



HOUSING QUALITY AND CUSTOMER SATISFACTION WITH REFERENCE TO DELIVERY METHODS

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Abstract

This paper considers the measurement of customer satisfaction and quality in new housing. The research so far has identified the fact that customer satisfaction in terms of new housing is more than just the technical quality of the constituent components of a house. The research has found when asking purchasers for their overall rating of the quality of their new home that certain service related aspects of the developer could skew the overall rating from very satisfied to very unsatisfied. Whilst there may not be a major difference between the ideas of the developers and those of the customers in terms of technical quality in new housing, it would appear that there is an abyss between the two in terms of perceptions of what contributes overall quality. This perception gap seems to be the problem area, and this gap appears to be more to do with perceptions about service issues than technical issues. It appreciates this by discussing a range of external issues that have been used outside of construction to interpret quality; and considers their application to define and measure quality in new housing. This paper proposes that housing quality ought to be considered in terms of economic and ecological dimensions in addition to traditional, architectural, technical and qualitative dimensions. The relative nature of these dimensions, and hence of housing quality, varies according to the societal context in which they occur. Consequently, this paper suggests that more integrated studies of housing availability, affordability and quality in precise localities should replace the transposition of generalized concepts and normative criteria from one locality to others.

Keywords: *customer satisfaction, technical quality, components of a house, housing quality, affordability, delivery methods.*

Introduction

The paper considers the manner in which other non-construction related industries have looked at the problem of measuring customer satisfaction. This approach has been chosen due to the fact that the private house building industry has more in common with other manufacturing industries and service industries than it does to the commercial contracting sector when considering customer satisfaction. The rationale for this stance is the fact that unlike the commercial contracting sector, house building has multiple customers on the one development and these customers do not have the same contractual relationship and thus rights as commercial clients. This has further been reinforced by the chairman of one of the larger private housing companies as reportedly having stated that his company's core business is selling houses not building them. The link between manufacturing and housing is therefore a reasonable one; the link between service providers and house building may seem at first a Littlemore tentative.

The initial pilot study conducted in this research surveyed a sample of 120 owners of property up to five years in Bhopal (India). The quantitative data were analyzed using and statistics. Deciding various requirement and parameters for designing site and built-up areas based on socio economic nature of targeted population for practicing multistory building.

The response rate of 113 completed questionnaires may be higher than would normally be expected due the fact that the questionnaires were hand delivered to home-owners and hand collected. The survey asked to give an overall satisfaction rating of the quality of their new home; it then also asked them to rate ten technical items in terms of their individual contribution to their overall satisfaction. There was a surprising non-correlation between the technical items and overall satisfaction, indicating that there were other factors affecting this overall satisfaction score. Homeowners were also asked for other comments, and these comments were the ones that indicated the type of factors that had influenced the overall satisfaction score. These responses were more to do with the service provided by the builder, before, during and especially attend after completion of the

purchase of the house. This service focus is the justification for the link with service industries and their attempts to measure customer satisfaction.

Housing Quality

Housing quality is a concept that delineates whether or not housing is sufficient to meet recognized housing quality standards as well as specific household needs. Housing quality is a rather more complex concept with broader social and economic meaning. It accounts for both quantitative and qualitative parameters of residential units, their immediate surroundings, and the needs of the occupants. The quantitative parameters of housing quality refers primarily to objective structural, material, social and economic constituents of housing products or outcomes that can be measured and that result from the performance of the housing sector. The qualitative dimension is much more subjective and difficult to measure. It represents the perceived meanings and values of factors such as the 'comfort' or 'quality of life' that are afforded by different dwelling types, lifestyles, and the preferences and expectations of the inhabitants.

What is Customer Satisfaction?

Two perennial questions remain in the bid to escalate the provision of housing systems; Are house buyers really satisfied? And do the private developers build to satisfy their house buyers? As more companies are starting to realize the importance of customer satisfaction, the impact of customer satisfaction on a company's operations has become a widely discussed topic and customer satisfactions being highly prioritized. Yet, reports on abandoned housing projects, late delivery and poor quality are frequently highlighted in newspapers. This may be attributed to several reasons such as unskilled construction workers, inexperienced site supervisors, substandard materials, disorganized and labor intensive construction works, rushed construction job and huge demand for the properties. The number of complaints remains very high despite the reductions in defective works. There is also a significant increase in breach of acts and regulations and late handing over of possession. Additionally, reports that poor communication between buyers and developers prevent the flow of necessary information on services and products; and this leaves the customers dissatisfied. Many public housing projects fail to meet house buyers' needs due to lack of knowledge about the physical aspects of housing quality and design criteria.

