

Customer Satisfaction Index – as a Base for Strategic Marketing Management

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Abstract - Customer satisfaction index -CSI results provide: an economic indicator of the quality of economic output; calculation of the net present value of their company’s customer base as an asset over time; information for strategic business applications; a predictor of consumer spending & corporate earnings.

In this paper the focus of research is customer satisfaction index as a base for new strategic marketing management. For this purpose I have carried out a survey on representative samples of Macedonian passenger and research services quality and customer satisfaction index (CSI) in the macedonian passenger transport.

Keywords: customer satisfaction, measurement, marketing management

1. Importance of the customer satisfaction

Researching customers’ behaviour, the person is used as a factor for making marketing strategies and adapt the marketing mix to their needs. This is the only way for a high - grade satisfaction of the customers’ needs.

In the conditions of marketing orientation in the company’s work where the customer is in the focus of its activity knowing the customers’ needs is a condition for an optimal combination and factors for production and the strategy of marketing [2]. Accomplishment of the economic aims in the process of reproduction, represent high - grade satisfaction of particular customers’ needs.

Consumers are subjects that purchase goods and services to satisfy their needs. The consumer behaviour derives from the decision whether, what, when, where and how to purchase goods and services. Therefore, marketing is primarily interested in the behaviour of the subject as a consumer.

Nowadays, it is normal to assume that marketing constantly follows the consumer’s needs as a basic assumption in the development of a suitable strategy leading to the consumer’s satisfaction. It should be

taken into consideration that needs are a social category changing all the time and are never satisfied. By setting a suitable strategy based on qualitative information the marketers contribute to the development of a loyal consumer’s category that will lead to a realization of a general strategy, survival and development of the company.

Being familiar with the consumers’ needs is of great importance to the company. Economic subjects accomplish their tasks in the process of reproduction and thus satisfy certain needs. The consumers are the focus activity of the company’s marketing orientation, it is crucial to know the consumers’ needs in order to achieve an optimal combination of both: the production factors and the disposal of products. Therefore the research of the consumers’ needs and measure his satisfaction is of a great significance.

During the process of research, it is important for the company to take into consideration these following components: A variety of needs occur under the influence of certain factor combination[1].

The company must consider these factors when it establishes the extent of the consumer’s needs, which is essential for its activities on the market; needs are dynamic and they change due to the factors that influence them. It means that the businesspersons have to adjust their activities on the market by constant exploration of the factors together with its complexity and direction; and the market division into segments, will be accurate only if the needs are identified; especially their intensity, quality, duration, etc. The factors form the segments and they condition the needs and the consumption.

This approach should allow the company’s marketing programme to adapt to the dynamics of the needs, which means a greater flexibility of certain instruments depending directly on the factors that condition the needs.

Management and marketing theorists underscore the importance of customer satisfaction for a business’s success [10][11].

Accordingly, the prestigious Malcolm Baldrige National Quality Award recognizes the role of customer satisfaction as the central component of the award process [4]. Some recent statistics demonstrate the benefits of good customer satisfaction and the costs of poor customer satisfaction on businesses.

Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers perceive good product/service, each will typically tell nine to ten people. It is estimated that nearly one half of American business is built upon this informal, "word-of-mouth" communication [12]. Improvement in customer retention by even a few percentage points can increase profits by 25 percent or more [7].

Therefore, businesses that hope to prosper will realize the importance of this concept, putting together a functional and appropriate operational definition.

The primary issue with developing an operational definition with the specific components of customer satisfaction is to clearly identify the nature of the organization's business.

A widely accepted definition of 'satisfaction' is: 'Satisfaction is the consumer's fulfilment response. It is a judgement that a product or service feature, or the product of service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under-or-over fulfilment.

In less 'technical' terms: satisfaction is the consumer's assessment of a product or service in terms of the extent to which that product or service has met his/her needs or expectations[6].

Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service.

Depending on the context, the meaning of 'consumer satisfaction' may differ:

Consumer satisfaction may relate to a particular feature or characteristic of a product or service, or alternatively it may relate to the product/service as a whole.

