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Antecedents of Customer Satisfaction: A Conceptual Study

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Abstract: *With the ever increasing size of service sector, there is need among the service providers to develop a right understanding about the concept of Customer Satisfaction as well as its antecedents in service centric context. The present paper attempts to develop a conceptual model where Service Quality and Customer Perceived Value are recognized as antecedents which together result in Customer Satisfaction. This paper realizes heavily on past researches in aforesaid constructs.*

I. INTRODUCTION

Concept of Customer satisfaction

Oliver (1997) defined Customer satisfaction as Consumer's fulfillment response. It is consumer's judgment that a particular product or service is providing pleasurable level of fulfillment, though, it could be under or over fulfillment. Over fulfillment provide pleasure by delivering additional unexpected pleasure and underfulfilment provides pleasure by providing greater pleasure than one anticipated.

Westbrook and Oliver (1991) described customer satisfaction is a post choice evaluative judgment concerning a specific purchase selection. Oliver (1987) examined whether satisfaction was an emotion and concluded that satisfaction is a summary attribute phenomenon coexisting with other consumption emotion

Rust and Zahorik (1993) Studied Customer Satisfaction in retail banking sector and developed a mathematical model to determine which customer satisfaction component has greatest impact and how much money should be spent to maximize customer satisfaction.

Measuring Customer satisfaction has a critical role in bringing service improvement. It allows an agency to understand what its customer's value, how values vary between different types of customers, and where the agency can take action to improve service delivery.

Lawler Edward (1995) explained that companies are successful which possess quality service in the top of their vision list. These companies measure customer satisfaction and identify the most common reasons behind customer dissatisfaction and then they attempt to eliminate them.

Importance of customer satisfaction

Anderson et al 1994 found Customer Satisfaction to be fundamental indicator of firms' performance as it has behavioral as well as financial consequences for the firm.

Reichheld ans Sasser(1990) found that greater customer satisfaction reduces costs of future transactions.

Anderson 1996 found that greater is the customer satisfaction lesser is the price elasticity.

Abdel Moniem Ahmed and Mohamed Zairi(2002), conducted an analysis on 'Customer Satisfaction 'and found it to be fundamental to the well being of individual consumers, to the profits of firms and to the stability of economic and political structures. The authors developed a methodology for self-assessment about customer satisfaction at seven levels. The authors found that there are three groups of customers which are often neglected in the existing customer satisfaction programmes they are

1. Internal customers,
2. Channel members, and
3. Buying center members in business-to-business markets.

They stated that an effective customer satisfaction program must include 1.Management commitment and support, 2.Employees involvement and training, 3.Information gathering from stakeholders, 4.Customer contact and personnel data, 5.Warranty cards and service records, 6. Face-to-face evaluation. 7. Responses sorting, 8.Wants formulating and satisfaction and 9.Action plan. They found that, many companies seeking business excellence are assessing themselves against these nine criteria of the model and thus they first understand fully their today's position and use this benchmark to pursue continuous improvement. Thus, a comprehensive self-assessment on a regular basis, in a systematic way and constant reviews of organization's activities and yields the best results.

Malthouse, Edward C.(2003) studied the relationship between overall satisfaction of service and satisfaction of the service for organizations with multiple units. The customers explain their satisfaction with a product or service in terms of specific aspects such as the product features, price, customer service, or a combination of all these features. This study explained how particular type of customer satisfaction impacts overall satisfaction, using regression analysis. Different subunits within an organization show different relationship between specific aspects of satisfaction and overall satisfaction. Such variation could be relevant for marketing decisions and the organization needs different strategies for different subunits. Hierarchical Linear Models (HLM) was used to evaluate how strongly a specific type of satisfaction is related to overall satisfaction and whether the strength of these relationships changes across subunits. The empirical results of this study shows that some specific type of satisfaction may be a strong predictor of overall satisfaction and for same specific type of satisfaction have no relationship to overall satisfaction.

The expectancy disconfirmation theory proposes that consumers make satisfaction judgments by evaluating actual product/service. Four psychological theories were identified by Anderson that can be used to explain the impact of expectancy or satisfaction:1 Assimilation Theory 2. Contrast Theory 3.Generalised Negativity Theory 4. Assimilation-Contrast Theory

Deyong (1994) came up with a methodology to identify conceptual links between customer satisfaction dimensions and process performance metrics. Their methodologies indicated a link between the customer satisfaction dimensions and process performance metrics.

Brown & Swartz (1989) found that when a service is given, the personal relationship that gets established between employees and customers will be extremely important in determining the service quality perception. In turn, the perception of the quality offered by the organization on the part of the employee has an impact on the real quality offered.

Parkington & Schneider (1979), have shown that when employees have a different service orientation from the orientation adopted by the management, the employees from low level of satisfaction and feel strong intention to leave their jobs and have high levels of frustration and the sensation that customers have a poor opinion of the service quality provided by the firm.

