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Customer Satisfaction...From Basics to Models!

Satisfying customers...a challenging task with multi-dimensional attributes!

Key Learnings:

- Understanding the term ‘customer satisfaction’
- The need for models for customer satisfaction studies
- Macro and micro-models of customer satisfaction
- Understanding the various micro-models of customer satisfaction
- Analyzing consumer requirements as a basis for customer satisfaction studies
- The Kano’s Model for customer satisfaction
- Interpret the various dimensions that the term ‘satisfaction’ can attain in a consumer’s mind
- Translate the findings to a practical situation to understand ‘satisfaction’ from the consumer’s viewpoint
- Apply the findings while formulating strategic and organizational decisions

The 1990’s brought with it a paradigm shift in emphasis of companies, who for decades relied on push marketing. With the opening up of digital technologies like the Internet, increasingly educated customers expected companies to do more than delight them. So the focus was on understanding customer needs and relationship marketing to attract, manage and retain them.

The private sector soon caught up and companies were out to beat competition. They began wooing customers with innovative products and services. Seeing red, the public sector followed suit and began to focus on ‘delighting customers’, an operational aspect, which they hadn’t explored much until then. In this race to delight customers, ‘customer satisfaction’ came to the limelight and several companies came forward to conduct customer satisfaction studies.

Defining satisfaction!

Before setting out to measure customer satisfaction, we need to understand the concept from an operational point of view. One of the earliest definitions of satisfaction goes thus: Satisfaction is the consumer’s fulfillment response. It determines that a product or service or a feature of either, provides/ is providing a pleasurable level of consumption-related fulfillment. Note that the emphasis here is on the term ‘consumer’ and not customer. Conventionally speaking, a customer pays for the product while a consumer

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uses it. Often the customer is not the end user. A customer maybe unaware of all the problems with a product as well as a consumer does. He may express complete satisfaction (as a buyer, but non-user) with the product during customer satisfaction studies and hence a vital element (end user's view) is lost.

Though this distinction between a consumer and a customer is very fine and is hardly visible in daily rhetoric, it is important while studying the various aspects of satisfaction.

Secondly, satisfaction is a feeling, a short-term attitude that can change with varying circumstances. It is in the user's mind and its thresholds could be lower (insufficiency or under-fulfillment) or higher (excess or over-fulfillment). Most customer satisfaction studies focus on the lower threshold and neglect the upper one. This point will be elaborated upon while discussing customer satisfaction models in detail.

The need for models!

Organizations undertaking studies and surveys of any nature should ensure that they have strategic relevance, apart from enabling good decision-making. A researcher would require a very explicit conceptualization of the subject while measuring customer satisfaction. In other words, to validate the measurements, the researcher needs to have models of the subject matter.

This article provides an overview of customer satisfaction models. These models have evolved based on substantial research. Some of these models integrate the concept of customer satisfaction in a network of associated concepts like value, quality, loyalty and behavior. Termed as 'macro-models', these are more relevant to policy-level implications of an organization's customer satisfaction studies. Macro-models provide the strategic context for the design and application of the results of customer satisfaction studies.

The macro-models of customer satisfaction

Figure 1 depicts one of the oldest and traditional macro-model of customer satisfaction.

The following points have to be noted here:

- Perceived performance often differs from objective or technical performance, especially when the product/ service is complex or intangible and the consumer is not very familiar with it.

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- Comparison standards vary by numerous sources, individuals, situations and by the type of product /service.
- Perceived non-conformance is the evaluation of perceived performance by one or more comparison standards. It can have a positive effect (results satisfactory), negative effect (for dissatisfying results) or a null effect.
- Mixed feelings also come into picture here, as a consumer may have different levels of satisfaction for different parts of a product/service.
- Outcomes of satisfaction include intent to repurchase, word-of-mouth, loyalty and willingness to pay a premium. Certain other variables also moderate the outcomes. For instance, utter dissatisfaction does not necessarily lead to complaining, especially if the consumer believes that complaints evoke poor response.

