Make tenants' feel home: a managerial challenge

The relationship between
tenants' satisfaction, commitment & loyalty

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Introduction

Housing Managers try to make dwellings a 'home' for their tenants. For that purpose they create 'value' for their customers. Their success can be estimated in terms of customer satisfaction, commitment and loyalty. Often it is assumed that satisfaction leads to a strong relation with a tenant. A deeper look into literature however shows that the relation between satisfaction, commitment and loyalty is a complex one. The relationships between these concepts have hardly been researched in the context of housing.

The main objective of this paper is to get insight into this complex relationship (see also Dogge & Smeets, 2004,2005).

Firstly, we will introduce several relevant concepts like: home, customer perceived value, satisfaction, loyalty, commitment and their interrelationships

Secondly, we will describe the results of our research. Based on surveys among tenants conceptual models are estimated, using Structural Equation Modelling. On the one hand we will discuss the influence of dwelling attributes on the overall satisfaction of the tenants and on the other hand the relationship between this overall satisfaction and types of commitment and loyalty.

Next we go into the managerial implications of our results for increasing the feeling of home among tenants. Finally we will discuss the applied concepts, method and results.

The concepts of home, value, satisfaction, commitment and loyalty

Home
The concept of 'home' in relation to the concepts 'dwelling' and 'house' is extensively and frequently discussed (Lawrence 1987, Saunders 1989, Creswell 2004). The pitfall of the concept is also commented: by focusing on the household as a unit in the framework of 'home' the relations within these households and the possible tensions between members of the household are leaving aside (Sommerville, 1990).
Dwelling refers to an ongoing process of making a place to live for ourselves in a given time and space. It connotes an active and mobile relationship of individuals to the physical, social and psychological spaces around them. The notion of dwelling highlights the contrast between house and home.
A *house*- as a physical commodity- is produced and marketed under financial (profit or non profit) conditions, within particular economic and technological constraints. The notion of 'dwelling' does not assume that the physical unit of a house defines the experience of home.   *Home* is a location in which significant activities of daily live are conducted and to which an occupant gives a meaning. Apart form spatial dimensions, other, like social and psychological ought to be considered. Furthermore, home is a more restrictive idea then dwelling. It is a *'place-based'* context for action and meaning.
So, by focusing on 'home' rather then 'house' or 'dwelling' the research perspective is shifting from the physical dimensions towards human relations and affective qualities.

Customer perceived value
The assumption of our research is that if a landlord creates customer perceived value the tenant fields himself at home. Like home value is a multi-dimensional construct.
When we speak of customer value in this article we mean the value of the product for the customer. Zeithaml (1988) evaluates four definitions of value for customers:
1. Value in terms of price. 'Value is price' or 'value is low price'
2. Value in the context of trade. Value as a trade-off of costs and benefits. 'what I get for what I give'.
3. Value as the trade-off of perceived product quality and price. Value in this meaning increases when quality increases and the price remains the same or when the price decreases and quality remains the same.
4. Value as the overall and subjective appreciation of all relevant (qualitative and quantitative, objective and subjective) elements that are of importance when buying a good or a service. According to this meaning, the experience of the whole purchase process is also important and not only the concrete purchase of the good or the service.

Zeithaml sums up the four definitions as follows: Perceived value is the customers' overall assessment of the utility of a product based on perceptions of what is received and what is given (.....) Value represents a trade-off of salient give and get components.
Based on the work of Hirschman & Holbrook (1982) and Holbrook (1994) Gianotten (2001) adds a fifth definition to those of Zeithaml:
5. Value of a product is determined by the continues stream of services one obtains of the product during its use. The difference from the fourth definition is that according to this definition it is not the experience during the purchase process that is important but the experience *during the use* of the product.

Housing is a high involvement product. If customers intensively experience, compare and evaluate the product it leads to a more manifest degree of satisfaction. In the case of housing, one speaks of a high involvement product, because there are few products that are experienced more intensely than one's house. Customer value is created during the use of this product. By creating customer value tenants will be satisfied and feel at home.

