Differentiating services and its implications for supplier selection
The case of maintenance services for social rented housing

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Summary
The characteristics of business services provide useful information for supplier selection decisions. However, it is yet undetermined which characteristics are most relevant. In this paper, we propose to regard services from an end-customer perspective, since the degree of impact of services on end-customer satisfaction is expected to influence supplier selection decisions. We draw on a classification method based on a customer usage dimension for exploring the nature of this effect and its implications for supplier selection. The issue will be investigated in the specific context of maintenance services on dwellings as purchased by housing associations. These maintenance services do in a varying degree impact residential satisfaction, which should be reflected in supplier selection decisions in order to reach the desired level of service performance.

Practitioner’s summary:
The increasing focus on quality in the Dutch housing sector makes it necessary to differentiate service provider management approaches. By looking at how maintenance affects tenants (solely through the result of maintenance, or also through the process of maintenance provision), appropriate Key Performance Indicators can be identified based on which service providers can be managed.

Keywords: maintenance services, housing associations, performance measurement

Introduction
Today, services constitute the main part of economic activity in developed countries around the world (Fisk, Grove and John, 2000). This increased importance of services is obviously reflected in the purchasing patterns of individual organizations: business services have become a

Social rented housing is a sector for which service buying is of primary importance. Housing associations spend a lot on maintenance of their dwellings. Traditionally, the focus when buying maintenance services has been primarily on cost. More recently however, quality is becoming increasingly important. This increases the need for a different approach to the maintenance sourcing process.

We build on the premise that looking at how buying companies use or apply services with respect to their own offerings to customers, provides the purchaser with useful information for making purchasing decisions. This way of looking at services has been brought forward by Axelsson and Wynstra (2002), who claim that this dimension is the main determinant of functional interaction processes and buyer-seller interfaces for the ongoing service exchange.

Axelsson and Wynstra’s (2002) classification results in a distinction between: 1) services that are passed on to the end-customers of the buying organization, versus 2) services that are passed on to internal actors/employees of the buying firm and therefore stay within the buying company. For services that are passed on to end-customers, it is the end-customer who primarily interacts with the service provider, rather than just the buying company. As a result, the service delivery process and the result of the service provision both affect end-customer satisfaction. These effects need to be taken into account when measuring the performance of maintenance suppliers: the supplier should not only be capable of achieving the desired result, but should also be able to do this through a high quality service delivery process.

For the types of services that remain within the buying company, service delivery takes place in an interactive process with the buying company. Therefore, the service delivery process does not affect end-customer satisfaction. End-customer satisfaction will be only be affected by the result of service provision.

This proposed differentiation is investigated in the setting of the Dutch social housing sector where the procurement of maintenance services constitutes an important part of housing associations’ total external expenses. First, we elaborate on the institutional changes in the Dutch social housing sector that have led to an increased emphasis on quality versus budgetary control. Then, the characteristics of maintenance services are investigated in order to classify maintenance services as one of the types in Axelsson and Wynstra’s (2002) classification scheme. We then elaborate on how performance measurement and subsequently supplier selection differs for each of the types of maintenance services. Directions for future research are suggested based on the conclusions of this study.

**Dutch social rented housing and maintenance**

With over 2.4 millions of dwellings, the social rented sector accounts for 35% of the entire housing stock in the Netherlands (VROM-Inspectie, 2005). The social rented sector is almost entirely owned by housing associations. Recent institutional changes in this sector have resulted in housing associations no longer being able to rely on government support, but being responsible for their own results. Housing associations have acquired a hybrid character, which means that they pursue a particular mixture of public tasks, such as housing to lower income groups, and market activities, such as developing owner occupied housing for middle-income households. Housing associations need to adopt a market approach in order to ensure effectiveness and efficiency in reaching their goals.
The by far most important assets of these housing associations are their dwellings, for which maintenance is essential both financially and strategically. In the Dutch social housing sector, three forms of maintenance services can be distinguished:

1) **Planned maintenance**: activities scheduled at regular intervals (66.6% of total maintenance expenses (VROM-Inspectie, 2005));

2) **Reactive maintenance**: realized on residents’ initiatives (complaints), often after a breakdown (22.7% of total maintenance expenses);

3) **Void repairs**: maintenance realized in between tenancy periods (10.7% of total maintenance expenses).

