Chapter-3
Literature Review

3.1 Customer Satisfaction

- **Sullivan 1989**, In spite of many definitions of customer satisfaction in the literature, a common way to define customer satisfaction is to follow the approach of the expectancy confirmation/disconfirmation paradigm (Anderson 1994; Anderson and Sullivan 1993; Kotler 1991; Oliver 1980; Oliver and DeSarbo 1988; Oliver and Swan 1989; Yi 1991). In this perspective, customer satisfaction is delineated as the consumer’s evaluation that products or services meet or fall to meet the customer’s expectations (Oliver and Swan 1989; Yi 1991). Out differently, customer satisfaction consists of post-consumption judgment concerning product or service quality, given pre-consumption expectations (Kotler 1991).

- **Anderson and Fornell 1993**, Customer satisfaction has generally been suggested to contain two such different dimensions as a transaction-specific evaluation approach and an overall, cumulative evaluation approach. That is, there exist two general conceptualizations of customer satisfaction in the literature.

- **Bearden and Teel 1983**, Prior research has portrayed customer satisfaction as transaction-specific. Using this framework, customer satisfaction is seen as a post-consumption evaluative judgment of a particular purchase experience or activity (Cronin and Taylor 1992; Oliver 1980, 1993; Oliver and DeSarbo 1988). The theoretical rationale behind this framework is a variation of the expectancy-confirmation/disconfirmation paradigm (Prakash 1984; Oliver and Swan 1989).

- **Olsen 2002**, Another formulation to measure customer satisfaction, widely used in recent studies, including studies utilizing the satisfaction metric in the ACSI data, is overall or cumulative satisfaction, which is, in other words, relationship-specific. With this formulation, overall satisfaction can be viewed as a customer’s overall
satisfaction experiences (Olsen 2002), and is gauged as the cumulative post-purchase evaluative judgment of a group of discrete purchase activities or transactions for a particular brand or firm over a duration of time (Fornell et al. 1996; Johnson and Fornell 1991; Oliver 1997; Rust and Oliver 1994). Of these two formulations of customer satisfaction, overall or cumulative satisfaction has been widely used with regard to the association between customer satisfaction and customer loyalty. On one hand, transaction-specific satisfaction conceptualizes customer satisfaction as the outcome of a single transaction. Thus, this transaction-specific satisfaction formulation may be too restrictive – i.e., the transactionspecific satisfaction approach has a very limited predictive power (Anderson and Narus 1990; Fornell et al. 1996; Ganesan 1994). 10 Oliver (1999) maintains that overall satisfaction is more appropriate for an analysis of the satisfaction-loyalty relationship, inasmuch as the cumulative satisfaction construct is capable of aggregating or blending individual satisfaction episodes. Likewise, the overall satisfaction formulation is better at predicting consequent behaviors and economic outcomes (Johnson et al. 2001).

➢ **Gruca and Rego 2005**, Customer satisfaction is one of the most important metrics in marketing, since firms regard customer satisfaction as one of the key business goals for evaluating the effectiveness of their business operations. In addition, customer satisfaction is a starting metric of the value chain between customer satisfaction, customer loyalty, firm product - marketplace performance and financial performance, and shareholder wealth, as demonstrated by recent studies. Marketing academics and managers have been increasingly interested in the effects of an increase in customer satisfaction levels on firm financial performance since the 1990s. For instance, customer satisfaction has been shown to positively impact operating margins (Bolton 1998; Rust et al. 1996), accounting 11 returns (Ittner and Larcker 1998), returns on investment (Anderson et al. 1994), and cash flow and shareholder value.

➢ **Peterson and Wilson 1992**, Indeed, firms have invested a great amount of money on this metric, as customer satisfaction investments represent the number one marketing research expenditure item for most firms. Customer satisfaction can be seen as an essential measure used to oversee business outcomes, decide on limited resource allocation, and provide rewards to management (Anderson 1994). For the majority of firms, the pursuit of customer satisfaction is illustrated in their communications,
including advertisements, public relations releases, and mission statements. With regard to this importance, a variety of marketing academics and practitioners have studied customer satisfaction for the past forty years.

### 3.2 Customer Loyalty

- **Day 1969; Jacoby and Kyner 1973; Yi 1991**, Earlier research conceptualized customer loyalty as a behavior (Dick and Basu 1994; Jacoby and Chestnut 1978). Behavioral loyalty signifies actual repeat purchasing behavior, or the likelihood of repeat product/service purchases from the same supplier. Yet, recent research seems to measure loyalty attitudinally (including cognitive and/or affective components). Using this perspective, customer loyalty is perceived as future intention-to-repurchase or commitment that reflects the cognitive and emotional attachment associated with customer loyalty.

