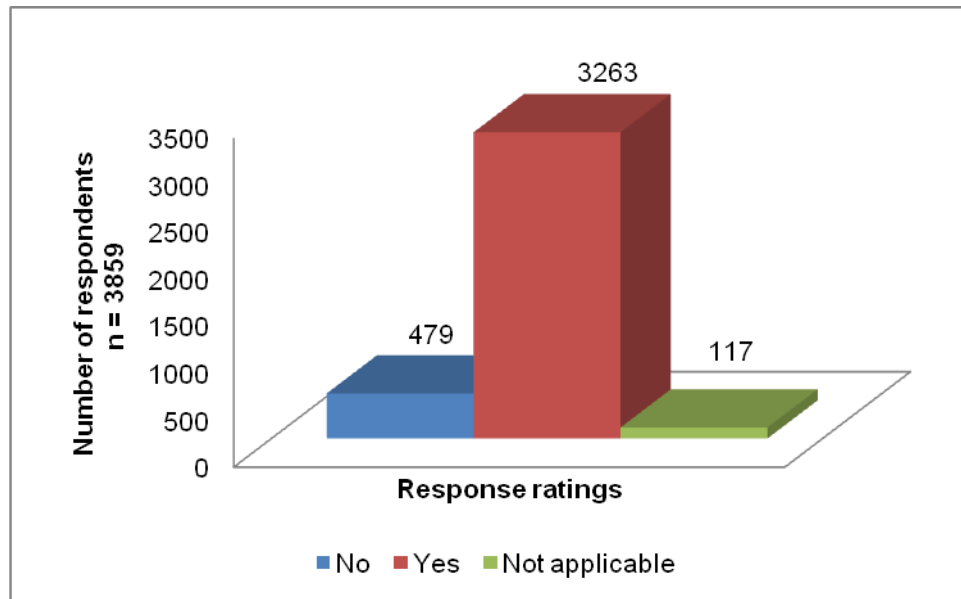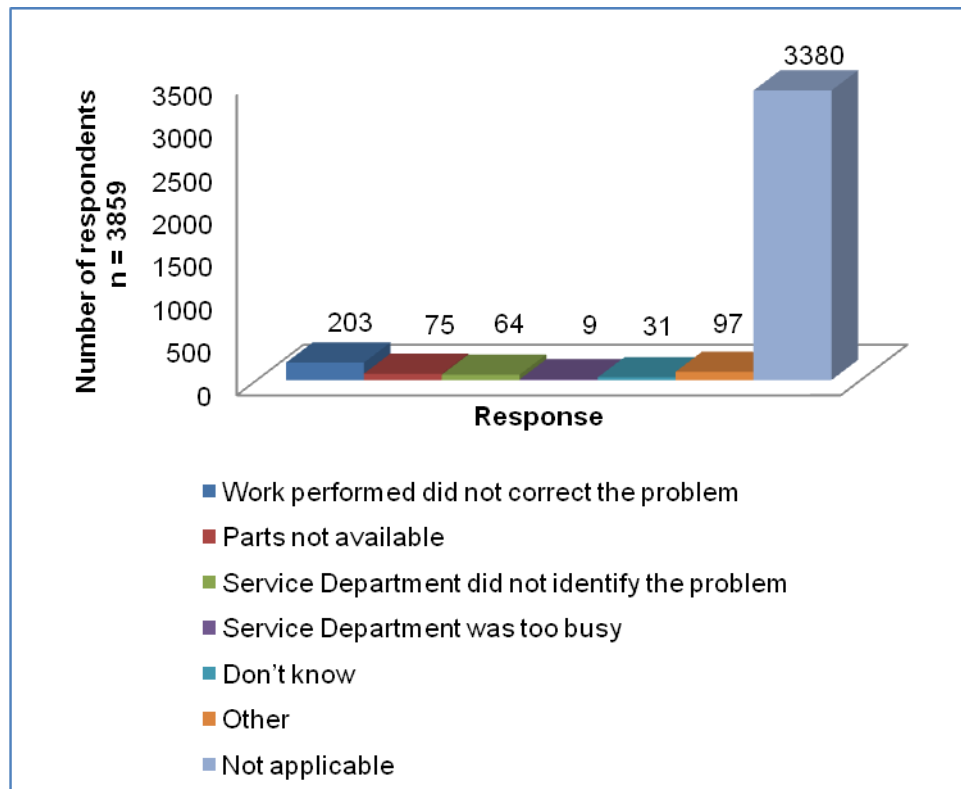
Figure 4.5: Reliability: carrying out of service repairs

Figure 4.6: Reliability: checklist of service repairs not carried out

Thus, for the purpose of this study, the empirical results for consistency of performance and dependability of the service relate to the job performed by the Service Advisor, the handover process of the vehicle after the service was

performed and whether all the repairs were corrected during the visit (including a checklist if they were not), as defined by the service quality dimension *Reliability.*

4.2.3 Responsiveness

The questionnaire contained one item (Resp1) that could be related to the service quality dimension responsiveness. This item referred to the ability of the dealer to return the vehicle to the customer as originally promised, as depicted in table 4.4.

Table 4.4: Questionnaire items related to responsiveness

Item code	Question number	Question
Resp1	10	Was your vehicle delivered on the date and time originally promised?

The majority of respondents (87%; n = 3 353) had their vehicles delivered at the timing originally promised, as shown in Figure 4.7.

Figure 4.7: Responsiveness: vehicle delivery as originally promised
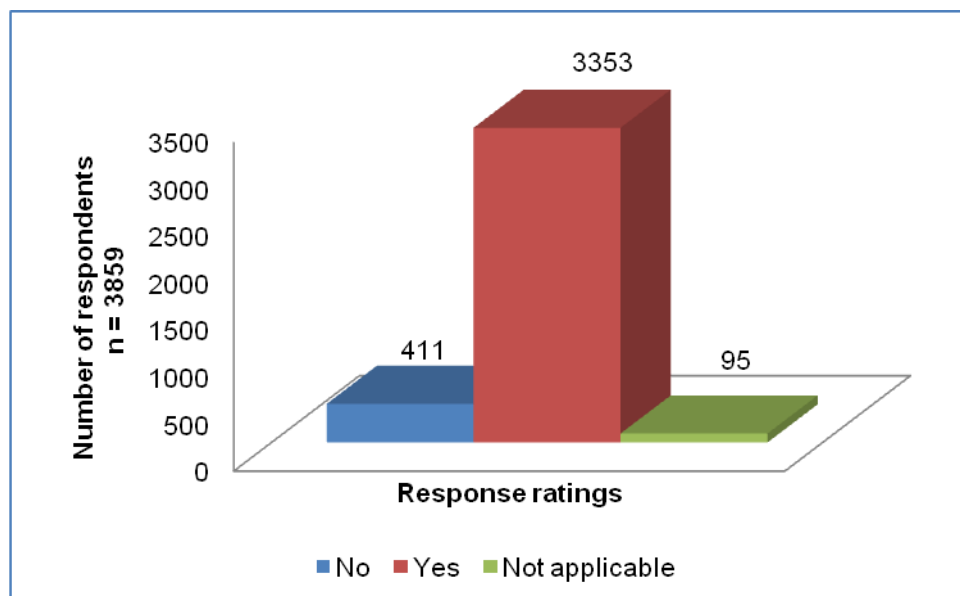
Thus, for the purpose of this study, the empirical results for the willingness or readiness to provide a service relate to being able to deliver the vehicle on time as promised following the service, as defined by the service quality dimension

of *Responsiveness*.

