

Theme: The role of research in the changing real  
estate environment

Paper 2: Survival of the fittest: The future of real  
estate professionals

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## **Abstract**

The real estate environment is changing. The future is fraught with uncertainty. Can real estate professionals and real estate agencies survive?

This paper focuses more on the latter than on the former. It nevertheless argues that they both can survive. Agencies, in particular, are urged to change the way in which they manage their business. They should consider the extensive use of sophisticated analytics. This paves the way for evidence-based management, a type of management that may lead to higher profitability.

Analytics is basically about research. It is observed that real estate agencies and real estate professionals in Malaysia have little exposure to rigorous research. Using the author's past work in service quality research, this paper walks the reader through the processes of literature review, research design and methodology considerations, and data analysis.

This paper also presents some results from the author's past work in service quality research. The results reveal that there is a perceived service quality gap in the real estate agency business. They also reveal that qualities associated with the individual real estate agent are key determinants of service quality. In addition, they reveal that the service quality construct in the local context may be two-dimensional.

Implications for theory and practice are also discussed. Human-resource related solutions are proposed. Future research directions are also suggested.

Finally, this paper aims to be light yet enlightening. In the course of making the paper light, certain conventions and guidelines on writing may have been violated. Any dismay caused is much regretted.

# 1. Introduction

## “Survival of the fittest”

“Survival of the fittest” is a familiar phrase. Those of us who are scientifically literate will be aware of its association with Charles Darwin’s theory of evolution through natural selection. Darwin, however, did not coin that phrase. It was the English social theorist Herbert Spencer (often regarded as one of the first sociologists in the world) who coined it, and he wrote: “This survival of the fittest which I have here sought to express in mechanical terms, is that which Mr. Darwin has called ‘natural selection’, or the preservation of favoured races in the struggle for life” (Spencer, 1864).

Darwin himself initially, of course, preferred the phrase “natural selection”, as reflected in the first four editions of his great work, *On the Origin of Species*. As time went by, he for some reason grew fond of Spencer’s phrase and co-opted it. He wrote in the fifth edition of *On the Origin of Species*: “The expression often used by Mr. Herbert Spencer, of the Survival of the Fittest, is more accurate, and is sometimes equally convenient” (Darwin, 1869).

Survival of the fittest—what does it all mean? From the standpoint of evolutionary biology, it means “adaptive fitness”, or “how many offspring [a species is] likely to leave under given circumstances” (Rennie, 2002). Species that are fit can successfully pass along their DNA. Unfit species will face, as one *National Geographic* writer puts it, “death without offspring or extinction without descendant species” (Quammen, 2004)

But what do all these mean to real estate professionals? This is a complex question and can only be answered in several stages.

### First stage

The first stage is to identify the principal audience—the “real estate professionals”. Who are they? In the Malaysian context, the real estate professionals are the real estate agents, appraisers and valuers registered with the Board of Valuers, Appraisers and Estate Agents Malaysia (hereinafter referred to as the “Board”). However, the “survival question” is no doubt of equal importance to corporate entities within the real estate industry, so it is only fair that their concerns be addressed as well. But there are various types of corporate entities within the industry—for example, property development firms, property management firms, real estate agencies, etc.—and it is not possible to address the concerns of each type within the given time and space. In view of the fact that the principal audience is the real estate professionals, it seems appropriate that the concerns of corporate entities involved in work closely associated to that of the real estate professionals be given priority. It is further observed that all three groups of real estate professionals (the agents, appraisers and valuers) are legally allowed to perform real estate agency work; and it is widely known in Malaysia that most, if not all, of them are engaged in one way or another in some form of agency work. Therefore, the real estate agencies and their business will also be under this paper’s consideration.

## **Second stage**

The second stage concerns the interpretation of the phrase “survival of the fittest”. The very brief discussion above on the phrase is meaningless to real estate professionals in the professional sense. But those ideas can be rendered meaningful if creative and liberal interpretations are allowed. Two creative and liberal interpretations are put forward, and they are meant for two different types of audience. The first type of audience is the individual real estate professional; and the second type of audience is the real estate agency. At the individual level, survival of the fittest could mean long-term employability within the real estate industry. At the organisational level, survival of the fittest could mean the preservation of the agency. Given the time and space constraints, this paper cannot adequately address the survival issues of both audiences. It is decided that the agency, being the employer of real estate professionals, be given more attention. Hence, this paper will focus more on the real estate agency and its business than on the real estate professional.

## **Third stage**

The third stage is primarily concerned with the preservation of the agency, and a new question is now asked: Can the real estate agency survive?

The organisers of this symposium presumably think it may be difficult for real estate professionals to survive in the future—perhaps because of the “changing” environment, as the symposium theme states. Otherwise, they would not have proposed this topic. Many writers or thinkers will likely agree with the basic proposition put forward by the perspicacious organisers. One such writer is Paul Ormerod, the former head of the Economic Assessment Unit at *The Economist* and the former director of economics at the Henley Centre for Forecasting. In his acclaimed book, *Why Most Things Fail*, Ormerod informs readers that “[failure] is all around us” (Ormerod, 2005). He observes that “[species] fail and become extinct, brands fail, companies fail, public policies fail” (Ormerod, 2005). And he asserts that “[failure] is the most fundamental feature of both biological systems and human social and economic organisations. Of all the species that have ever existed, 99.99 per cent have failed in the most dramatic way. They are extinct. In America, more than 10 per cent of all companies fail every year, with more than 10,000 closing every week” (Ormerod, 2005). What Ormerod is implying is that failure is far more common than success. In other words, success is something extraordinary; failure almost a natural outcome. This paper thus contends that like all other organisations, real estate agencies are more likely to fail than to survive.

The good news is: Failure is not inevitable, and Ormerod proceeds to offer some recommendations on how to avoid it. He advises that like living organisms, organisations have to evolve in order to survive. Otherwise, they will become extinct. And how do organisations evolve? They evolve through innovation.

Innovation seems to be a major buzzword in business. To have a rough idea of just how “major”, one could survey the stories carried by the popular business magazine *BusinessWeek*. First of all, the cover story of *BusinessWeek*’s 75<sup>th</sup> anniversary issue (Asian edition, October 11, 2004) is entitled “The innovation economy”. On top of that, at least two more cover stories that deal with innovation have appeared in the magazine since its anniversary issue (i.e. “Outsourcing innovation”, Asian edition, March 21, 2005;

and “Get creative: how to build innovative companies”, Asian edition, August 8/15, 2005). The rationale behind the publication of those stories is not known to the author; but it is plausible that the editors of *BusinessWeek* might have felt the pulse of its readership and have acted accordingly.

Writers of management books appear to be jumping on the innovation bandwagon as well. Numerous examples are available; there is, however, one rather recent and appropriate case in point: It is a book that marries Darwin’s theory of evolution with innovation. Written by the management consultant Geoffrey A. Moore, it is entitled *Dealing with Darwin: How Great Companies Innovate at Every Phase of Their Evolution*. (As Coutu (2001) observes, “[evolutionary] psychology and biology are especially popular sources of inspiration [for the field of management]”.)

In short, innovation is hot! More importantly, most, if not all, of the stories and books on innovation concur with Ormerod—that innovation is purportedly good for everyone, including real estate agencies and professionals.

Innovation is basically about change. According to *The New Oxford Dictionary of English*, to innovate is to “make changes in something established, especially by introducing new methods, ideas, or products”. As the symposium theme suggests, real estate professionals and real estate agencies are caught in a *changing* real estate environment. Furthermore, the only certainty in the future appears to be change. The prevailing consensus view seems to be that both real estate firms and professionals must themselves “make changes” to the way they work in order to adapt to the environmental changes. This paper supports the consensus view.

