



Shades of Customer Satisfaction in Competitive Era

KEYWORDS

Customer Satisfaction, Competition, Customer Retention, Customer Relationship Management, Customer Loyalty.

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ABSTRACT Last few decades have witnessed a shift in business strategies all over the world. Liberalization of Indian Economy and entry of multinational enterprises into Indian market have given a great opportunity to customers to select one out of several similar products available in the market. In this competitive market era, market has become highly competitive and customer oriented. Therefore it is necessary for a producer to understand customer satisfaction. It is not an easy task to understand customer satisfaction. Customer satisfaction is the local point of the growth of the business unit. A business involves application of a large capital. Hence the failure of a business is a risky proposition. It becomes necessary to design and distribute the goods and services as per customer expectation. This paper tries to highlight the impact, issues and challenges in a modern day business in light of Consumerism.

1. Introduction

It is interesting that consumerism have been in a rise since the last five decades in parallel to rise of customer satisfaction with a link to profitability and other business results. In order to understand the underlying reasons for consumerism, we believe that a better understanding of consumer satisfaction/dissatisfaction is required. Since consumerism today is such a complex evidence as interrelated with other ecological, social, political, ethical, economic, and technological problems, one who attempts to discover satisfaction is required to discover also the relation to all those aspects one by one. The concept of consumer satisfaction have been in a central position in Marketing since 1950's till today with an increasing interest and importance. We can consider satisfaction as a major output of Marketing-activity that links the processes involved in purchase and consumption. It also links post purchase phenomena such as attitude change, repeat purchase, and brand loyalty. The positioning of the concept in the core of Marketing is reflected by the consideration that profits are generated through the satisfaction of consumer needs and wants. The apparent need to translate this important Marketing concept into daily operational practice has directed researchers to development and measurement of consumer satisfaction.

2. Literature Review

Porter (1985) suggested that a competitive advantage exists when an organization maintains an edge over its rivals in retaining customers and in positioning itself to take advantage of environmental changes. Under these circumstances, successful service organisations realize the importance of carefully monitoring and managing of customer satisfaction (Bitner et al., 1994).

Satisfaction is an "overall customer attitude towards a service provider" (Levesque and McDougall, 1996, p. 14) or according to Zineldin (2000) an emotional reaction to the difference between what customers anticipate and what they receive. When customers are satisfied, they are more likely to return, while dissatisfied customers are more likely to go elsewhere (Heskett et al., 1994; Strauss et al., 2001; Zairi, 2000).

Conceptually, satisfaction is an outcome of purchase and use resulting from the buyer's comparison of the rewards and costs of the purchase in relation to the anticipated consequences. Operationally, satisfaction is similar to attitude in that it can be assessed as the sum of the satisfactions with the various attributes of the product or service (Churchill & Suprenant, 1982).

Customer Satisfaction is today considered as a valuable Marketing performance metric. Customer satisfaction measurement has been getting importance in business practices especially for the last decade. The metric is getting popular since, Customer satisfaction is a forward looking indicator of business success that measures how well customers will respond to the company in the future. Other measures of market performance, such as sales and market share, are backward looking measures of success. They tell, how well the firm has done in the past, but not how well it will do in the future.(Byrne, 1993).

A customer satisfaction index result at average levels around for example 70-80 out of 100 could be considered satisfactory for the business. However, in real life when we consider the distribution of different satisfaction levels that result such an average index, we may possibly observe that it is made of composite satisfaction levels. This broader view may for example imply us that a significant percent of customers "somewhat satisfied" and are open to competitor's threat. Such insights are helpful for businesses to devise their strategies in managing their customer portfolio.