4.2.4   Empathy

The questionnaire contained two items (Emp1-Emp2) that could be related to the service quality dimension empathy. These items referred to the Service Advisor taking sufficient time to understand the customer's vehicle repair needs and whether the customer was contacted following the service of the customer's vehicle, as shown in Table 4.5.

Table 4.5: Questionnaire items related to empathy

Item code	Question number	Question
Emp1	6	Did the Service Advisor take enough time to understand your (vehicle) repair needs?
Emp2	15	Were you contacted by the dealer shortly after this service visit to determine your satisfaction with the dealership's service?

As shown in Figure 4.8, the vast majority of customers (91%; n = 3 514) agreed that the Service Advisor took enough time to understand their vehicle repair needs. Figure 4.9 shows that less than 8 out of 10 customers (78%; n = 3019) were contacted by the dealer to establish their level of satisfaction following the vehicle service.

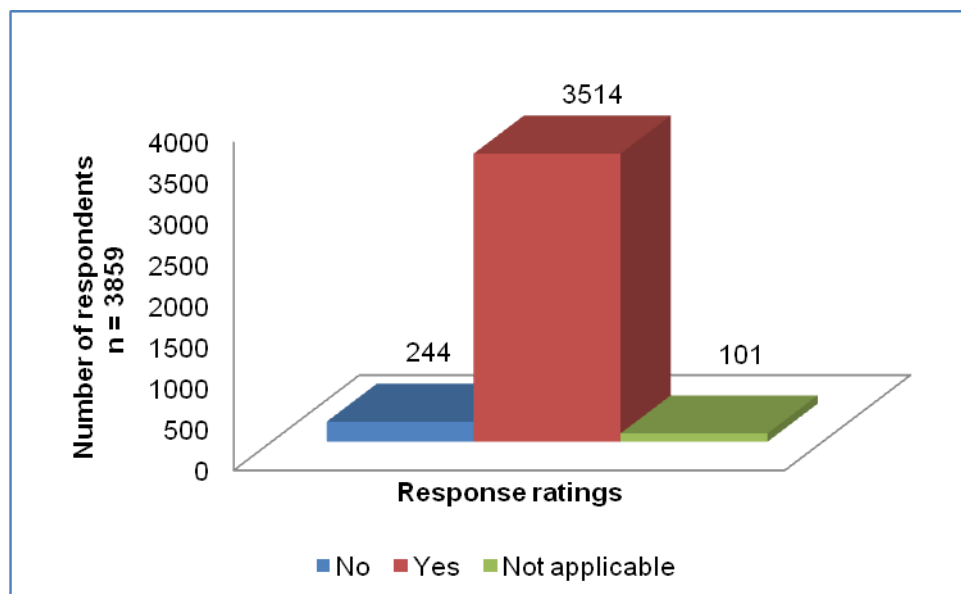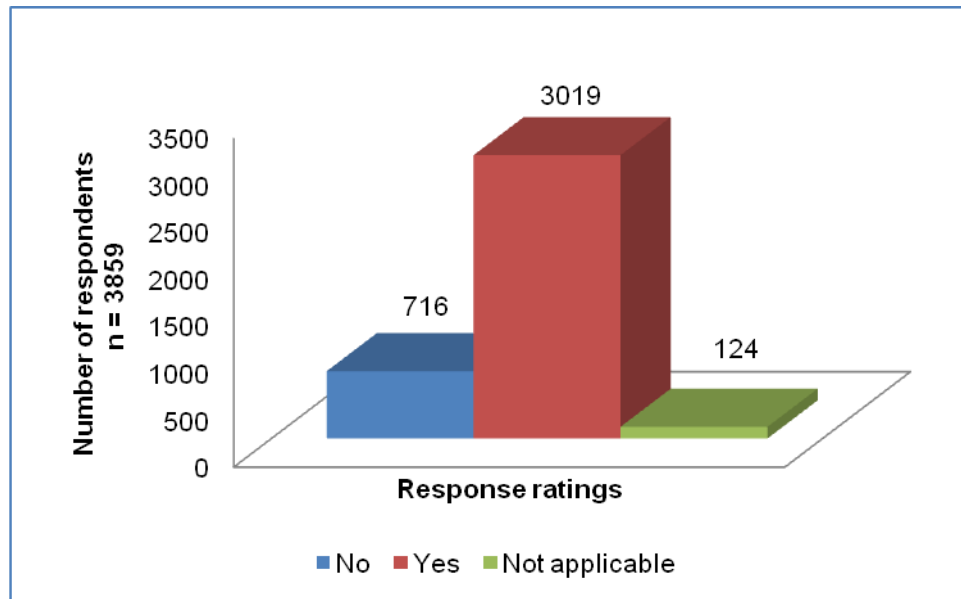**Figure 4.8: Empathy: enough time taken to understand needs**

Figure 4.9: Empathy: contact after the service visit

Thus, for the purpose of this study, the empirical results for ease of access and understanding the customer's needs are related to the contact made to the customer by the dealer following the vehicle service, as defined by the service quality dimension *Empathy.*

4.2.5 Assurance

The questionnaire contained four items (Assu1-Assu4) that could be related to the service quality dimension assurance. These items referred to the courtesy, knowledge and communication skills of the Service Advisor, as depicted in Table 4.6.

Table 4.6: Questionnaire items related to assurance

Item code	Question number	Question
Assu1	5	Did the Service Advisor treat you in a polite manner and devoted exclusive attention?
Assu2	7	Did the Service Advisor display enough knowledge to do a good job?
Assu3	8	Did the Service Advisor update you on work being done on your vehicle before you took the handover?
Assu4	11	Were you given a satisfactory explanation of all work performed on your vehicle?