So, can the real estate agency survive? The answer seems to be in the affirmative, but it will in all likelihood have to innovate and evolve or change to ensure its survival. If the agency does not change or evolve, it faces the risk of becoming irrelevant.

#### **Fourth stage**

The fourth and final stage requires the pondering of yet another question: If agencies are to innovate, how then should they innovate? Professor Gary Hamel strongly recommends the way of management innovation (Hamel, 2006). In a recent *Harvard Business Review* article, he posits that “[over] the past 100 years, management innovation, more than any other kind of innovation, has allowed companies to cross new performance thresholds” (Hamel, 2006).

Just what is management innovation? Professor Hamel defines it as “a marked departure from traditional management principles, processes, and practices or a departure from customary organizational forms that significantly alters the way the work of management is performed. Put simply, management innovation changes how managers do what they do” (Hamel, 2006).

This leads to another question: What do managers do? Professor Hamel provides a list of activities that form part of managerial work, and in that list is an activity he calls “[acquiring] and applying knowledge”. Unfortunately, he does not explain what this activity is about, and the reader is left guessing.

Perhaps the answer to the knowledge activity question can be found in another recent *Harvard Business Review* article. In the article ‘Competing on analytics’, Professor Thomas Davenport argues that “statistically savvy” companies can use their “[superior] ability to collect, analyze and act on data” to create competitive advantage (Davenport, 2006). At such companies, evidence-based management is widely employed. Moreover, the spirit of analytics may have been encapsulated in an interviewee’s remark: “Do we *think* [something] is true? Or do we *know*” (Loveman, cited in Davenport, 2006, italics added for emphasis; Gary Loveman is the chief executive officer of “statistically savvy” casino operator Harrah’s Entertainment and was formerly a professor at the Harvard Business School.) In other words, when managers make decisions, are those decisions based on facts (the knowing) or on mere opinions and untested assumptions (the thinking)? This paper conjectures that part of Hamel’s knowledge acquisition could involve the acquisition of facts or other forms of evidence, and further postulates that competing on analytics may be a type of management innovation.

In the present environment, knowledge is far more valuable than opinion and untested assumptions. (For a useful but deliberately imprecise definition of the term “knowledge”, the reader may refer to the first chapter of Thomas A. Stewart’s *The Wealth of Knowledge*.) Even Datuk Tan Chin Nam, a highly respected property developer in Malaysia, has recently in a sense thrown his weight behind evidence-based management (Ng, 2006). Incidentally, Datuk Tan’s forthcoming book is entitled *Never Say I Assume!*

Research is “the systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions” (*The New Oxford Dictionary of English*), and knowledge can be acquired directly or indirectly, as implied above, through it. Hence, all managers working in twenty-first century real estate organisations should at least be conversant with research and its intricacies. In an environment fraught with uncertainty, realities can change. Research can help us confront those new realities.

The tentative answer to the fourth stage question is this: If the agencies are to innovate, they should, as Professor Hamel suggests, innovate the way in which they manage their business. They may wish to consider the extensive use of analytics which appears to be a type of management innovation. In other words, real estate agencies in Malaysia are urged to gradually evolve into research-based, evidence-managed businesses. Agencies that follow the evolutionary pathway may find their journey highly profitable.

In the next two sections, the author will share his research findings and experiences in the Malaysian real estate agency business. By doing so, he hopes to further stimulate interest in real estate research and, ultimately, evidence-based management.

## **2. Measuring Service Quality Using SERVQUAL: Findings and Insights from an Exploratory Study in the Malaysian Real Estate Agency Business**

### **2.1 Background information**

The primary focus of this paper, as mentioned in the previous section, is on the real estate agency and its business. The real estate agency business is a service business where marketing plays a prominent role (Marcus, 1981; McCrea, 2004). Services marketing itself is a sub-discipline within the marketing discipline (Berry and Parasuraman, 1993). According to Fisk, Brown and Bitner (1993), service quality is the *most* researched subject in services marketing. More than 4,000 articles have in one way or another dealt with service quality (Philip and Hazlett, 1997).

The author has been interested in marketing since his early days in the real estate agency business. It is thus not surprising that he chose to study services marketing for his doctoral research. Since service quality is the most researched subject in his chosen field, the author decided to go with the flow. In the course of his research, he discovered that there was a dearth of service quality studies in the local real estate agency business. He therefore endeavoured to bridge the gap in the knowledge base by broadening and deepening the limited understanding of the concept of service quality within the Malaysian context.

In this section and the next, the author will present some of the key findings derived from his exploratory study on service quality in the Malaysian real estate agency business. Because the format of the “presentation” may be somewhat unconventional, some explanatory notes may be in order.

Like all other research, the author’s research process can be divided into several stages. The first stage involves the review of literature; the second stage is about research design and methodology; and the third stage concerns data analysis.

In this section (Section 2), subsections 2.2 to 2.6 contain insights derived from the literature review; subsections 2.7 and 2.8 offer some glimpses into research design and methodology; and finally, subsections 2.9 and 2.10 are about data analysis and findings.

There is a fourth stage, and it deals primarily with the implications of the research done. This fourth stage will be presented in the form of learning points in Section 3.

It is hoped that through this “presentation”, real estate agencies and professionals will gain, directly or indirectly, a deeper appreciation of the benefits of research.

### **2.2 What is service quality?**

Service scholars regard only one definition of quality as appropriate, and it is “meeting or exceeding customers’ expectations” (Reeves and Bednar, 1994). Central to this definition is the customer’s point of view. As Buzzell and Gale (1987) put it: “[quality] is whatever the customers say it is, and the quality of a particular product or service is whatever the customer *perceives* it to be”.

Service quality, in other words, is perceived quality. It is different from objective quality, a type of quality that Maynes believes to be non-existent (Maynes, 1976, cited in Zeithaml, 1988). To Maynes, *all* quality evaluations are subjective (Maynes, 1976, cited in Zeithaml, 1988). Grönroos (1984), Parasuraman, Zeithaml and Berry (1988) and Zeithaml (1988) appear to share Maynes' view. Vargo and Lusch (2004) assert that the concept of perceived quality has now been accepted not only by services marketing scholars but also by marketing scholars in general.

Parasuraman et al. (1988) also point out that the perceived quality concept is similar to Garvin's (1984) user-based approach to defining quality. Both have an external focus, i.e. the customer (Garvin, 1984; Parasuraman et al. 1988). Ghobadian, Speller and Jones (1994) suggest that the user-based definition of service quality is most suitable for high-contact services. Several writers (e.g. Littlefield, Bao and Cook, 2000; McCrea, 2004; Muhanna and Wolf, 2002; Tuccillo, 1999) have argued or implied that the real estate agency business can be a high-contact business. A user-based approach in defining service quality was therefore adopted in the author's doctoral work.

### **2.3 Why is service quality important?**

Service quality brings benefits to firms, and these benefits are well documented. Zeithaml (2000) has developed a useful framework for the discussion of service quality consequences. According to Zeithaml (2000), service quality has two major effects: offensive effects and defensive effects. Offensive effects are concerned with customer acquisition; defensive effects with customer retention.

