

# Customer Satisfaction as a Determinant and Influencer of Customer Loyalty in Select Service Sector Organizations.

Dr. Vishnumurthy Narra \*

## Key Words:

1. Customer Satisfaction
2. Customer Loyalty
3. Service Sector

## Abstract

This paper studies the relationship between customer satisfaction on the one hand and customer loyalty on the other in select service sector organizations viz; Telecom and Banking sectors. In order to present a comprehensive picture on the above investigation, customers of both public and private sector organizations are taken into consideration. Study is conducted in six leading public and private sector organizations – BSNL, Reliance, TATA, Andhra Bank, SBI/SBH and ICICI. A sample of 424 (n=424) customers are drawn for this study. Two new measuring instruments are developed by the investigator – Customer Loyalty and Customer Satisfaction measuring instruments respectively. Item validity index for the items under testing are valid and significant. Similarly, Instruments' reliability coefficients are also quite significant as per the standard norms. Investigator has scientifically established the relationship between customer loyalty on the one hand customer satisfaction on the other in leading service sector organizations. Investigator showed that despite the prevalence of multiple loyalties in service sector organizations, customer loyalty promotion measures based on relationship marketing has got a vital say in raising the product demand and market share as well.

Often producers aim at promoting consumer loyalty among their consumers with the firm hope that they can find a cluster of consumers who are loyal to their products, loyal to their brand names and above all loyal to their company.

It is scientifically established by the Natural Scientists like Charles Darwin, Hugo Devries, Haeckel Ernst Heinrich and Social Evolutionists such as Herbert Spencer that 'Nothing is permanent and nothing is relative'...Everything is permanent and everything is relative in the given time-space conditions. Though it was an age-old discovery by the ancient philosophers like Heraclites and Democritus yet it has find its significance in social sciences and decision sciences only after 90s in general and from the beginning of 21st century in particular as noted by eminent social scientists like Herbert Spencer, et al.

## Social Value Relativity vis-à-vis Marketing value relativity

Social scientists such as M.N.Srinivas of India, classical economists such as Ricardo and Weston of the West long back observed that changed social values engender changed societal needs, that is, a change in social value system will have echoes and re-echoes even on the production relations and social necessities.

\* Manager in Enterprise Business Division of Bharat Sanchar Nigam Limited and can be reached at narra\_vishnu@yahoo.com

Changed value system, more particularly in the modern era of Globalization and Electronic Revolution is necessitating changed material and aesthetic needs. Many at times, aesthetic needs have become a kind of value addition to material needs. Emergence of engineering psychology and engineering aesthetics are only a manifestation of this phenomenon. All ideas, conceptions, perceptions and behavioral patterns are constantly changing and developing from lower level ideas, needs to higher level ideas, needs and higher level consumer behavior patterns.

Though the idea of locomotive and the need for traveling from one place to another by and large remained the same yet the locomotive models are constantly undergoing constant product enrichment keeping in view the changed consumer requirements under the given time-space conditions (socio-political-cultural and economic conditions). Steam engine has been negated by diesel engine. After a gap of 3 decades, diesel engine has been replaced by electric engine. Again plans are ahead to replace the electric engine with the sophisticated electromagnetic engine in a phased manner in India and several third world countries.

The same phenomenon can be observed even with respect to two-wheelers, kitchenware, cement and construction materials, electrical goods and so on so forth. It is more palpable with respect to electronics and telecom. Technology products at large.

Further it is seen that companies of the future would not innovate on the product but on the process on which it reaches out to the customer as seen by Deepak Jain.

Product change, development and product innovation with regards to electronic and telecom. Products are so ephemeral (short-lived) that within no time one product has been negated with another leading to the emergence of quality products and product diversification.

Though modern consumers are not able to acquire consumer loyalty on item basis or product basis, yet they are exhibiting loyalty towards a producer/ manufacturer who are coming out with a wide range of products. Diverse kind of products with product diversity rich in quantitative and qualitative product attributes are satiating the implicit and explicit consumer needs and expectations and thereby helping the producers from preventing the consumer switching and from the chances of developing of multiple loyalties.

### **Electronic Ephemerism as an impelling force to Marketing Ephemerism**

No other branch of knowledge is witnessing such as tremendous transformation as electronics and its allied branches. Changes in advanced productive forces such as electronic machinery, equipment, knowledge base and production skills are all based on the principle of speed with accuracy reinforced by intrinsic and extrinsic aesthetic values. Consumer value proposition has become the 'totality of economic, functional and psychological values' (Dipak Jain et al, 2001). As a reflection of this material phenomenon, consumer behavior patterns are also undergoing sea change negating each low-level consumer pattern with an advanced, sophisticated and more aesthetic patterns.