Satisfaction
Satisfaction is the result of the confrontation of expectations and perceptions of what is actually received. According to Sweeney & Soutar (2001), satisfaction can be conceptualised as a consequence, outcome or summarising variable.
Several researches have shown that quality is an antecedent of satisfaction (for example Spreng & Mackoy 1996). This means that quality of products is one of the determinants of satisfaction. In their research de Ruyter et al (1997) conclude that an increase in quality leads to an increase in satisfaction. This does not mean, however, that consumer always buy the product with the highest quality. Easiness to use, price, availability and other factors can influence customer satisfaction, without changing the perception of quality by the customer. This is where customer value comes in. Value is the moderating factor between quality and satisfaction (for example Caruana et al 2000).

Commitment and loyalty
Also commitment has been described in many ways (Wong and Sohal, 2006). *Commitment* is seen as an enduring desire to maintain a valued relationship. The term valued relationship refers to a relationship of considerable importance. Another definition of commitment in a buyer-seller relation is an implicit or explicit pledge of relational continuity between exchange partners. Commitment implies a willingness to make short-term sacrifices to realize longer term benefits.
Commitment and loyalty are linked to each other and come in to being in several phases. Oliver (1999) elaborates the 'cognition-affect-conation' pattern developing his loyalty phases. Consumers are becoming loyal in a cognitive sense first, then later in an affective sense, still later in a conative sense and finally in a behavioral manner which is described as 'action inertia'.
- Cognitive loyalty.
In the first loyalty phase the product information available to the consumer indicates that one product is preferable to its alternatives. However the consumer can still switch to another supplier. The loyalty in this stage is referred to as cognitive loyalty.
- Affective loyalty.
In the second phase of loyalty a liking or attitude toward the product has developed. The consumer is willing to accept the product. Similar to the cognitive phase there is a still a risk of switching. A deeper level of commitment is seen as desirable.
- Conative loyalty.
In the third loyalty phase a behavioral intention to accept a product comes into being. Conation, by definition, implies a commitment to the product. But it is still a good intention, which can become an unrealized action by refusing the dwelling.
- Action loyalty
In the fourth loyalty phase the motivated intention in the previous is transformed in readiness to act. After this, 'action inertia' develops in the sense that the consumer is inclined to stay.

When a landlord wants to offer a place in which his tenants can conduct significant activities of daily live and to which an occupant gives a meaning, he has to create customer perceived value during the use of his house. By creating customer value during this phase tenants will be satisfied. In this phase action loyalty comes into being in the sense that the consumer is inclined to stay. The commitment is shown by recommending one's neighborhood.

In the empirical part of this research we try to get insight into the relationship between satisfaction of tenants with the living situation a landlord has to offer and their commitment and loyalty to the their landlord's product and to the neighbourhood they live in.

Empirical research – conceptual model and used method

Conceptual model
To explore the relevant features of the residential situation a multi-level approach is used in which three levels are distinguished:
- the private level of the dwelling: private rooms and private outdoor space;
- the semi-public level: the shared spaces in apartment buildings and the backdoor
  alleys around terrace houses.
- The public level: the living environment that is open for anyone

In this research we estimate the relationship between satisfaction with different attributes and satisfaction with public living environment, semi-public space and private dwelling. Furthermore we estimate the relationship between satisfaction with living environment, semi-public spaces and dwelling and the overall satisfaction with the living situations. Finally the relationship between satisfaction with the living environment and the intention to recommend living environment on one hand and the relationship between satisfaction with the living situation as a whole and the intention to stay on the other hand are estimated. Both the intention to recommend the living environment and the intention to stay are indicators for the concept of commitment (See figure 1 for the conceptual model).

