Chapter 5: Customer Satisfaction

Having examined strategic issues of service marketing and a distinction of services, and having presented the interrelation between service companies and their customers, the purpose of this chapter will be to analyze the reasons behind customer satisfaction and dissatisfaction concerning service delivery.

First, a presentation of consumer buying behavior will be provided in order to create a background for how to achieve customer satisfaction. Thereafter, the parameters causing customer value will be defined which in return have an impact on customer satisfaction.

Having determined reasons behind achieving customer satisfaction, the concept of service quality will be examined, what is of utmost importance in the context of customer satisfaction in relation to the services.

The service quality will be based upon the gap model and a presentation of the dimensions which constitute service quality (SERVQUAL). Finally elements in the context of service recovery will be investigated which is of importance when dissatisfaction occurs among customers.

5.1 Consumer Buying Behavior

Consumer buying behavior can be distinguished between purchase decision processes and purchase learning processes. The process of purchase decision will be outlined first. Thereafter specific learning behaviors will supplement the consumer’s.

5.1.1 Purchase Decision Processes

The buying decision processes and buying behavior are different for consumer and end-users than for organizations. As we are solely dealing with consumers the discussions in this section will focus on consumer buying behavior, and thereby eliminating organizational buying behaviors.
It identifies different stages in the customer decision and buying process. This model illustrates that consumer’s pass through five stages, and thereby customer emphasizes that the buying process starts long back from the actual purchase, its called “post-purchase behavior”.

5.1.1.2 The Consumers Decision and buying process

The buying process starts when customer recognizes a problem. The buyer find a difference between actual service and a expected service.

Hence, the marketer, both in production and service organizations, needs to evaluate the circumstances that trigger a particular need. A buyer can find difference between heightened attention and a phase where the consumer may feel like going into an active and more profound information search.

No buying situations are alike, thus, the buying decision processes vary with the type of product/service the consumer has intended to buy.

There are great differences in decision making processes as related to, for example buying daily groceries, consumer durable goods or choosing a restaurant. Where customer involve in the participation of getting the valuable service. It distinguishes four different types of consumer buying behavior based on how much customer involvement and level of among different brands.
Types of buying Behavior

<table>
<thead>
<tr>
<th>Significant Differences between Brands</th>
<th>High Involvement</th>
<th>Low Involvement</th>
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</thead>
<tbody>
<tr>
<td>Complex buying behavior</td>
<td>Variety seeking buying behavior</td>
<td></td>
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<tr>
<td>Dissonance-reducing buying behavior</td>
<td>Habitual buying</td>
<td></td>
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<tr>
<td>Few Differences between Brands</td>
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It indicates that in cases of high involvement and significant brand differences the buying behavior can be characterized as being highly complex.

With respect to services it might be for example the selection of a hotel for the purpose of holding a business conference. In other cases for example choosing a restaurant for the daily lunch break or driving with a taxi habitual buying prevails.

However when it comes to evaluating the information it turn out difficult for customer in all for buying service on level of situations e.g., price location, appearance, purpose, time, experience, reputation, etc.

One theory which explains consumer evaluation process as a cognitive learning process will be examined in the section hereafter.

The evaluation of alternatives will lead to a purchase intention and purchase decision. Customer purchased the service will experience some level of satisfaction or dissatisfaction which in return will influence his post-purchase actions and, hence, his repurchase decision.

The five stages consider very well the phases before the purchases; but, insufficiently consider the ones after the purchase. According to the customer service model presented in a service company has to make several efforts after the actual service delivery in order to satisfy the
customers and to get customers to repurchase their service product. With respect to services model needs to be extended. The re-purchase phase especially needs to be specified.

5.2 Service Evaluation

Having investigated buying behavior it is now of interest to analyze how customers evaluate service and the service encounter.

It is assumed that one of the overall purposes of service companies is to continuously enhance their ability to meet the customer's needs and expectations, and thereby increase customer satisfaction.

Many managers however, begin at the end of the buyer behavior model by measuring customer satisfaction.

It would be much more beneficial for firms to begin by planning a value strategy, learning customer needs, or measuring product quality, than to use measures of customer satisfaction and dissatisfaction to assess their firm’s performance.

The uses of customer satisfaction measurement are naturally of utmost importance for manager; but, the managers should not rely on these measurements exclusively. In past years, dissatisfaction measures have become more popular, as managers have realized the importance of pursuing customer satisfaction in an organized, disciplined manner.

But still, managers remain confused about the meaning of the varies types of measures. More than thirty different measures of the phenomenon have been documented.