As shown in Figure 4.10, the vast majority of customers (95%; n = 3 662) felt they were treated in a polite and devoted manner by the Service Advisor. Most customers (90%; n = 3454) believed that the Service Advisor possessed the knowledge to advise them appropriately on their vehicle service, as depicted in Figure 4.11. In terms of communication, the majority of customers (84%; n = 3 246) felt that the service advisor had communicated the work performed on their vehicles as shown in Figure 4.12 and that 85% (n = 3 282) of customers had received satisfactory explanation of the work performed (refer Figure 4.13).

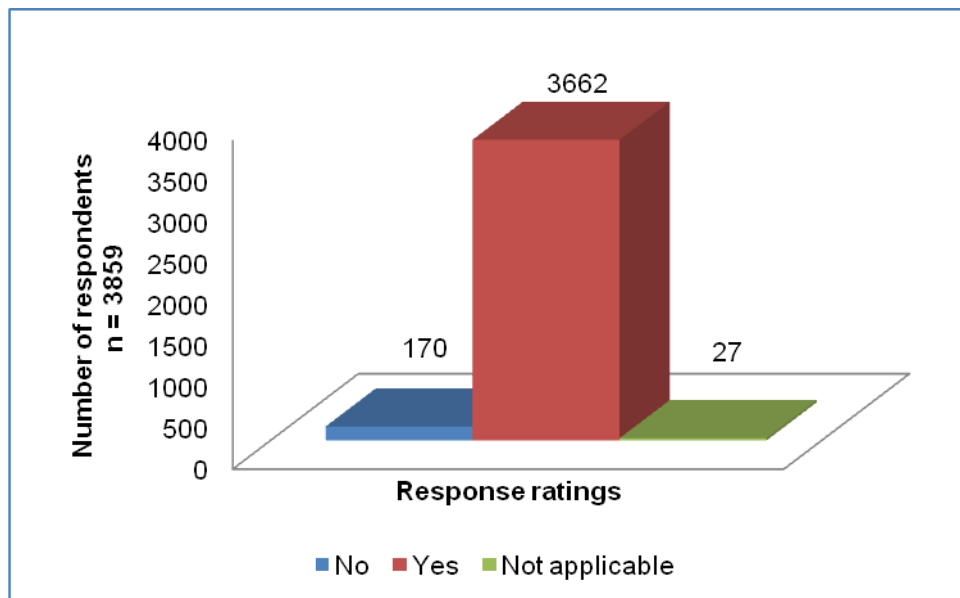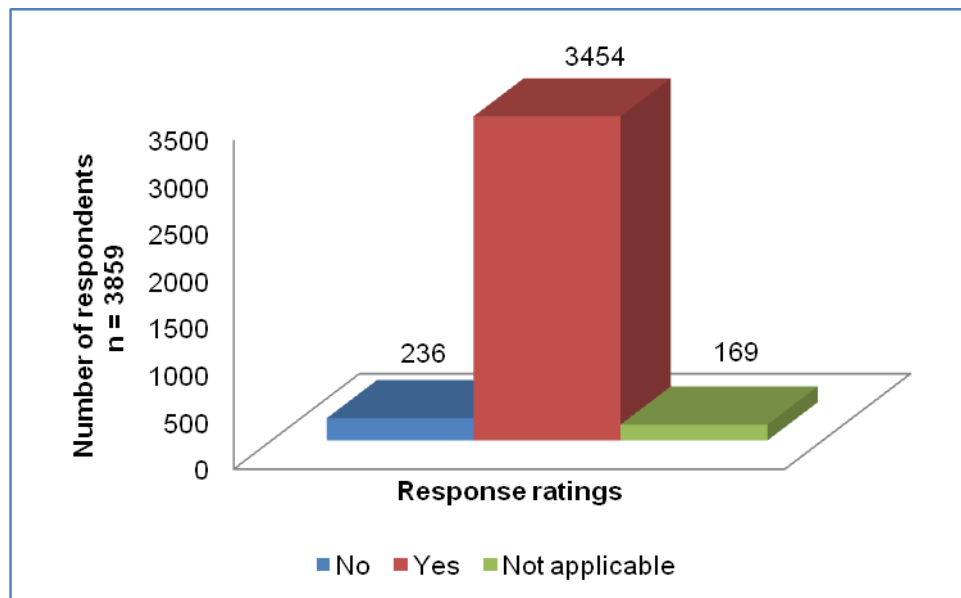**Figure 4.10: Assurance: the manner and devotion of the Service Advisor**

Figure 4.11: Assurance: knowledge of the Service Advisor

Figure 4.12: Assurance: communication of the Service Advisor
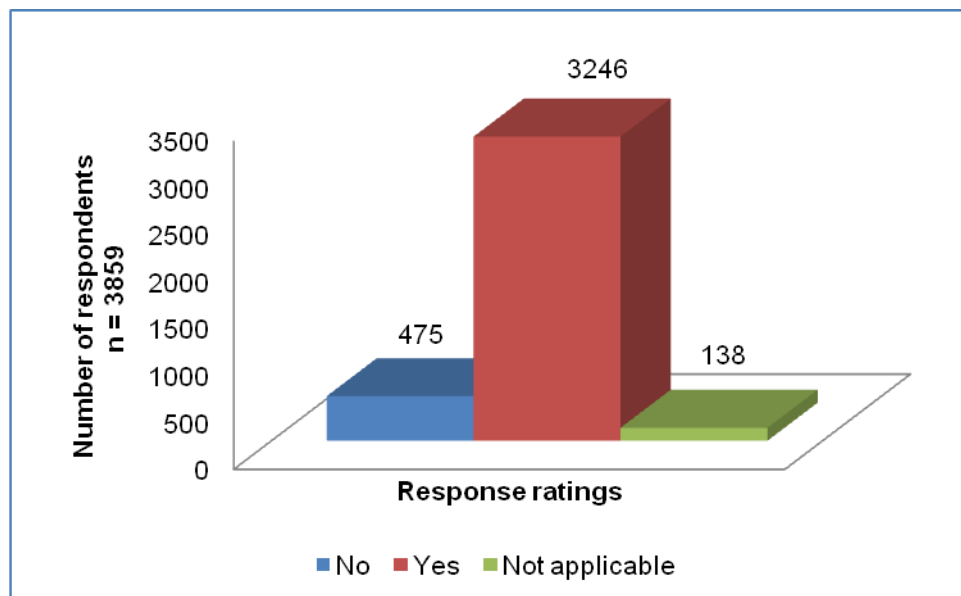
Figure 4.13: Assurance: explanation of work performed
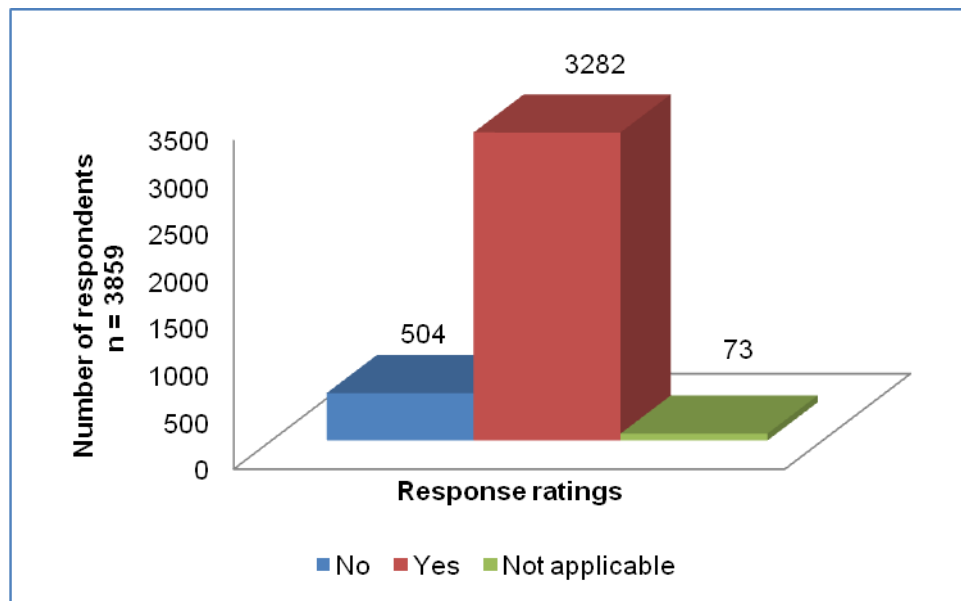
Thus, for the purpose of this study, the empirical results for competence in performing the service, courtesy and communication relate to the Service Advisor being polite and communicating accurately, and with confidence, the work performed, as defined by the service quality dimension *Assurance.*

