

# ANALYTICAL STUDY OF CUSTOMER SATISFACTION IN SERVICE INDUSTRY



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## ABSTRACT

In order to be able to conduct an in-depth analysis of the relationship between the service providers and customer satisfaction, I have chosen to encompass only a specific number of elements, in the interaction between the customer and the service provider which have influence on customer satisfaction. I examine the internal dimension of the relationship, along with the customer-provider interface, that is how the service companies can deliver external value. In addition to the internal and external dimensions of the relationship, I have chosen to analyze the concept of customer satisfaction in the context of service quality. Finally, the impacts and results of achieving customer satisfaction will be examined: Customer loyalty and customer profitability.

## INTRODUCTION-

In today's increasingly competitive environment, quality services and customer satisfaction are critical to corporate success. Delivering high quality services is closely linked to profits, cost savings and market share. As stated by Piercy (1995), it is striking that one of the few elements

that links many of the otherwise disparate recommendations made to managers over the past several decades has been the need to focus on customer satisfaction as a route to sustained high performance. Companies should, to a much higher degree, be aware of the fact that customer dissatisfaction equals both defection and long-term losses. As stated by various authors (Ballantayne *et al.* 1996; Berry, 1986; Collier, 1994; Schneider and Bowen, 1995): It is easier - and much cheaper - to keep existing customers than to get new ones. Additionally, another benefit from achieving satisfied customers is the fact that the willingness to repurchase is much higher for satisfied customers than for dissatisfied and indifferent ones. Despite this awareness concerning the importance of customer satisfaction, it is beyond the ability of many of today's service companies to maintain satisfied customers.

Empirical surveys concerning the proportion of satisfied versus dissatisfied customers reveal that a large amount of service industries suffer from an insufficient number of satisfied customers. A survey conducted in the BD by Dr.siraj (2001) reveals extreme low levels of overall customer satisfaction. He examined the overall customer satisfaction levels in various service branches: Grocery chains (31%), fast-food outlets & Res. (24%), and banks (15%). One can argue that these results constitute a low range of general service provision. However, even companies which focus their efforts on achieving satisfied customers, rarely exceed a customer satisfaction ratio above 50-70% (Scheby, 1998). However , it is important to emphasize that it is almost impossible to compare various levels of satisfaction, as the numbers depend heavily on the specific method of measurement. As a result, it is not possible to refer to the degree of satisfied versus dissatisfied customers in absolute terms, but only in relative terms.

Based on the results above, the impression rises that the discipline of satisfying customers is not always successfully translated into activities practiced by service companies. This fact has supported our interest in conducting an investigation concerning the relationship between service providers and customer satisfaction.

### **Interpretation of Topic Sentence-**

In order to be able to conduct an in-depth analysis of the relationship between the service providers and customer satisfaction, I have chosen to encompass only a specific number of elements, in the interaction between the customer and the service provider which have influence on customer satisfaction. I examine the internal dimension of the relationship, along with the customer-provider interface, that is how the service companies can deliver external value. In addition to the internal and external dimensions of the relationship, I have chosen to analyze the concept of customer satisfaction in the context of service quality. Finally, the impacts and results of achieving customer satisfaction will be examined: Customer loyalty and customer profitability.

### **Research Questions-**

Based on our Topic Sentence, I have identified a number of Research Questions which should guide us in the theoretical discussion and analysis of the elements within the relation between the service provider and customer satisfaction presented earlier. Hence, the Research Questions are to be seen as an operationalization of the Topic Sentence.

#### **Research Question 1:**

*How do internal operations in service companies  
contribute to external performance?*

#### **Research Question 2:**

*What impact does the external performance  
of a service organization have on customers and  
their level of satisfaction?*

#### **Research Question 3:**

*Which factors lead from customer satisfaction to loyalty and thereby profitability?*

## Overall Methodology-

Based on our literature research we have identified various ways to describe the relations between service companies performance, and customer satisfaction. However, most models and theories cover only some aspects of the elements which we have identified as being important: Effective internal operations, external value, customer satisfaction, and the profitable consequences of achieving customer satisfaction. Only one particular model - The Service-Profit Chain - was found to encompass all the elements of interest; thereby ensuring a holistic view of customer satisfaction in a service context. The Service-Profit Chain - originally developed by Heskett *et al.* (1998) - is based on the convergence work being carried out by Reichheld and Sasser (1996) concerning customer satisfaction and loyalty.

