

Literature Review on Customer Satisfaction

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Abstract: Academic and corporate interest in customer satisfaction has risen considerably in recent years. This can be seen by the number of papers published in the related field. To explore the field further, the purpose of this paper is twofold. First, it offers a literature review on customer satisfaction taking various papers published into account. Second, it offers a conceptual framework to summarize the research in this field comprising three parts. As starting point related triggers are identified. This allows putting forward three distinct strategies: customer satisfaction to create loyalty, Impact of service quality on customer satisfaction and customer satisfaction and price tolerance. Concept of value addition through innovation to create satisfaction is also covered by author.

Author has examined the body of relevant conceptual and empirical works in top management outlets, as well as specialty outlets. It's found that there is widespread consensus among satisfaction related literature that satisfaction is an evaluative judgment and several comparison standards have been proposed in the literature but no consensus exists concerning which standard best predicts customer satisfaction.

Both practitioners in companies and academics might find the review useful, as it outlines major lines of research in the field. Further, it discusses specific features of customer satisfaction and develops a new model; this should stimulate further research.

Key Words: Customer Satisfaction; Loyalty; Price Tolerance; Service Quality HFSS Software etc.

1. Introduction:

Customer satisfaction is an ambiguous, abstract and confusing concept. Customer satisfaction refers to the extent to which customers are happy and delighted with the products and services provided by a business. In other words satisfaction is the state of mind felt by a person who experienced a performance of product or service that has fulfilled his or her expectations. Satisfaction is thus a combination of relative level of expectations and perceived performance. Customer Satisfaction with a purchase depends on the product and service real performance relative to customer expectations. A Customer might experience various degrees of satisfaction, if product's/service actual performance short of expectations, the customer is dissatisfied. If performance of product and services matches expectations the Customer is satisfied¹. The level of satisfaction can also vary depending on other options the customer may have and other substitute's available against which the customer can compare the organization's products.

Expectations are an unavoidable part of purchase decision of customers. Every time a customer makes a purchase, there are certain inbuilt expectations. Satisfaction results when those expectations are met. For example, when a hungry employee goes to a restaurant for lunch, he could be having the following expectations:

1. A meal of rice, bread and lentils (Dal) that will be tasty and filling.
2. Being served within ten minutes.
3. The meal costing not more than Rs. 100.

The basis on which these expectations may have been formed could be through old experience at other restaurants. They could also have been formed owing to the promotional claims made by the restaurants. So, whenever a customer calls up Domino's Pizza they expect that the company will deliver the Pizza within 30 minutes. Some time expectation may also formed when peer group recommend certain product or services.

¹ Kotler and Armstrong (2002); "Principles of Marketing", Pearson Education Asia, Ninth, Edition, Page No. 670.

However, customer satisfaction may be effected by factors that are not concerned with the core offering. In the above example of the hungry worker going to a restaurant, the worker could still-not satisfy despite the expectations mentioned below being met:

1. The waiter behaves very rudely with him/ misbehaves.
2. Number of Diptera converges on his plate while he is eating.
3. It takes the restaurant 10 minutes to prepare his bill.

Therefore, a customer doesn't focus only on the core offering, but also other aspects concerned with the total need fulfillment. For example, children frequently visiting McDonalds are satisfied not by the food offered by McDonalds, but often because of the free gifts that accompany the meal. So, what is clear about customer satisfaction is that customers are most likely to appreciate the goods and services that they buy if they are made to feel special. Gaining high levels of customer satisfaction is important to a business because satisfied customers will be loyal one and use a wide range of product and services offered by a business.

2. Defining Customer Satisfaction:

Despite extensive research in the years since Cardozo's (1965)², definitional considerations have received little attention and researchers have yet to develop a universally accepted definition of consumer satisfaction. As a result, the literature is replete with different conceptual and operational definitions of consumer satisfaction. Below are the few conceptual definitions of Consumer Satisfaction:

**TABLE 1
Conceptual and Operational Definitions of Consumer Satisfaction**

Literature Source	Conceptual Definition	Focus
Oliver 1997	The consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment (p. 13)	Product or service
Halstead, Hartman, and Schmidt 1994	A transaction-specific affective response resulting from the customer's comparison of product performance to some pre-purchase standard (e.g., Hunt 1977; Oliver 1989) (p. 122).	Product performance compared to some pre-purchase standard
Mano and Oliver 1993	(Product satisfaction) is an attitude - like post-consumption evaluative judgment (Hunt 1977) varying along the hedonic continuum (Oliver 1989; Westbrook and Oliver 1991) (p. 454).	Product

² Cardoza,R.(1965) "An Experimental Study of Customer Effort, Expectations and Satisfactions", Journal of Marketing Research 2, Page No. 245.