Customer satisfaction is on the concept of customer value. Companies have to, in one way or the other, deliver value to the customer; either by expanding the amount of product attributes, or by fulfilling other customer needs.
Antecedents, Consequences and Realized End States of Satisfaction

The main elements influencing customer satisfaction, both concerning antecedents and usage consequences. In order to realize the benefits of a customer value strategy, the concept of customer value must be made operational for a service company.

One way to render the concept operational is to devise methods to measure value and use the information to make better strategic and operational decisions. To meet this imperative managers must develop a comprehensive system for measuring each point of the customers meanness model i.e. Antecedents, usage consequences, and realized end states.

Hence, in order for managers of service companies to clearly understand their market and to improve their opportunities, they should measure separately each of the different aspects of the model, i.e. customers needs, wants and preferences, service quality, customer value, and customer satisfaction.

This comprehensive approach usually leads to much better understanding of unmet needs, important quality attributes, the relative value of various dimensions of service to the customer, and any dissatisfied customer derive from dealing with the firm.
5.3 Customer Value

The term "value" has many meanings and thereby produces confusion. The concept of customer value is defined as benefits and sacrifices and results as a consequence of a customer using a service to meet certain need. Focusing on customer value can yield big results.

Various researchers have written about the concept of customer value. However, in order to realize the benefits of a customer value strategy, the concept of customer value must be made operational as stated previously.

However, the task of measurements is not simple one. In addition to understanding which aspect is being measured, managers must evaluate the dimensions of each aspect that are most important to customers. Moreover, value for customers is not a fixed size; it is rather dependent on various factors, not least the physiological aspects of the customer.

The specific value components are also depended on which industries/branches the organizations operate in. It is important to note that value for customers does not always equal quality. The value and quality-components of selected service branches are illustrated.

<table>
<thead>
<tr>
<th>Category</th>
<th>Value Components</th>
<th>Quality Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>Variety of services</td>
<td>Financial stability</td>
</tr>
<tr>
<td></td>
<td>Ease of understanding</td>
<td>Personal interest in</td>
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<td></td>
<td></td>
<td>customers</td>
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<tr>
<td>Restaurants</td>
<td>Salad bar</td>
<td>Taste of the food</td>
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<td></td>
<td>Kids Menu</td>
<td>Atmosphere</td>
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<td></td>
<td>Fast service</td>
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5.4 Service Quality

The quality of service is the level of all the features of service which includes the aspects of customer need which is based on price. The researcher has produced the "Gap Model" for knowing the service quality.

In today's competitive market, quality service is critical to corporate success. In the past the focus was mainly on meeting internal quality or technical standards. The focus today has shifted to qualifying customer assessments of services, and translating these measures into specific internal standards (Brown, Hitchcock and Willard, 1994).

Delivering on time quality service is related to profits, cost control and goodwill. Improved service quality cuts cost because companies have forever customers to replace, less corrective work to do, fewer inquiries and complaints to handle and less employee turnover and dissatisfaction which the deal the technical quality which refers to dimension of service and functional quality refers to interact between the customer and the provider.

Customers comparing the perceptions of service experiences with the expectations of service provide them. However, the gap between expected and perceived service is just one potential gap. In this conceptual model, they have identified five potential gaps. Besides the gap presented between service delivery and consumers.
5.4.1 Conceptual Model of Service Quality

Perceived service quality; the perceptions are than expectation, the lower the level of perceived service quality. The danger is that if the service company has customers who do not complain, and then the company moves on, thinking that they are meeting the customers’ expectations.

Hence, the first step for management in improving quality of service is to acquire accurate information about customer’s expectations, i.e. closing or minimizing gap 1.

This gap illustrates the potential gap between perception of provider and service. Management tries to correct the perceptions for customer expectations.

In fact the real reason for the potential gap between awareness into quality service standards, may be the absence of management commitment of service quality to the customer.

However, the main advantage of specifications and standards is that they provide signals to front-line personnel of management priorities to counts the performance.

When service specifications and standards in place do not reflect customer expectations, the quality of service as perceived by customers is likely to suffer.

Hence closing gap 2, by setting standards that reflect customer expectations, should have favorable impact on customer’s service quality perceptions.

Gap 3: The Service Performance Gap.

The gap between service quality specifications and service delivery process. Hence, it represents the discrepancy between service quality specifications documented in operating, training manuals and their successful implementation.

Most of these reasons pertain to be the willingness of front personnel to meet the standards. Even when guidelines exits for good performing services and proper customer treatment, quality service performance is not guaranteed.

Service standards must not reflect customer’s expectation, but they also need to be backed up by the adequate and appropriate resources, i.e. people, process and technology.