When a company has earned a reputation for quality service, it attracts new customers (Kordupleski, Rust and Zahorik, 1993), which then leads to a higher market share (Buzzell and Gale, 1987; Jacobson and Aaker, 1987; Phillips, Chang and Buzzell, 1983). New customers do not seem to mind paying a price premium in exchange for excellent service either (Phillips et al. 1983; Jacobson and Aaker, 1987). All these factors are known as offensive effects and they can help generate increased sales revenue.

Defensive effects contribute to the retention of customers. There is also evidence suggesting that it costs less to serve loyal customers than to serve infrequent and disloyal customers (Peters, 1988). Loyal customers may also increase the volume of their purchases, spread positive word of mouth communication, and do not seem to mind paying a price premium (Reichheld and Sasser, 1990; Heskett, Sasser and Schlesinger, 1997). These factors can help produce healthy margins.

With increased sales revenue and healthier margins, the ultimate result is enhanced profitability. In short, service quality can be a highly effective competitive weapon. John Young, the former CEO of Hewlett-Packard, comments: "In today's competitive environment, ignoring the quality issue is tantamount to corporate suicide" (cited in Shetty, 1987).

## **2.4 The work of BPZ: the gaps model and SERVQUAL**

One can find many models of service quality in the literature, and it is not possible to discuss each one of them in this section. A close examination of the real estate service quality literature, however, reveals that the industry is to a large extent influenced by the collaborative research of Leonard Berry, A. Parasuraman and Valarie Zeithaml. Over the years, BPZ (as they are occasionally known as) have together produced a large volume of work on service quality. This section will only highlight some of the key findings of the three service scholars and later discuss their influence on the real estate agency business.

### ***The gaps model: a conceptualisation of service quality***

Parasuraman, Zeithaml and Berry (1985) conceptualise service quality as the gap between customers' expectations and their perceptions of the actual service. This particular gap is referred to as "Gap 5". Besides Gap 5, there are four other gaps which are known as the provider gaps; they are the underlying causes of Gap 5. Gap 1 is the customer expectation-management perception gap. It occurs when the management of a company does not know what its customers expect. Gap 2 is the management perception-service quality specification gap. In some situations, the management of a company is aware of its customers' expectations, but it fails to translate that awareness into the service designs and standards which customers expect. That failure results in Gap 2. Gap 3 is the service quality specifications-service delivery gap. Putting in place the right service designs and standards does not guarantee service quality. A company should also have the appropriate resources (i.e. people, systems, technologies, etc.) to ensure that the services delivered conform to the service standards. Gap 3 occurs when the service delivered is not up to standard. The last gap, Gap 4, is the service delivery-external communications gap. A company communicates its service promises to its customers through its advertising, communication materials and sales force. Such promises oftentimes form the standards against which customers evaluate the service quality of the company. If the service performance fails to match with the promises, Gap 4 will likely materialize. Together, the five gaps make up what is now known as the gaps model of service quality (Zeithaml and Bitner, 2003).

### ***SERVQUAL: a tool for measuring service quality***

BPZ later developed a scale called SERVQUAL to measure service quality. Parasuraman et al (1991) claimed that "SERVQUAL is a generic instrument with good reliability and validity and broad applicability".

The core of SERVQUAL—both the 1988 and 1991 versions—consists of two sets of statements: 22 "expectation" statements (these will be referred to as the "expectation section" of the scale) followed by 22 "performance" statements (these will be referred to as the "performance section" of the scale). Respondents are asked to evaluate the extent to which they agree with the statements. A seven-point Likert scale anchored between "strongly disagree" (the first point) and "strongly agree" (the seventh point) is usually used.

In the expectation section, a respondent is requested to think about the kind of real estate agent or agency with which he/she would be happy to do business, and then indicate the extent to which he/she thought such an agent or agency would possess the feature described by each of the 22 statements. In the performance section, a respondent is

requested to think about his/her perceptions of his/her real estate agent or agency during his/her most recent property transaction, and then indicate the extent to which he/she believes his/her agent or agency provided the service described by each of the 22 statements.

There are two different sets of statements because SERVQUAL represents the operationalization of the aforesaid Gap 5; for according to Parasuraman et al. (1988), perceived service quality can be operationally expressed in the following mathematical equation:

$$\text{Gap} = \text{Performance} - \text{Expectation (or } G = P - E)$$

The gap score (G) is a measure of perceived quality. The gap score can be positive, negative or zero, depending on the performance and expectation scores. When expectation exceeds performance (i.e.  $E > P$ ), the gap score will be negative. A negative score is an indicator of unacceptable perceived quality. When expectation equals performance (i.e.  $E = P$ ), the gap score will be zero. A zero gap score is interpreted as satisfactory perceived quality. When performance exceeds expectations (i.e.  $E < P$ ), the gap score will be positive. A positive gap score signifies superior perceived quality.

Table 1 contains three examples that may help illuminate the logic behind SERVQUAL.

### **Table 1: How SERVQUAL works**

Here is a sample *expectation* statement: “Excellent real estate agents will provide their services at the time they promise to do so”.

And this is its *performance* “counterpart”: “My real estate agent provided his/her services at the time he/she promised to do so”.

The following examples should help illuminate the logic behind SERVQUAL.

#### **Example 1**

If Mrs. A gives 6 points to the expectation statement but 5 points to the performance statement, the gap score is then -1.

$$-1 = 5 - 6$$

The gap score is negative, indicating that Mrs. A perceives the service received to be of an unacceptable quality. Why? Because her real estate agent did not provide his services at the promised times.

#### **Example 2**

If Mr. B gives 6 points to both the expectation and performance statements, the gap score is then zero.

$$0 = 6 - 6$$

This means Mr. B is satisfied that his real estate agent has provided his services at the promised times.

#### **Example 3**

If Ms. C gives 6 points to the expectation statement but 7 points to the performance statement, the gap score is then 1, a positive score.

$$1 = 7 - 6$$

This means Ms. C believes that she has received excellent service from her real estate agent. Perhaps her agent under-promised and over-delivered, completing all her tasks before the promised deadlines.

In addition, Parasuraman et al. (1988) assert that the service quality construct is made up of five dimensions. SERVQUAL measures service quality along these five dimensions. The five dimensions are as follows:

- Reliability – ability to perform the promised service dependably and accurately
- Assurance – knowledge and courtesy of employees and their ability to inspire trust and confidence
- Tangibles – appearance of physical facilities, equipment, personnel, and communication materials
- Empathy – caring, individualized attention the firm provides to its customers

- Responsiveness – willingness to help customers and provide prompt service

(To facilitate recall of the five dimensions, Smith and Wheeler (2002) may possibly be the first writers to suggest the acronym RATER as a mnemonic.)

### ***The popularity of SERVQUAL***

SERVQUAL was developed in the USA (Parasuraman et al. 1988). Its developers designed and modified the scale after an in-depth examination of the following industries (Parasuraman et al. 1988, 1991):

- Appliance repair and maintenance company
- Banks
- Credit card company
- Insurance companies
- Telephone company

Parasuraman et al. (1991) nevertheless asserted that “SERVQUAL’s dimensions and items represent *core* evaluation criteria that transcend specific companies and industries”.