Fornell 1992	An overall post-purchase evaluation (p.11).	Post-purchase perceived product performance compared with pre-purchase expectations
Oliver 1992	Examined whether satisfaction was an emotion. Concluded that satisfaction is a summary attribute phenomenon coexisting with other consumption emotions (p. 242).	Product attributes
Westbrook and Oliver 1991	A post-choice evaluative judgment concerning a specific purchase selection (Day 1984) (p. 84).	Specific purchase selection

Source: Various books on "Consumer's Satisfaction", and various volumes of "Academic of Marketing Science Review".

On the basis of above mentioned (Table 1) we can analyze that some of the definitions provided in the consumer satisfaction literature are fundamentally different with one another. In other cases, the definitions have overlapping components but are partially different. When examined as a whole, for researcher **"customer satisfaction is a response occurs at a particular time and its result of a series of comparison of product and service performance with expectations."** One can identify four general components from this definition:

1. Consumer satisfaction is a either emotional response or cognitive response;
2. The response occurs at a particular time (after consumption of product and service, after selection, based on accumulated experience, etc);
3. The response occurs after a series of comparison and evaluation(Comparison with pre-purchase expectations);and
4. The response is related with a particular central aspect (product, service, consumption experience, etc.).

However, purchase experiences are not isolated, they occur within specific contexts or environments. Cardoza (1965) stated that "customer satisfaction may depend not only upon the product itself, but also upon the experience surrounding acquisition of the product"³. For example, customers at CCD are satisfied owing to the experience that it offers, apart from the coffee.

3. Customer Satisfaction and Loyalty:

It's a universally accepted fact that customer satisfaction and loyalty is intrinsically coupled to the well-being and long term growth of the any company. Providing benefits above and beyond what the customer is even aware of through innovation and proper value addition can create a loyal customer (See Saxena, 2014)⁴. The literature pertaining to relationships among customer satisfaction, customer loyalty, and profitability has two dimenstions: The first, service management literature, proposes that customer satisfaction influences customer loyalty, which in turn affects profitability. Supporter of this theory include researchers such as Gummesson (1993)⁵; Heskett et al. (1990)⁶; Heskett et al. (1994)⁷; Reicheld and Sasser (1990)⁸; and Zeithaml et

³ Cardoza,R.N. (1965) "An Experimental Study of Customer Effort,Expectations and Satisfactions",Journal of Marketing Research 2, Page No. 249.

⁴ Saxena,A.(2014) "A Comparative Study of Customer Satisfaction of CDMA Mobile Services (With Special Reference to Reliance and Tata Telecommunication)"; Ph.D. Research Work, BU Bhopal, Page No. 177.

⁵ Gummesson, E. (1993), Quality Management in Service Organizations: An Interpretation of the Service Quality Phenomenon and a Synthesis of International Research, International Service Quality Association, Karlstad, Sweden.

⁶ Heskett, J.L., Sasser, W.E. and Hart, C.W.L. (1990), Breakthrough Service, The Free Press, New York, NY.

al. (1990)⁹. These researchers discuss the links between satisfaction, loyalty, and profitability. Nelson et al. (1992), who demonstrated the relationship of customer satisfaction to profitability among hospitals, and Rust and Zahorik (1991), who examine the relationship of customer satisfaction to customer retention in retail banking also examined these interlinkages. The Bank Administration Institute has also examined and evaluate these ideas, in particular Roth and van der Velde (1990, 1991)¹⁰.

The service management literature argues that customer satisfaction is the result of a customer's perception of the value received in a transaction or relationship – where value equals perceived service quality relative to price and customer acquisition costs (see Blanchard and Galloway, 1994; Heskett et al., 1990) – relative to the value expected from transactions or relationships with competing vendors (Zeithaml et al., 1990). Loyalty behaviors, including relationship continuance, increased scale or scope of relationship, and recommendation (word of mouth advertising) result from customers' beliefs that the quantity of value received from one supplier is greater than that available from other suppliers. Loyalty, in one or more of the forms noted above, creates increased profit through enhanced revenues, reduced costs to acquire customers, lower customer-price sensitivity, and decreased costs to serve customers familiar with a firm's service delivery system (see Reicheld and Sasser, 1990).

The second relevant literature is found in the marketing domain. It discusses the impact of customer satisfaction on customer loyalty. Yi's concludes, "Many studies found that customer satisfaction influences purchase intentions as well as post-purchase attitude" (p.105)¹¹.

The marketing literature suggests that customer loyalty can be defined in two distinct ways (Jacoby and Kyner, 1973)¹². The first defines loyalty as an attitude. Different feelings create an individual's overall attachment to a product, service, or organization¹³. These feelings define the individual's (purely cognitive) degree of loyalty.- S. Fornier (1994)

The second definition of loyalty is behavioral. The behavioural view of loyalty is similar to loyalty as defined in the service management literature. This study examines behavioural, rather than attitudinal, loyalty (such as intent to repurchase). Examples of loyalty behavior include continuing to purchase services from the same supplier, increasing the scale and or scope of a relationship, or the act of recommendation (Yi, 1990)¹⁴. This approach is intended, first, to include behavioural loyalty in the conceptualization of customer loyalty that has been linked to customer satisfaction and second, to make the demonstrated satisfaction/loyalty relationship immediately accessible to managers interested in customer behaviors linked to firm performance.