Several conceptions will together constitute one perception. Again several perceptions will together constitute one attitude. Each and every attitude will give birth to one pattern, herein one consumer pattern (consumer model)

### **Changed Consumer Perspectives vis-à-vis Marketing Perspectives**

The outlook of the approach of the modern consumer towards product from buying perspective has totally undergone a sea change. Gone are the days (till the end of 80s) wherein few monopolies used to control the entire production and distribution systems right from the production of a tooth powder, tooth paste to the production of a scooter or a car.

Consumers used to have very little product choice with respect to its form and content (intrinsic strength,

durability, etc). Product form (appearance, finishing, color patterns, etc) and product content will together constitute product style. What is to be emphasized here is, modern consumer is 'conscious not only that of product content but that of form too' as rightly .

Though product form sounds to be somewhat trivial in relation to product content yet in modern times, product form/product look too started acquiring almost equal significance at par with that of product content/ strength. In fact, many a times, product form is dominating the product content as observed by Waldrop J. Consumer personality, his predisposition towards material and/or aesthetic oriented products started influencing his needs, requirements, essential necessities, comfort giving products to mega-level construction engineering and heavy engineering products.

Thus, consumer outlook, attitude and predisposition towards the products of nature and society are not only determining factors but have become strongly influencing factors as well. Producers shall design, mould, reinforce and produce as per the changed psychological predisposition of the modern consumer. In one sense, producer started empathizing himself with that of consumer's thought process, feelings, ideas, and expressions (his implicit and explicit expressions). But for this empathetic process, the modern producers started telling the consumer that here is a producer who brings only such kind of things which are only a reflection of your dream world objects, things, goods and service values.

### **Product Presentation vis-à-vis Product Intrinsic Value**

Product presentation is playing a vital role more particularly this is true at the time of launching of new product, that is, while unleashing a wave of propaganda which acts as an impelling force upon the minds of potential consumers bringing them closer to the products and retail outlets. Thus, product form is helping in the generation of demand for the newly launched product in particular.

It is said that 'Consolidation is the basis for Expansion'. An axiomatic truth which finds its expression more in military operations but which is also true with respect to markets.

Consolidation and Expansion of markets under the conditions of vacillating consumer loyalty and material value relativity has become the most important task for a marketing manager in the modern times. Often excessive emphasis on product appearance, advertising/ publicity/mass-oriented propaganda methods and techniques are frequently leading to consumer switching, consumer perplexity and finally loss of product credibility leading to breakage of his loyalty towards the newly



launched product and producer as well.

Speed with accuracy has become the catchword during the modern era of 'globalisation and electronic revolution'. In regards to 'product knowledge development' and 'product knowledge management', 'quality with product niceties' has become the vociferous catchword of the modern consumer world. Thus modern consumer is increasingly placing a social demand on the producer both in terms of quality and product niceties. Quality without appealing product niceties and only product niceties without quality are likely to be repelled by the existing and prospective consumers.

Producers, in the era of globalization based on 'free competition and free expression of voice' have increasingly becoming 'userphilic' (user-attractive). Producers are constantly engaged themselves in developing user-friendly products. Not only that, their publicity and advertisement programs are aimed more at generating awareness with regards to their user-friendly oriented product development programs rather than of mere pricing, customer care and brand-image oriented campaigns and so on so forth.

#### **Role of Small Consumers and Consumer Switching**

Many a times 'small consumers switching may cause only little financial loss but cause irreparable damage to the future potential market'.

Low per capita income comprises of a large customer base with little income per family and per head. These groups are going to play not only a determining role but influencing role in product demand consolidation and expansion as well. As a result, the organizations shall have a rational and balanced marketing strategy keeping in view the perceptions, consumer outlook and consumer interests of the high-end users on the one hand and lower-end, small and/ or petty consumers on the other.

A satisfied and delighted consumer will act as a kind of spokesperson and at times he may give more positive propaganda rather than that of the designated marketing representative of the organization. Here comes the role of a small consumer. Since small consumers are large in numbers, the momentum created by these large groups with respect to product publicity will always be immeasurable. Similarly, the small consumers who are dissatisfied with the product will unleash a negative wave against the product demand which may lead to the erosion of the existing market. Often negative propaganda not only kills the existing market but erases the chances of the emergence of future market.