In general, it is the satisfaction about the product/service as a whole that merits attention, since this satisfaction influences the consumers' future buying and consuming behaviour.

Yet it is also important to understand the factors that contribute to (dis)satisfaction.

Often, dissatisfaction about one particular feature of a service (e.g. the unfriendliness of staff) leads to dissatisfaction about the service as a whole, even if the satisfaction about the other features is high.

Another conceptual distinction within measures of consumer satisfaction is whether they relate to satisfaction about a single 'service encounter' or rather reflect 'cumulative satisfaction'.

2. Strategic marketing management with customer satisfaction

Objectives of customer satisfaction programs: measuring and tracking satisfaction; developing profiles of strengths and weaknesses; determining the relevance of specific performance aspects for global satisfaction and developing a list of actions to increase customer loyalty.

The companies have need for measuring satisfaction of their consumers. Customer satisfaction is an asset that should be monitored and managed just like any physical asset. But, traditional measuring is not adequate, because:

-Customer complaints: most dissatisfied customers don't complain, or most complaints don't reach senior management;

-Salesforce: selective feedback of information; subjective knowledge based on relationships

It is necessary only objective third party surveys provide a reliable customer satisfaction indicator.

For monitoring customer satisfaction is necessary [8]:

1. Set up the objectives
2. Determine the target groups
3. Choose the methods of data collection
4. Develop the measurement
5. Analyze and report the data
6. Effective collection, analysis, and application of customer satisfaction information

There are several possible uses of information about customer satisfaction [4]. Some include:

1. Customer satisfaction results can help to present the current standing of customer satisfaction. This utilization often goes beyond reporting statistical data such as mean, range, and standard deviation. These descriptive data can assist in identifying specific strengths and weaknesses in satisfaction dimensions, the specific items under each, as well as information about overall scores. However, different types of data analysis can be used to identify not only aggregate but also individual information. From here emerges the distinct patterns or gaps between different individuals, groups, or among particular items.

2. Customer satisfaction results can help to identify important customer requirements. Identification of the specific customer requirements for achieving satisfaction is useful at a very fundamental level. An organization is able to clearly focus efforts in those areas that are most important to the customer. Distinguishing those requirements most valued by customers allows for pinpointing efforts for service modifications as well as further

data collection. Comparisons of specific items to the satisfaction dimension or overall score can assist in determination of those items that are more closely linked with satisfaction.

3. Customer satisfaction results can help to monitor customer satisfaction results over time. Quite simply, the same information gathered at different points in time can assist in identification of trends and patterns that develop as an organization evolves and changes. Furthermore, this can be helpful in demonstrating the levels of effectiveness of interventions, services and so forth at particular points in history. What may work during a certain point in time may not at another. This temporal collection and comparison of information allows for an organization to adapt and modify services and products to meet the changing requirements of its customers.

4. Customer satisfaction results can help to provide comparisons to other organizations. Comparisons either within an organization by department or sub-group as well as with outside agencies can provide a wealth of information. This includes not only structural and organizational strengths and weaknesses, but also effectiveness of product/service components and product/service delivery. This can assist in coordination of planned changes specific to each area, as opposed to general, “blanket” approaches. Also, this can give a perspective of how one organization is performing in relation to others, namely one’s competition. This gives the customer the information necessary to make informed choices and selections.

5. Customer satisfaction results can help to determine the effectiveness of business practices. Data gathered from customer satisfaction studies can provide valuable and accurate information that can assist in evaluation of product/service components and delivery. Products/services can be altered to become more effective, and business practices can be altered to meet the standards of excellence within a certain business. In essence this is the comparison of a particular item against a standard predetermined by the customer. Those scores above the standard are positive, while those below are in need of improvement. This enables more thoughtful and considered prioritization of any possible plans of action.

Overview of the process:

1. Project planning
2. Exploratory research
3. Questionnaire design
4. Main survey
5. Analysis and reporting

The message is clear: customer satisfaction is essential for the success – and continued success – of any business. Not only does positive customer satisfaction help business, but also a lack of satisfaction takes an even bigger toll on the bottom line. For an organization to remain solvent, information regarding customer satisfaction must be adequately collected and analyzed. Measuring based on what’s important to customers.