Both the service management and the marketing literatures suggest that there is a strong theoretical underpinning for an empirical exploration of the linkages among customer satisfaction, customer loyalty.

⁷ Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, W.E. Jr and Schlesinger, L.A. (1994), "Putting the Service Profit Chain To Work", Harvard Business Review, March-April, Page No. 105.

⁸ Reicheld, F.F. and Sasser, W.E. Jr (1990), "Zero Defections Comes to Services", Harvard Business Review, September-October, Page No. 107.

⁹ Zeithaml, V., Parasuraman, A. and Berry, L.L. (1990), Delivering Quality Service, The Free Press, New York, NY.

¹⁰ Roth, A. and van der Velde M. (1991), "Customer Perceived Quality Drives Retail Banking in the 1990s", Bank Management, November, Page No. 29.

¹¹ Yi, Y. (1990), "A Critical Review of Consumer Satisfaction", in Zeithaml, V. (Ed.), Review of Marketing, 1990, American Marketing Association, Chicago, IL, Page No. 68.

¹² Jacoby, J. and Kyner, D.B. (1973), "Brand loyalty vs. repeat purchasing behaviour", Journal of Marketing Research, February, Page No. 1-9.

¹³ Fornier, S. (1994), A Consumer-based Relationship Framework for Strategic Brand Management, published PhD dissertation, University of Florida.

¹⁴ Yi, Y. (1990), "A critical review of consumer satisfaction", in Zeithaml, V. (Ed.), Review of Marketing, 1990, American Marketing Association, Chicago, IL, Page No. 68-123.

In 2010, A survey of nearly 200 senior marketing managers also establishes the relationship between customer satisfaction and loyalty, 71% responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses¹⁵. Unsatisfied customers are not loyal customers, thus customer satisfaction is seen as a key performance indicator within business.

Author has observed that Customer satisfaction has a significantly positive direct impact on customer loyalty. Thus, as the level of customer satisfaction increases, the level of customer loyalty increases. Customer satisfaction inversely influences customer complaints. Thus, as the level of customer satisfaction increases, the level of customer complaints decreases. Customer complaints have significantly inverse impact on customer loyalty. Thus, as the level of customer complaints increases, the level of customer loyalty decreases.

4. Service Quality:

Quality is an ambiguous and indistinct construct. The quality of a product or services can be its ability to ensure complete customer satisfaction and will depend upon the use of a product or service. According to Gronroos Service quality is the result of an evaluation process of a circumstance in which customer compares their perceptions of service delivery and its outcome against what they expect.

It might possible that a customer can not define quality but definitely he/she can understand and recognize quality and when a customer understand quality; it is reflected in customer satisfaction. In the web environment, the web (user interface) can be identified as a service and user as customer of service. They brows, or surf the internet, access, retrieve, save and share information; interact with other over the internet; order product, service or trade stock and obtain entertainment. The quality of this service plays a greater role than the quality of service to customer in other sectors, such as transport or hotels, or the customer service of a mobile store.

Firstly, customers of traditional service usually experience the service quality after they have committed to the organizations. In the case of the telecommunication there is very less interaction between customer and service provider; since there is no face to face human interaction in the environment, and service adjustments based on verbal and non verbal cues are not evidence. Thus the design of the telecom services is crucial importance in delivering service and satisfying customers. According to Ishikwa, fulfillment of quality elements like Selling point and characteristics of product such as ease of use and excellence design that makes it superior to the other company offerings, provides positive customer satisfaction.

Delivering quality to customer in a competitive marketplace like in telecom industry dictates the need to continually enhance a customer's experience and satisfaction. According to Schneider and Bowen (1999), simply most customers' range from being moderately dissatisfied to moderately satisfied. Satisfaction can be considered at two levels: the transaction or encounter level and overall complete satisfaction (Bitner and Hubbert, 1994).

Thus, Quality appears to be only one of the service factors contributing to the customer's satisfaction judgments (Cronin and Taylor, 1992). Spreng and Mackoy (1996), who test a modified version of a model proposed by Oliver (1993) that sought to integrate the satisfaction and service quality literature, also provide support for service quality as being an precedent to satisfaction. More recently, this relationship has also been accepted from a study in a health-care setting by Deruyter et al. (1997), who also show that service quality should be treated as an precedent of service satisfaction. Iacobucci et al. (1995) says that the key difference between service quality and customer satisfaction is that quality which relates to standard and delivery of the service while satisfaction reflects customer's expectation with that service. They argue that quality improvements that are not based on customer needs will not lead to improved customer satisfaction.