Straub (2001) describes the three forms of maintenance services as sequential processes. For **planned maintenance**, an inspector registers the actual condition of the maintenance on building components. The registration of the actual state of maintenance takes place by listing the defects. Based on the desired performance of building components, which is defined in the strategic policy of the housing association, maintenance activities are (cyclical) planned in order to get or keep building components at the desired level of quality by elevating the defects. In this planning process, tenants may be consulted about their time-preferences. At the moment the maintenance is to be carried out, the maintenance contractor is given an order, including the specifications of maintenance activities. For the exact planning of executing maintenance activities, tenants may be consulted again to give their time-preferences, and sometimes even some (aesthetic) preferences about the result of maintenance. After the realization of maintenance activities, performance measurements are conducted to ensure that the planned performance of the building components is realized. This may include measurements of tenant satisfaction about the maintenance process and result. Finally, the administrative handling of the order finishes the procedure.

In general, the procedure of **reactive maintenance** works out as follows. After the registration of the specific repair request or complaints, these requests are assessed. Based on this assessment of necessity of the reparation, an order is created. The order is given to an external maintenance contractor, and/or maintenance records are made for the internal maintenance department. After the realization of the maintenance service, the administrative handling of the order finishes the procedure. Some housing associations carry out periodic tenant satisfaction measurements in order to check the perceived quality of performance.

**Void repairs** contain the following procedural steps. At the moment that a tenant will move out of the dwelling, a survey is conducted by the housing association to assess the quality of the dwelling. The data of this inspection are compared with reference figures from external advisors or the housing association itself. Concurrently, the new tenant of the dwelling may provide the housing association with his/her preferences: keeping the current state of building, or restoring it to the reference figures. After this inspection phase, an order is created. The order is given to an external maintenance contractor, and/or maintenance records are made for the internal maintenance department. Just as is the case with reactive maintenance, after the realization of the maintenance service, the administrative handling of the order finishes the procedure.

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1 A fourth form of maintenance that may be identified is service maintenance, which refers to maintenance that is realized as part of a service subscription. Tenants pay a monthly fee for receiving extra maintenance services. In this study, no particular attention has been given to this type of maintenance, as it can be considered as forming a part of mainly reactive maintenance, and to a smaller degree planned maintenance.
Total maintenance (excluding improvement activities\(^2\)), as added up to the expense of the profit-and-loss account, amounted up to €2,633 millions in 2003. Around 21.4% of the annual total expenses of housing associations is used for maintenance (CFV, 2005). While the financial impact of maintenance is acknowledged in housing associations’ policies and procurement (see e.g. the recent attention for total costs of ownership in performance-based maintenance partnering (Straub, Vijverberg and Van Mossel, 2005)), the strategic impact is usually inadequately recognized. The goals of maintenance have generally been directed to upkepping buildings and to meet legal requirements according to the Building Decree and other regulations. However, the mentioned institutional changes that require housing associations to adopt a market approach, make it more and more important to strive for broader aims than budgetary control and technically maintaining buildings. In congruence with this, the housing associations’ domains are extended from ‘housing’ to ‘housing, housing services, and the social environment of housing’ (Ministerie van VROM, 2000).

These developments have consequences for individual housing associations. In the social rented sector, in contrast to the commercial rented sector, financial performance is not the primary criterion for management decisions. The key question for social landlords is how to reach their social housing objectives efficiently (Gruis and Thomas, 2002). The policy context has set considerable challenges for asset management by Dutch social landlords and requires them to strive for customer satisfaction, in addition to their traditional role of solely providing cheap housing to pre-determined social groups.

In our opinion, this has certain implications for the service procurement process. Maintenance is no longer solely directed at upkeeping buildings, but should fit with and contribute to the increased emphasis on improving and maintaining residential satisfaction. Maintenance services should therefore be procured with their impact on end-customer satisfaction in mind. This entails a widening focus from purely result-oriented supplier selection criteria (f.e. can the painter perform its painting job in such a way that the quality of the painted building component is satisfactory now and during the coming five years) to criteria that are related to end-customer satisfaction (f.e. is the painting job performed in a way that minimizes nuisance for the end-customer). Until now, use of this latter type of criteria is scarce. Further differentiation of maintenance services, based on the end-customer perspective, may provide us with fruitful insights into the relationship between types of maintenance services and supplier selection. We will examine the role of the final customer (the resident) in maintenance in order to find out whether and how this might affect supplier selection decisions.