4.2.6 Overall satisfaction and recommendation

The questionnaire contained two additional items, that of overall satisfaction and recommendation, as depicted in Table 4.7.

Table 4.7: Questionnaire items related to overall satisfaction and recommendation

Question number	Question
1	On a scale of 1 to 5, wherein '1' means 'Completely Dissatisfied' and '5' means 'Completely Satisfied', based on the overall service experience with the dealer, what is your level of satisfaction with the dealer?
2	On a scale of 1 to 5, wherein '1' means 'Definitely not recommend' and '5' means 'Definitely recommend', based on the overall service experience with the dealer, would you recommend this dealership to a friend/ family member?

Most respondents (56%; n = 2175) were completely satisfied with their overall service experience, while 7% (n = 277) of respondents showed dissatisfaction or complete dissatisfaction with the overall service, as shown in Figure 4.14. Based on their service experience, slightly more than two-thirds of the respondents (68%; n = 2 641) would definitely recommend the dealer's services to a friend or family member, as shown in Figure 4.15.

Figure 4.14: Overall satisfaction
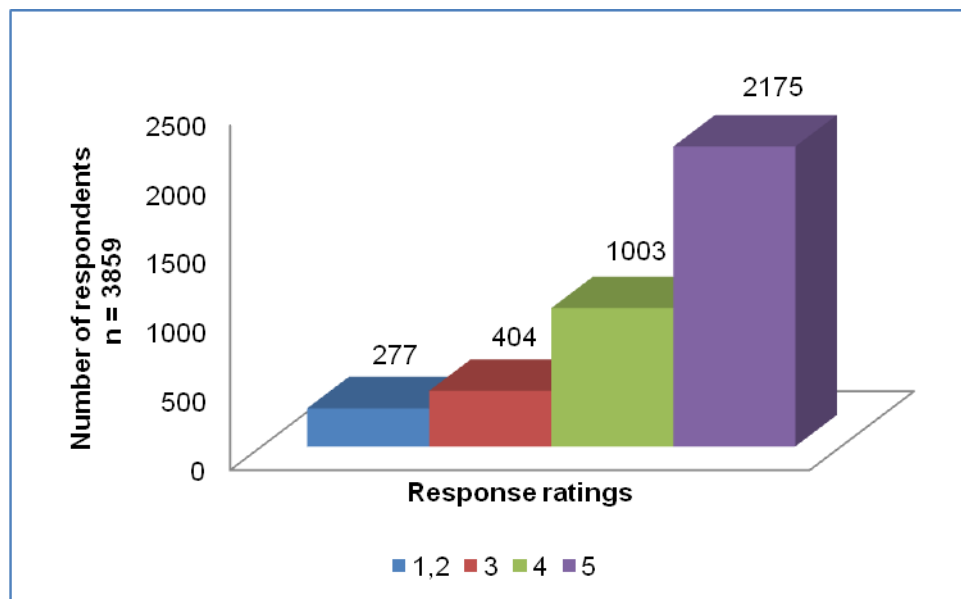
Figure 4.15: Recommendation
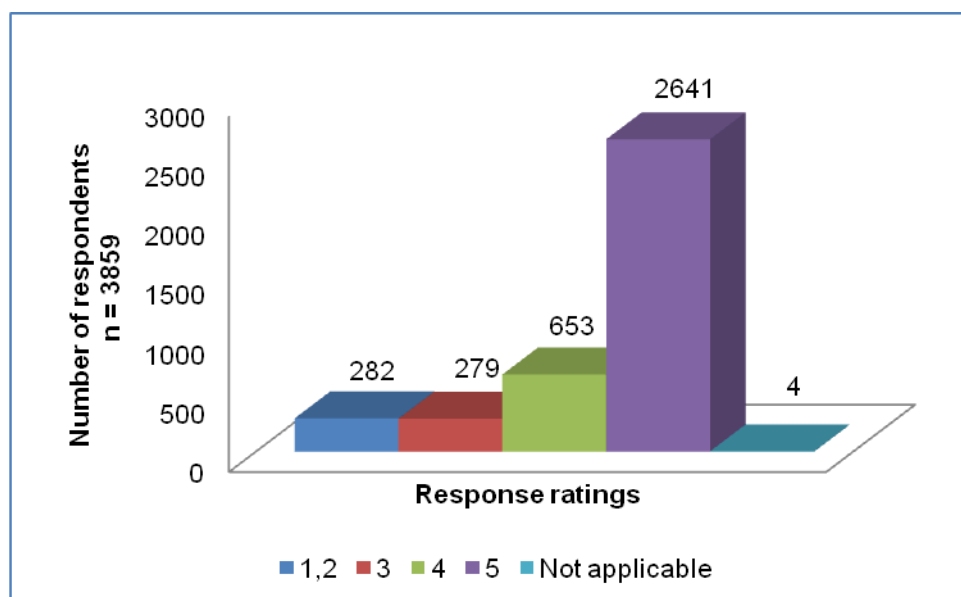
4.3   INDUSTRY COMPARISON

A yearly publication from the independent market research agency is presented in this section to provide an understanding of how GM South Africa's franchised vehicle retailers performed against the competition in respect of service levels. The comparison data is obtained for the full year of 2008 and separated into the categories of passenger vehicles and light commercial vehicles (Synovate 2009:1).