We estimate the relationships in the conceptual model in two different types of dwellings:
 A. terraced houses
 B. apartments

ad A.
For the terraced houses we used a survey among tenants of Helmond Housing Association Compaen living in the village of Mierlo and the suburban neigh-bourhoods 't Hout, Stiphout, Brouwhuis and Brandevoort in Helmond. For this paper we analysed the tenants living in terraced houses. After eliminating the cases with missing values there were 702 cases left.

ad B.
For the residential situation in apartments we used a survey among tenants of housing association Wooninc. living in Eindhoven. For this paper we analysed the data of 291 tenants.
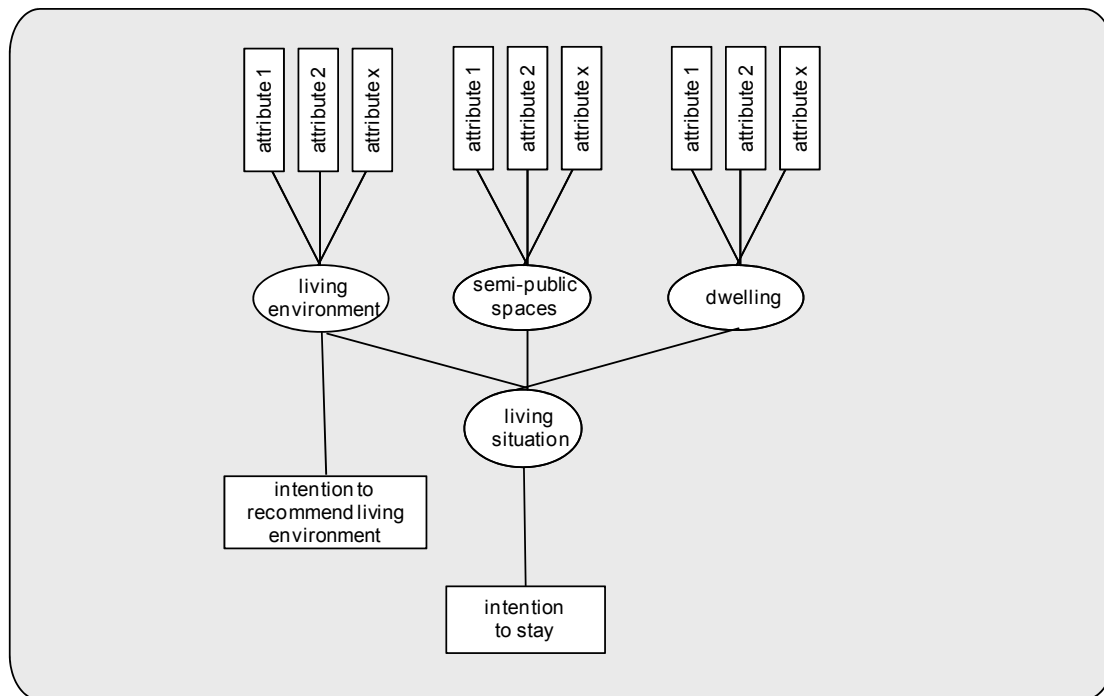
Figure 1: conceptual model

Both types of dwelling are analysed on three levels:
1) the private level : the dwelling
2) semi-public spaces: back paths for terraced houses vs. corridors, stairs and elevators for apartments
3) the public level : the physical and social living environment

In the surveys we used questionnaires in which we asked the satisfaction with 33 attributes of the dwelling, 17 attributes of the semi-public spaces and 37 attributes of the living situation. The tenants were asked to state their satisfaction with all of these attributes using a 5-point scale (very satisfied, satisfied, neutral, unsatisfied, and very unsatisfied).

Method used

Structural Equation Modelling (SEM) is used to estimate the relationship between satisfaction with several attributes of dwellings, semi-public spaces, living environment and services and the overall satisfaction with the living situation and to estimate the relationship between overall satisfaction and loyalty (Byrne, 2001). SEM is a 'marvelously flexible analytical tool' (Kline, 2005), especially for non-experimental research. It makes it possible to study theoretical constructs (like a residential situation) that cannot be observed directly.