**Differentiating maintenance services**

We argue that housing associations should keep the tenant’s perspective in mind in order to ensure that maintenance providers contribute to housing associations’ business performance. Axelsson and Wynstra (2002) propose a classification that takes into account this role of the final customer in the purchasing process. They identify four types of services based on the way the buying company uses or applies the service with respect to its own offerings to customers:

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\(^2\) Apart from maintenance, housing associations carry out improvement activities on their dwellings. Unlike maintenance activities, which primarily aim at preserving the quality of existing buildings, improvement activities lead to a higher market value of buildings. Improvement activities are therefore considered being outside the scope of this paper.
1) Component services: become, unaltered, part of the offerings to the final customer. An example is façade painting.

2) Semi-manufactured services: are modified by the buying firm, after which they – in an altered form – go further to the (final) customer. For example, in case of reactive maintenance, the information supply around maintenance, and the entry of complaints, is done by the housing association.

3) Instrumental services: are used as a tool or instrument for the buying company’s ‘production’ of services. An example is engineering advisory services.

4) Consumption services: are used within the buying firm without becoming part of the final product. An example is cleaning services for the housing associations’ office buildings.

A main difference between types 1 and 2 and types 3 and 4 respectively is that the first two involve services that are being passed on to the buying firm’s customers, whereas the latter two remain within the buying firm. The basic underlying dimension here is “the type of customer the service is directed at”: either an internal actor (a department of the housing association), or the external customer (the tenant/ resident) (Figure 1).

Figure 1 Differentiating services according to “type of customer” (based on Axelsson & Wynstra, 2002)

<table>
<thead>
<tr>
<th>Directed at internal actors</th>
<th>Directed at external customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instrumental services:</td>
<td>Component services:</td>
</tr>
<tr>
<td>Are used as tools/ instruments to produce the customer’s own products;</td>
<td>Become, more or less unaltered, part of the offerings to the final customer;</td>
</tr>
<tr>
<td>Consumption services:</td>
<td>Semi-manufactured services</td>
</tr>
<tr>
<td>Are used within the customer organisation without becoming part of the offering to the final customer.</td>
<td>Go, after being altered, further to the final customer.</td>
</tr>
</tbody>
</table>

Housing association’s maintenance services are considered to be an important part of the main service offering to tenants, which is the provision of housing. Many maintenance activities have an impact on the tenant’s living experience, and therefore affect residential satisfaction.

Some maintenance services are directed at upkeeping buildings, thereby enabling housing associations to provide good quality housing services during a certain period of time. These services, like roofing services in case of high-rise buildings, usually do not involve the tenant of the dwelling. To be more specific: the service is not provided in direct interaction with the tenant; the service provider only or mainly interacts with the housing association. Furthermore, this type of maintenance activities has the characteristics of an investment. These types of services are therefore classified as instrumental services.

Other maintenance services are provided in direct interaction with tenants (e.g. painting of doorposts and windowsills); in order to provide these services, the tenant has to be present at the dwelling and possibly perform certain actions (open up windows, leave doors open, et cetera). These services are therefore considered component services.

The type of service and its contribution to the housing association’s business performance

We argue that the two types of maintenance services identified will affect the housing association’s business performance in a different way.

Considering instrumental services, which are generally directed at upkeeping buildings, there could be an indirect effect on residential satisfaction, which can either be more or less profound. For example, poor construction will result in more complaints of future tenants. On the other
hand, poor advisory services of an engineering company might have no effect. For instrumental maintenance services, the *result* of service provision could have a certain impact on residential satisfaction.

Considering component services, which are delivered to tenants, the service has a direct effect on residential satisfaction. For example: poor painting of windowsills will almost immediately result in complaints from the tenant. For maintenance services that require fairly intensive interaction with the tenant, *also the process* of maintenance service delivery directly affects the satisfaction of residents. An example is maintenance on heating systems: if the maintenance staff behaves incorrectly in the presence of a tenant, this will undoubtedly have a negative effect on residential satisfaction. For other services, just the result of the service that is provided influences residential satisfaction. An example of this influence is the impact of the functioning or aesthetics of a building component or installation on residents.

Thus, we can differentiate between services that have an indirect impact on residential satisfaction (instrumental maintenance) and services that have a direct impact on residential satisfaction (component maintenance). For the rest of this paper, we will focus on the latter (component maintenance).