A review of the literature reveals that SERVQUAL has in fact been applied in diverse service settings (including industries that had not been examined by the SERVQUAL developers) in the USA, Canada and Europe. The following are some examples:

- Architectural design (Baker and Lamb, 1993)
- Healthcare (Mangold and Babakus, 1991; Rosen, Karwan and Scribner, 2003)
- Hospitality (Gabbie and O’Neill, 1997; Saleh and Ryan, 1991)
- Lecture teaching (Rosen et al. 2003)
- Public sector services (Wisniewski, 2001)
- Real estate brokerage (McDaniel and Louargand, 1994)
- Restaurant/Tavern (Rosen et al. 2003)
- Retail (Finn and Lamb, 1991)
- Retail book store (Rosen et al. 2003)

SERVQUAL has also been utilized in non-Western countries. The following are some examples:

- A department store in mainland China (Zhao, Bai and Hui, 2002)
- The healthcare sector in Hong Kong (Lam, 1997)
- Banks (Angur, Natarajan and Jahera, 1999) and fast food restaurants (Jain and Gupta, 2004) in India
- Hospital (Sohail, 2003), public services (Kadir, Abdullah and Agus, 2000) and telemarketing (Kassim and Bojei, 2002) in Malaysia
- Hospital (Lim and Tang, 2000) and retail banking (Kwan and Tan, 1994) in Singapore

Perhaps because of its extensive use, SERVQUAL has been described by scholars as the most popular instrument for measuring service quality (Asubonteng, McCleary and Swan, 1996; Robinson, 1999).

## **2.5 Service quality research in the real estate agency business**

Service quality articles began to appear in the real estate literature in the late 1980's. The pioneers, Johnson, Dotson and Dunlap (1988), were influenced by the works of Parasuraman and his collaborators; but they did not use SERVQUAL to measure service quality. Instead, they employed Parasuraman et al's (1985) service quality dimensions or determinants as part of their research framework.

### ***Johnson, Dotson and Dunlap (1988)***

Johnson, L.L. et al. (1988) found that the consumers of real estate services ranked the importance of the five SERVQUAL dimensions differently from the consumers in other industries. In the industries examined by Parasuraman et al. (1988, 1991), reliability was consistently ranked the most important dimension. In the real estate agency business, however, assurance and responsiveness emerged as the top dimensions. This was one of the findings which led Johnson, L.L. et al. (1988) to conclude that the real estate agency business might be unique. The view that each type of business may possibly be unique is later echoed by Baker and Lamb (1993) and Finn and Lamb (1991), service quality scholars who have conducted research in architectural design and retailing, respectively.

Apart from the above finding, Johnson, L.L. et al. (1988) detected also differences between what agents perceive as being important and what customers perceive as being important in determining service quality.

### ***McDaniel and Louargand (1994)***

McDaniel and Louargand (1994) challenged the assertion made by Johnson, L.L. et al. (1988) that the real estate agency business is unique. They approached the debate using an adaptation of what appears to be the 1991 version of SERVQUAL. Their findings showed that customers perceive reliability to be the most important service quality determinant, followed by assurance, responsiveness, empathy and tangibles. Because these findings were not too different from those observed in other service settings (cf. Parasuraman et al. 1988, 1991), McDaniel and Louargand (1994) argued that the real estate agency business is not unique.

The authors, however, did not perform tests to validate their instrument. They might have assumed that the SERVQUAL scale is valid and reliable within the context of any business. Such assumptions, according to Taylor and Cronin (1994), are, however, not always correct. Because they did not validate their instrument, as recommended by Taylor and Cronin (1994), McDaniel and Louargand might have inadvertently weakened the force of their argument. Nevertheless, McDaniel and Louargand's (1994) contribution remains significant in that they were possibly the first researchers to use SERVQUAL in the real estate agency business. Like Johnson, L.L. et al. (1988), they also uncovered differences between what agents perceive as being important and what customers perceive as being important in determining service quality.

### ***Nelson and Nelson (1995)***

Nelson and Nelson (1995, p. 101) rejected Parasuraman et al's version of SERVQUAL and set out to "develop a real estate brokerage-specific version of the general SERVQUAL instrument by closely adhering to the original development process". The

result was RESERV, a 31-item scale. In terms of dimensions, tangibles, reliability, responsiveness, assurance and empathy are retained, and the following two are added:

- Professionalism—evidence that the best possible professional service is being provided
- Availability—perceived approachability and ease of contact, whether or not actually attempted

RESERV exhibited high convergent validity, and the scores were internally consistent.

It should be pointed out that Parasuraman et al. (1991) have cautioned against the extensive modification of SERVQUAL. Extensive modification can, according to Parasuraman et al. (1991), affect the integrity of the scale. Based on the restrictions laid out by Parasuraman et al. (1991), what Nelson and Nelson (1995) had done to the scale would have qualified as an extensive modification. Interestingly, Nelson and Nelson (1995) insisted that the real estate agency business is not unique yet at the same time felt the need to develop a new scale for it. It can perhaps be argued that if the business were indeed not unique, the need to develop a new scale would not have arisen, and the five SERVQUAL dimensions would have sufficed. The seeming contradiction notwithstanding, one should, nevertheless, agree with their recommendation that wherever possible, the real estate agency business can and should learn from other types of businesses.

### ***Seiler, Webb and Whipple (2000)***

Seiler, Webb and Whipple (2000) tested a customized, in-house instrument. The main part of the instrument is a twenty-four-item scale designed to measure service quality. A close examination reveals that twenty items are either similar or identical to those in SERVQUAL. In other words, the items in the instrument are not significantly different from those in SERVQUAL. There is, however, one major methodological difference: only performance was measured.

One of the interesting findings of the Seiler et al. (2000) study is the dimensionality of service quality. The authors note only two: agent characteristics and tangibles. Sureshchandar, Rajendran and Kamalanabhan (2001) have argued that SERVQUAL measures the “human element of service delivery” and the servicescape. Servicescape, a term coined by Dr. Mary Jo Bitner (Bitner, 1992), is defined as “the actual physical facility where the service is performed, delivered and consumed” (Zeithaml and Bitner, 2003, p. 282). Agent characteristics correspond with the “human element of service delivery”; whereas tangibles correspond with the servicescape. While the instrument examined by Seiler et al. is not SERVQUAL, the extensive similarities between the two, as highlighted above, may have had an impact on the findings.

## **2.6 SERVQUAL: its critics and proponents**

Despite its popularity, SERVQUAL is not without its critics (e.g. Babakus and Boller, 1992; Brown, Churchill and Peter, 1993; Carman, 1990; Cronin and Taylor, 1992, 1994; Peter, Churchill and Brown, 1993; see also Asubonteng et al. 1996; Buttle, 1996; Robinson, 1999).

On the other hand, there is evidence in the literature that suggests the continued support of SERVQUAL by academic researchers (e.g. Angur et al. 1999; Jain and Gupta, 2004;

Kettinger and Lee, 1997; Parasuraman, Zeithaml and Berry, 1994a; Pitt, Watson and Kavan, 1997; Zeithaml, Berry and Parasuraman, 1996).

In addition, practitioners also appear to support the use of SERVQUAL. Wisniewski (2001) notes that managers find SERVQUAL to be both “conceptually attractive” and “operationally useful”. In an executive summary attached to the article of Asubonteng et al. (1996), the anonymous commentator writes: “SERVQUAL is popular with managers because it combines ease of application and flexibility with a clear and uninvolved theory. Managers know that results obtained using the model are probably not objective truth but that they help identify the direction in which the firm should move. ...Until a better but equally simple model emerges, SERVQUAL will predominate as a service quality measure”.

In summary, SERVQUAL, though much criticized, is still relevant. Donnelly, Van't Hull and Will (2000) sum up the situation: “Notwithstanding the importance of [the] theoretical and technical criticisms, successful applications of the SERVQUAL approach continue to be reported in professional and academic literature, indicating at least a practical usefulness in providing supporting evidence to underpin management intervention to improve service quality”.