The service delivery falls short of standards (gap 3), of what customer expect as well (gap 5). So the gap between gap 3 and gap 5 so will take a necessary step by manager.
Gap 4: **When Service Do Not Match**

This gap illustrates the misfit between service and external communications to consumers. Hence, it illustrates the potential discrepancy between actual service delivery during the service encounter and external communications to the customers.

The customer should not be promised a certain type and level of service quality unless the service delivery system can achieve or exceed that level. A difference between the actual service and promised service in gap 4 has effect customer perceptions of service quality in gap 5.

Hence external communication, through sales force or advertising, can affect not only customer expectations but also perceptions of customer about delivered service.

The critical issues between service delivery and customer satisfaction are explained by gap model. It presents a more comprehensive approach to service quality.

They suggest the following distinction which refers to three different stages in the customer's evaluation of services. First there is a service encounter satisfaction. The consumer evaluates a discrete service encounter and is satisfied or dissatisfied.

Second the customer feels an overall service satisfaction. The consumer is overall dissatisfied with the organization based on encounters and experiences with that service provider

### 5.5 Service Quality Dimensions

The gap model which provides valuable insights regarding the relation between expectation and perceived service as determinant for customer satisfaction the analysis will now address the dimensions of service quality.
### The Dimensions of service Quality

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Evaluative Criteria</th>
</tr>
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<tbody>
<tr>
<td>Tangibles</td>
<td>Physical facilities and personnel</td>
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<tr>
<td>Reliability</td>
<td>Service right the first time</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness and ability to provide prompt service</td>
</tr>
<tr>
<td>Communication</td>
<td>Explanation of service to customers</td>
</tr>
<tr>
<td>Credibility</td>
<td>Trustworthy of customer-contact</td>
</tr>
<tr>
<td>Security</td>
<td>Confidentiality of transactions</td>
</tr>
<tr>
<td>Competence</td>
<td>Knowledge the skill of customer</td>
</tr>
<tr>
<td>Courtesy</td>
<td>Friendliness with customer</td>
</tr>
<tr>
<td>Assess</td>
<td>Contacting service firm</td>
</tr>
<tr>
<td>Knowing customer</td>
<td>Specific requirements</td>
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#### 5.6 Dissatisfaction

After consume the service, the customer will experience level of either satisfaction or dissatisfaction. The dissatisfied customer will try to reduce the dissonance because human beings strive to "establish internal harmony, consumers will resort to one or two courses of action. In handling customer dissatisfaction, it is of utmost importance to be aware of full range of ways consumers handle dissatisfaction.
Illustrate that dissatisfied customers have two alternatives to choose from. Taking action or to remaining passive. When the dissatisfied customer decides to react he can chose to take either public or private actions. It can be seen that dissatisfied customers, when they react upon service failure, might have a negatively impact on the service company on several different levels. It is therefore indicated to analyze how dissatisfied customers should be handled by service companies.

5.7 Service Recovery

Typically service companies strive for "zero defection" in their service delivery, however, no matter what companies do to prevent these defections.

While service providers can’t overcome all problems, but they can understand the mistake form it and learn how to recover from that situation.
A good recovery can create goodwill if service goes smoothly at first level. The way that a consumer is confronted with the OOS situation can mainly be manipulated by the store management.

The action of store management after a failed service (e.g. an out of stock situation), is investigated in the “service recovery literature”. There are at least two reasons why store management should make up for a bad service.

The first one is the fact that those customers might not come back after a bad service. The second reason is that a good service recovery strategy is able to build up more goodwill than if the service failure had never occurred.

The challenge for the service provider, therefore, is to recover the mistake. When service provider finds out the problems then they have to apply for service recovery to meet customer needs.

When a customer experiences a service problem, three possibilities arise: in the firsts, the customer complaints and is satisfied with the company's response.
Second, the customer complaints and is not satisfied with the response, and finally, the customer does not complain to the company and remains dissatisfied. In the first case, the service company has the opportunity to turn a dissatisfied customer into a satisfied one.

The three prescriptions for excellent service recovery. First, encourage customers to complain and make it easy for them to do so. Only when the company gets feedback by dissatisfied customers it is possible to improve the service delivery and prevent customer defection.

Second, make timely, personal communications with customers a key part of the strategy.

This proposition aims to deliver quick and direct improved resolution to the problem which cased dissatisfaction. Finally, encourage employees to respond effectively to customer problems and give them the means to do so.

The dissatisfied customer tends to evaluate the whole service company and honorees when his complaints are treated by plan, not by the coincidence of getting to a particular employee who carries out his own recovery.

Any problem that employees can understand the customer can discover it and go to beyond the call and fulfill the need of customer and win the customer for lifetime.