In the component maintenance category, we can further differentiate between services for which only the result has an impact on residential satisfaction versus services for which also the delivery process has an effect. This latter distinction is very important, since this points out the need for emphasizing process-related aspects in supplier selection in addition to result-related aspects. Housing association’s business performance might benefit from this distinction by identifying different KPIs for each of these aspects. When hiring a painter, the housing association will want to make sure that the painter performs a satisfactory painting job. Additionally, the housing association could put requirements on how the painter carries out the job, for example by demanding that a certain painting job is completed within two subsequent days. These requirements have to be drawn up with the tenant’s perspective in mind: while certain types of tenants do not work (elderly people) and therefore have no restrictions with regard to doing the painting job, other types of tenants (double-income households) will want to minimize the time required to complete a job. Other examples are reduction of noise or working neatly (not making a mess).

Based on the above, we can conclude that purchasers of housing associations should determine whether only the result of service provision impacts residential satisfaction, or whether the process of service provision is also, perhaps even more, important. This constitutes the decision rule for identifying: 1) component maintenance services for which only the result affects tenants; 2) component maintenance services of which both the result and the service delivery process affect the tenant. We will further refer to these two groups as *result-oriented* and *process-and result-oriented* component maintenance. This can be graphically represented in a matrix, with one the vertical axis the influence of the result on residential satisfaction, and on the horizontal axis the influence of the process on residential satisfaction (Figure 2).
Influence of process of service on residential satisfaction

Reactive maintenance
Planned maintenance
Void repairs

Influence of result of service on residential satisfaction

Result-oriented component maintenance
Process- and result-oriented component maintenance
Instrumental maintenance

Figure 2 How the maintenance service impacts residential satisfaction

Determining the size of the impact of maintenance on residential satisfaction

The size of the influence of maintenance on residents differs among the three forms of maintenance activities: planned maintenance, reactive maintenance and void repairs. Roughly spoken, the three forms of maintenance services could be positioned as visualized in Figure 3. For all three forms of maintenance, both the process and the result of the service supply affect residential satisfaction. Still, for void repairs and planned maintenance, the focus primarily is on the result, while for reactive maintenance, the process is relatively more important. Focusing on the process of maintenance, the main difference between void repairs on the one, and planned and reactive maintenance on the other hand, is that the process of maintenance for the first almost entirely consists of administrative and planning processes. This is due to the fact that void repairs are usually realized without the presence of tenants. In the case of reactive and planned maintenance, the tenant is affected by the administrative and planning processes, as well as by the actual realization of maintenance activities.

Figure 3 The influence of the process and the result of the service supply on customers

Figure 3 demonstrates that the three forms of maintenance activities (void repairs, planned maintenance and reactive maintenance) can be of any of the three service types identified (result-
oriented component maintenance, process- and result-oriented component maintenance or instrumental maintenance). Still, in many cases void repairs will mainly be result-oriented component services, while reactive maintenance will be first of all process-oriented maintenance services. The exact positioning of a specific maintenance service however depends on the specific resident, the specific maintenance service (painting, lift maintenance, maintenance on toilets, etc.), the dwelling characteristics, and the housing association’s strategic policy. For example: maintenance of kitchens will probably have a relatively high influence through both the result and the process, because the workmen usually have to realize the works when the resident is at home and at a central place in the house (influence of process). The influence of the result on residents is relatively high as well, because the kitchen usually has a relatively high visual as well as functional impact. When the maintenance on the kitchen is realized on request of the resident, in case of reactive maintenance, the impact may be even higher, since the tenant is likely to be more sensitive with regard to the realization of maintenance activities.

In general we can say that the influence of the result of the service on residential satisfaction is highly dependent on the perceived utility, or value, for residents. This utility is determined by the performances of the building component or installation. Table 2, which is based on Straub (2001), provides an overview of the performances attributed to these building components and installations. Besides the performances of the building component or installation, the proximity of the resident to the service-delivery process is important. Maintenance that has been realized in the private setting of residents has much more influence than maintenance that has been realized outside the individual housing unit.