As the Service-Profit Chain provides a comprehensive link between profitability / growth and employee satisfaction with focus on customer satisfaction, it has been utilized as a starting point for this thesis. However, having analyzed each link of the Service-Profit Chain, it appeared appropriate to undertake minor modifications. These modifications were useful in order to find valuable answers to our problem formulation, and to our three Research Questions.

Conducting the empirical research enables us to draw conclusions regarding the relation between internal operations and external performance, the impact of external value for the customer and their satisfaction, and handling of loyal customers. Moreover, the empirical research enables us to identify significant differences among selected service branches. By doing this, it is possible to compare different perceptions and opinions in different service branches. It is worth emphasizing that only the firm's perspective is of interest, and no conventional customer satisfaction analysis is conducted. Thus, no objective evaluation concerning customer satisfaction in these particular service companies of our sample is possible.

## Conclusion-

I have identified internal services as the crucial element which influences the external performance of service companies. By internal services we interpret the various operations, processes, and activities which influence the behavior of service employees. The relevance of optimizing the internal services is founded in the service marketing and management proposition. This proposition argues that external success is rooted in a well functioning organization. It has been shown that the following issues are of importance for the optimization of internal services: Internal marketing, management and decision making styles, motivation and rewards systems. The main ideas behind each issue will be revised both from the theoretical and the empirical perspective.

In practice it appears that almost every manager in our sample of six service branches seems to fulfill the prerequisite of successful internal marketing. The manager's interest in their subordinate provide valuable indications concerning their preferences for a favorable environment. As the managers evaluate the level of job satisfaction very high it is concluded that an effective internal marketing is prevailing.

Another issue which affects the internal services were recognized as the applied management style. The following distinctions appeared as useful. First there is the authority decision making style which is characterized by the manager's preference to make decision on his own without consulting other members of the organization. This decision making style which implies that the economic bottom-line is in focus without paying attention to the employees welfare.

Secondly, there is the consultative decision making style which implies that the managers take their subordinates opinion into account when making decisions. This kind of decision making style regards employee's inputs and feedback as a source of inspiration which can be used to enhance the service delivery process, but in the end of the day the manager makes the final decision.

Finally, there is the group decision making style which is characterized by the manager's preference to delegate tasks to subordinates who are actively involved in the actual decision making process. The final decision is made upon a group consensus. Both the consultative and the group decision making styles correspond to a rather process oriented management style. This style requires that the manager motivate his subordinates to identify themselves an important asset of the organization. This implies that manager empower and integrate their employees by coaching, supporting, and involving them in the delivery of services. Opposed to the result oriented management styles the process oriented style focuses on the softer elements of the organization.

The final element which influences internal service is the relation between motivation and employee's performance. In theory it has been argued that managers have to recognize employee's needs and expectations in order to stimulate them the best possible manner. Several different ways to motivate employees have been outlined. Special attention should be paid to respect employees and strengthen their self-esteem. The key of employee motivation is to create an environment, which provide employees with the freedom to develop personal and professional skills. Both have been considered to increase the overall job satisfaction and performance.

This theoretical assumption has been proven in the empirical research. It has been shown that there is a positive correlation between job performance, motivation, and employee satisfaction. However, the empirical survey did not provide any proofs concerning the relation between the degree of employee satisfaction and the applied management approach.

Hence it is difficult to recognize a clear tendency in the choice of a specific marketing approach. However, the research disclose that some hotels and restaurants try to achieve satisfied customers and profitability by building long term relations to their customers, whereas other companies take a more transaction based route when satisfying the customers.

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