

# THE EFFECT OF CUSTOMER SATISFACTION

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## ABSTRACT

The subject of this article is customer satisfaction and its impact on company performance through satisfaction with its products, including a comparison with the competition. Research was conducted in search of factors which affect customer satisfaction on the one hand and the performance of the company on the other hand. We constructed a model explaining what specific factors (affecting customer satisfaction) have an impact on the performance of a company. This model can help management to better run the business and achieve higher performance. The article is based on research that focused on companies in the food industry in Czech Republic and on their customers. First, we found the financial performance of surveyed companies (based on indicators ROA, ROE and assets turnover) and on this basis they have been divided on companies efficient and inefficient. Furthermore factors were identified (based on previous research of authors) that have an impact on customer satisfaction (among these factors include product quality, customer requirements for product, comparison with competitive products, etc.). With the use of non-parametric statistical methods, logistic regression and discriminant analysis was analyzed, what factors affecting customer satisfaction also affect business performance.

**Keywords:** customer satisfaction, product quality, company performance

## I. INTRODUCTION

This article deals with the relationship between customer satisfaction and business performance. It is based on the claim that customer satisfaction is formed and influenced by various factors, which in turn affect company performance. From the perspective of the company and its management it is

essential that the business can (directly or indirectly) affect (at least some) factors of customer satisfaction. It is, therefore, vital for the enterprise management to identify the factors of customer satisfaction and, when possible, to influence them so that the performance of the company may increase. The research, on which this article is based, is focused just on those customer satisfaction factors that may (directly or indirectly) affect the management of the company.

The subject of this article is then customer satisfaction and its impact on company performance through satisfaction with its products, including a comparison with the competition. This article aims to find the factors of customer satisfaction which have an impact on company performance. The operational objective of the article is to put these factors into context with performance so that managers may, by deliberately influencing these factors, affect customer satisfaction and consequently the performance of their company.

A model was, therefore, designed within the scope of research, where customer satisfaction consisted of three groups of interrelated factors that affect company performance. These include factors characterizing customer shopping behaviour (e.g. frequency of purchase, length of use, satisfaction with the product, etc.), product quality (e.g. price, technical features of the product, etc.) and comparing the product of a relevant business with the competition (e.g. tradition, quality, customer relations, etc.).

The research was conducted on a sample of food enterprises in the Czech Republic as the products of these enterprises are widely available in retail chains, and it is, therefore, not a problem to obtain respondents among customers of these businesses. In

order to ensure maximum homogeneity of the sample of respondents (customers of surveyed companies) the research was eventually narrowed to students. This group of customers is to a certain extent somewhat specific; however, it makes up a significant percentage of customers in the context of the Czech population.

### CUSTOMER SATISFACTION

Companies win or lose based on what percentage of their customers they can keep. Success is largely about the retention of customers, which again depends on the CS level. It would be a great help to be able to comprehensively measure the quality of products and services by relating the measures of quality to real customer behaviour. Some companies get feedback about CS through the percentage of complaints and some through non-systematic surveys, but some do not measure CS at all, because “the system would not add anything useful and is very time-consuming” (Chotipanich, 2004). Customer satisfaction measurement (CSM) has become one of the commonest prescriptions to managers and organizations and comes from a wide variety of sources. These prescriptions centre on the notion that since customer satisfaction is a key issue in market performance, then it follows that it should be measured and used by management in decision making (Piercy, 1996). Besides, customer satisfaction measurements enable the establishment of the key factors that affect satisfaction or dissatisfaction with services. Once they are defined, one can make appropriate efforts to eliminate the negative factors. In other words, an organization can then manage its resources more efficiently.

Most markets are very competitive, and in order to survive, organisations need to produce products and services of a very good quality that yield highly satisfied and loyal customers. Many practitioners and researchers have investigated a range of different customer attitudes that influence both intentions and behaviours relate to loyalty. Customer attitudes have included customer satisfaction, customer value, price perceptions, the quality of the relationship and service quality. Many studies have found strong links between customer attitudes and customer loyalty behaviour. For example, it has commonly been found that higher levels of customer satisfaction lead to higher levels of behavioural intentions, which in turn lead to stronger customer loyalty behaviour, which

can be measured through repeat purchases, increased share of wallet, positive word of mouth recommendations, and reduced customer acquisition cost. In fact, customer satisfaction has been empirically shown to be the predominant attitudinal metric used to detect and manage customers’ likelihoods of staying or defecting. In other words, there is a very clear and strong relationship between the quality of a product, customer satisfaction and profitability (Figure 1) (Fečikova, 2004; Williams, et al., 2011)

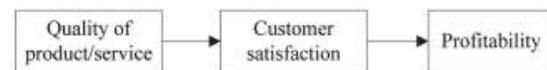


Fig. 1 Dependence between quality, satisfaction and profitability (Fečikova, 2004).

Since the quality of services is one of the central factors to influence customer satisfaction, we have to pay more attention for determination and evaluation methods of customer satisfaction. Even though quality is the key indicator, there are more elements (e.g., “word of mouth”, emotions or the communication style adopted by a service provider) that affect a customer’s attitude towards a service and a service organization.

**Factors influencing customer satisfaction** Both the quality of services and customer satisfaction have many definitions: quality is often understood as an attitude, while a customer’s evaluation of a service and his satisfaction is considered to be the measure of a transaction. Either way, quality is the main construct forming satisfaction and making the background of customer’s perceived value; therefore, it is useful to take an in-depth look at the nature of quality.