**Table 2 Performances of building components and installations (based on Straub, 2001)**

<table>
<thead>
<tr>
<th>Performances</th>
<th>Building components and installations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical performance</td>
<td>All components</td>
</tr>
<tr>
<td>Fire safety</td>
<td>Various components</td>
</tr>
<tr>
<td>Safety of use</td>
<td>Floor, stairs, balcony, gallery, mechanical, and electrical installations (=windows and external doors, heating-installations, lift-installations, ventilation systems)</td>
</tr>
<tr>
<td>Social security:</td>
<td>Entrance doors, window frames, windows and doors, common rooms, grounds, lighting</td>
</tr>
<tr>
<td>• Entrance/protection against burglary</td>
<td></td>
</tr>
<tr>
<td>• Destruction/plastering/ pollution</td>
<td></td>
</tr>
<tr>
<td>Health and indoor environment</td>
<td>Various components, in particular windows and external doors, ventilation systems</td>
</tr>
<tr>
<td>Utility and availability</td>
<td>Floor, stairs, balcony, glass, working parts, paving, mechanical and electric installations (windows and external doors, heating-installations, lift-installations, ventilation systems, glass)</td>
</tr>
<tr>
<td>(flatness, bending, operation, view)</td>
<td></td>
</tr>
<tr>
<td>Possibilities for maintenance</td>
<td>House-front installations, windows (windows and external doors)</td>
</tr>
<tr>
<td>(reach ability)</td>
<td></td>
</tr>
<tr>
<td>Aesthetic performance</td>
<td>Finishing coats, house fronts (windows and external doors, painting, brickwork)</td>
</tr>
<tr>
<td>Energy performance</td>
<td>Closed house fronts, roofing, floors, glass, heating installations, and water installations (terrace roofing, slope roofing, glass, heating-installations)</td>
</tr>
<tr>
<td>Water performance</td>
<td>Water installations</td>
</tr>
<tr>
<td>Sustainable material-use</td>
<td>All components</td>
</tr>
</tbody>
</table>
For the influence of the *process* of service supply on residential satisfaction, the intensity of the interaction with tenants is most important. Maintenance on the tenant’s kitchen is probably more intensive for tenants than maintenance on the pavements around the building. Residents are to a higher degree confronted with factors such as listed in Table 3. These factors, which determine the process-related impact of a maintenance service on residential satisfaction, have been derived from the determinants of service quality as defined by Parasuraman et al. (1985). The extent to which these variables are present in terms of quantity and intensity determines the influence a service may have on end-customers. In a follow-up study, tenants’ views on this impact will be measured.

<table>
<thead>
<tr>
<th>Determinants of service quality</th>
<th>Factors</th>
<th>Process-related</th>
<th>Result-related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>Accessibility of the housing association or the maintenance company for getting information and filing complaints</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>Addressing customers in their own language</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>The expertise of maintenance workers</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Courtesy</td>
<td>The courtesy of maintenance workers</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintenance workers wearing neat, recognizable industrial clothing</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The prevention of mess and dust around the places of work</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>Meeting the commitments about the results of work</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Meeting the commitments about the planning of works</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Restricting the duration of works</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>Preventing damage to personal belongings of customers</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>The quality of the results of maintenance works</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The prevention of nuisance and vibrations during works</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Understanding/knowing the customer</td>
<td>Flexibility in making appointments</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Involvement of customers in the maintenance</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Tables 2 and 3 provide a starting point for determining the nature and size of the impact of service performance on residential satisfaction. For result-oriented component maintenance and instrumental maintenance, only the performances of the building component, the installation or the surrounding grounds of buildings are of importance. For process- and result-oriented component maintenance, both these performances and the process determinants of service quality are important for residential satisfaction.

**Service specification and supplier selection**

The previous section presented some guidelines classifying different maintenance services and explained how the different service types are related to the housing associations’ business performance. The performance of the housing association builds on the performance of individual suppliers; therefore, supplier selection will impact the housing association’s business performance (Kannan and Tan, 2002).

The differing way in which and extent to which residential satisfaction is impacted is likely to be reflected in the qualities required from maintenance providers. Supplier selection is expected to differ for different types of services in order to ensure that the service provision contributes to residential satisfaction.
First, the housing association should think about whether and how the service contributes to tenant satisfaction. Subsequently, performance measures should be drawn up that connect the provision of the service to maintaining/ increasing customer satisfaction. The specification of the service is, or should be, based on these performance measures. When, for example, buying a painting service, the service to be provided seems quite straightforward. However, the content of the service could be described in various manners: the buyer could specify a painter with certain credentials to do the job as well as a certain brand of paint, or to paint the windowsill three times, or to make sure that the windowsills are nicely painted red. Axelsson and Wynstra (2002) refer to this as input, throughput (process) and output specifications respectively. Finally, services could be specified at the outcome level, which means that the buyer requests for example a positive contribution to residential satisfaction.