As customers gained increasing importance, a new macro-model (in Figure 2) emerged wherein value was the driving force in product choice. Here, consumers make judgments based on gross benefit and costs. The model below shows linkage of customer value chain to customer satisfaction.

Figure 3 illustrates another version of this model (depicting a link between satisfaction and value):

The model below shows sources of customer satisfaction and how satisfaction results from a comparison between expected service quality and perceived quality. This depicts explicitly the cyclical feedback loop that affects satisfaction.

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Here, the other data inputs that shape current customer satisfaction implies word-of-mouth, past experiences and impact of advertising

All the above four models provide the researcher the context and rationale for analyzing customer satisfaction. These models integrate the concept of customer satisfaction in a set of related concepts that are relevant to organizational decision-making.

Moving on, customer satisfaction also comprises elements like non-conformances of expectations, acknowledgment, affect and regret. These elements explain the composition or the explicit details about the formation of satisfaction itself or the 'construct'. These are termed as 'micro-models'. There are seven types of micro-models, which are explained in brief below:

Expectations Disconfirmation model: This is one of the dominant micro-models in satisfaction research. The model is based on the premise that consumers compare pre-consumption expectations with post-consumption experiences of a product/service, which generates a feeling of satisfaction. The expectations generally originate from existing beliefs about the level of performance that a product can provide.

Perceived Performance model: Here, expectations play a less significant role in customer satisfaction. This model is more applicable to situations where a product performs so positively that the consumer's expectations get discounted in the post-consumption reaction to the product.

Norms model: Similar to the expectations disconfirmation model, here, the consumer compares perceived performance with some standard for performance. The standard here is not a predicted expectation. The difference is that the consumer uses 'what should happen' as the comparison standard rather than 'what will happen' as per his beliefs while using a product.

Multiple Process models: This model defines the satisfaction formation process as multi-dimensional where consumers use more than one standard of comparison while judging an experience with a product.

Attribution models: Here, consumers integrate perceived causes for a product's performance into the satisfaction process. Three factors come in here: locus of cause, stability and controllability. The locus of cause can be external (say the manufacturer gets the credit or blame for the feeling of satisfaction) or internal (where the consumer himself is responsible for the product's performance). When failures occur occasionally, customers tend to be more forgiving. Controllability impacts attribution. A consumer would be highly unforgiving if he believes that the manufacturer had the capacity or the control to perform much better.

Affective model: This model differs from previous models in that it considers how a consumer's emotions, likes and moods influence his/her satisfaction levels.

Equity model: The model expresses the consumer's attitude about *fair treatment* in the consumption process. Fair treatment is again based on the equity ratio, i.e. amount of returns versus gross efforts (in terms of time, money and various interactions) spent on a

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product. Social comparisons also come into picture when consumers compare experiences of others' using similar products from different brands.

Consumers view fair treatment in two ways: *procedural fairness and interactional fairness*. These apart, there are comparison standards of needs, regrets and nothing. With regard to needs, consumers evaluate if a product experience gave them what they expected. Regret refers to a "what might have been" scenario for a consumer. This usually happens when a consumer realizes that a particular dissatisfying experience with a product would have not been so, had he chosen a different brand. The nothing standard refers to a situation where consumers form dissatisfaction without cognition.

Another widely accepted micro-model is the Kano's model. This model provides fresh insights into consumer needs and suggests a new approach to collect consumer information. It enabled leading Japanese automobile and electronics companies to develop innovative products.

Here, consumer requirements are expressed in terms of *Revealed, Expected and Exciting requirements*.

Expected requirements: These are so basic that the consumer may fail to mention them until a company fails to perform them. Meeting these needs often goes unnoticed by a consumer. However, their absence can be highly annoying.

For instance, if coffee is served hot, consumers fail to notice it, but if it is cold, they are dissatisfied. Dissatisfaction, though brief, is intense.

