Chapter 7: Empirical Methodology and Research Sample

7.1 Purpose of the Empirical Study

Having examined the elements which influence customer satisfaction in services companies from a theoretically point of view, the purpose of the empirical analysis is twofold.

First it is one of the interests to analyze the impact on “customer satisfaction” from a practical point of view. Now this will show valuable information about potential problems of service companies.

The second aim of the empirical research is to identify reasons behind the outlined potential problems. Thereby, it is of interest whether the characteristics of specific service branches have significant influence on the potential problems.

7.2 Focus of the Empirical Study

In order to investigate how service companies evaluate the relation between their own service and customer satisfaction, it has been chosen to focus the empirical research on elements which have been identified from a theoretical point of view.

Hereby it is of main interest to look at four dimensions: first, internal operations, which have an impact on the external value. Second, the service product and development which considers need. Third, service recovery and customer loyalty. Each of the four dimensions will be analyzed with respect to the elements which have an influence on or are influenced by customer satisfaction.

7.3 Research Design and Proceedings

The focus on empirical study is to investigate elements affecting customer satisfaction in practice, it has been necessary to approach service firms directly. In the selection of service firms
we faced one major barrier. The optimal research design would have been to conduct our investigation encompassing a very large amount of service firms in many different branches. This demands a certain amount of time and expenditures for mailing, telephone, fax, and travel which exceeded our resources.

Hotels, Restaurants, Tour operator, Bank and Telecommunications.
These five branches represent in our opinion the service industry. In order to receive comparable conclusions we decided to keep a balance in the amount of companies belonging to each branch.

Researcher has therefore selected an equal number of firms in each of the determined service branches. However, it has been chosen to select the known companies in each of the five service branches.

7.4 Data Collection

Having defined out target group for the empirical analysis we developed a questionnaire which was delivered to the selected service firms. The questionnaire was designed to provide answers to our Research Questions, and to cover the theoretical success factors.

The questionnaire was reformulated several times in order to ensure that the participants in our survey were able to understand them. When redesigning the questionnaire we received valuable input by "test persons" to whom we presented the questionnaire for testing its comprehensibility.

In order to increase the response rate in our survey we decided to deliver the questionnaire to the selected service firms personally. This was considered to be important because the questions in our questionnaire include issues which are closely related to managerial issues.

However, 40 per cent of the filled-in questionnaires we received back by mail and 60 per cent we picked-up personally. All in all we have contacted 60 service firms of which 39 answered the questionnaire (8 hotels, 8 restaurants, 7 tour operator, 8 banks, and 8 telecommunications). This represents the very satisfying response rate of 65 per cent. Besides the fact that it felt committed
to return the questionnaire due to the personal delivery, we tried to keep the language used in the questionnaire as simple as possible. This ensured that also those service managers who do not have a higher theoretical education understood the questionnaire.

The questionnaire consists of four main parts which are in accordance with our Research Questions:

a) Internal operations,

b) Service product

c) And concept, and

d) Finally the relationship to customer and their satisfaction.

All in all we formulated 50 statements, of which 14 relate to internal operation issues, 14 relate to the company's service product and concept, and 22 relate to the firm's relation to customers and their satisfaction.

The statement were to be answered on scale from strongly agree to no response whereby

a) Strongly agree indicates strongly accepted the statement;

b) Agree indicates just satisfies with the statement,

c) Disagree indicates not satisfied with the statement to certain extent,

d) Strongly disagree indicates not accepted the statement,

e) No response indicates No answer for this statement.

The reason behind using this scale was to provide the data with the possibility of giving the answers within a limited range. On the other hand we regard this scale as being sufficient enough to express the respondent's points of view.

However, in those cases when picked-up the questionnaire personally, supplemented the quantitative questionnaire with a qualitative dialogue with the respondent.

The dialogue provided us with background information and additional details concerning various issues relating to the questionnaire. These additional comments we considered when analyzing
the questionnaires and contributed therefore to an improvement of the empirical analysis and its comprehensibility.

The analysis of the questionnaire is mainly based upon the statistical findings which in some instances are supplemented by information gathered during dialogue with some of the services

7.5 Delimitation

This thesis deals with service providing companies. The focus will be solely on private services and partly public ones. It appears for us more attractive to analyze the service provided by private companies because they are profit oriented and are therefore more or less forced to be customer oriented.