5. Price Fairness:

Price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service; or price is the amount of money or goods needed to acquire some combination of another goods and its accompanying services. Price fairness refers to consumers' assessments of whether a seller's price is fair or justifiable (Xia et al., 2004; Kukar-Kinney, Xia and Monroe, 2007). Price fairness is a very important issue that leads toward satisfaction. Charging reasonable price

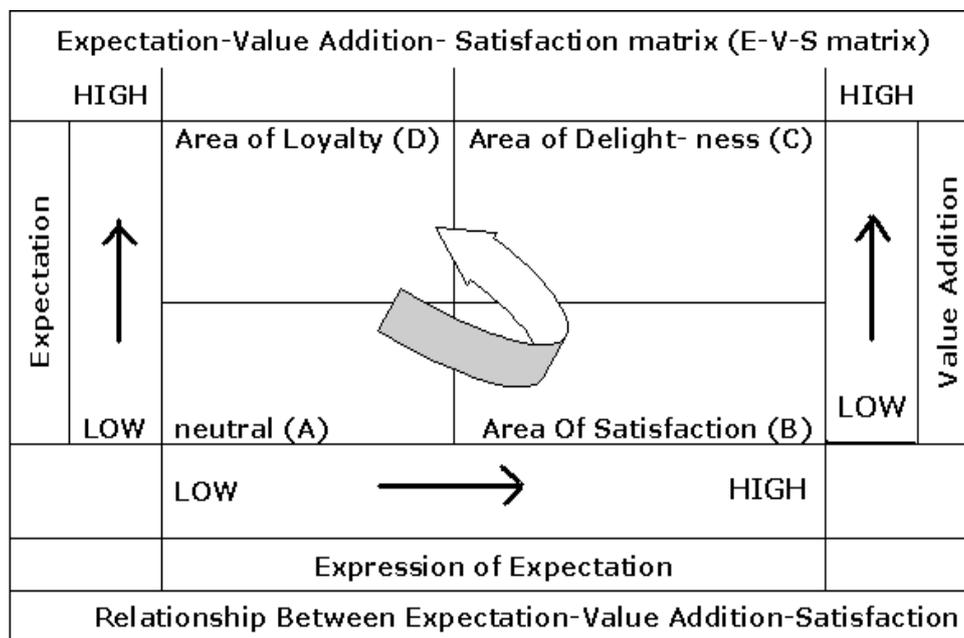
¹⁵ Farris, Paul W.; Neil T. Bendle; Phillip E. Pfeifer; David J. Reibstein (2010). *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance*. Upper Saddle River, New Jersey: Pearson Education, Inc. ISBN 0-13-705829-2.

helps to develop customer satisfaction and loyalty. It was found that customer satisfaction is directly influenced by price perceptions of customer while indirectly through the perception of price fairness. The price fairness itself has a great impact on satisfaction.

6. Proposed Model: Expectation-Value Addition-Satisfaction Matrix:

On the bases of this study researcher is proposing a new model who explains the relationship between expectation, value addition and satisfaction. Expectation-value addition-satisfaction matrix relates Customer’s expectation, his/her expression of expectation and value addition with satisfaction level of customer. It is schematically represented in Diagram. This matrix is divided into four cells, as shown in the diagram below:

**Diagram 1
Expectation-Value Addition-Satisfaction Matrix**



The chart indicates that when the expectations of customers are high and met through some value addition in products or services customer will become loyal customers and when there is low value addition in products or services delivered to customers who have low expectations, customer will be just satisfied and will not be a advocate of the company or in simple word will not be loyal for the company. Quality strategy should hence be to provide value additions that are not expected by the customers. In such cases incremental unexpected/ expected value addition will bring in immense satisfaction to the customers.

7. Implications for Further Research:

Consumer satisfaction researchers consider a consensual definition to be a priority in furthering consumer satisfaction theory. This research work is important for three reasons:

- It develops the understanding of the concept of customer satisfaction;
- EVS model helps organization in satisfying their customers; and,
- Our proposed definition framework allows researchers to identify the common and unique components of different satisfaction studies. This will allow results to be more easily interpreted and compared.

8. Conclusion:

As a conclusion, Author can say that a business should serve its customers. People are the most important asset for a business. Organization can manage only what they measure so it’s important to measure the level of customer satisfaction statistically. Treat the others as you would like to be treated and served. Profit

is important but for long term growth and profit customer satisfaction is everything. Loyalty is not a strategy decided by the strategic department of organization, loyalty is a promise, culture made by the all level of the organization, firm should focus on the creation of superior value by innovations. By developing a satisfaction-loyalty based management system, organization can earn profit, growth, and lasting value.

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