Revealed requirements: These are typically the answers obtained by asking consumers what they want. Here, consumer satisfaction is directly proportional to the fulfillment of a need.

Fast delivery is an example. When a consumer receives a product that he ordered very fast, he is very happy. The greater the delay in delivery, the greater is the dissatisfaction.

Exciting requirements are those needs that a consumer has yet to discover for himself. Their absence doesn't dissatisfy, though their presence excites.

Kano's model is dynamic in that what is an exciting need today becomes an expected need tomorrow. Consumers begin to expect it as a standard feature and the exciting need becomes an expected need. Once introduced, competition imitates it sooner or later. Following is a graphic representation of Kano's model.

Methodological problems motivate researchers to choose a particular model. Measurement of expectations does not seem actually necessary to measure satisfaction. This is because consumers use different standards to form expectations.

With so many models in store, we next move to an example of application of consumer satisfaction models. The context here is a community college.

It is true some companies have much more than just a competitive advantage in customer service. These companies have unwavering customer loyalty. How do they achieve that? They understand and respond to changing customer expectations promptly.

Understanding customer satisfaction issues is a challenging task, as it has multiple dimensions at the basic satisfaction level itself. At times, satisfaction and dissatisfaction, both feelings of the mind, co-exist for the same individual with the same product. In the process of analyzing customer satisfaction, organizations can start with an understanding of various customer satisfaction models. Models help clarify various theories about customer satisfaction, thereby ensuring that research and analysis in this area is focused and research resources are not wasted.

Here we look at the application of some of the models in the context of student satisfaction for a community college.

1. Student satisfaction with a community college can be measured both at the overall and the attribute level (the service encounter level). Attributes that come to the fore here include class scheduling, job services like career counseling and placement opportunities, transfer assistance, commuting and parking facilities.
2. Given that community college education is highly subsidized, linking satisfaction to value derived is difficult. Thereby, opportunity costs (measured by the regret standard) say in terms of better facilities and career advancements dominate here.
3. The choice available to students in terms of the number of colleges to choose from will affect the regret dimension.
4. The nature of benefits that students obtain from community college emphasize word-of-mouth sources of information. Hence, attitudes, experiences and satisfaction levels of

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peers, senior and ex-students influence students' expectations and standards for comparison.

5. Involvement of students in the college is related to satisfaction as it creates the consumer dimensions of equity (the effort/ return ratio as discussed in micro models).

6. Student knowledge regarding the benefits of community college is at differing levels due to the differing years of attendance (first year, second year, etc.) in the school. The expertise and experience factors for peers, senior and ex-students differ vastly and this impacts their satisfaction levels too. Hence, this also moderates the judgments of satisfaction

7. The complexity and intangibility due to service nature of community colleges hampers use of many conventional standards of comparisons that customers usually employ. Hence, customers place greater emphasis on perceived fair treatment and its components. If a student perceives a failure by the college, (external locus of cause), perceived fairness becomes a critical factor that impacts satisfaction.

The above points portray how various customer satisfaction models can shape the direction of a researcher's study. However, student satisfaction is tough to measure since students have one or more years to develop an overall satisfaction judgment. However, when individual courses are analyzed, the overall satisfaction judgments will be made faster and the standards of comparison are more tangible (say by comparing with previous courses taken at the same college).

Reviewing customer satisfaction information conventionally consumes a huge chunk of human resources and time. However, understanding customer satisfaction models pay good dividends in terms of meaningful and focused analyses in future that lead to improved strategic and organizational decisions. These models provide a base for understanding the vast and multi-dimensional front called 'customer satisfaction'.

To conclude, here's a quote by a leading management specialist. "The customer is the ultimate boss. He can fire everyone in the company from the chairman to anyone down the hierarchy by choosing to spend his someplace else". So go ahead, study what your customer wants first, not just by asking questions, but also by analyzing various attributes and factors that contribute to satisfaction and then gaining a focused direction.