This is mainly due to alternative customers having to switch their purchase to a competing company. Because the alternative is missing from public service providers, there is no definite force to be customer oriented. The empirical analysis will therefore be conducted in selected private service providers.

In the selection of service providers we have chosen to look solely at services provided on the consumer market and not on the industrials market. The reason behind this is that the number of alternatives a customer can choose from is larger on the consumer market.

It derives that business on the industrial market are often characterized by close relationship over a long-term basis, which to a certain degree, substitutes a customer orientation there for the thesis deals solely with the service providers in the consumer market.

The empirical analysis is based upon 39 selected service companies in five different service branches. In our opinion the selected branches are representative for the private service industry, operating on the consumer market.
The conclusions of the empirical analysis, however, are first of all true for the selected service companies. But in our viewpoint, due to their representatives, there can be conclusions drawn on service industry as a whole.

7.6 Reliability and Validity of Empirical Research

The specific choice of research design has an influence on the validity and reliability of the research. When analyzing the questionnaires answered, it is necessary to keep in mind the following drawbacks.

Their assessments concerning different managerial issues. Hereby, it is possible that the answers, in some instances, mirror rather the desired and "ideal" condition that the "real" one. Furthermore, it is important to remember that most of the answers are based upon subjective assessments and not on objective, and maybe more reliable, source.

The usage of questionnaires as the foundation of the research discloses the opportunity of conduction qualitative dialogues with the respondents, thus there is a potential risk that the respondents interpret the questions differently than originally intended.

This risk of misunderstanding depends on the researcher's ability to formulate questions in a concise and unambiguous manner.

The questionnaire provides different options to answer the statements on a scale from very agree to very disagree. When comparing the response from different managers there is a potential risk that the evaluation of a specific statement is inconsistent among the respondents.

This means, two managers who have the same opinion concerning one-problem might differ in their evaluations of the problem.

Some questions relate to strengths and weaknesses & internal and externals of the company factors. It should be kept in mind that there exists the risk that some are more focus on their
strength than on weaknesses. The potential lack of self-criticism implies that their answers need to be analyzed with caution.

It has been intended to encompass in our sample an equal number of companies within each service branch.

However, as the response rate is below 100 per cent, it reveals that the amount of companies within each service branch is not equally distributed. It appears therefore necessary to stress that the overall distribution is biased towards those branches with the largest number of participants (hotels and restaurants) and considers less the branches with a small number of participants (bank).

7.7 Presentation of the Research Sample

The empirical research aims to compare service companies in different service branches in relation to their internal service, their service product, and finally their assessment of customer satisfaction.

In order to explain significant differences between the selected service companies, it is appropriate to outline their general service characteristics presented and discussed in chapter two. Moreover, examples of the three service levels of each service branch will be proposed. Finally, the various branches will be presented in accordance with their specific position on the service-goods continuum. Doing this provides the background for the empirical analysis.
The service branch with the most participants in our sample is the one of hotels. The eight participating hotels are in the range between middle-class and higher standard class. Hotels have the purpose of offering overnight stays to their customers.

This requires specific equipment, such as a building with rooms and beds. In general, hotels are technical based due to the tangible equipment, such as building with rooms and beds. In general, hotels are technical based due to the tangible equipment.

But they are as well people based, because the human factor plays an important role when delivering the service. Examples for the human factor can be found in room service, reception, cleaning, etc.

The Service consumption in hotels are characterized by delivering the service for many customers simultaneously, hence, the customers interact not only with the hotels but also with the other hotel-guests.

Hotels experience quite irregular demand which causes the problem of how to make use of eventually unoccupied rooms. In periods of excess-supply, for example during a week, demand can be stimulated e.g. by arranging business seminars and conferences. The other hand, this excess supply during a week often changes to excess-demand during weekends and holiday periods.
Core, Secondary and Delighting Service in Hotels

7.7.2 Restaurants

The eight restaurants in our sample range from fast-food restaurants to higher standard restaurants. Restaurants have the purpose of providing meals to their customers. In order to perform this service, specific technical equipment is necessary, which consists of building and inventory, i.e. tables, chairs, and a kitchen with stove, dish, etc.