The “dimensions” of service quality are [13]:

1. tangibles : appearance of physical facilities, equipment, personnel, information leaflets
2. reliability: ability to perform the service accurately and dependably
3. responsiveness: willingness to help customers and provide a prompt service
4. assurance: competence: having the requisite skills and knowledge; courtesy; credibility: trustworthiness, believability, honesty of staff; security: freedom from danger, risk and doubt
5. empathy : access: approachability, ease of contact; communication with customers; understanding customers’ needs

3. Customer satisfaction index

Customer Satisfaction – is the customer’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectation [9].

CS = Gap -between Service Expectation and the Actual Service Received (SERVQUAL MODEL)

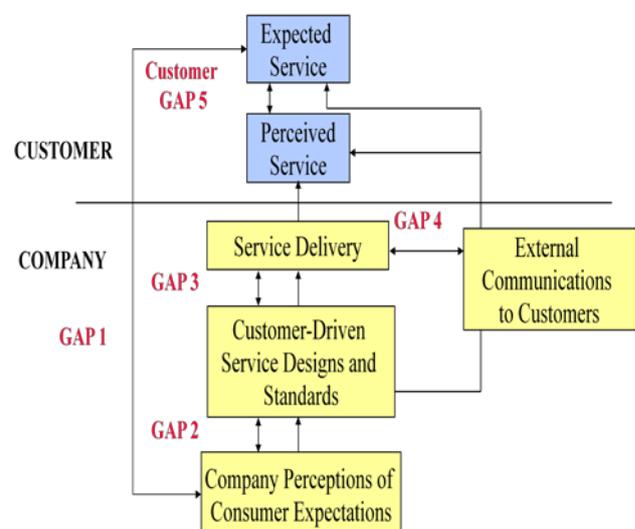


Figure 1. Gaps Model of Service Delivery [9]

The model for measurement of customer satisfaction is a cause-and-effect model with indices for drivers of satisfaction on the left side (customer expectations, perceived quality, and perceived value), satisfaction in the center, and outcomes of satisfaction on the right side (customer complaints and customer loyalty, including customer retention and price tolerance)[5].

1. Customer Expectations-Customer expectations is a measure of the customer's anticipation of the quality of a company's products or services. Expectations represent both prior consumption experience, which includes some nonexperiential information like advertising and word-of-mouth, and a forecast of the company's ability to deliver quality in the future.

Customer expectation -customers experiences with product or service and information about it: media, advertising, salesperson, word of mouth from other customers, customers expectation influence the evaluation of quality and forecast how well the product or service will perform.

2. Perceived Quality-Perceived quality is a measure of the customer's evaluation via recent consumption experience of the quality of a company's products or services. Quality is measured in terms of both customization, which is the degree to which a product or service meets the customer's individual needs, and reliability, which is the frequency with which things go wrong with the product or service. Three questions measure the perceived quality: overall quality, reliability, the extent to which a product or service meets the customers needs. Perceived quality proves to have the greatest impact on customer satisfaction.

3. Perceived Value- Perceived value is a measure of quality relative to price paid. Although price (value for money) is often very important to the customer's first purchase, it usually has a somewhat smaller impact on satisfaction for repeat purchases. Two questions measure the perceived value: overall price given quality, overall quality given price. Perceived price is usually only important in the first purchase decision.

4. Customer Complaints- Customer complaints are measured as a percentage of respondents who indicate they have complained to a company directly about a product or service within a specified time frame. Satisfaction has a negative relationship with customer complaints, as the more satisfied the customers, the less likely they are to complain. Customer complaint activity is measured as the percentage of respondents who reported a problem with a company's product or service within a specified time frame. Satisfaction has an inverse relationship to customer complaints.

5. Customer Loyalty- Customer loyalty is a combination of the customer's professed likelihood to repurchase from the same supplier in the future, and the likelihood to purchase a company's products or services at various price points (price tolerance). Customer loyalty is the critical component of the model as it stands as a proxy for profitability.