- **Dick and Basu (1994)** assert that if behaviourally loyal customers with spurious loyalty locate a superior alternative, they will probably switch to the alternative. Day (1969) blames behavior loyalty by stating, “These spuriously loyal buyers lack any attachment to brand attributes, and they can be immediately captured by another brand that offers a better deal,” (p. 30) which means that actual repurchase behavior is not always due to a psychological and/or emotional commitment with respect to a product or service (i.e., true loyalty). Bowen and Chen (2001) state that an individual may reside at a hotel because it has the most convenient location. Nevertheless, an individual may also change to a new hotel when it is located across the street and provides better deals. As this example illustrates, repeat purchase behavior does not always indicate commitment; rather, it may signify a random actual repeat purchase, or spurious loyalty. Yet, this spurious loyalty can be disregarded when attitudinal loyalty is the construct of interest. Shankar and his colleagues (2003) also maintain that attitudinally loyal customers are not likely to change to an incrementally more attractive alternative, in that they have a certain degree of attachment or commitment to the product or service. Hence, attitudinal loyalty (or true loyalty) signifies both higher repurchase intention and refusal to consider counter-persuasion and negative expert opinion. More significantly, the attitudinal loyalty metric (e.g., the ACSI.
loyalty metric) has recently been adopted with respect to the relationship between customer loyalty and firm financial performance (Morgan and Rego 2006).

- **According to Pfeifer (2005)**, loyalty reduces customer acquisition costs, which in turn, reduces firm costs or expenses. Second, customer loyalty indicates customer retention, the most important customer metric for firm profitability, because loyalty measures customers’ intention to repurchase a product or service. In a traditional sense, marketing academics and practitioners have emphasized the consequences of market-based assets on success within the product marketplace, as illustrated in product sales and market shares. Nonetheless, the significance of the effect of market-based assets on financial performance has appeared in the past decade as top management has begun seeing the final objective of marketing as contributing to the favorable status of shareholder returns (Day and Fahey 1988). Top management has begun to realize that not only tangible assets, such as plant and equipment, raw materials, and finished products (whose values are enumerated on balance sheets), but also intangible market-based assets, such as brands and customers, channels, and partner relationships (whose values are not seen on balance sheets) all play a part in shareholder wealth. Moreover, Internet-based firms (e.g., Amazon, eBay, Google, and Facebook) are commonly present in the contemporary digital economy, and these firms generally do not hold tangible assets, as opposed to traditional firms. There are also quite a few subscription-driven firms (e.g., Verizon Wireless and Cable companies) in the contemporary digital economy. For these types of firms, market-based assets, including relationships with customers, are essential for their survival. Marketing academics and practitioners have examined linkages between customer metrics and firm finance performance (Rust, Lemon, and Zeithaml 2004). Especially, studies demonstrate a strong and positive link between customer loyalty and firm profitability (Ittner and Larcker 1998; Anderson et al. 2004). A variety of studies (Gupta, Lehmann, and Stuart 2004; Reichheld and Sasser 1990; Reinartz, Thomas and Kumar 2005; Thomas, Reinartz, and Kumar 2004) demonstrate that customer retention instead of customer acquisition or cross-selling is the key driver of Customer Lifetime Value (CLV), and hence, firm financial profitability (Some studies argue that cross-selling is the key driver in the banking industry (Coyles and Gokey 2005), and customer acquisition is the key driver in a rapidly growing market such as China (Keiningham et al. 2005)). Customer retention is likely to be the key driver of firm
financial performance and firm 15 value, but the linkage between retention and firm profitability depends on the industries or categories in which the firms operate.

### 3.3 Customer Satisfaction-Loyalty Association

- **Anderson 1996; Anderson et al. 1994;** Firms have, however, shifted the focus of their marketing strategies from customer satisfaction to customer loyalty because of its profit impact. The literature points out this profit impact of the loyalty metric, as discussed earlier. Responding to this, researchers and practitioners have been interested in how improvements in customer satisfaction can translate into an increase in customer loyalty, which in turn, increases firms’ product-marketplace performance and financial performance, and creates shareholder wealth. Early research on the association between customer satisfaction and loyalty has clearly established a positive relationship between customer satisfaction and customer loyalty.

- **Taylor and Baker 1994,** On the contrary, several studies indicate that this positive association fails to be generalizable. Customer satisfaction does not always translate into customer loyalty. More specifically, studies fail to fully explain the number of satisfied customers who bolt and unsatisfied customers who stay loyal (Ganesh, Arnold, and Reynolds 2000; Bendapudi and Berry 1997; Keaveney 1995).