Figure 4.16 illustrates the comparison between service levels of competitors in the passenger vehicle market.

Figure 4.16: Industry service levels – passenger vehicles
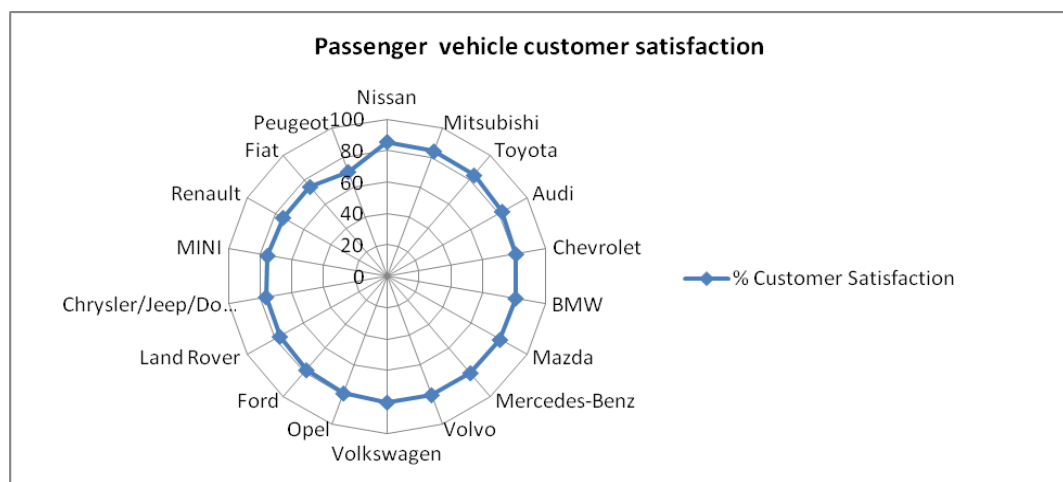
Source: Researcher's own construction based on Synovate results (2009:9).

Against the overall motor industry, GM South Africa passenger vehicle service per product line is ranked 5th (Chevrolet – 81.1%) and 11th (Opel – 79.2%). These results led to the presentation of a silver award for Chevrolet and a bronze award for Opel by the independent market research agency.

Figure 4.17 illustrates the comparison between service levels of competitors in the light commercial vehicle market.

Figure 4.17: Industry service levels – light commercial vehicles

Light commercial vehicle customer satisfaction
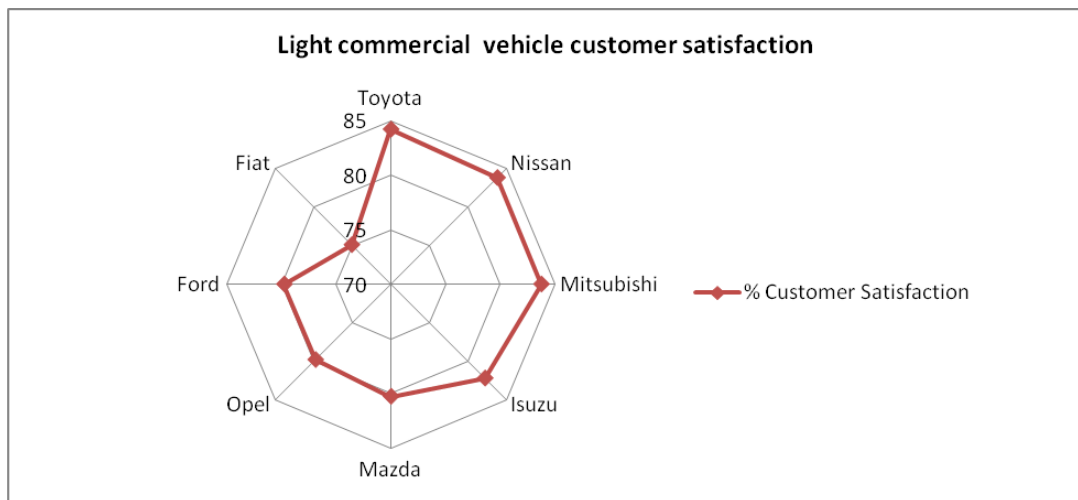
Source: Researcher's own construction based on Synovate results (2009:11).

Against the overall motor industry, GM South Africa light commercial vehicle service per product line is ranked 4th (Isuzu – 82.2%) and 6th (Opel – 79.8%), respectively. These results led to the presentation of silver awards for both Isuzu and Opel by the independent market research agency.

4.4   SUMMARY

The main purpose of this chapter was to present the empirical results of the study.

The existing GM South Africa questionnaire was adapted to measures of service quality perceptions and appropriately grouped into the five service quality dimensions of tangibles, reliability, responsiveness, empathy and assurance. The results for overall satisfaction with the dealer and willingness to recommend the dealer to others were also discussed.

An overview was presented to illustrate GM South Africa's franchised vehicle retailers' performance in comparison to competing service providers.

In Chapter 5, the summary, conclusions and recommendations emanating from the study are presented.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The final chapter encompasses an overall summary of the study and will attempt to draw logical and scientifically acceptable conclusions to the empirical results presented in the previous chapter.

In this chapter a review of the study is presented, followed by a summary of the empirical results. Recommendations for the future are made, followed by concluding remarks emanating from the research findings.

5.2 REVIEW OF THE STUDY

The study was introduced in Chapter 1 with the primary focus on the problem statement, purpose of the study and research objectives. The research design and methodology for the study was presented, followed by the limitations of the study. The chapter also included definitions of the key concepts of the study.

The primary objective of this study was to assess customer perceptions of service quality with a franchised vehicle retailer following a routine vehicle repair and maintenance service.

The following secondary objectives were identified which would allow the identification of a suitable service strategy as an outcome of the primary objective.

- To conduct a literature review of selected aspects of services marketing with particular emphasis on services and service quality in order to determine acceptable levels of customer service at GM South Africa's franchised vehicle retailers.
- To analyse the available empirically collected data on customer perceptions of the quality of a vehicle repair and maintenance service.

- To report on the results of the study and make recommendations to improve the current service levels at GM South Africa's franchised vehicle retailers.