3. Customer Satisfaction Vs Customer Retention

Customer satisfaction and retention are important linkages. The ultimate goal of any marketing strategy should be to attract, satisfy and retain target customers. The longer a customer stays with an organization the more utility the customer generates. This utility is an outcome of a number of factors relating to the time the customer spends with the organization, including the higher initial costs of introducing and attracting a new customer, an increase in the value of purchases; an increase in the number of purchases; the customer's better understanding of the organization and positive word-of-mouth promotion. Apart from

the benefits that longevity of customers creates, it is suggested that the costs of customer retention activities are less than the costs of acquiring new customers. For example, the financial implications of attracting new customers may be five times as costly as keeping existing customers (Rust and Zahorik, 1993). However, maintaining high levels of satisfaction does not ensure all customers remain loyal.

Customer satisfaction has for many years been a key determinant in explaining why customers leave or stay with an organization. Every organization needs to know how to retain their customers, even if they appear to be satisfied.

It is argued that some unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere and that some satisfied customers may look for other providers if they believe they can get better services elsewhere (Reichheld, 1996). Customer satisfaction is viewed an important indicator of customer retention but customer satisfaction is not always an assurance of customer retention. Retaining customers is also dependent on a number of other factors such as choices, conveniences, prices, and incomes (Reich held, 1996).

4. Summary of Issues

4.1 Evolving Concept

The concept of customer satisfaction has evolved through the years. In the 1960s and 1970s, the focus was on how to satisfy customer needs. That was when the sellers' market began to end. Competition became fierce and production was no longer linked automatically to sales. The attention of management was not only on customers but also increasingly on competitors. Finding out customers' needs was important but knowing what competitors were planning and doing became even more important.

4.2 Developing Differentiation Strategies

Entering the 1970s and 1980s, the major agenda of management was how to beat competitors. Even if you were able to satisfy your customers, your competitors might fill customers' needs better and faster at a lower price. That meant that you were no longer competitive. As Michael Porter indicated, corporations needed to develop strategies differentiating themselves from competitors. Differentiation strategies required superior engineering and design capabilities. With development capabilities, corporations could offer distinctive products and services to customers. The efforts of many corporations were concentrated on technologically superb products, and naturally engineers led this drive. As engineers became a driving force in developing new products, technologies and new functions were the starting points. The problem was that when functions and features were added, customers neither noticed nor found value.

4.3 Creating Customer Value: Perceived Value and the Use of Information Technology

In the 1990s, many products were technologically superior but had many features that customers did not perceive as value. Enterprises came to focus on value as perceived by customers. The challenge faced by current enterprises is how to offer customers products and services with perceived value. Creating new customer experiences is now an additional task that enterprises must tackle.

The competitive advantage of modern enterprises lies in their ability to create desirable customer experiences continuously. In particular, it is important to create perceived value at contact points with customers. As the Internet

and mobile communication become ubiquitous, not only manned contact points but also unmanned contact points with customers are increasing. Creativity and innovation should be exercised to create pleasant customer experiences in multiple customer contact channels. Some corporations promise customers that wherever customers place an order, they can make the delivery. Those corporations attempt to create customer value through ubiquitous delivery systems. Many corporations are taking innovative approaches to create customer value. Some are attempting to create value by delivering services with a human touch. Mr. Stanley C. Yen, ex-CEO and current Chairman of the Landis Hotel, had every customer request documented to compile his/her preferences. When the same customer visited again, arrangements were made to cater to those preferences. For example, the furniture in a hotel room was rearranged to suite the needs of a garment designer.

4.4 Building Customer Databases

Another new development in customer satisfaction area is building customer databases. Data warehousing is increasingly adopted as a way of meeting the various information needs of top management. Data mining tools are also used to capture trends and/or patterns of purchasing. Some criticize corporations for being overly focused on numbers, asserting that they should focus instead on the customer experience. Despite the criticism, tools tapping the power of IT are being installed on corporate servers. Customers perceive value when contacts with enterprises are made and also when a delivery is processed. Corporations have long endeavored to improve supply chain management. Better and cheaper products should be delivered faster. Large investments have been made to integrate supply chains and more investment is devoted to acquiring new technologies.