5.7.1 Service Recovery Strategies

The seven service recovery strategies that will be tested in this research are the following:
1. To compensate the potential customer (allowing him the promoted price when the product is in stock again)
2. To apologize to the potential customer
3. To initiate contact (approaching the customer first to tell him that the item is out of stock)
4. To initiate contact and compensate the potential customer
5. To apologize to the potential customer and to compensate him
6. To initiate contact and apologize
7. To initiate contact, apologize and compensate the potential customer
The main objective or performance target of service firm is customer satisfaction. It is, however, it’s a challenge to achieve the “zero-defects” all the time.

The situation is challenge at times, but not impossible. In our real world, there are bound to have some service failures. And if service provider have proper service recovery strategies which fulfill all the needs of customer which lead to create goodwill in the market.

Learning Outcome:

- Understanding the relation between Customer Expectations & Service Recovery Action
- Understanding Service Recovery Paradox
- Elements of an Effective Service Recovery Strategy
- Manage Service Failures

Course Outline:

Service Failures
- Customer Satisfaction & Expectations on Services
- Service Delivery Failures
- Understanding the Customer Complaint Behavior

Approaches in Service Recovery
- Elements of Service Recovery Strategies
- Influencing Customer Response to Service Recovery by provider
- Service Recovery Strategy to overcome the problem of service
Service Recovery Techniques & Skills

**Putting Service Recovery Procedures into Actions and follow up:**
- Manage Customers Needs
- Communicate to Win Angry Customers and create goodwill.

Many companies make the mistake of regarding complaints as a time consuming necessary evil. Instead they should realize that by handling complaints effectively it is possible to convert dissatisfied customer into loyal ones. All service companies need to take recovery seriously.

The first goal is to keep the customer from walking away from a potentially relationship ending situation, because the costs of getting new customers are higher than those of keeping existing customers.

5.8 **Sub conclusion**

In this section the various issues discussed in chapter five, concerning the concept of customer satisfaction will be summarized.

As illustrated in the buying model, it is important for manager of service organizations to keep in mind that the customers buying process starts before actual purchase of a product or consumption of a service, and the customer “post purchase behavior” has consequences after the purchase.

In relation to how customers buy, managers should be aware of the fact that no buying situation is alike. They need to identify exactly what kind of purchase situation their customers might execute.

It is widely recognized that one of the overall purposes of any company, is to continuously understand the ability to meet customer’s need and expectations. Therefore it is important for service companies to keep track of their delivered service, as well as a need for continuous
service evaluation. As customer satisfaction is highly based upon customer value, service companies need to identify very carefully, who their customers are and what customer value means to them.

However, in order to realize the benefits of a customer value strategy the concept of customer value must be made operational for a service company.

One way to render the concept operational is to devise methods to measure value and use the information to make better strategic and operational decisions.

Hence, the managers of service companies must develop comprehensive systems to measure customer needs, wants, preferences, and additionally service quality, customer value, and customer satisfaction.

This comprehensive model leads to much better understanding of all aspects concerning customer satisfaction. Focusing on customer value can yield big results.

In the past the focus was mainly on meeting internal quality or technical standards. The focus today has shifted to qualifying customers assessments of services and translating these measures into specific internal standards.

The customers view a quality service by comparing their perceptions of service experience with the expectation. Therefore it is important for service companies to control the signals they send to the customers, thus, it is dangerous to promise more than they are capable to deliver.

The service companies need to known in detail what the customers expect and they need to get the promises to match the actual delivery.

Additionally, the managers of service companies need to be aware of complexity of service quality. They need to focus both on the technical and functional of service quality, hence they
need to be able to handle the outcome of the service operations as well as the processes in terms of interaction between customer and provider.

The TQM's call for "zero defections" so service providers cannot prevent defections from happening, hence, problems will occur and mistakes will happen. The real challenge for managers of service companies is to learn how to recover service successfully.

A Service manager might find out to solve the problem and crack the complaining of customers. Service Provider cannot afford to lose customers, because the profit is given on the basis of customer satisfaction. All service companies need to take service recovery seriously.

The flowing proclamations are to be seen as Success Factors which are considered as critical in the context of satisfying customers.

**Success Factor 1:**
Knowing customer's specific needs and requirements enables service companies to approach customer satisfaction.

**Success Factor 2:**
Closing gap between customer expectations and management perception which lead to customer satisfaction.

**Success Factor 3:**
Service quality is measured on quality dimensions, improving the dimension in accordance with customer's expectations enables the service company to increase customer satisfaction.

**Success Factor 4:**
A customer who complains about a service failure provides the service company with the
opportunity both to satisfy a dissatisfied customer and to improve future service delivery. Hence, service companies need to have an effective complain management.