SERVQUAL was in the end adopted as the research instrument in the author’s doctoral research.

## **2.7 The McDaniel-Louargand instrument: a SERVQUAL variant**

Since the use of SERVQUAL or one of its variants was deemed appropriate for the author’s service quality research, SERVQUAL-based instruments previously utilized in the real estate agency business were subject to further analysis.

Two such instruments were found: RESERV (Nelson and Nelson, 1995); and the McDaniel and Louargand (M&L) instrument (McDaniel and Louargand, 1994). There was no evidence in the literature suggesting that any of them had been re-validated. Opportunities for further investigation were thus ample.

After a close examination of the two instruments, a decision was made to utilize the M&L instrument. The reasons that led to the decision are as follows:

- The M&L instrument is a faithful adaptation of SERVQUAL. SERVQUAL was developed through a rigorous process, has been widely validated and is purportedly generic (Parasuraman et al. 1988, 1991). SERVQUAL has also been utilized in Malaysia (Kadir et al. 2000; Kassim and Bojei, 2002; Sohail, 2003); its level of applicability may thus be possibly higher than RESERV, which apparently has not been used locally.
- Unlike RESERV, the M&L instrument was not factor-analysed in the pilot study. This presented an opportunity for an investigation into the validity of the instrument within the Malaysian context.

## **2.8 Three research questions, three hypotheses**

The following research questions and their attendant hypotheses guided the author’s doctoral research:

**Research question 1: What are the dimensions of service quality in the Malaysian real estate agency business?**

The literature suggests that the service quality construct in the real estate agency industry can be two-dimensional (Seiler et al. 2000), five-dimensional (McDaniel and Louargand, 1994) or seven-dimensional (Nelson and Nelson, 1995). Since there is disagreement, an investigation into the dimensionality of the construct is warranted.

Parasuraman et al. (1988, 1991) contend that the five SERVQUAL dimensions—reliability, assurance, tangibles, empathy and responsiveness—are generic and thus transportable across industries. Babakus and Boller (1992) have, however, challenged their contention in a rather persuasive manner. Nevertheless, it is illogical to assume that the five SERVQUAL dimensions can never be transported to industries not examined by the SERVQUAL developers. Recent investigations into internal service quality (Kang, James and Alexandris, 2002) and Website quality (Van Iwaarden, Van der Wiele, Ball and Millen, 2003) have in fact revealed that the five SERVQUAL dimensions can be transported to other industries. Moreover, Rust and Zahorik (1993) recommend that the five dimensions “should probably be put on any first pass at a list of attributes for a service”. Hence, the following hypothesis was put forward:

**Hypothesis 1: Service quality is a five-dimensional construct in the Malaysian real estate agency business.**

Factor analysis was employed in this investigation. Hypothesis 1 would be rejected if factor analysis did not produce a five-factor solution. (Minor cross-loadings among the five dimensions were acceptable as long as they could be intelligently interpreted.)

**Research question 2: What are the key determinants of service quality in the Malaysian real estate agency business?**

The literature is replete with anecdotal, empirical, implicit and explicit evidence that the agent plays a key role in ensuring service quality (e.g. Johnson, Nourse and Day 1988; Seiler et al. 2000). Hence, hypothesis 2:

**Hypothesis 2: The agent is a key determinant of service quality in the Malaysian real estate agency business.**

Descriptive statistics—analysis of mean scores in particular—was employed in this part of the investigation. Hypothesis 2 would be rejected if the statistics revealed the tangibles to be more important than any of the other four dimensions.

### **Research question 3: Do customers perceive a service quality gap in the Malaysian real estate agency business?**

The ISO 9000 standard which has become synonymous with quality was launched in Malaysia in 1987 (Idris, McEwan and Belavendram, 1996). In 2000, the then President of the Board, Datuk Haji Sahari bin Haji Mahadi, urged registered agencies and valuation firms to aim for MS ISO 9002 certification (Mahadi, 2000). It is, however, widely known that the adoption of ISO 9000 by Malaysian agencies and valuation firms has been slow. In view of this observation, it was hypothesized that a service quality gap existed in the Malaysian real estate agency business. That is to say, performance was generally below expectations.

As previously mentioned, service quality was operationalized as performance minus expectations in the author's doctoral work. If there was a gap, most, if not all, of the difference scores would be negative.

### **Hypothesis 3: There is a perceived service quality gap in the local industry.**

Descriptive statistics was the primary tool in this part of the investigation. T-tests were also utilized. Hypothesis 3 would be rejected if a significant number of the difference scores were either zero or positive, i.e. performance meeting or exceeding expectations.

## **2.9 Findings and analyses**

### ***The response rate***

A total of 950 questionnaires were sent to consumers of real estate agency services. A total of 159 responses were received; and 143 responses were found usable. The effective response rate was therefore 15.05 percent. It is comparable with the rate (16.3 percent) attained in the McDaniel and Louargand (1994) study.

In retrospect, two factors might have had an impact on the response rates:

- The considerable length of the questionnaire i.e. over 45 items per questionnaire
- English was the language used in the questionnaire and it is not the native language of Malaysia

Furthermore, the consumer questionnaires were posted during the festive season of 2003. Consumers might have been busy during that time of the year and consequently did not respond. Future research should strive to mitigate the impact of the abovementioned factors.

### ***The demographic profile of the respondents***

The characteristics of the consumer respondents are displayed in Table 2. The consumers were quite homogeneous in certain respects: most of them are male (72 percent), married (82.5 percent) and possess a tertiary degree (88.1 percent).

**Table 2: Consumer characteristics (n = 143)**

|   |             |
|---|-------------|
| <b>Sex (142 responses)</b>                            |             |
| Male  | 103 (72.5%) |
| Female  | 39 (27.5%)  |
| <b>Age (143 responses)</b>                            |             |
| 21-30   | 7 (4.9%)    |
| 31-40   | 42 (29.4%)  |
| 41-50   | 61 (42.7%)  |
| 51-60   | 32 (22.4%)  |
| Over 60   | 1 (0.7%)    |
| <b>Marital status (142 responses)</b>                 |             |
| Married   | 118 (83.1%) |
| Single  | 24 (16.9%)  |
| <b>Total monthly household income (143 responses)</b> |             |
| RM5,000 and below                                     | 7 (4.9%)    |
| RM5,001 – RM10,000                                    | 36 (25.2%)  |
| RM10,001 – RM20,000                                   | 67 (46.9%)  |
| Above RM20,000  | 33 (23.1%)  |
| <b>Highest level of education (141 responses)</b>     |             |
| Primary   | 0 (0.0%)    |
| Secondary   | 4 (2.8%)    |
| Tertiary/Professional                                 | 126 (89.4%) |
| Postgraduate  | 11 (7.8%)   |

In the absence of relevant national statistics, it was not possible to ascertain whether these characteristics are a fair reflection of the property seller population. Nevertheless, it was believed that some form of estimation could still be made. For example, it is common knowledge among Malaysian real estate professionals that the people who sell (or buy) property in Malaysia are typically married men. This is because Malaysian men typically assume the role of heads of households and represent their families in major transactions such as selling property. Hence, it is men rather than women who interact with real estate professionals or agencies; this is especially true during the crucial stages of a sale. The fact that the majority of the respondents were male and married was thus not unexpected.

The sample's high level of educational attainment seemed atypical, however. Based on the most recent census data, the percentage of Malaysians who were over 20 years of age and highly educated (that is, post-secondary, college or university) was 16.0 (Department of Statistics, 2002).