Measurement of Customer Satisfaction

Vavra, T.G. (1997). found that at the heart of the satisfaction process lie the comparison of what was expected with the product or service's performance and what was perceived by the customer – this process has been described as the 'confirmation / disconfirmation' process. If perceived performance is only slightly less than expected performance, assimilation will follow and perceived performance will be adjusted upward to equal expectations. If perceived performance lags expectations substantially, opposite will follow and the shortfall in the perceived performance will be exaggerated.

Boulding et al (1993) studied another dimension of customer satisfaction, which deals with the difference between transaction specific and cumulative customer satisfaction. Customer satisfaction is viewed as outcome of post-purchase evaluative judgment of a specific purchase occasion according to transaction-specific perspective. Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experience with goods or service over a period of time. Cumulative satisfaction is a more fundamental and basic indicator of the firm's past, present and future performance and its cumulative satisfaction that encourages firm to invest in customer satisfaction.

Bitner et al (1996) described customer satisfaction as customers' evaluation of a product or service on the basis of whether that product or service has fulfilled their needs and expectations.

Giese & Cote (2000) did an elaborate survey and defined customer satisfaction as a response (emotional or cognitive), the response is about a particular focus (expectations, product, consumption experience, etc) and the response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc)

A study by stated that consumer/customer satisfaction is determined by the relationship between the customer's expectations and perceived performance derived from the use of a product or service.

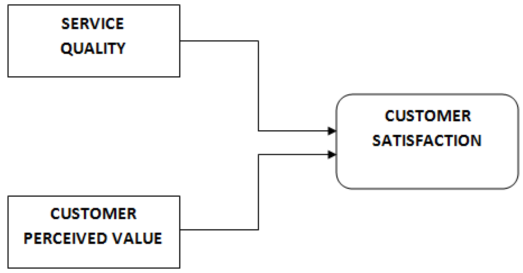
Oliver (1999) defined, "Satisfaction as pleasurable fulfillment. Satisfaction is the customer's sense that consumption provides outcomes against a standard of pleasure versus displeasure. It is judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment."

Tse and Wilton (1998) indicated customer satisfaction as the customer's response to the evaluation of the perceived difference between prior expectations and the actual performance of the product as perceived after its consumption.

In a study Luo and Homburg (2007) found significant evidence that customer/customer satisfaction is an important driver of firm's profitability. They also explained that customer satisfaction does free word-of-mouth advertising and reduces marketing costs.

Gustafsson et al (2005) carried the research in a large Swedish telecommunications company to find out the effect of customer satisfaction on retention and concluded that customer satisfaction has a positive effect on retention.

II. ANTECEDENTS OF CUSTOMER SATISFACTION



Research Model

Fornell et al (1996) developed the American Customer Satisfaction Index (ACSI), a customer-based measurement system for evaluating the performance of firms, industries, economic sectors and national economies. ACSI measures the quality of the goods and services as experienced by the customers. Their findings proved that customer satisfaction is determined by customization. Customer expectations and quality drives customer satisfaction that value or price.

Atkinson (1988) found out that cleanliness, security, value for money and courtesy of staff determine customer satisfaction.

Pothas et al (2001) discovered an untraditional way of monitoring customer satisfaction based upon expression of customer perceptions from customer's point of view rather than from the viewpoint of investigator.

Turel and Serenko (2004) in a study to validate American Customer Satisfaction Model in mobile telecommunication sector and found a positive association between perceived customer expectations, perceived quality, value and satisfaction and a negative association between satisfaction and customer complaints.

Rust and Zahorik (1993) studied customer satisfaction and linked it to individual loyalty, aggregate retention rate, market share and profits earned.

Service Quality as Antecedent of Customer Satisfaction

According to Berry et al (1997) found that service quality has become an important differentiator and also the most powerful weapon against competitor, which all the service organizations want to possess.

In a study Zeithaml, Berry and Parasuraman (1996) show that companies which offer superior service register higher than normal growth in market Share. Zeithmal et al (1996) developed a conceptual framework for the behavioral and financial consequences of service quality. Superior (inferior) service quality is related to favorable (unfavorable) behavior intentions.

Taylor and Baker (1994) in a study found that service quality and customer satisfaction are recognized as key factors in the formation of customers purchase intentions in service industry. It appears that customer decision-making which comprises the interaction of satisfaction and service quality explains customer purchase intentions to better extent.

Bolton (1998) proved that customer satisfaction is directly related to the tenure of the relationship. The strength of the relationship between tenure and satisfaction levels depends on the length of customer's prior experience with the organization.

Anderson et al. (1994) found that as quality and expectations increase, this positively effects customer satisfaction in the long run, but increased expectations may result in negative impact in the short run. Expectations have a positive effect on customer satisfaction in the long run because they take into account the accumulated memory of the market concerning all past quality information and experience.