5. Key Steps and Major Challenges in Improving Customer Satisfaction

- The large consumer enterprises are taking to improve customer service experiences. The research mainly consisted of in-depth interviews with executives in the financial services and telecommunications sectors, but it also included an e-mail questionnaire with consumers and a "mystery shopping" investigation into customer service centers.
- The study finds that improving customers' satisfaction with service is a rapidly rising corporate priority and companies are increasing investment in tracking customer satisfaction and what drives it. While the majority of companies are beginning to understand aggregate-level trends in customer satisfaction, only a few companies are able to systematically identify how to change service delivery processes for the better — yet this is what all of the interviewed companies most want to do.
- Additionally, the study defines a success model for embracing and driving change based on customer satisfaction metrics, and it lays out the capabilities that companies must develop to fully leverage customer satisfaction data in driving change across the organization.
- Fundamentally, organizations are striving for a level of understanding that is deeper and more specific than general customer feedback (which is typically that the customers would like service to be delivered faster and more courteously).
- The study defines a capability model for companies to understand these stages, to identify the stage they are at and to build a plan for how to increase their own

capabilities based on what more advanced organizations have already done.

- Companies are constantly making changes to service delivery processes, but they clearly need to be able to prioritize them based on evidence. Many organizations conclude that only by identifying linkages at an individual level between surveys and operational data can they identify the processes that are the root cause for dissatisfaction.
- The level of interest in identifying broken processes that companies are not aware of is high — “We’re particularly interested if something fails” was one pertinent comment. Comparing what the customer thought happened with what the company thought happened reveals the root cause for dissatisfaction, allowing it to be addressed.
- The cost of customer dissatisfaction at broken processes is acknowledged to be huge. The combined cost of replacing customers lost through churn, providing services that are not valued and resolving complaints — especially if they get to the regulator — is the driver for change.
- What companies are seeking is prioritization for these change programs; it appears that exploring the cause-and-effect linkages between survey data and operational data is considered the most effective way of doing this.

6. Conclusion

It is not surprising that executives have recently focused much more attention on the issue of customer experience. In the 1990s, the main priority in customer service was increased efficiency. Companies have now found that the customer experience must also be effective. Customers’ opinions matter, and sometimes those opinions directly drive loyalty and other behavior. Many factors are pushing this change in strategy: consumer financial services and telecommunications markets have become increasingly saturated and commoditized and, as a result, the majority of companies are seeking to maintain value by delivering differentiated customer service. Customers have become more demanding and savvy in the way they deal with large organizations. It has become easier for them to vote with their feet and switch suppliers, thanks to the Internet and intensified regulation.

As a result, internal investment has swung from market share-led initiatives to driving profit from existing customers through retention and cross-selling. While some money has long gone into surveying customer opinion, activity has stepped up significantly and organizations are getting more serious about actually using the survey data (along with the mountains of data available internally) as a key driver of change. Improving the customer service experience is thus the new frontier of customer value exploitation and differentiation.

1. There is a wide spectrum of sophistication among companies in their capability to understand and leverage customer satisfaction data. This spectrum spans three equally divided groupings, which we have labeled “laggards,” “followers” and “leaders.”
2. The majority of companies are beginning to understand aggregate-level trends in customer satisfaction. Only a few leading companies are able to systematically identify how to change service delivery processes for the better, yet this is what all the interviewed companies most want to do.
3. Companies face a definable sequence of challenges to increase the sophistication and efficacy of their approach in utilizing customer satisfaction metrics to drive change through their organizations. That set of challenges divides into five categories of increasing difficulty and complexity: 1) improving surveys and clarifying metrics; 2) gaining management sponsorship or company understanding; 3) better identifying changes through in-depth analysis; 4) getting the organization to carry out the recommended changes; and 5) measuring ROI on the changes delivered.
4. Laggards generally were focused on challenges 1 through 3; followers, on 2 through 4; and leaders, on 3.

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