Furthermore, 46.9 percent of the respondents reported that their total monthly household income was between RM10,001 and RM20,000, while another 23.1 percent of them reported an income of more than RM20,000. According to the biennial household income

survey of 2002, the average monthly household income in 2002 was only RM3,011.00 (Mohammad, 2004). In other words, 70 percent of the respondents can be considered as high-income earners.

Based on these data, it would appear that responses from the wealthy and highly educated outnumbered those from the less wealthy and educated. In conclusion, the sample was most likely not a fair representation of the consumer population.

***The dimensionality and reliability of the SERVQUAL data***

The data analysis procedure employed by the developers of SERVQUAL for assessing factor structure was to subject the gap scores to principal axis factoring and oblique rotation (Parasuraman et al. 1988). The author adopted the same approach.

The factor structure and reliability of the SERVQUAL data are displayed in Table 3. Factor analysis produced a two-factor solution, and the data showed internal consistency. The two factors explained 65.33 percent of the variance.

The two dimensions contained in total sixteen items. The items were mostly those associated with the dimension “agent characteristics” proposed by Seiler et al. (2000). The dimensions were therefore named “Agent quality 1” (AQ1) and “Agent quality 2” (AQ2). Tangible items are typically associated with the firm; but one tangible item (“neat appearance of employees”) unexpectedly loaded on AQ1. It can be argued that the neat appearance of employees is in fact an agent item and not a tangible item. An individual agent, not the firm, is responsible for his or her own grooming. Hence, this finding seems reasonable.

Altogether, six items failed to load. A close examination of those items revealed that three of the four tangible quality items had failed to load; they were: “visually appealing physical facilities”; “visually appealing communication materials”; and “modern-looking equipment. The other items that failed to load were “convenient operating hours” (an empathy item); “error-free records” (a reliability item); and “willingness to help” (a responsiveness item).

That three of the tangible items failed to load was unexpected. There is nevertheless a plausible explanation for these observations: they could be attributed to changes in market practices in Malaysia. One such change is the possibility of finalizing an entire property transaction outside the real estate agency firm. In other words, a customer need not even have to set foot in an office to close a deal. Such special arrangements, however, are typically reserved for special customers (e.g. wealthy and loyal customers). Hence, special customers may have little or no opportunity to experience the tangible qualities of the firm. Since a majority of the respondents can be considered wealthy, the findings in question are not unreasonable. It should be emphasized that this is probably a market segment-specific finding and may not be valid throughout the industry.

**Table 3: Factor structure and reliability of the 22 consumers' gap (SERVQUAL) scores**

| Items   | Factor Loading for 12-Item "Agent Quality 1"   | Factor Loading for 4-Item "Agent Quality 2"  | Cronbach's Alpha |
|---|--|--|------------------|
| <ul style="list-style-type: none"> <li>● Sincerity in solving problems (<i>Reliability</i>)</li> <li>● Providing services at the promised times (<i>Reliability</i>)</li> <li>● Performing the service right the first time (<i>Reliability</i>)</li> <li>● Understanding specific needs of customers (<i>Empathy</i>)</li> <li>● Knowledgeable and able to answer questions (<i>Assurance</i>)</li> <li>● Giving customers individual attention (<i>Empathy</i>)</li> <li>● Providing prompt service (<i>Responsiveness</i>)</li> <li>● Having customer's best interest at heart (<i>Empathy</i>)</li> <li>● Instilling confidence in customers (<i>Assurance</i>)</li> <li>● Customers feel safe in transactions (<i>Tangibles</i>)</li> <li>● Neat appearance of employees (<i>Tangibles</i>)</li> <li>● Giving customers personal attention (<i>Empathy</i>)</li> </ul> | <ul style="list-style-type: none"> <li>1.010</li> <li>0.969</li> <li>0.860</li> <li>0.766</li> <li>0.765</li> <li>0.712</li> <li>0.706</li> <li>0.685</li> <li>0.673</li> <li>0.672</li> <li>0.665</li> <li>0.538</li> </ul> |  | 0.963            |
| <ul style="list-style-type: none"> <li>● Never too busy to respond (<i>Responsiveness</i>)</li> <li>● Keeping promises (<i>Reliability</i>)</li> <li>● Consistently courteous with customers (<i>Assurance</i>)</li> <li>● Keeping customers informed about when services will be performed (<i>Responsiveness</i>)</li> </ul>  |  | <ul style="list-style-type: none"> <li>0.978</li> <li>0.778</li> <li>0.579</li> <li>0.577</li> </ul> | 0.797            |
| Eigenvalue<br>Variance explained  | 11.504<br>52.29%   | 2.869<br>13.04%  |                  |

Note: SERVQUAL (1991 version) dimensions in parentheses

Extraction method: Principal axis factoring

Rotation method: Direct Oblimin with Kaiser normalization (rotation converged in 13 iterations)

Percentage of variance explained by the two factors: 65.33%

“Convenient operating hours” may also have become somewhat irrelevant with the advent of advanced telecommunication technologies. Mobile phone usage among Malaysian agents seems high. Agents can be easily reached on the mobile phone even after regular office hours. There is no statistic in Malaysia concerning mobile phone usage by agents; but a 1999 statistic showed that 96 percent of real estate professionals in the US used mobile phones (The National Association of REALTORS<sup>®</sup>, 2003).

Furthermore, Griffin (2002) asserts that the recent emergence of Web-based companies that are operational twenty-four hours a day, seven days a week, may have drastically changed customers’ expectations of service. She contends that many of today’s customers “want to buy the way they want to buy” (Griffin, 2002). As mentioned, the majority of respondents were highly educated and earning above average incomes. People belonging to this group tend to be techno-savvy and should most likely be well acquainted with the Internet. Because of their familiarity with the Internet, most customers polled in the survey might have had high expectations with regard to accessibility. Indeed, such high expectations are evidenced by the fact that the mean score for the item “never too busy to respond” is the second highest among the expectation items (see Table 6). Since today’s agents are contactable for the most part of the day, it is possible then that the concept of nine-to-five business hours has lost much of its relevance in today’s world—perhaps more so to the respondents of this survey; for they would most likely have the resources to contact their agents at any time.

Finally, originally an empathy item, “convenient operating hours” was later transferred to the tangibles dimension by the developers of SERVQUAL (Parasuraman, Zeithaml and Berry, 1994b). They did so because the item had much stronger loadings on the tangibles dimension than on the empathy dimension. In the light of this information, it could be interpreted that another tangible quality item had failed to load.

“Error-free record” was also a problem for the developers of SERVQUAL (Parasuraman et al. 1994b). They noted that it often loaded by itself, or had significantly lower loadings than the other four reliability items. They eventually decided to discard this item. It is not surprising then that this item failed to load in the study’s factor analysis.

That “willingness to help” failed to load is more difficult to explain. It is unclear why it happened. This particular finding cannot be readily interpreted.

### ***Descriptive statistics and correlational analysis***

As discussed, factor analysis produced a two-factor solution, AQ1 and AQ2. AQ1 contained twelve items; whereas AQ2 contained four items. Each dimension contained a not very meaningful mixture of the original SERVQUAL items, i.e. one could find reliability, responsiveness and assurance items in both dimensions. The empathy items, however, loaded on AQ1 only.

Table 4 presents the descriptive statistics of the consumer scores.