In the method used two main steps can be distinguished:
1) Determining which observed variables to use in the model.
2) Estimating the relationships in the conceptual model using Structural Equation Modelling.

Ad 1) To determine which observed variables to use as factors in the model (see figure 2 or 3), we did four confirmatory factor analyses to group the aspects used in the questionnaire into factors that explain the satisfaction of the dwelling, the semi-public space, the living environment and the service. Then the variables that formed the different factors in the results of the four confirmatory factor analyses were aggregated into new constructions (such as size of dwelling, layout of dwelling etc.). The results are shown in figure 2.

Ad 2) Those new constructions are used as the observed variables in a second order factor analysis. In the first order the relationships between those observed variables and the satisfaction with the dwelling, the semi-public spaces, the living environment and the services (all latent variables) are estimated. In the second order the relationship between satisfaction with dwelling, the semi-public space, the living environment and the services and the overall satisfaction with the living situation (latent variable) is estimated. In addition to these two orders, the relationship between overall satisfaction (latent variable) and the intention to stay (observed variable) and the relationship between satisfaction with the living environment (latent variable) and the intention to recommend the living environment (observed variable) were also were also estimated.

However in finding the best fit we followed a model generating scenario by proceeding in a exploratory fashion to modify and re-estimate the model, until we find the best 'fit' between our data set and the model. Guided by the statistical criteria (modification indices, goodness-of-fit statistics) we assume to have found the 'correct' model. Although the findings correspondent with our earlier findings in other samples (Dogge & Smeets, 2004, 2005) this thus not 'proof' that the model is 'robust'. More research will be necessarily.

Empirical research – Results model A terraced houses
Figure 2 shows the results of the estimations (betas) of model A. The betas show the strength of the relationships between the variables.
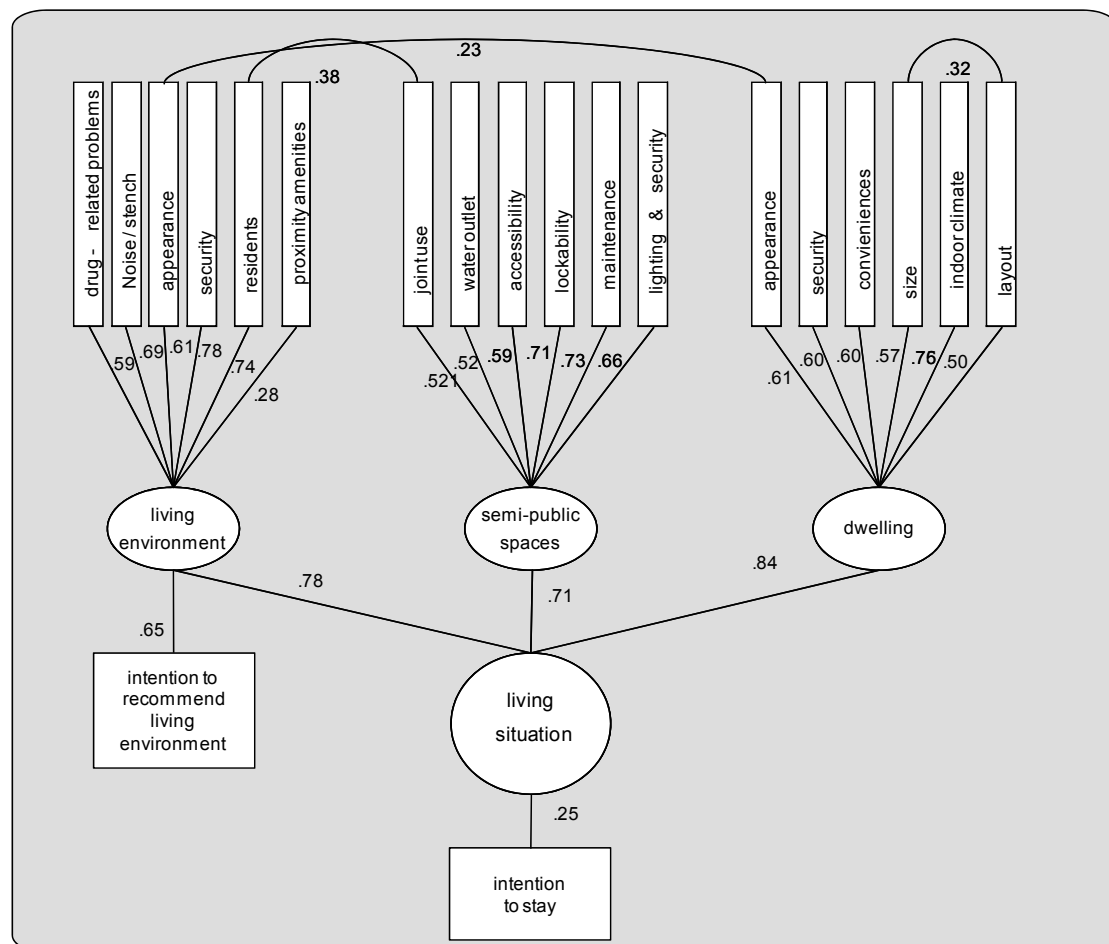