- **Oliver 1999; Seiders et al. 2005** note that high customer satisfaction does not always indicate high loyalty. In a similar vein, increasingly more recent evidence shows that merely keeping customers 16 satisfied is not enough to guarantee loyalty (Deming 1986; Jones and Sasser 1995). The reason for this is because even if customers are satisfied, they may defect (Reichheld 1993).

- **McCarthy, 1971; Oliver, 1997; Zeithaml, 1988,** and has been tested in various empirical studies (Bloemer & Odekerken-Schröder, 2002; Cronin, Brady, & Hult, 2000; Yoo, Donthu, & Lee, 2000). However, studies have not been inclusive of all variables that better describes and explains the marketing strategy, perceived value, and customer loyalty relationship, as determined by, and proposed in this study.
Customer loyalty has been measured by (1) cognitive components (Huddleston, Whipple, Mattick, & Lee, 2009), (2) affective elements (Chowdhury, Reardon, & Srivastava, 1998), (3) trust and commitment (Haelsig, Swoboda, Morschett, & Schramm-Klein, 2007), (4) purchase intention (Bloemer & Odekerken-Schröder, 2002; Cronin et al., 2000), (5) positive word-of-mouth communication (Bloemer & Odekerken-Schröder, 2002; Cronin et al., 2000; Eakuru & Mat, 2008), (6) complaining behavior (Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008; Zeithaml et al., 1996), (7) price insensitivity (Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008), (8) switching behavior (Eakuru & Mat, 2008; Ibrahim & Najjar, 2008), (9) first choice (Lee & Overby, 2004; Zeithaml et al., 1996), and (10) do more business (Zeithaml et al., 1996).

Moreover, customer perceived value is the result of marketing strategy (Moliner, Sanchez, Rodriguez, & Callarisa, 2007; Sangkaworn & Mujtaba, 2010). That is, a firm’s marketing strategy should be developed based on value creation for customers (Bilington & Nie, 2009). Yoo et al.’s (2000) study confirms that marketing strategy positively influences customer perceived value (perceived quality), and leads to customer’s (brand) equity.

Customer loyalty, and consists of “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14), or the benefits received and the sacrifices made (given). Benefits include customers’ desired value, e.g., quality (Monroe, 1990). Sacrifices, on the other hand, include monetary (price) (Dodds, et al., 1991) and non-monetary (time, effort) (Cronin, et al., 2000)

Yoo et al. (2000) propose a framework to explore the relationships between the retail marketing mix elements (price, store image, distribution intensity, advertising spending, price deals) and total brand equity through the mediating role of three brand equity dimensions, that is, (1) perceived quality, (2) brand loyalty, and (3) brand associations combined with brand awareness. The results show that, first, no direct path between marketing mix variables and total brand equity. Total brand equity is indirectly affected through the mediating brand equity dimensions of perceived quality, brand loyalty, and brand associations combined with brand awareness.
Second, frequent price promotions, such as price deals, have a negative relationship to brand equity. Third, lowering price decreases customer perceived quality. Consumers may perceive that a lower price is made by reducing product quality to maintain profit margins. Fourth, customer perceive high quality products as having a direct (positive) relationship from high advertising spending, high price, good store image, and high intensive distribution.

- **Cronin et al., 2000; Moliner et al., 2007**, Besides receiving benefits of perceived quality, monetary and non-monetary sacrifices are used to measure customer value. Cronin et al. (2000) conduct a study to examine the effects of service quality, perceived value, and customer satisfaction on consumer behavioral intention in service environments. The service value is received primarily from perceptions of quality. That is, consumers view service quality of greater importance than the sacrifices they made.

- **Lemon, et al., 2001**, where convenience is the time and effort expended by the customers (Cronin, et al., 2000). Therefore, the marketing strategy (marketing mix elements) is (are) an antecedent(s) of value (Lemon, et al., 2001). Perceived quality is viewed as the product quality. Price is monetary sacrifice. Convenience (saved effort and time) relates to the effort to do business with the firm (time costs), e.g., easy access (place/location), and search time, e.g., product information (promotion) (Lemon et al., 2001). Hence, the marketing strategy is essential to increase perceived value, and builds customer loyalty (Chowdhury et al., 1998; Haelsig et al., 2007; Yoo et al., 2000).

