Chapter 1

INTRODUCTION

1.1 Introduction:

Customer satisfaction has been recognized as an important goal for all business activities. It is the measure of how products and services supplied by a company meet or surpass customer expectation. In a competitive market where businesses race for customers, their satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. The shrinking market space forced companies to boost existing customer’s satisfaction and channelizing resources to chase potential customers. Besides, it is stated that investments in customer satisfaction will leads to excess return and suggesting that satisfied customers are economic assets with high return and low risk (Fornell, 1992).

Customer satisfaction is an outcome of cognitive and affective evaluation based on the comparison of actual perceived performance with certain standards. Instead of checking the customer satisfaction, organizations have to understand how to satisfy a customer that establishes long term client relationships (Paterson et al., 1997). The marketers of any product should listen and ensure to satisfy their customers. It has been reported that long-term
successes of the organizations are closely depends to its ability to adapt the customer changing needs (Takala et al., 2006).

Measurement of customer satisfaction is an innovative approach by business organization that has been identified through financial performance. Now a day, organizations recognize the drastic changes in global economy that leads to the notion of their existence are based on customer satisfaction. According to Kotler (2000) it is important to measure customer’s level of satisfaction regularly because 95 percent of dissatisfied customers do not make any complaint and they just switch the product or organization. Their reason for dissatisfaction cannot be identified without measuring the level of satisfaction continually.

The basic concern in the measurement of customer satisfaction is how specific each item in the determinants list should be prepared. The marketers required micro level experiences but the customers usually rate on the basis of an overall evaluation that leads to macro level rating of their experiences. If marketers go with micro level items for satisfaction evaluation, many aspects of the product engineering cannot be understood to the lay consumer (Oliver 1997). It is the duty of the researchers in the field of customer satisfaction to make a tradeoff between the marketers’ requirement and customers’ evaluations at the time of measuring customer satisfaction.
The J.D Power Satisfaction Index of 2013 gives the overall ratings of customer satisfaction with each company’s cars in India. It is based on a 1000 point scale and the maximum satisfaction rating was 849 for Honda and Maruti Suzuki. But the same time the rating of Fiat was 808 that light to another question in the decision makers about the reason for less satisfaction. These indexes used overall customer satisfaction as a base for rating but failed to consider the influences of each element.

Earlier studies on measurement of customer satisfaction are based on either transaction specific or overall approaches. The transaction specific approach
evaluates customer satisfaction with single components in the whole purchase process but the overall satisfaction was based on all the encounters or experiences to the customer throughout the purchase process. Consumers will comment on particular events of their purchase process when asked about transaction-specific satisfaction and they will comment their overall impression and general experiences in overall satisfaction (Bitner & Hubbert 1994)

Through a critical review on the literature, it has been identified a new approaches to customer satisfaction, say, cumulative approaches that can be more useful than overall and transaction specific approaches for strategic decision making (Fornell et al 1996). The cumulative approach to customer satisfaction doesn’t study earlier due to the difficulty in operationalization of the concept. But the influencers of customer satisfaction are context specific and the prevailing models doesn’t give the sources of variations in the satisfaction, the importance of cumulative approaches to customer satisfaction has emerges that lights to a new research. The current study has focused to explore the influencers of overall customer satisfaction to form individual elements that can be used to identify the cumulative customer satisfaction.
1.2 The Research Problem:
Consumer satisfaction is not a single point satisfaction level when consumers enjoy a product or services. It relates to various experiences encountered by a consumer since the time s/he wishes to have the product to the ultimate usage and experience of that product. A customer may be satisfied with a product or service, an experience, a purchase decision, a salesperson, store, service provider, or an attribute of any of these (Renoux 1973). Customer satisfaction includes total experiences of the customer during the purchase process.

Literature shows that cumulative approach to consumer satisfaction is more useful than transaction specific and overall approach (Anderson et al., 1994; Fornell, 1992). But the prevailing satisfaction models are based on customers overall experiences. The satisfaction ratings of various models such as ACSI, ECSI, etc. would provide a general score for industry comparison that fails to give any insight to the decision makers regarding the role of various attributes to the total customer satisfaction. The model would be more useful if it provides the influencers of customer satisfaction substantially that help the users to improve level of customer satisfaction.