Figure 2: Results model A by Dogge & Smeets

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Model fit summaries
The GFI (0.923), CFI (0.915) and RMSEA (0.57) scores are all within the cut-off values so the model fits.

Satisfaction
The satisfaction with all elements in the living situation appears to weigh significantly in the overall satisfaction. There are, however, some differences in the weights. Satisfaction with the dwelling appears to have the highest weight in the overall satisfaction with the living situation.
There are also more detailed results which show the contribution of the attributes of dwelling, semi-public spaces, living environment and services on overall satisfaction. Regarding satisfaction of the dwelling, the satisfaction with the indoor climate has the highest weight. Satisfaction with the size and with the layout of the dwelling weighs much lower in satisfaction with the dwelling. In regard to satisfaction with the living environment satisfaction with the security in the neighbourhood has the highest weight followed by satisfaction with the composition of the residents. Satisfaction with the proximity of amenities in the neighbourhood weighs lowest.

Commitment and loyalty
The relationship between satisfaction with the housing situation and the intention to stay appears to be quite weak *(beta=0.25)*. Satisfied customers are not necessarily loyal customers (see also Thomassen, 2002).The relationship between satisfaction with the living environment and the intention to recommend the living situation appears to be quite strong. *(beta=0.64)*. More satisfied tenants are more committed and willing to recommend the neighbourhood.

Empirical research – Results model B apartments

Figure 3 shows the results of the estimations of model B apartments

Model fit summaries
The GFI (0.902), CFI (0.902) and RMSEA (0.607) scores are all within the cut-off values so the model fits.