The purpose of this study is to understand what is required for GM South Africa and its franchised vehicle retailers to improve and maintain world class leading service levels in order to realise its vision to be the leader in transportation products and services.

The main components of the literature review presented in Chapter 2 were an overview of selected services marketing concepts. The relevance of services marketing to a manufacturer of physical products was highlighted to emphasise a motor vehicle manufacturer's reliance on its franchised vehicle retailers to carry out ongoing repair and maintenance services to its customer's vehicles. The literature review also addressed several aspects of the customer relationship, namely customer myths, customer requirements and customer expectations. A detailed review of service quality and its dimensions was presented, followed by an overview of pricing issues related to services. Other important aspects of services marketing included a discussion on customer loyalty and retention and a brief review of the South African perspective on service standards.

Chapter 3 provided an overview of the research design and methodology adopted for the study including the research paradigms available to a researcher. A quantitative approach proved to be the most appropriate research strategy for the study. The evaluation of the measuring instrument by means of validity and reliability of the data was also addressed.

5.3   <u>SUMMARY OF EMPIRICAL RESULTS</u>

In this section, a summary of the empirical results is presented. It was previously mentioned in Chapters 1 and 3 that the ultimate purpose for undertaking this study is to utilize the results to propose a new customer-focused service strategy to assist motor vehicle manufacturer's franchised vehicle retailers to improve the quality of their service levels, which will in turn, lead to enhanced customer perceptions of service quality. For this purpose, the

remainder of this section deals with a SWOT analysis applied to GM South Africa based on the empirical results presented in Chapter 4.

All GM South Africa customers who had their vehicles serviced at a franchised vehicle retailer in the month of September 2009 were contacted to participate in the ongoing service satisfaction survey conducted by a GM South Africa appointed independent market research agency. The realised sample was n = 3 859. The research agency did not provide the response rate or any demographic data.

As mentioned in Chapter 3, Wilson *et al.* (2008:134) allow the SERVQUAL instrument to be adapted and conceptualised to a particular situation in which it will be used. The existing GM South Africa questionnaire was therefore adapted to the SERVQUAL instrument to assess service quality perceptions following a visit to a franchised vehicle retailer for a routine repair and maintenance service. The five quality dimensions are tangibles, reliability, responsiveness, empathy and assurance. The study also assessed the results of two other items in the instrument to measure overall service and willingness to recommend the service to others.

In terms of *Tangibles*, the vast majority of respondents (94%) perceived the retailer facilities as comfortable and pleasant. Only two thirds of respondents (66%) felt that the price charged for the service to be reasonable. However, it should be noted that the cost to the customer for a maintenance service, excluding repairs, which are normally at no cost to the customer, are deemed as non-value-adding purchases as the service must occur to maintain the vehicle and meet vehicle warranty requirements.

Most respondents (71%) were generally satisfied with the job performed by the Service Advisor. With regard to the handover of the vehicle following the service, two thirds (68%) of respondents were satisfied with the handover process and the vast majority (85%) of customers had all issues or work addressed. The service quality dimension of *Reliability* is performing the service right the first time is critical in ensuring positive customer perceptions of service quality.

The majority of respondents (87%) had their vehicles delivered on time as originally promised, representing good levels of *Responsiveness*. It is vital however to ensure that franchised vehicle retailers respond as promised, in all aspects of the service, to each and every customer.

Showing *Empathy* by taking time to understand the customer's vehicle repair needs was indicated by the vast majority of respondents (91%), while this aspect of understanding the customer is quite strong at the outset of the service, it seems to decline by the end of the service as fewer respondents (78%) were contacted after the vehicle service had been carried out. This finding implies that contacting customers after the service is equally important if service quality perceptions are to be accurately measured.

The vast majority of respondents (95%) felt that the Service Advisor treated them politely and provided exclusive attention, and was knowledgeable enough to do a good job (90%). Thus the *Assurance* dimension of service quality cannot be underestimated for a franchised vehicle retailer given the close contact between the frontline staff and the customer. Respondents were satisfied with the manner of communicating the work performed on a vehicle and providing a progress report. It is nonetheless crucial that the lines of communication remain unbroken throughout the service period.

5.3.1 SWOT analysis

The overall evaluation of a firm's strengths, weaknesses, opportunities and threats is called a SWOT analysis (Kotler 2000:77).

5.3.1.1 Strengths

The following strengths were identified following the analysis of the empirical results:

- Service Advisors exhibit high levels of knowledge to support their job functions.
- Service Advisors show courtesy to customers and provide personalised attention to GM South Africa's customers.

- Nine out of ten customers had their vehicle repairs completed as promised.

5.3.1.2 Weaknesses

The following weaknesses were identified following the analysis of the empirical results:

- Numerous occurrences where the work performed on customers' vehicles was not fully explained.
- Work not completed due to service workshops being too busy.
- Non-availability of spare parts.

5.3.1.3 Opportunities

The following opportunities were identified following the analysis of the empirical results:

- To improve communication between Service Advisers and the service workshop in terms of fully conveying the work carried out on a customer's vehicle to the customer.
- To improve the scheduling of servicing for customers to avoid work overload at the service workshop.
- To improve parts availability via revisions to parts ordering and distribution inventory levels.

5.3.1.4 Threats

The following threats were identified following the analysis of the empirical results:

- Dissatisfied customers influencing other potential clients through negative word of mouth endorsements.
- Migration of dissatisfied customers to competing service providers.
- Complacency by GM South Africa franchised vehicle retailers as a consequence of the positive empirical results, thereby not striving for perfection.

5.4   LIMITATIONS OF THE STUDY

The following limitations of this research study are noted below:

- Only one month of data was analysed – this could be extended to a larger period to identify any trends emerging in the provision of quality service.
- Demographic details of the customers participating in the service satisfaction survey were not available and therefore could not be analysed during this study.
- Additional statistical analysis, namely validity and reliability of the measuring instrument and response rate could not be calculated due to the manner in which the independent market research agency supplied the data.

5.5   RECOMMENDATIONS FOR THE FUTURE

The study has led the researcher to believe that the following recommendations should be implemented by GM South Africa and its franchised vehicle retailers to achieve industry leading customer service levels.

5.5.1   Cultural awareness

Blem (1995:48) describes how to increase cultural awareness in a firm to make service and customer satisfaction an inbred part of all levels from service contact employees through to management.

Cultural awareness is particularly important for employees in direct contact with customers during the provision of the service. All five dimensions of service quality (tangibles, reliability, responsiveness, empathy and assurance) involve some form of interaction between service employees and customers. Culture plays a role in how customers evaluate and use services, and how they perceive the quality of the service provided (Wilson *et al.* 2008:44).