These different ways of specifying the service can address both the result of the service and the process. By moving to an outcome specification, the buying company is thinking more in terms of what the service should achieve (increased customer satisfaction) than in terms of how the service should be carried out. This implies more freedom for the service provider to carry out his activities to his best knowledge and capability. The housing association on the other hand can focus on which qualities are required from a maintenance provider. In the case of result-oriented component services, the emphasis will be on technical skills, since technical performance of components and installations is essential. In the case of process- and result-oriented component maintenance, process-related qualities like behavior and personality also become important. These process-aspects should then also be transformed into supplier selection criteria.

Conclusions and discussion
Maintenance services are an important part of housing associations expenditures. Whereas in the past, this maintenance was mostly directed at upkeeping buildings and conforming to regulations, the housing association is increasingly becoming an entrepreneur, whose main concern it is to attain and maintain customer satisfaction. The transformation of Dutch social landlords from operational, task-oriented organizations towards ‘social entrepreneurs’ requires them to operate in a more strategic way (Gruis, Nieboer and Thomas, 2004). This implies a shift in focus from upkeeping buildings to fulfilling the demands of tenants. In line with this, the use of output specifications for buying maintenance services is increasing. This is called performance-based procurement (e.g. Straub et al., 2005).

We propose a classification scheme of services that takes into account the role of the end customer (tenant) and applied this scheme to maintenance services. We found that most of the maintenance services are directly being transferred to tenants and can thus be regarded as component maintenance. Within the group of component maintenance, a further distinction can be made between maintenance for which only the results affects residential satisfaction and maintenance for which also the process affects residential satisfaction. Finally, we argue that these process-related aspects should be taken into account on top of result-related aspects when selecting maintenance providers. Incorporating all aspects that might influence customer satisfaction enables housing associations to procure maintenance services from providers that will be able to contribute to building and/or maintaining residential satisfaction.
Furthermore, the ideas of this conceptual investigation need to be validated empirically. We need to find out what the actual impact is of:
1. Different maintenance services on residential satisfaction, and;
2. Different determinants of maintenance service quality on residential satisfaction.
Follow-up studies are needed on these factors, in order to draw conclusions about the exact nature of supplier selection for maintenance services. Overall however, the distinction between the various types of services seems relevant for service specification and supplier selection activities. This is in line with trends in other companies, which are increasingly acknowledging that it is important to identify where and how their suppliers contribute to the buying company’s business performance (Van der Valk, Wynstra and Axelsson, 2005).

An interesting finding in this conceptual study is that the class of component services can be divided into two subcategories. In other words: this conceptual study indicates that the classification proposed by Axelsson and Wynstra (2002) could be developed further by distinguishing between the process and the result of service delivery. The relevance of this distinction was also found in a study into functional interaction patterns between buyers and sellers of a large number of different business services (Van der Valk et al., 2005), which raised the question how to classify services. Is it important that the service activities are provided in direct interaction with the end-customer (for example with luggage handling at the airport)? Or could a service for which only the result impacts end-customers also be considered a component service (for example with cleaning the airplane: passengers are usually not confronted with the cleaning crew, but with the result of the cleaning activities)? Another interesting point is that in the case of void repairs, the housing association is responsible for the administrative and planning processes and not the maintenance service supplier. Therefore, particularly void repairs could be even considered as semi-manufactured services. Thus, the classification can possibly be developed further.

Finally, we would like to note that this whole discussion has taken place in a setting of increased market focus of housing associations. Admittedly, the “market approach” that should increasingly be adopted by housing associations should not be viewed as a market approach in the traditional sense of the term, as a result of which housing associations would be competing to attract and maintain tenants. When, for example, consumers are dissatisfied with their telecom service provider, a switch to an alternative source is easily made. Tenants currently do not have the same ‘freedom’ with regard to finding alternative housing. However, tenants are obtaining more means to enforce housing associations to provide the quality that tenants might reasonably expect, through the Dutch Rent Act. A recent study on the position of tenants (Commissie Zeggenschap en versterking positie huurders(-organisaties), 2005), conducted on assignment of the Dutch Ministry of Housing and the Dutch Tenant Association (in Dutch: Woonbond), concluded that the tenant should increasingly be perceived as a valuable stakeholder and sparring partner of the housing association. As a result of such developments, the idea that housing associations will adopt a market, or rather a customer, focus is becoming more realistic. Consequently, this discussion is becoming more and more relevant for housing associations that really want to serve their tenants.
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