- **Cengiz and Yayla (2007)** tests the relationship between marketing mix, perceived value, perceived quality, customer satisfaction, and customer loyalty with wordof-mouth. There are two revealing findings. First, marketing mix elements have an important influence on customer loyalty. Particularly, price and promotion have significant effects (indirect) on loyalty. Second, price, place, and perceived quality (product) have positive effects on perceived value. However, there were limitations in the measurements for perceived value and customer loyalty. As with similar measurements by Dodds et al. (1991), Cengiz and Yayla used items that were only monetary sacrifices, e.g., good value for money, acceptable price, to be a good buy
(2007, p. 85), and no items for non-monetary sacrifices. Furthermore, word-of-mouth was the dependent variable, and hence was not a component of the independent variable of customer loyalty. Moreover, customer loyalty included items of only repurchase intention measures – re-subscription intention and new services subscription intention (Cengiz & Yayla, 2007, p. 85).

- **Cengiz & Yayla, 2007; Dodds et al., 1991**, perceived value has a critical mediating role and a direct (positive) relationship with customer loyalty (Lemon et al., 2001; Yoo et al., 2000). However, perceived value has not been sufficiently, and completely measured in the empirical studies. This value is the “perceptions of what is received and what is given” (Zeithaml, 1988, p. 14). Quality is received and coupled with monetary and non-monetary sacrifices are given, such as quality, price, and convenience (Lemon et al., 2001). These components do not have a linear relationship, but rather curvilinear (Dodds et al., 1991), e.g., quality and price (Lemon et al., 2001). As a result, we argue that these constructs should be included (together) to measure and determine perceived value. This a priori categorization is consistent with Zeithaml (1988) and Lemon et al. (2001). Hence, as shown in Figure 1, this study posits that perceived value is the total measure of perceived quality and sacrifices (cost, time, effort) by the customer and a critical mediating influence between marketing strategy and customer loyalty.

- **Bharatwaj et al. (1993)** mentioned that the organizations should start taking customer loyalty as a source of competitive advantage. Reichheld and Sasser (1990), Sheth and Parvatiyar (1995) opined that customer relationship management has got the concepts of customer loyalty and business performance fore-grounded in its framework. As put by Oliver (1999), Reichheld (2001), customer loyalty has been drawing attention from both the business and academic worlds. Majumdar (2005) stated that “Customer loyalty is a complex, multidimensional concept”.

- **Jaishankar, Arnold and Kristy (2000)** described loyalty as a product of repeat purchase, self stated retention, price insensitivity, resistance to counter persuasion, and recommendation to others. Dwyer, Schurr, and Oh (1987); Fornell (1992) found that willingness to spread positive word-of-mouth about a service provider and repeat purchasing behaviour are the most common indicators of customer loyalty. A number
of studies have treated these two behaviours as loyalty indicators (Zeithaml et al. 1996; Sirdeshmukh et al. 2002). However, loyalty manifests itself in not only behavioural fashion but it also gets influenced by the attitudinal setup of mind.

- **Dick and Basu (1994)** brought out the idea of relative attitudes while defining various forms of loyalty depicted below. They described loyalty as the strength of the relationship between a customer's relative attitude and repeat patronage and four dimensions had been identified: true loyalty, latent loyalty, spurious loyalty and no loyalty.

- **Rameshwaran. B (2010)** A study on the viewers perception towards Malayalam news channels, man~age, Vol-5, issue-1-2, Revealed that among different regional news channels Asianet news is the most preferred news channel. He also identified that, viewers will become more satisfied if Asianet news channel commence al new live phone in quiz show. Moreover he revealed that among the four news channels, Asianet News, Manorama News, India vision and Kairali people, Asianet news brings the earliest LIVE news.

- **Brajendra Sharma (2011)** in his study Perception of viewers towards news channels in India identified the fact that the retired persons like to watch more and more news channel. He also pointed out that, the business class like to watch news from 20 to 40/min. a day on the other hand professionals prefer to watch news in an unspecified manner i.e. as and when they get time. Moreover he revealed that students focuses their attention more on current affairs, business news, education related, cinema and sports.

- **Orientation as posited by Rubin (1993)** is very similar to what Petty & Cacciopo (1981) term, ‘personal relevance.’ In this postulation concerning relevance, Petty & Cacciopo (1981) state that an individual mass media consumer will consume messages of high personal relevance with much more scrutiny. Areas of high involvement may include such areas as personal goals, value systems, possessions or groups. Of these mentioned, issues of high personal relevance to Air Force members could include personal goals, value systems and groups.
References:


Yang, H., & Oliver, M. B. (2003, July/August). Exploring the effects of online advertising on readers’ perceptions of online news. Paper presented at the annual meeting of Association for Education in Journalism and Mass Communication, Kansas City, MO.