To achieve this cultural awareness, managers must suitably recruit, motivate, retain and unify employees (Blem 1995:49). Blem (1995:49) argues that South African managers do very little of this cultural awareness management.

People are generally influenced by their working environment. GM South Africa must create a positive working environment which would lead to improved productivity. When the environment is negative, people tend to be less productive.

GM South Africa franchised vehicle retailers must recruit the right people from the outset. People with the appropriate personalities and competencies will make the task of instilling the correct cultural properties much easier.

In order to generate competence in an organisation, GM South Africa franchised vehicle retailers need to do it right the first time, rather than the traditional doing it faster or doing it cheaper (Blem,1995:50-51). Costs can be lowered by doing the job correctly the first time by not having to repeat work, reduce repairs and warranty costs. Similarly doing it right first time creates a positive feeling of confidence and motivates employees to try even harder. Customer loyalty will also improve, leading to repeat servicing and word of mouth to attract new customers.

5.5.2   Motivation and commitment

Increased pay to employees in the current economic climate (economic downturn) is very difficult, however, motivation and commitment efforts to improve service quality and customer satisfaction must not be neglected. Blem (1995:75-76) states that in order to have a high standard of service in a firm, it is necessary to create and maintain motivation where staff can find personal reasons for committing to the benefit of the customer. The following are ways for GM South Africa franchised vehicle retailers to motivate and commit their staff:

- Employee of the month awards
- Certificates or tokens for achievements of important goals
- Clubs with special privileges for high achievers
- Complimentary publicity such as write-ups in newspapers
- Change in job titles
- Public praise

- Congratulatory letters

- Special praise from top management

- Honours at banquets

- Publicly announced rewards

- Status symbols such as personal parking

- A hall of fame

- Charts showing improved progress

5.5.3 Handling complaints

To bring the relationship of the customer and service provider closer together, the provider needs to increase customer satisfaction by being more responsive to their needs (Blem 1995:138). GM South Africa franchised vehicle retailers need to take cognisance of this requirement when handling complaints made by their customers.

5.5.4 Service satisfaction survey questionnaire

GM South Africa should expand their service satisfaction survey to incorporate more questions enabling feedback on the five service quality dimensions. With regards the existing service satisfaction survey, of the service quality dimensions, only one question is dedicated to responsiveness, two questions to each tangibles and empathy and four questions each to reliability and assurance. As general rule, at least five questions per dimension would give adequate feedback and allow for more detailed analysis and interpretation. However, as this would be difficult to achieve by the use of a telephone survey, GM South Africa should adapt the questionnaire to align more with the relative importance of the service quality dimensions.

As reviewed in section 2.7.7 of Chapter 2, the relative importance of the service quality dimensions needs to be considered in the design of the questionnaire. Reliability was rated as most important dimension and is getting the required emphasis in the service satisfaction survey. However, with the next important dimension of responsiveness, only one question is used to analyse the performance of the franchised vehicle retailers. More focus is recommended in

this area of the questionnaire.

5.5.5 Parts distribution

In order to overcome the issues identified in the empirical study of spare parts not being available to complete the customer's service on time as promised, GM South Africa and its retailers need to review their parts distribution, ordering and inventory systems. This issue has been particularly interesting to the researcher as GM South Africa has recently brought into operation, in the third quarter of 2010, its new spare parts and distribution centre in the Coega Industrial Development Zone (IDZ) located just outside Port Elizabeth. Substantial investment and collaboration has led to the establishment of the Pan African Parts Distribution Centre at this IDZ.

GM South Africa has identified the following benefits arising from this parts distribution centre (GM South Africa 2010:8):

- Sales growth, operating efficiency and logistical efficiency.
- The distribution centre will supply parts efficiently to 21 wholesalers and 139 retailers in South Africa.
- The distribution warehouse will store all parts and accessories under one roof to more easily control inventory and ensure part quality.
- Movement of materials will be from one central point.
- Elimination of waste.
- Shorter lead times to deliver parts and accessories to customers.

5.5.6 Service plan

In order for GM South Africa franchised vehicle retailers to achieve world class leading service levels, an improved service plan needs to be developed. Blem (1995:79-81) proposes the service plan for a vehicle retailer, which has been adapted by the researcher to suit GM South Africa's franchised retailer circumstances:

Incentives. Reward staff for good services rendered. Some GM South Africa franchised retailers do reward top performers such as employee of the month for their Technicians or Service Advisors. This is a practice that should be implemented by all retailers as this is a vital means of motivating staff.

Loan cars. GM South Africa franchised vehicle retailers do offer a free courtesy car to loyal clients whilst they have their cars serviced. For repairs that extend overnight or lengthy periods GM South Africa retailers do offer courtesy cars to customers for their convenience.

Exit test drive. Customers can be taken on a test drive to ensure that the vehicle has been serviced to meet their standards. As part of the standard service, the Service Manager or Technician will test the car after the service.

Extended servicing hours. Work late where necessary to ensure on time delivery. GM South Africa franchised retailers will work extra hours to get the job done, but this is not a standard operation.

Skeleton staff. When necessary, some staff could work flexi hours to suit the customer needs, an area at GM South Africa where attention is required.

Transportation. Use a company car to transport customers to their destination. This service is common practice at GM South Africa franchised vehicle retailers when a customer brings their vehicle in for a service. The retailer provides transport back to their home or place of work and will come and collect the customer again once the service is completed.

Free classes. Free classes relating to car maintenance can be offered to customers. This type of training needs more focus by GM South Africa and their franchised vehicle retailers, especially with the Customer Protection Act coming into legislation in 2011.

Minimise repeats. If a repair is a repeat, it should be done at no additional cost. At GM South Africa franchised retailers, repeat repairs are done at no additional cost to the customer.

Customer-relations officer. An employee may phone the customer after a few days to ensure they are satisfied with the return of their vehicle. As reviewed in this study, this retailer contact occurs regularly.

Consumer advisory board. Form a consumer advisory board of approximately ten customers who can provide feedback to GM South Africa staff and retailers of their service experiences on a regular basis. This is a process that GM South Africa retailers should institute to generate life-time feedback of repeat customers.

Open days. Offer a free coffee or even lunch whilst customers enjoy all the showroom has to offer. Such customer incentives are generally not offered, except at the occasional new vehicle model launch. This offering can be costly and open to abuse and would not be recommended by the researcher.

Service budget. Having a budget will allow for extras such as free car washes or minor repairs to satisfy a client. This extra service is generally offered by all GM South Africa franchised vehicle retailers.