The kind of restaurant determines whether service is more technical based or more people based. In fast food restaurants the service delivered is highly standardized due to the technical equipment.

Although the human factor plays an important role, the service can be classified as being rather technical based. On the other hand, our sample included as well, restaurants which deliver a more people based service makes its delivery less standardized and more individuals. One possible proposal of how core, secondary, and delighting services can look like in the restaurant branch.
Core, Secondary and Delighting Services in Restaurants

7.7.3 Tour Operators

My sample includes seven tour operators. The core service product of a tour operator is to provide organized holidays to their customers which includes transfer to the holiday destination, destination accommodation, and support during the holiday stay.

The tour operators in our sample offer mainly package holidays in the lower price end, to a huge variety of different destinations. The provision of holiday services requires a high degree of technical equipment, such as air planes, buses, hotels, apartments, etc. while at the home office some specialized equipment is imperative, e.g. booking terminals, telephone lines, computer, brochures, etc.
On the other hand the service employees at tour operators have as well an important role both in the home office and at the place of destination where they support and organize everything for their customers.

The potential range of services is from mainly pure technical service, e.g. the tour operator sells holidays where the customer has no direct contact to employees, to rather personal based service where the customer says in direct contact with the service employees, e.g. organized trips at the holiday location, consultation hours where problems are discussed, animation shows, etc.

Core, Secondary and Delighting Services in Tour Operator Companies

### Core Service
- Vocation in Foreign Countries

### Secondary Service
- Reliable Airlines
- Clean Hotel (see secondary services for hotels)
- Careful Support at Destiny
- Helper, Skilled and Dynamic Employees
- Holiday as intended (i.e. quite vs. action)

### Delighting Service
- Extreme Beautiful Destination
- Very Helpful and Skilled Staff
- Provision of Alternative Programs (i.e. when weather is bad, political or natural influences)

#### 7.7.4 Banks

The eight banks in our sample belong to universal banks offering a whole range of financial service to their customers. These are all kinds of private loans and investments, financial advisory, insurance policies, etc.

In contrast to the previous presented service branches, the core service is rather intangible. What banks sell to their customers is mainly expertise concerning financial request, such as the
customer's wish to loan or to invest money. This indicates that the bank business is highly people based, even though technical equipment supports bank employees in the efficient performance of their work.

As the four banks offer more or less the same core products, it is especially true for the bank business that the competitive edge can be seen in the provision of secondary and delighting services.

However, one possible distinction between core, secondary, and delighting services is suggested in the following figure.

Core, Secondary and Delighting Services in Banks:
7.7.5 Telecommunications

My sample includes eight tour operators. The core service product of a telecommunications is to provide organized telecom services their customer which includes wireless to wire line service like audio to video service which use for public convened to switch from telephone to mobile which include the roaming service national to international level.

The call management services call waiting, call forwarding, automatic call-back and video conferencing private network services which including provision of wired or wireless telecommunication and data transmission services which are specifically designed for efficient transmission of data and communication through telegraph and telex.

On the other hand the service employees at telecommunication operators have as well an important role both in the wire and wireless where they support and organize everything for their customers. The potential range of services is from mainly pure technical service.
7.8 Service-Goods Continuum for Various Service Branches

The most important characteristics of the various branches have been outlined above. Another way to distinguish the service branches is by plotting their position in the service-good continuum.

Doing this provides valuable insights in the relative position of the five branches which in return will be utilized for the analysis of the differences them.

Service-Goods Continuum for Various Service Branches

<table>
<thead>
<tr>
<th>Pure Goods</th>
<th>Hotels</th>
<th>Telecommunications</th>
<th>Banks Companies</th>
<th>Pure Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurant</td>
<td>Tour Operations</td>
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It can be seen that banks each placed in the extreme ends of the continuum. They provide to customers physical goods and expertise, respectively, which determines their position.

- As tour operators organize holidays for customers, their product is rather service oriented and less goods oriented.
- Hotels are placed in the middle because on the one hand their service depends heavily on physical equipment, but on the other hand they offer personal service.
- Finally, the position of restaurants is determined by the provision of meals which requires specific technical equipment; but, personal service somehow also prevails. It is worth
mentioning that the positions of the five service branches of the continuum should be seen as suggestions. The specific position can vary from company to company.