This kind of modern consumers' craving for 'digiphilic' consumption of mass production of goods/articles, often

using modern electronic gadgets, devices, and sources of communication including internet has promoted marketing of goods in geometric proportions. Thus electronic devices have become not only modern, cute, pleasing and joyful products for consumers but sources of communication and information about the latest products, goods and fashions at large. They have generated passions for latest goods, latest styles and latest fashions in general. The following data also vindicates the historic usage patterns of modern electronic devices and modern man's interest in latest communication channel – internet – as a source of information for getting not only the desired services but desired articles too, at the quickest possible time which was thoroughly seen by Chowdary T H.

Table 1 :Time Taken to Attain 50m users

Device	Telephone	Radio	TV	Pc's	Internet
Years	70	38	13	8	4

#### **Multiple Loyalties as a Reflection of Complex Consumer Outlook**

Consumer loyalty is defined as "Customer Preference, or "The Customer's predisposition to do business with one (company) over others". (adopted from Albrecht. Ken a noted consumer behaviorist).

Every satisfied need will engender another need negating the lower level needs with that of complex and sophisticated needs, noted by Abraham Maslow. Modern consumer is a complex being in terms of ideas, conceptions, perceptions, attitudes, concepts and interests. His needs, expectations and above all his individual and collective interests are highly complex ones which no modern producer is unable to predict nor any single producer of any kind of product is able to satiate in their totality. Hence, the modern phenomenon of multiple loyalties came into being.

While an affluent consumer wants to have two or three cars or two/three land-line or cellular phones belonging to three different leading companies, the middle level consumer wants to have two or three credit cards or two/ three table/ ceiling/ pedestal fans belonging to two/three different companies.

The above phenomenon is seen even in regards to the production of services and artistic values (artistic production). Gone are the days where the family was hooked to one channel of one leading telecasting company., multi-channels are changed the viewers' perception as seen by the leading social psychologists and consumer behavioralists all over the world. Similarly, gone are the days where an individual used to have one bank account with a nationalized/private bank. Modern customer wants to have two or three bank accounts in different



banks. The same phenomenon could be seen with respect to telecom. Sector. While a good number of customers possessing BSNL landline with BSNL broadband at home carrying AIRTEL/RELIANCE cell in their hands vindicating their multiple loyalties concurrently. That is, he wants to enjoy and test the variability' with respect to product attributes available in different service providers of the same kind of product. All these are thus putting producers of each and every product to constant product innovation and rationalization of pricing.

It is seen in the realm of social ideas and social evolution that both polygamy and polyandry have become obsolete social practices and have become some what abominable practices. That is, monogamy has become the current social practice. Transformation from 'polygamy' polyandry to monogamy has become the value relativity with respect to social evolution. Whereas adoption of multiple loyalties has increasingly becoming the order of the day with respect to product evolution and emergence of complex market structures which should be keenly watched by all the producers in general and electronic producers in particular.

In order to promote consumer loyalty many firms have established relationship marketing programs (sometimes called loyalty programs) using networking marketing to foster usage loyalty and a commitment to their company's products and services.

Relationship marketing is exceedingly logical when we think that credit card research has shown that "75 per cent of college students keep their first card for 15 years, and 60 percent keep that card for life." as seen by Robert Bryce. This kind of loyalty is enhanced by relationship marketing, which at its heart is all about building trust (between the firm and its customers) and keeping promises ("making promises," "enabling promises," and "keeping promises" on the part of the firm and, possibly, on the part of the customer as noted by Leonard L. Berry).

Indeed, it is the aim of relationship marketing to create strong, long-lasting relationships with a core group of customers. The emphasis is on developing long-term bonds with customers by making them feel good about how the company interacts. A loyal customer will become a voluntary servitor to the producer in acting himself as a positive propagandist and above all he transforms himself as a protagonist to marketing ideology and marketing philosophy of the producer.

### **Empirical Study on Customer Loyalty in Service Sector Organizations**

A study is being undertaken in six service sector organizations to see the relationship between Customer satisfaction on the one hand and customer loyalty on the

other.

### **Development of New Instruments**

Two new measuring instruments for this study purpose have been developed by the investigator scientifically and the process is as detailed below.

#### **Customer Loyalty**

That is, the dependent variable for the present study. It was developed by the investigator. It comprises of 41 questions on consumer loyalty related dimensions. Its Reliability Coefficient is 0.92 which is significant at above 0.001 level.

#### **Customer Satisfaction**

This Instrument was developed by the investigator. It comprises of 31 questions on Customer Satisfaction related dimensions. Its Reliability Coefficient is 0.97 which is significant at above 0.001 level

New instruments were developed after conducting a pilot study in consultation and under the guidance of professional experts for item analysis, establishment of item validity and reliability of the instruments developed.