Housing Delivery Systems

Improving customer satisfaction is recognized as a critical success factor to all companies. In this context, the housing industry has had to address the major sources of house-buyers' dissatisfaction in the wake of an alarming incidences of abandoned projects, delays, defective houses and shoddy workmanship. In the housing industry, delivery system form one of the corner stones of customer satisfaction. Two types of delivery systems currently prevail in the world. The Sell-Then-Build (STB) and Build-Then-Sell (BTS). The STB is a more popular concept in many Asian countries such as Hong Kong, Singapore and Taiwan. Literature about STB reveals its existence for more than four decades (Yusuf et al., 2007). Even though the STB system has successfully supplied housing, the increasing problems faced by STB house buyers have urged the government to identify a solution and initiate a more effective housing delivery system such as the novel Build-Then-Sell (BTS) approach.

Sell –Then-Build

A critical feature of the Sell-Then-Build (STB) system is that it allows developers to sell the housing units and collect progress payments once they obtain advertisement permits from the Ministry of Housing and Local Government. These uncompleted houses might be sold at the planning or construction stage. An un-built house is promoted and sold when the potential buyer is shown a plan, an attractive brochure or a model house. Yet, the design and workmanship may not necessarily be the same as the actual house that is going to be completed in the future. Interested buyers are required to pay 10 percent of the price of the house as a deposit to the developers after signing the Sales and Purchase Agreement (SPA). This is followed by periodic payments in accordance with the construction progress. The SPA, which is the agreement between a buyer and a developer, states the buyer's agreement to buy the house and the undertaking to make progress payment. Progress payments are released directly by banks to the projects' Housing Development Account when it is certified that the house has reached specific stages of completion. House buyers will be given the title to the property after all the payments are made.

Despite its merits, the STB system also has intrinsic risks such as the risk that is passed on to the buyers by the developers in terms of the capital required for the uncompleted houses. House-buyers are heavily impacted financially if they borrow from banks to defray progress payments. They need to meet the monthly payments and also the interest for the two or three years which is the minimum period for the project to be completed. Meanwhile, they have to pay rent for their existing accommodation, which adds to their expenses if developers fail to complete the project on time. Therefore, based on a purely rational perspective, the STB system can be burdensome to housebuyers. Moreover; developers are inclined to take advantage of the STB system. Complaints from the house buyers range from shoddy workmanship, delayed completion and abandoned projects. The practice of the STB system that allows just about anyone to be developers may results in some

serious consequences, such as the possibility that a project is abandoned or cannot be resumed. The house buyers are the hardest hit when developers run away without completing the project due to financial problems.

A strong causal link exists among early down payment, the inability to observe the developers at work in the construction stage and the developer's poor quality workmanship. The agreement signed between developers and house buyers upon the purchase of the house requires certain standards; however this agreement has little impact on the quality of the constructed house. Due to these problems in the STB system and in a bid to protect the rights of house-buyers, many stakeholders in the housing industry have challenged the implementation of the STB as an effective housing delivery system.

Build-Then-Sell

Since STB receives many critics from customers, it was incumbent upon practitioners in the housing and construction industry to scale up provisions of the housing delivery systems. This was an attempt to solve the problem of abandoned housing projects, improve the quality of housing and provide greater protection to house buyers. In essence, the BTS system requires developers to sell the house only after it is completely built in the completed property market with the CCC (Certificate of Completion and Compliance) readily issued there are two types of BTS, namely which are 100 percent BTS and Partial BTS. In 100 percent BTS, house-buyers are not required to pay any down payment or any progress payments.

Developers can sell the house only after the house is completely built with the CCC issued. This system is advantageous to house-buyers who have the opportunity to evaluate the house before agreeing to buy it. The 100 percent BTS differs slightly from Partial BTS whereby in Partial BTS, developers may sell the house with a certain sum charged as down payment and the rest to be paid when the house is completed.