The prevailing customer satisfaction models calculate the level of satisfaction with overall purchase experiences of customers. It shows a customer or a group of customers has been satisfied /dissatisfied with the entire product purchase and usage experience. But it doesn’t provide any guidelines to the
companies or organizations to improve the satisfaction level of its customers once such customers are dissatisfied/less satisfied. The reason is such models are failed to consider the individual elements or attributes that constitute a customer’s satisfaction during the product purchase and usage. They considered only the overall experiences of customers during the purchase process. In such situation, there would be some attributes in which the customers are fully satisfied and some other attributes where the customers are least satisfied. Only the combined effect would be reflected in such models. If an organization/company looking to improve the level of satisfaction, it has to know the influences of each attributes towards the satisfaction and take remedial measure to improve the level of satisfaction with such attributes causing least level of satisfaction.

The determinants of customer satisfaction are context specific and vary as per the cultural changes. It demands separate studies for each culture and context. Even though the literature favours cumulative approaches to customer satisfaction, it has not yet studied empirically. The prevailing models have not considered each attributes substantially for identifying its role in generating customers’ cumulative satisfaction that is more fundamental and useful for decision making.

Customers are usually able to rethink their purchase experiences when their involvement during the purchase was very high (Oshikawa 1969). Purchase
involvement means the extent of personal relevance of the decision to the individual in terms of their basic values, goals and self-concept (Hawkins et al., 2007). The purchase of a new automobile is a typical example for large purchase involvement and search effort. The great deal of money and durability of automobile may leads to consumer anxiety. Besides, car purchases involve a high level of social and psychological involvement, compounding the anxiety caused by the car’s price and life span (Abramson & Desai 1993).

According to Laurent and Kapferer (1985) the major reasons for high involvement during the purchase as follows:

1. The importance of product to the buyer
2. High perceived risk or functional risk
3. There is a symbolic value to the product (psychological risk)
4. The emotional value to the product (ability to give pleasure)

The literature on consumer behaviour reveals that a buyer who has involved in an extensive problem solving during the purchasing process passes through various stages of decision making. These stages are Problem recognition, Information search, Evaluation of alternatives, Purchase decision, and Post purchase behavior and so on. Consumers of compact segment cars are expected to be highly involved in purchasing as they always follow a value for money concept while making their purchase decision. Hence, it can be
presumed that certain attributes related to the cars which are considered by the consumers during these stages, have significant influence in turning them as satisfied/dissatisfied. A clear understanding of such attributes and their relevance during the purchase is of great importance to marketers as the same will help them to deal their potential customer in an efficient manner (Kotler & Armstrong, 2010; Hawkins, 2007).

Since the compact segment cars accommodate all the possible stages of interaction of customers during its purchase, buyers of this segment have been chosen as respondents for this study. The conceptual model developed through literature review and personal interview involves a number of attributes relating to consumer psychology. In order to identify its importance in consumer buying behaviour, it is necessary to have an industry where customers are fully involving during their purchase. The above stated literatures on customers’ involvement supports that if the conceptual model is validated with the compact segment car industry, it would be more generalisable.

1.3 Evidence to support the research gap:

1. The prevailing customer satisfaction indexes such as American Customer Satisfaction Index, Swedish Customer Satisfaction Barometer, etc. rates the overall experiences of customer satisfaction.
2. The overall satisfaction approach doesn’t provide any door to identify the real source or reason of customer satisfaction/dissatisfaction.

3. The existing customer satisfaction models say that a customer or a group of customers has been satisfied/dissatisfied with the entire product purchase experience. But it doesn’t provide any guidelines to the companies or organizations to improve the satisfaction level of its customers once such customers are dissatisfied/less satisfied.

4. The prevailing model doesn’t consider each element or attributes that constitute a customer’s satisfaction during the product purchase and usage. There would be some attributes in which the customers are fully satisfied and some other attributes where the customers are least satisfied. Only the combined effect would be reflected in such models. If an organization/company looking to improve the level of satisfaction, it has to know the level of satisfaction with each attributes and take remedial measure to improve the level of satisfaction with such attributes causing least level of satisfaction.

5. Overall satisfaction is the function of all transaction specific satisfaction (Parasuraman et al 1994, Teas 1993). But the present model doesn’t consider each transaction specific satisfaction in order to find out overall satisfaction.
6. A customer may be satisfied with a product or service, an experience, a purchase decision, a salesperson, store, service provider, or an attribute of any of these (Renoux 1973). The satisfaction with each attributes can be considered as transaction specific satisfaction and the satisfaction with all the attributes can be considered as cumulative satisfaction. So a cumulative approach to consumer satisfaction should have to include all such attributes which have relevance in the total product purchase and usage encounter.