### Service quality

In the growing service sector there is still the most problematic challenge of how to deal with service quality. Quality is one of the most expected aspects by customers of almost all service products (Urban, 2009). Before quality can be managed it must be defined (Rondeau, et al., 2006). Coming up with a precise definition of the quality of services is complicated because quality can be understood and evaluated both objectively and subjectively. Quality is objective when it is related to external tangible features which can be measured factually. Subjective quality is rated when a customer’s imagination, personal experiences, emotions, expectations and

attitudes are taken into account (Bagdoniene, Hopeniene, 2004; Langviniene, Vengriene, 2005). The most common reason for dissatisfaction is the difference between an objective and the subjective evaluation of quality (Bagdoniene, Hopeniene, 2004



The circle of satisfaction

## II. THEORETICAL OVER VIEW ON CUSTOMER SATISFACTION

Satisfaction in person's feelings of pleasure of disappointment resulting from comparing a product's perceived performance (out come) in relation to his or her expectations.

### Customer perceived value

Our premise is that customers will buy from the firm that they see as offering the highest perceived value. Customer perceived value (CPV) is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.

Total customer Value is the perceived monetary value of the bundle of economic, functional and psychological benefits customers expect from a given market offering. Total Customer Cost is the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the given market offering.

### Total Customer Satisfaction

Whether the buyer is satisfied after purchase depends on the offer's performance in relation to the buyer's expectations. In general, satisfaction is a person's feelings of pleasure of disappointment resulting from comparing a product perceived performance (or outcome) in relation to his or her

expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds the expectations, the customer is highly satisfied or delighted.

### Measuring Satisfaction

Although the customer centered firm seeks to create high customer satisfaction, that is no its main goal. If the company increases customer satisfaction by lowering its price or increasing its services, the result may be lower profits. Even bad-mouth it. At levels two or four, customers are fairly satisfied but still find it easy to switch when a better offer comes along.

At level five, the customer is very likely to repurchase and even spread good work of mouth about the company. High satisfaction or delight creates an emotional bond with brand or company.

High satisfaction or delight creates an emotional bond with the brand or company, not just a rational preference.

### Customer expectations

From past buying experience, friends and associates advice, and marketers and competitors information and promises. If marketers raise expectations too high, the buyer is likely to be disappointed. However, if the company sets expectations too low, it won't attract enough buyers (although it will satisfy those who do buy).

### Delivering high customer value

The key to generating high customer loyalty is to deliver high customer value. According to Micheal planning, in his delivering profitable value, a company must design a competitively supervalued proposition aimed at a specific market segment, backed by a superior value-delivery system.

The value proposition consists of the whole cluster of benefits the company promises to deliver, it is more than the core positioning of the offering.

## III. RESEARCH METHODOLOGY

Research in common pursuance refers to a search for knowledge in a scientific and systematic way for pursuant information on a specified topic.

Once the objective is identified that next step is to collect the data which is relevance to the problem identified and analyze the collected data in order to find out the hidden reasons for the problem. There are two types of data namely.

1. Primary Data
2. Secondary Data

#### **PRIMARY DATA**

Primary data is to be collected by the concerned project researcher with relevance to his problem. So the primary data is original in nature and is collected first hand.

#### **Collection of primary data**

There are several methods of collecting primary data particularly in surveys and descriptive researches. Important ones are as follows:

1. Observation Method
2. Interview Method
3. Questionnaire
4. Schedules and
5. Other methods which include

#### **SECONDARY DATA**

It is the data already existing, which has gone through some standard analysis. Under the secondary data, the company's annual reports, brochures, pamphlets, newspapers, journals and internet were taken into consideration.

#### **Sampling:**

A non-probability conclusive sampling method was used in the study for data collection.

#### **Sample size:**

The sample was taken from the universe on random sampling basis in Hyderabad. The sample size designed for this project is 100 keeping in mind the paucity of time and also the customer base of the organization in the research area.

#### **IV. CONCLUSION:**

The article introduces the concept of customer satisfaction and the importance of measuring it. It also proves that focusing on customers is a correct action and, in fact, can be the most important action. What is important to a business is good performance, profitability and growth. What is important to employees at all levels, on the other hand, is first and foremost, job security, good pay, good job prospects, promotion and a bright future. These are all heavily

dependent on an organisation's ability to fulfil all of its customers' needs to their full satisfaction (Zairi, 2000). To compete with each other, facility management companies must seek to improve the quality of their services and customer satisfaction to ensure customer loyalty and financial gain. It is one of the reasons that explain the importance and benefit of understanding the factors that affect customer opinions. The most direct way to measure customer satisfaction is to ask them what makes them satisfied with a service. It is usually a two-part procedure: first, the satisfaction with the service must be assessed and then the customers must be asked to assess the company. A successful survey must:

- identify the customer (knowledge about both internal and external customers is important).
- initiate a tentative survey to determine the key features of a service and avoid inconsequential information (it also helps to verify the company's hypotheses about customer needs);
- choose and develop the most fitting method for monitoring customer satisfaction (i.e. different questionnaires for different respondents);

The survey of service providers suggests that Lithuanian companies realise the importance of customer satisfaction as a key to successful operations, too. They ask customers for their opinions and do not ignore the complaints, because they believe customer satisfaction surveys are an important tool that helps to determine possible improvements and the potential of services to analyse the performance and assess the corporate activities from the customer's perspective – all leading to the achievement of the main operating goals of the company. Notably, a customer survey is not enough: a broader dissemination of the survey data is required, because more often than not, only do the top managers discuss the results, but also each employee must be in the know about customer opinions and seek to achieve their satisfaction. The surveyed customers of facility management services stated their satisfaction with the services, and although they might have a few remarks on the quality of some work, they have an overall positive

opinion about their cooperation with the company. The main suggestion to the company is to consider the customer remarks and carry out regular surveys of their opinions in order to accommodate customer needs, determine customer expectations, and thus improve their loyalty.

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