**Table 4: Descriptive statistics for consumer scores**

| <b>Dimension</b> | <b>Mean score for expectations</b> | <b>Mean score for performance</b> | <b>Mean score for gaps</b> |
|------------------|------------------------------------|-----------------------------------|----------------------------|
| Agent quality 1  | 5.55                               | 5.23                              | -0.32                      |
| Agent quality 2  | 6.15                               | 5.26                              | -0.89                      |
| Overall          | 5.85                               | 5.24                              | -0.61                      |

The dimensional and overall expectation and performance mean scores were calculated using the following steps:

1. For each respondent, the expectation (or performance) scores pertaining to a particular dimension were added together; and the sum was divided by the number of statements making up that dimension. The result would be the individual dimensional scores.
2. The individual dimensional scores obtained in step 1 were then added together for all the respondents, and the total was divided by the number of respondents. The result would be the mean expectation (or performance) scores for AQ1 or AQ2.
3. The overall mean expectation (or performance) score was obtained by adding the mean expectation (or performance) scores of AQ1 and AQ2 together and dividing the sum by two.

The mean gap scores (dimensional and overall) were calculated using the following steps:

1. The individual gap score, based on the formula  $G=P-E$ , was computed for each respondent.
2. For each respondent, the individual gap scores pertaining to a particular dimension were added together; and the sum was divided by the number of statements making up that dimension. The result would be the individual dimensional gap scores.
3. The individual dimensional gap scores obtained in step 2 were then added together for all the respondents, and the total was divided by the number of respondents. The result would be the mean gap scores for AQ1 or AQ2.
4. The overall mean gap score was obtained by adding the mean gap scores of AQ1 and AQ2 together and dividing the sum by two.

Of the two dimensions, customers had higher expectations for AQ2. This demonstrated the importance of AQ2. The gap score of AQ2 was larger than that of AQ1. The implication was that the service providers were under-performing more seriously on AQ2 than on AQ1. Paired samples t-tests confirmed that the differences between AQ1 and AQ2 in terms of expectations scores and gap scores were significant; there was no significant difference between the two performance scores.

Since AQ2 was more highly valued by customers, it warranted a closer examination. AQ2 contained four items: never too busy to respond (NTB); keeping promises (KP); consistently courteous with customers (CC); and keeping customers informed about when services will be performed (KCI). In the 1991 version of SERVQUAL, both NTB and

KCI were responsiveness items; whereas KP was a reliability item and CC an assurance item (see Parasuraman et al. 1991). A minor change was, however, made in the 1994 version. Parasuraman et al. (1994b) moved KCI to the reliability dimension; the other items remained in their respective dimensions.

Furthermore, all the gap scores in Table 4 are negative numbers, and one might be inclined to reach the conclusion that a perceived service quality gap existed in the industry. It is, however, premature to do so because there are no data suggesting the gaps are statistically significant. Hence, one-sample t-tests were performed on the three gap scores. The test value for the one-sample t-tests was set at zero (0), or “zero quality gap”, i.e. a hypothetical population mean where expectations are exactly met by performance.

The results of the one-sample t-tests are displayed in Table 5.

**Table 5: One-sample t-test results for gap scores**

|                 | t      | Sig. (2-tailed) | Mean difference | 95% Confidence interval of the difference |       |
|-----------------|--------|-----------------|-----------------|---|-------|
|                 |        |                 |                 | Lower                                     | Upper |
| Agent quality 1 | -3.80  | 0.000           | -0.32           | -0.49                                     | -0.16 |
| Agent quality 2 | -11.56 | 0.000           | -0.89           | -1.04                                     | -0.74 |
| Overall gap     | -9.56  | 0.000           | -0.61           | -0.73                                     | -0.48 |

As can be seen in Table 5, all values for the *t* statistic are large; all observed significance levels are less than 0.0005; and the hypothetical “zero quality gap” is not within the 95% confidence interval. These results suggested that the “zero quality gap” was not a plausible value for the population mean. Based on the data, it could be concluded that a perceived service quality gap most likely existed in the industry.

One way to gauge what were foremost on the minds of customers was to rank the top five mean scores for the sixteen expectation items (see, for example, Lim and Tang, 2000). The rankings are displayed in Table 6.

**Table 6: Top five mean scores for expectation items (consumers only)**

| Expectation item                            | Mean scores | Rank |
|---|-------------|------|
| Consistently courteous with customers (AQ2) | 6.46        | 1    |
| Never too busy to respond (AQ2)             | 6.28        | 2    |
| Keeping promises (AQ2)                      | 6.25        | 3    |
| Customers feel safe in transactions (AQ1)   | 5.73        | 4    |
| Giving customers personal attention (AQ1)   | 5.71        | 5    |

Note: 1=strongly disagree; 7=strongly agree; dimensions in parentheses

Not surprisingly, three of the four AQ2 items were in the top three. This finding further reinforced the importance of AQ2 in real estate agency service quality.

Since AQ1 and AQ2 were the only dimensions to emerge from the factor analysis, they should theoretically be correlated with overall service quality. A correlational analysis was performed on the two dimensions with the single-item overall service quality measure. Only AQ2 was found to be significantly associated with the single-item measure ( $r=0.249$ ,  $p=0.003$ ).

The preponderance of evidence indicated that AQ2 was the more important subdimension of the two. To summarize, customers polled preferred to deal with agents who kept their promises and their customers informed, and were always responsive and courteous.

### **2.10 Key findings derived from data analysis**

Two key findings are reported in this section: first, factor analysis produced a two-factor solution; and second, all the difference/gap scores were negative and statistically significant.

#### ***Rejection of Hypothesis 1***

The first key finding leads to the rejection of hypothesis 1 which states that service quality in the local industry is a five-dimensional construct.

#### ***Acceptance of Hypothesis 2***

Analysis of the resultant two factors (the first key finding) revealed that they consisted mostly of items associated with Seiler et al's (2000) "agent characteristics". Moreover, most of the tangibles items failed to load. All these data support hypothesis 2 which states that the agent is a key determinant of service quality in the local industry.

#### ***Acceptance of Hypothesis 3***

The second key finding also supports hypothesis 3 which states that there is a perceived service quality gap in the local industry.

### **3. A summary of key learning points and other matters of interest**

#### **The seven learning points**

***Learning point 1: Be aware of the limitations of theories. They—even the supposedly good ones—may not be applicable to every situation.***

Parasuraman et al. (1991) assert that “SERVQUAL’s dimensions and items represent *core* evaluation criteria that transcend specific companies and industries”. A corollary of this proposition is that the service quality construct in the context of the real estate agency business is also made up of reliability, responsiveness, assurance, empathy and tangibles, the five SERVQUAL dimensions. The two-dimensional structure detected in this study, however, does not support Parasuraman et al’s (1991) proposition.

***Learning point 2: Be open to the possibility that the industry in which one works may be unique.***

Babakus and Boller (1992) argue that the five SERVQUAL dimensions are not generic. They theorise that the dimensionality of service quality may be a function of the type of service (Babakus and Boller, 1992). The two-dimensional structure which has emerged in this study supports their theories. The two-dimensional structure also supports the theory of Johnson, L.L. et al. (1988) that the real estate agency industry may be unique. Although the two parties reach their conclusions through different means, their theories appear in harmony.

Learning point 2 may help explain learning point 1.