Satisfaction
In model B, satisfaction with the semi-public spaces has the highest weight in the overall satisfaction with the living situation. But the differences are very small.
On the level of attributes indoor climate appears to have the highest weight in the satisfaction with the dwelling, followed by sound, size and installations.
The satisfaction of the elevators has the highest weight in the satisfaction of with the semi-public spaces. The satisfaction with other residents has the highest weight in the satisfaction of the living environment.
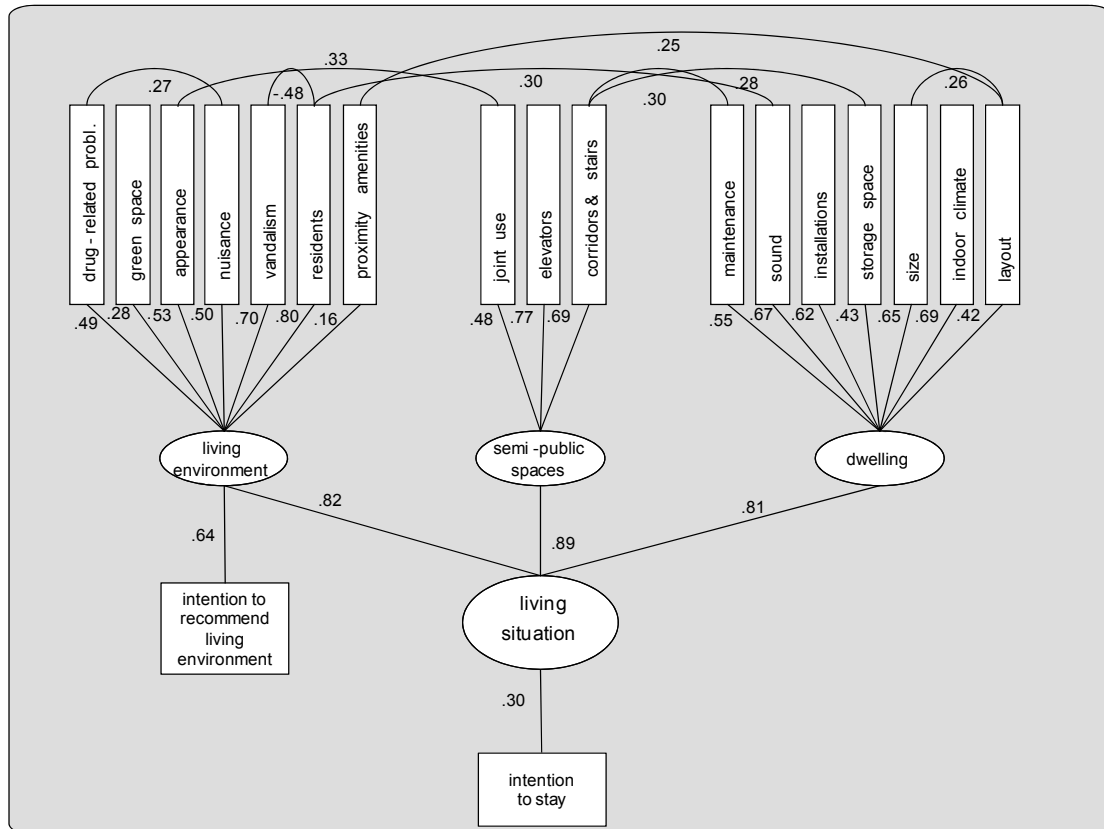
Figure 3: Results model B by Dogge & Smeets

Commitment and loyalty
The relationship between satisfaction with the housing situation and the intention to stay appears to be quite weak again *(beta=0.30)*. Also in apartments satisfied customers are not necessarily loyal customers.

The relationship between satisfaction with the living environment and the intention to recommend the living environment appears to be quite strong. *(beta=0.64)*. More satisfied tenants in flats are also willing to recommend the neighbourhood.

Evaluation of the results
So the results of model B are similar as the results of model A. The analysis shows that satisfaction with the living situation is determined by a configuration of several quality attributes on the private, semi- public and public level which are partly interrelated to one another. In the apartments the interrelation between these levels is even more complex than in the terraced houses.

Both models show also that there is a weak relationship between satisfaction with the living situation and the intention to stay. Satisfaction is no predictor of loyalty. The intention to recommend ones living environment is much more depended on the satisfaction with it. So more satisfied tenants are more committed.

Managerial implications
These findings have implication for the management of houses and for the efforts of a housing association to feel tenant at home.

When a landlord wants to offer a place in which his tenants can live properly and to which an occupant gives satisfaction, he has to create customer perceived value

during the phase of use by the tenants. The challenge is to offer a bundle of quality aspects.

To increase the satisfaction a housing association can manipulate only the manifest variables in the model. The assumption is that by influencing these manifest variables, the 'latent' total dwelling situation may be improved.

At the level of the dwelling the indoor climate is very important. Aspects like thermal insulation, moisture & draught and sound insulation are also important. Next, the size of the dwelling influences satisfaction as do the size of the living room, kitchen en bedrooms. In the case of a single family dwelling, security also plays an important role, especially the quality of the hinges & locks and of the safety measures. Interventions with regard to the quality of indoor climate are most effective, possible by manipulating thermal insulation, moisture & draught and sound insulation. All interventions at the dwelling level can be done by housing management organization themselves.