The model stipulates that after the signing of SPA, house-buyers have to pay 10 percent of the contract price as a deposit which is placed in a stakeholder account to be released to developers once they have completed the houses. The remaining 90 percent is to be paid after the house is completed with the CCC (certificate of completion and compliance) released to the house-buyers. The 10:90 BTS model is a combination of the STB and the BTS model, with the 10 percent deposit functioning as the purchaser's bond to the contract. As exemplified by the preceding discussion, contrary to STB which employs the periodic installment payment method, the BTS system requires developers to find an alternative source of project financing. In this case, developers have to be financially sound before starting a project to avoid the abandonment of projects. Moreover, in this new system developers have to be more organized, in that they must be more cautious about completion time and the quality of the houses they build. This system may overcome the problems in STB; hence simultaneously give more protection to the house-buyers. There are thus significant and meaningful differences between the BTS and STB systems. Fundamentally in BTS, house-buyers have the opportunity to examine and evaluate the house as the first step towards house-purchasing.

The house buyers may consider purchasing if the house meets their expectations and fulfill their level of satisfaction. Whether it is pure BTS or partial BTS, the risk is not burdensome to housebuyers. The need for alternative delivery systems that foster effective housing construction practices has been recognized worldwide.

Major Sources of House Buyer's Dissatisfaction

As posited by researchers, the concept of housing is a combination of the overall physical and social components that make up the housing system. Morris and Winter (1978) explain housing satisfaction as "a state of the level of pleasure with current housing conditions".

From the perspective of the actual-aspiration gap approach, housing satisfaction can be a standard for evaluating the quality of the residential environment, by measuring the effect of perceptions and assessments of the objective environment. Most individuals evaluate their homes not only by actual conditions, but also according to their desires for the future. Building features are strongly related to housing satisfaction or dissatisfaction. The number of bedrooms, privacy, and the location of the kitchen contribute to the level of dissatisfaction among residents of the core housing program. Moreover, poor housing conditions are generated by problems posed by inadequacy of internal facilities. Neighborhood dissatisfaction occurs with regard to distances to school, to employment and medical centers and the geographical location of housing estates. Along with, accessibility of public transportation, community and shopping facilities and physical environment variables. Satisfaction with neighborhood has been noted as an important factor of dwelling satisfaction to the extent that residents may ignore inadequacies in the dwelling when they are satisfied with the neighborhood. Services (enforcement of rules, and handling of complaints) provided by the housing management also have been predictors of satisfaction with housing.

Other factors that have also been found related to housing satisfaction include:

- (i) Community/ social factors
- (ii) Environmental factors
- (iii) Ability to fulfill buyers' needs, responsiveness, assistance to buyers on purchase, industry knowledge and after sales

To conclude, while product and service quality are the main factors that contribute to customer satisfaction in the housing market, residential environments and neighborhoods are sometimes not perfect and may influence customer dissatisfaction. As such, it is extremely difficult to predict customer satisfaction as product and service quality alone may not always guarantee it.

Common belief is that the BTS system may create a more positive image for the housing industry as only qualified developers with strong financial backgrounds have the capacity to put up with this challenge.

Discussion

The findings of this study indicated those stressors and social and cultural issues were the significant contributors to the overall satisfaction. The stressors index variable includes such items as ability to communicate, isolation, discrimination, tension with neighbors, crime, social and cultural differences, and lack of transportation. The social and cultural issues included cooperation among neighbors, cross-cultural understanding, and the sense of community. This is an area where community leadership could join hands with social and human service organizations to increase customer satisfaction. Support groups could be set up in the community through, libraries, and neighborhood meetings; social events could be planned to create interaction among the newly arrived and long-term residents. When looking at residential satisfaction through the eyes of the newly arrived residents, it is clear that physical issues are of the utmost importance (adequacy of public services, overall attractiveness of the neighborhood and visibility of trailer parks, air quality, the quality of the street and parking, accessibility).

Conclusion

If we can fully identify the customer requirements, it can then identify the external factors that are effecting the customer's judgement and perception of the quality of their new home. Once these factors are identified it can modify them to produce an improvement in customer satisfaction. Is it a matter of improving absolutely – or increasing the correspondence in terms used? This may be still some way off, dependent on finding out what it is that the customer feels is important to them and why. This will identify the factors that have affected the customer's perceptions and attitudes towards quality in new homes. The establishment of the BTS system serves as a warning bell to developers – it emphasizes competence in providing quality houses with minimum defects and more control over the completion time to prevent the house buyers from changing their minds and cancelling the purchase. A may help to prevent the recurrence of abandoned projects. There is great potential that the implementation of BTS will be more profitable for the housing industry as it may help boost the housing industry whilst minimizing the problems within. Crucially, further research on the impact of delivery systems on overall satisfaction and behavioral intention will simultaneously drive forward the ultimate objective of improving customer satisfaction and impacting sales.

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