7. Some consumer satisfaction index and models have considered comparatively more number of attributes influencing the customer’s satisfaction. They asked the customers to prioritize attributes which they considered more important to them (UKCSI, MUSA). But normally customers may have, almost, common priorities with respect to a product. For e.g. the priority for buying a passenger car is to ride comfortably for the customers’ personal use. These are the basic requirements of such products. Now a day, customers’ expectations are changed and they are looking for certain attributes beyond the core function of the product (Kano et al., 1984). Each invisible but influential determinant to the customers’ satisfaction evaluations should be diagnosed for ensuring inclusive satisfaction.
1.4 Objectives of the Study:

- To develop an instrument for measuring the cumulative customer satisfaction in the automobile industry that helps to understand the source of variation in customers satisfaction
- To formulate a cumulative customer satisfaction model in automobile industry with special reference to compact segment car users.

1.5 Significance of the Study:

Earlier studies on consumer satisfaction states that experiences of many stages of interaction during the purchases constitute customer satisfaction. Total satisfaction with a purchase could include satisfaction with the purchase process together with the information available for the decision and the experience of actually making the purchase, as well as satisfaction with the service or product. In addition, satisfaction with one component, such as the product itself, may be influenced by the level of satisfaction with other components, such as the salesperson (Hawkins et al 2007).

Studies of consumer satisfaction have measured specific components which might be varying according to the product or services classification and the purposes of the given study. Customer satisfaction depends on the situation and the product or service. A customer may be satisfied with a product or service, an experience, a purchase decision, a salesperson, store, service provider, or an attribute or any of these (Renoux 1973). These studies up hold
the requirement of an exclusive research in the field of cumulative aspect of consumer satisfaction in automobile cars owners.

The significance of the study was to help the marketers of compact segment car in the state of Kerala to understand the customer’s requirement and influencers during their purchase and usage of the product. Once the marketers are aware of it, it could be more helpful to them to completely satisfy its customers by meeting their requirements.

1.6 Research question:

The review on customer satisfaction reveals three approaches to customer satisfaction. The transaction specific approach measures the individual encounters of customer satisfaction and the overall approach measures the general level of satisfaction that includes all the encounters. But the cumulative approaches to customer satisfaction consider all transaction specific satisfaction individually that can be better explained more variances in overall customer satisfaction which helps the decision makers for diagnosing the reason for customer satisfaction or dissatisfaction. Bearing the limitations of existing approaches to customer satisfaction, the researcher has addressed the following questions through the study:

1. What are the items that customers consider for his cumulative satisfaction with the dealer?
2. What are the items that customers consider for his cumulative satisfaction with the car?

3. Whether the cumulative customer satisfaction can better explain the variances in overall customer satisfaction that helps the decision makers to identify the reasons for customer satisfaction or dissatisfaction?

1.7 Hypothesis:

There are six major hypothesis were stated to study the research questions. It has been listed below:

H1: Overall Satisfaction with Car positively influences overall customer satisfaction.

H2: Overall satisfaction with the dealer positively influences overall customer satisfaction.

H3: Overall customer satisfaction positively influences repurchase intention.

H4: Overall customer satisfaction positively influences word of mouth.

H5: Overall customer satisfaction has a mediating role between the antecedents and consequences.

   H5a: Overall Customer Satisfaction mediates the relationship between Overall Satisfactions with the car to Repurchase Intention

   H5b: Overall Customer Satisfaction mediates the relationship between Overall Satisfactions with the car to Word of Mouth
H5c: Overall Customer Satisfaction mediates the relationship between Overall Satisfactions with the dealer to Repurchase Intention

H5d: Overall Customer Satisfaction mediates the relationship between Overall Satisfactions with the dealer to Word of Mouth

H6: Overall customer satisfaction has a moderating role between the antecedents and consequences.

H6a: Overall Customer Satisfaction stronger the relationship between Overall Satisfaction with Car to Repurchase Intention and Word of Mouth

H6b: Overall Customer Satisfaction stronger the relationship between Overall Satisfaction with the Dealer to Repurchase Intention and Word of Mouth
1.8 Conclusion:

The studies on customer satisfaction to date have given more focus to overall approach that became the basis for various satisfaction indexes and models. These models are the representatives of national consumer satisfaction that consists of various industries. The holistic approach to the ratings of customer satisfaction can be operationalised easily but doesn’t give any insight for various reasons to customer satisfaction or dissatisfaction. Through cumulative approaches to customer satisfaction, the cause and effect of customer satisfaction can be easily traced that would be more useful to decision makers for retaining and expanding the customer base. This study has channelized to diagnose various transactions that would have influences to the customers’ overall ratings. The sum of all transaction can be taken as cumulative satisfaction score that would better predict more variances in the overall customer satisfaction.

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