Customer loyalty is measured through questions on the likelihood to purchase a company's products or services at various price points. Customer satisfaction has a positive effect on loyalty, but the magnitude of that effect varies greatly across companies and industries [3].

The indexes are multivariable components measured by several questions that are weighted within the model. The questions assess customer evaluations of the determinants of each index. Indexes are reported on a 0 to 100 scale. The survey and modeling methodology quantifies the strength of the effect of the index on the left to the one to which the arrow points on the right. These arrows represent "impacts." The customer satisfaction index is self-weighting to maximize the explanation of customer satisfaction on customer loyalty. Looking at the indexes and impacts, users can determine which drivers of satisfaction, if improved, would have the most effect on customer loyalty.

4. Case study - Research Services Quality and Customer satisfaction index (CSI) in the Macedonian passenger transport

GAP 5: Service Quality = Percepted Quality - Exected Quality

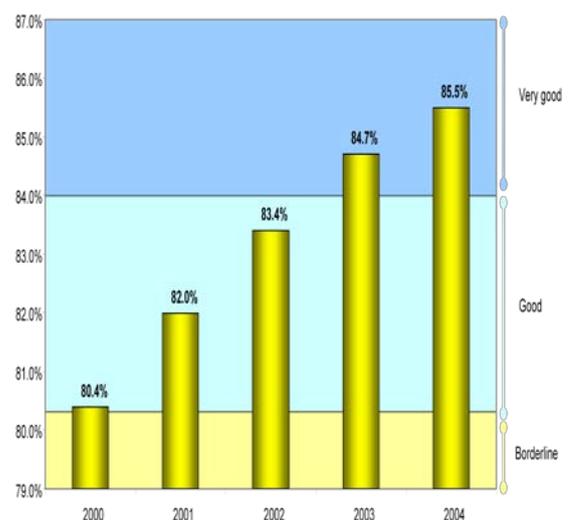


Figure 2 Satisfaction Index targets -Moving forward

Research result is obtained by 100 servqual queries complete by Macedonian passengers:

Table 1. The Results of The Research by Servqual Method without impacts of the factors ranking $-3.34 = 2.69 - 6.03$ very bad quality

Dimension	Question	Excepted Quality	Perceived Quality	Gap	Dimension Average
Tangible	1. Modern equipment	6,20	1,69	-4,51	-3,76
	2 .Objects (buildings, waiting rooms, stations) are attractive	6,00	2,03	-3,97	
	3. The stuff is tidy	5,49	2,80	-2,69	
	4. Materials (brochures, tickets, etc..) are visually appealing	5,99	2,10	-3,89	
Responsiveness	5. Promise that the service will be realized at time and with no error	6,21	2,56	-3,65	-3,19
	6. When passengers have a problem, the company shows great interest to solve it	5,76	2,74	-3,02	
	7. The service would be implemented correctly every time	6,15	2,61	-3,54	
	8. The service is provided just as it is projected in the schedule	6,21	3,44	-2,77	
	9. They insist on working without error	6,24	3,25	-2,99	
Responsibility	10. The employees always give exact information about services (departure, arrival)	6,60	3,55	-3,05	-3,05
	11. Staff provide prompt (no	6,33	2,99	-3,34	

Table 2. The Results of The Research by Servqual Method with impacts of the factors ranking is -0.66 CSI $66% < 80.4%$ - Borderline

SERVQUAL Dimension	Dimension Average.	Score of the Factors ranking	Ranking Result
Tangible	-3,76	0,19	-0,71
Responsiveness	-3,19	0,33	-1,05
Reliability	-3,05	0,21	-0,64
Assurance	-3,45	0,16	-0,55
Empathy	-3,29	0,11	-0,36
Average SERVQUAL Result with impacts of the Factors ranking			-0,66

Conclusion

The consumer satisfaction index in Macedonian passenger transport is CSI $66% < 80.4%$ -borderline, and the marketing manager must make bigger efforts and create the new strategies for make better condition and develop the services quality like a base factor for passenger satisfactions.

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