Car club. Start a club, for example, a 100 000km mileage association. Offer discounts and this can bring in additional revenue for servicing that may have gone elsewhere. GM South Arica franchised vehicle retailers only offer special discounts to fleet customers.

Express system. Obtain all the necessary details prior to the customer bringing in their vehicle. This will speed up the service process. A detailed description of the service or repair needs is obtained by the Service Advisor when an appointment is made at the retailer. This information is passed onto the Service Supervisor and workshop in preparation of the service activity. A customer database is continually updated with contact details, vehicle information and service history.

Dedicated mechanic. Appoint the same mechanic to the same client for every repair or service. The client and mechanic can meet and a good trusting relationship can then be formed.

Showroom. Be innovative, by creating an appealing and interesting showroom that separates GM South Africa franchised retailers from its competitors. Generally, GM South Africa retailers are innovative in this area of its operations.

Keeping in touch. Customers should be phoned regularly to query the vehicle's performance. This service should be implemented as it shows sincerity on the part of the retailer and the opportunity can be used as a reminder for the customer's next service appointment.

Authority. A customer-relations staff member should be given the authority to deal with customers' minor complaints and resolve the situation before it becomes a major issue.

Mystery shopper. Using a mystery shopper can rate the service that various staff offer the clients. A procedure is in place where GM South Africa will test their franchised vehicle retailers by purposefully tampering with a vehicle and taking it to a selected retailer for repair. The repair process is evaluated and the ability to find the problem and repair it.

Incentives. Individual staff members or the vehicle retailer as a whole can be offered incentives or rewards for targets achieved or good services rendered.

5.6   REFLECTIONS ON LEARNING

On reflection, the key lessons learnt from this study are summarised as follows:

- Customers judged the quality of the service offered by the GM South Africa franchised vehicle retailer service in terms of performing the repair or maintenance correctly at the first attempt and completing the task at the promised time.
- All five service quality dimensions, namely tangibles, reliability, responsiveness, empathy and assurance, are used by the customers to evaluate the quality of the service offered by the franchised vehicle retailers. In particular, the service quality dimensions of reliability and responsiveness are important to customers, as they need to get back into their vehicles and onto the road as soon as

possible, and without any problems.

- The customers' experience of the service provided by the franchised vehicle retailers was positive, there is however still room for improvement.

This study has allowed the researcher to gain insight on customer perceptions and expectations of service quality. The impact of service quality cannot be underestimated in building long-term relationships with loyal customers and thus ensuring the success of the service provider.

5.7   <u>CONCLUSIONS</u>

The research conducted in this study provided an insight into what GM South Africa and its franchised vehicle retailers need to implement to improve and maintain their repair and maintenance service levels to be a world class firm in the South African motor industry.

LIST OF SOURCES

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ANNEXURE A:

SERVICE SATISFACTION SURVEY

Interviewer introduction

questionnaire

and

Service satisfaction

questionnaire

SOUTH AFRICA
Service Satisfaction Survey
Final Version

Good morning/ Afternoon, My name is ....and I am calling you from an independent market research agency on behalf of General Motors. Our records show your vehicle [VEHICLE YEAR] [VEHICLE MODEL] was in for service with [DEALER'S NAME] on [MONTH] [DAY], [YEAR]. So, we request you to take a few moments of your precious time to answer the following questions. GM and its dealers body will be using this information in the future, and may contact you to help us improve our services. Kindly note that your answers will help us to constantly improve our vehicle service standards and we deeply appreciate your time.

F1) Could you please take some minutes to answer some questions?
□ Yes □ No   □ Appointment

F2) Do you or someone in your household work for a dealership?

□ Yes - CLOSE

□ No – CONTINUE

F3) Did you personally take your vehicle in for service and pick it up in the dealer [name]?

□ Yes – COTINUE QUESTION 1

□ A different person took the vehicle in and picked it up - CONTINUE

□ No, I took the vehicle in but a different person pick it up – CLOSE

□ No, I picked the vehicle up but a different person took it in – CLOSE

□ No, the dealer delivered the vehicle at home – CLOSE

□ No, the vehicle was not delivered yet – CLOSE

F4) Please may I speak to the person who took the vehicle in for service and pick it up?
□ Yes □ No   □ Other

About the Overall Satisfaction with the Dealer

1) On a scale of 1 to 5, wherein '1' means 'Completely Dissatisfied' and '5' means 'Completely Satisfied', based on the overall service experience with the dealer, what is your level of satisfaction with the dealer [name]?
□ 1 Completely Dissatisfied □ 2   □ 3 □ 4 □ 5 Completely Satisfied

2) On a scale of 1 to 5, wherein '1' means 'Definitely not recommend' and '5' means 'Definitely recommend', based on the overall service experience with the dealer, would you recommend this dealership [Name] to a friend/ family member?
□ 1 Definitely Not Recommend □ 2 □ 3 □ 4 □ 5 Definitely Recommend

About the Facilities
3) Were the facilities comfortable and pleasant?
□ Yes □ No

About the Service Advisor
4) On a scale of 1 to 5, wherein '1' means 'Completely Dissatisfied' and '5' means 'Completely Satisfied', in general what is your level of satisfaction with the job performed by the Service Advisor?
□ 1 Completely Dissatisfied □ 2   □ 3 □ 4 □ 5 Completely Satisfied

5) Did the Service Advisor treat you in a polite manner and devoted exclusive attention?
□ Yes □ No

6) Did the Service Advisor take enough time to understand your [vehicle] repair needs?
□ Yes □ No

7) Did the Service Advisor display enough knowledge to do a good job?
□ Yes □ No

8) Did the Service Advisor update you on work being done on your vehicle before you took the handover?
□ Yes □ No

About the Handover Process after Service

9) On a scale of 1 to 5, wherein '1' means 'Completely Dissatisfied' and '5' means 'Completely Satisfied', in general what is your level of satisfaction with the handover of your vehicle after services were performed?
   □ 1 Completely Dissatisfied □ 2   □ 3 □ 4 □ 5 Completely Satisfied

10) Was your vehicle delivered on the date and time originally promised?
    □ Yes □ No

11) Were you given a satisfactory explanation of all work performed on your vehicle?
    □ Yes □ No

12) Were all the service repairs corrected on this visit?
    □ Yes □ No

13) Why do you say so? (Interviewer: Do not read the options)
    □ Work performed did not correct the problem
    □ Parts not available
    □ Service Department did not identify the problem
    □ Service Department was too busy
    □ Don't know
    □ Other

14) Were the costs charged reasonable?
    □ Yes □ No

15) Were you contacted by the dealer shortly after this service visit to determine your satisfaction with the dealership's service?
    □ Yes □ No

16) Do you have any other comments or recommendations about the dealership [name]?