At the level of the dwelling type, there is a difference between single and multifamily dwellings. In the single family dwelling the maintenance and the lock ability of the alley are important. In multi-family dwellings security in halls, corridors and walkways is very important. Prevent or contend feelings of insecurity, vandalism, contamination or inconvenience are very effective. To improve the satisfaction at this level the housing association needs the cooperation of the residents of the estate.

At the level of the environment the residents attach much importance to the living climate. The environment should be free of annoyance and danger. At this level the efforts of the renter and residents are not enough and cooperation with many different stakeholders (police, civil service, and community work) is often necessary. In sum, if housing associations wish to create satisfied customers they need to take care of the living situation as a whole. If they wish to increase the satisfaction of their tenants, they need to deliver a mixture of physical (including aesthetical) and social efforts. Besides measures at the level of private and the semi-public space, they need to intervene at the public level to create the desired customer value.

The analysis also gives insight in the weight of all the components. Investments in or efforts to improvement one component rather than the other are more effective in terms of satisfaction:
- Regarding the dwelling, investment in convenience and maintenance makes sense.
- Regarding the environment, efforts to reduce nuisance and improve the composition of the residents is effective. However these measures are not easy to implement.

The model also shows that the greater the satisfaction with the living environment of the tenant the greater the commitment is, in terms of recommendation of the perceived living environment.

To create customer perceived value or a feeling being at home, the housing organization has to look for cross-border solutions. Tenants themselves and other stakeholders outside the organization deliver a vital contribution to the realization of the desired quality. Asset management becomes increasingly less adequate and there is a need for network-management, in which several parties are involved. Various kinds of partnerships are necessary to deliver housing services. The bottleneck is that housing managers have to break with their product-oriented approach and make way for a more process-oriented approach in a network of stakeholders. Success in the future will depend on this 'coöpetitive' approach (Smeets & Dogge, 2007).

However, the analysis shows also that satisfied customers are not necessarily loyal: not all have the intention to stay. Even if the majority of the tenants is satisfied and does not intend to move (in the case Eindhoven 63% and in the case Mierlo-Hout almost 70%), a substantial part of the tenants (20%) intend to move in spite of their

satisfaction. So satisfaction may lead to loyalty, but is no guarantee the tenant will stay. In this situation housing association can offer tenants a house but not a home where they want to stay.

The only steering instrument landlords have is creating value for their customers to achieve satisfied customers. More satisfied tenants are also more committed. This commitment can be used as a PR instrument to improve the corporate image and to attract new customers. Landlords should try to encourage their committed customers to express their satisfaction with the landlord's living environment in for example a community news-sheet, newspapers or on a website.

Evaluation

The used method (SEM) makes it possible to study theoretical constructs (like a residential situation or 'home') that cannot be observed directly. The research shows that SEM makes it possible to generate models of different types of residential situations. It gives insight into the parameters that play a role in explaining tenant's satisfaction, the latent factors, the underlying observed variables and the weight of both. This is valuable information for landlords who wants to steer on satisfaction. The model underpins strategic choices in the field of housing management at the level of a residential estate. What kind of investment or efforts is the most effective in raising the quality at the private, the semi-public and public level of a dwelling situation in order to create superior customer value and customers satisfaction?

When customer satisfaction can be seen as a indicator that a tenant feels himself at home, housing managers have to offer a bundle of qualities to reach that satisfaction.

The outcome of the analysis makes clear that this is only possible by cooperating with the tenants and other stakeholders. So, partly tenants have to create themselves a situation in which they ca be satisfied or feel themselves at home!

However, if commitment and loyalty are also used as indices for feeling at home, the efforts are lesser unambiguously, because tenant's satisfaction is only partly a predictor for commitment, even lesser for loyalty. Therefore it would be better for housing managers to see the creation of customer value as a source of creating a home for their tenants.

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