***Learning point 3: Be aware of the potential effects of local culture on research.***

In addition to industry-specific factors, culture can also have an impact on the dimensionality of service quality (Imrie, Cadogan, and McNaughton, 2002; Raajpoot, 2004; Winsted, 1997). For example, both Lam (1997) and Zhao et al. (2002) employed SERVQUAL in their studies (carried out in Hong Kong and China respectively); but they did not modify their measurement instruments in order to render them “culturally sensitive” (a term used in Raajpoot, 2004). Nevertheless, when they observed that the service quality dimensions of their studies did not correspond to the SERVQUAL dimensions, they conjectured that local culture might have influenced the evaluation of service quality. In a similar way, the author conjectured the influence of cultural factors, or Malaysia-specific factors, on service quality evaluation.

Researchers like Winsted (1997) and Raajpoot (2004) have advocated the adoption of different measurement instruments for different cultures. The findings of this study appear to indirectly support their recommendation. The adoption of culture-specific measurement instruments may also yield “more meaningful and relevant [data] to [the] local cultures” (Smith and Reynolds, 2001).

Learning point 3 may also help explain learning point 1.

***Learning point 4: Off-the-shelf research instruments, while convenient, may actually be ineffective. Special instruments are sometimes needed.***

The findings of the author's research do not support Parasuraman et al's (1991) claim that "SERVQUAL is a generic instrument with good reliability and validity and broad applicability". Instead, they support the arguments of Baker and Lamb (1993) and Finn and Lamb (1991) that the application of an off-the-shelf and purportedly generic service quality scale may not always yield meaningful results.

In fact, when both the industry-specific and Malaysia-specific factors are taken into consideration, the need for a locally developed scale becomes clear and real.

***Learning point 5: Be rigorous and test everything you can.***

As mentioned above, service quality scales developed overseas may not be wholly applicable in Malaysia (e.g. Sohail, 2003). Whenever such scales are utilized, Malaysian researchers should empirically validate them. Rigorous analysis should also be performed on scales that have been locally modified. Sohail (2003), for example, modified SERVQUAL by discarding eight pairs of statements that were either irrelevant to local hospital services or potentially confusing to respondents. When factor analysis was performed on the resultant data, no "meaningful dimensions that conform to the [SERVQUAL] dimensions" were found (Sohail, 2003). The author encountered a similar problem in his doctoral work. Such anomalies can affect the overall quality of the research being undertaken. Local researchers are therefore urged to employ validation techniques as often as possible (see Taylor and Cronin, 1994).

***Learning point 6: There may be problems in the agency business; but with the right people, those problems can be solved.***

The research demonstrated that a perceived service quality gap exists in the industry. How does one deal with it? Some of the research findings may offer guidance as to how best to narrow the gap.

For a start, Dotchin and Oakland (1994) consider employees to be one of the determinants of service quality. The body of evidence produced by the research supports their view. In the light of these findings, investments in human resource solutions may perhaps be appropriate. This is in line with Schneider and Bowen's (1993) contention that human resources management is crucial in service organizations.

Wells and Spinks (1997) have published an article outlining a comprehensive human resource program. Managers in the real estate agency business may find the article helpful. Only three of their recommendations are highlighted in this section:

1. Employ the right people

Employing the right people does not always mean employing people with the right skills. On the contrary, the right people are probably the ones with the right attitudes who can later be trained in the right skills (Heskett, Jones, Loveman, Sasser and Schlesinger, 1994).

## 2. Provide the right training for the right people

The ideal agent is one who excels in both technical and people skills (Mercer and Kleiner, 1997; Tuccillo, 1999). Balance seems to be the key. Hence, a well-balanced training regimen for the people is required.

## 3. Retain the right people

Retaining the right people is a difficult task. Davies (2001) offers some useful advice:

- Managers are urged to start retention programs early (even before the arrival of new employees)
- Firms are encouraged to pay the market rate in terms of salary
- Leaders should strive to build a sense of belonging in employees
- Mentors should be assigned to employees
- Career development plans should be created for employees

The call for a more effective performance management system (Johnson, L.L. et al. 1988) should also be considered.

### ***Learning point 7: Let the data speak for themselves; be prepared for counter-intuitive findings.***

The results suggest that a certain segment of Malaysian real estate services customers may not be very concerned with certain tangible aspects of the real estate agency firm. This finding is counter-intuitive and managers may possibly be sceptical about its validity. Due to the limitations of this study (which will be discussed below), this finding should not be regarded as conclusive. In the meantime, before more conclusive proof is available, managers should perhaps exercise prudence and not over-invest in the physical aspects of the service environment.

## **3.2 The limitations of the research**

### ***Data***

Research is not without its limitations, and three major limitations were noted in the author's work.

First, the language used in the entire questionnaire was English. Since English is not the native language of Malaysia, inaccurate comprehension of survey directions and/or statements might have occurred. This might affect the quality of the data collected.

Second, 70 percent of the consumer sample earned above average income and 88 percent of them were highly educated. This is most probably not a fair representation of the consumer population. Hence, the presence of respondent bias is very likely.

Third, culture can have an impact on service quality evaluations. This study was not designed in a manner whereby the impact of culture could be gauged. Hence, the influence of culture could be present but not clearly identified (cf. Lam, 1997; Zhao et. al. 2002).

### ***Interpretation***

In the introduction, the phrase “survival of the fittest” was creatively interpreted. Creative and liberal interpretations are, however, not permitted when the interpretation of research data is concerned.

Indeed, in the light of the aforementioned limitations, the conclusions contained herein cannot be generalized to the entire real estate agency business in Malaysia. Those who may derive the most benefit from this study are Malaysian real estate professionals or firms who serve a clientele or market segment where the typical consumer is male, married, well educated and a member of the high income group.

As the research was an industry-specific study, its findings should not be generalized to other service settings. Furthermore, the findings are probably Malaysia-specific and not meaningful to the real estate agency industries of other countries.

### **3.3 Suggestions for future research**

The findings suggest that the M&L instrument that was utilized in the study may not be an appropriate research instrument for the real estate agency business in Malaysia. The instrument, as discussed, is probably incapable of capturing fully the service quality construct within the context of the local industry. It is thus recommended that the instrument be modified, rendering it both industry and Malaysia-specific.

The following are proposed directions for the scale modification process:

- The scale modification process should be rigorous. Both qualitative (e.g. industry executive interviews, consumer focus group interviews, etc.) and quantitative techniques (e.g. scale purification, etc.) should be employed. The interviews may result in a better understanding of who the average consumer of real estate services is. They may also help uncover new industry-specific or culture-specific dimensions. Any new dimension uncovered during this stage should be incorporated into the modified instrument.
- Home sellers and buyers have different needs, so their perceptions of what constitutes service quality are likely to differ. Both populations should be researched; therefore, the M&L instrument should be modified in two different ways so as to produce two separate instruments—one for the sellers and another for the buyers.

Future service quality research should also make a serious effort to expand the sample size so that the confidence level in the results is enhanced. Two recommendations are made:

- It was conjectured that the length of the questionnaire might have discouraged response. To attain greater parsimony, researchers can consider direct

disconfirmation measures (Brown et al. 1993; Carman, 1990; Robledo, 2001) or performance-based measures (Cronin and Taylor, 1992, 1994). Such measures could potentially reduce the length of the M&L instrument by about 50 percent.

- Since Malaysia is a multicultural and multilingual society, there is probably a need to incorporate languages such as Malay and Chinese into the modified scale. The inclusion of other languages may help improve the response rate.

The modified instruments should be used in future service quality research within the industry.

Finally, future research can also focus on obtaining more conclusive evidence on the relevance and importance of the tangible characteristics of the firm in the local industry setting as the results can have serious repercussions on resource allocation.

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