Anderson and Sullivan (1993) did an elaborate study about the antecedents and consequences of customer/customer satisfaction based on representative survey of 22,300 customers of a variety of products and service s in Sweden during 1989-90. They came up with following conclusions:

- Firms, which provide high-quality products, have a more satisfied customer base and will have higher chances of retention of their customers.
- To effectively manage customer satisfaction the firms should try to control the impact of negative disconfirmation through proper complaint handling and effective customer service.
- The firm's future profitability is directly linked to satisfying customers in the present.

Cronin Brady and Hult (2000) conceptualized the effects of quality, satisfaction and value on consumer's' behavioral intentions and concluded that indirect effects of service quality and value enhance their impact on behavioral intentions.

Aaker and Jacobson (1994) investigated that whether movement in firm's stock price which shows firm's value is associated with perceived quality measures. They found a positive relationship between the two and suggested that managers should convey the brand's quality image to the market so that stock market will rely less on short term measures of business performance ensuring long term viability of the firm.

Cronin and Taylor (1992) investigated the measurement issue of service quality as well as relationship between service quality, consumer satisfaction and purchase intention. Their findings suggested that performance based measurement of service quality may be an improved means of measuring service quality construct. They also found that service quality is an antecedent of customer satisfaction which affects purchase intention. They also found that in comparison to customer satisfaction service quality has less effect on purchase intention.

Lawler Edward (1995) found those companies to be successful which have service quality as their top most priority.

Customer Satisfaction has become one of the most important construct for marketing scholars McQuitty et al.(2000); Morgan et al. (1996) and also a precious goal for marketing managers as found by Erevelles and Leavitt (1992).

It is evident from the above definitions different scholars have taken different approach to define the construct of customer satisfaction.

Woo & Fock 1999 did extensive literature review on customer satisfaction and concluded that there are four aspects.

1. Process of evaluation of customer satisfaction is personal and subjective and the outcome of this process is perceived judgment emerging out of comparison of prior expectation and actual performance.
2. Process of evaluation of customer satisfaction is related to a particular attribute of product or service and to the whole product or service.
3. "Pleasurable fulfillment" of Oliver does not necessary relate to tangible alone.
4. There would be an optimal point for customer satisfaction and Dissatisfaction can be result of underfulfilment and overfulfilment."

Capraro, Broniarczyk, and Srivastava (2003) observe that "today, most firm's programs to control customer defections center heavily on the management of customer satisfaction.

Kim et al., (2004) found that the service quality positively affected customer satisfaction. He elaborated that call quality is the most important issue that influences customer satisfaction for mobile services. Customer satisfaction and switching barriers has positive impact on customer loyalty.

Palkar (2004) studied the factors which determine the customers' satisfaction and customer loyalty in mobile service market. He found that important determinants of these two are quality of service, price structure and value added services offered by the provider.

Moreover, satisfied customers have a higher propensity to stay with their existing service provider than the less satisfied ones (Cronin et al., 2000) and are more likely to recommend the service provider to others, leading to improved bottom line for the company Reichheld (2003, 2006).

Customer Perceived Value as Antecedent of Customer Satisfaction

Concept of Customer Perceived Value

The most popular definition of customer value is the ratio or trade-off between quality and price, Monroe, (1990), which is a value-for-money conceptualization.

Dimensionality of Customer Perceived Value

Petrick J.F (2002) states that Perceived Value of service comprises five dimensions: quality, emotional response, monetary price, behavioral price and reputation. In another study in 2004, he found that marketers could benefit from multidimensional concept of perceived value by comparing the relative importance of each dimension and identifying the dimensions that perform well or poor in to give specific direction for improving value.

Noteworthy Contributions

Porter (1990) discussed the concept of value as 'superior value to the buyer in terms of product quality, special features, or after-sale service.

Kotler, and L. Keller (2006) concluded that Customer perceived value is the differences between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.

Oliver and DeSarbo (1988) studied explained Customer Perceived Value by taking idea from Equity Theory and described it as ratio of consumer's outcome/input to service provider's outcome/input. It is seen as comparison of relative rewards and sacrifices related to an offer.

Holbrook (1994) studied customer value and emphasized its importance by declaring it the fundamental basis for all the marketing activity.

Sirdeshmukh, Singh, and Sabol (2002) while drawing comparison between customer value and customer loyalty, described customer value as super ordinate goal and customer loyalty as subordinate goal, he further elaborated that according to goal and action identity theory super ordinate goal regulates the subordinate goal. Behavioral intentions of loyalty are directed towards a particular service provider as long as customer receives superior value.

Bolton & Drew, (1991) defined customer perceived value as a major determinant of customer loyalty in telephone industry.

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