In validating the tests, the first step adopted in the procedure is administering the preliminary forms to seven judges with a request for evaluating the items with respect to:

- 1.Relevance to the variable
- 2.Clarity
- 3.Redundancy
- 4.Range
- 5.Language

Only those items for which there is an agreement among atleast five judges are retained in the final form.

The number of items in each test before and after the evaluation of the judges are as follows.Selection of items for the final scale

By administering the preliminary forms of the various tests to a sample of 20 respondents, item analysis was carried out. In doing so, the 20 respondents were also categorized into the different answers categories for each item considering the agreed responses, similarly, the disagreed responses together, in addition to a neutral response, it was divided that a minimum of 30 percent, that is, at least 6 persons opting each of the agreeing and disagree categories will qualify an item for retention in the final test.

### **Reliability and Validity of the Test Forms**



For establishing reliability of the test forms, split half reliability method was adopted. Under this method, the responses of half of the items (say, odd numbered items) are correlated with the responses of the other half of the items (even numbered items) from a sample of 20. Upon applying the Spearman-Brown Formula, the reliability coefficients for final and/or total tests were calculated.

The reliability coefficients obtained by this method are as follows:

Standardized instruments with valid reliability coefficients are as follows. Further, all the items are carrying valid item validity index. Study is conducted upon a sample of 424 (n = 424) customers

Table 2: Reliability Coefficient

S.No.	Name of the Instrument	Reliability Coefficient	Probability level
1	Customer Loyalty	0.92	0.001
2	Customer Satisfaction	0.97	0.001

## RESULTS OF THE STUDY

An examination of the results revealed that Customer Satisfaction scores of the respondents have a positive correlation to Consumer Loyalty in respect to the total group (n = 424). The coefficient of correlation is 0.73 which is significant at less than 0.001 level. It indicates that a highly positive correlation exists between Customer Satisfaction and Consumer Loyalty.

An examination of the results revealed that Customer Satisfaction scores of the respondents have a positive correlation to Consumer Loyalty in respect to the telecom group as well (n = 249). The coefficient of correlation is 0.69 which is significant at less than 0.001 levels. It indicates that a highly positive correlation exists between Customer Satisfaction and Consumer Loyalty in Telecom Group as a whole.

An examination of the results revealed that Customer Satisfaction scores of the respondents have a positive correlation to Consumer Loyalty in respect to the Banking group as well (n = 175). The coefficient of correlation is 0.79 which is significant at less than 0.001 levels. It indicates that a highly positive correlation exists between Customer Satisfaction and Consumer Loyalty in Banking Group as a whole.

With regard to the results of the six service sector organizations viz; BSNL, RIL, TATA, ANDHRABANK, SBI & ICICI, the correlations found between Customer Satisfaction and Consumer Loyalty are as follows.

For the responders of the Bharat Sanchar Nigam Limited

(BSNL), the correlation between Customer Satisfaction and Consumer Loyalty is 0.63 which is significant at less than 0.001 level. This highly significant correlation is based upon the responses of 126 BSNL customers.

In the Reliance Infocomm Limited (RIL), the correlation is 0.73 and it is significant at less than 0.001 levels. This wants a conclusion that a highly positive and significant correlation exists between Customer Satisfaction and Consumer Loyalty.

In the TATA Teleservices Limited, the correlation is 0.76 and it is significant at less than 0.001 levels. This wants a conclusion that a highly positive and significant correlation exists between Customer Satisfaction and Consumer Loyalty.

In the Andhra Bank Limited, the correlation is 0.83 and it is significant at less than 0.001 levels. This wants a conclusion that a highly positive and significant correlation exists between Customer Satisfaction and Consumer Loyalty.

In the State Bank of India Group (SBI/SBH), the correlation is 0.71 and it is significant at less than 0.001 levels. This wants a conclusion that a highly positive and significant correlation exists between Customer Satisfaction and Consumer Loyalty.

In the ICICI, the correlation is 0.82 and it is significant at less than 0.001 levels. This indicates a conclusion that a highly positive and significant correlation exists between Customer Satisfaction and Consumer Loyalty.

Among all the six service sector organizations, ANDHRABANK & ICICI have the highest degree of correlation. Even for the remaining four service sector organizations, it is found that there is a positive and high correlation between Customer Satisfaction and Consumer Loyalty. It may be recalled that the correlation for the total population (n = 424) is also highly positive.

Further, multiple regression analysis had also substantiated the definite and positive relationship between customer loyalty on the one hand and customer satisfaction on the other. Thus, this is true in service sector organizations wherein also multiple loyalties are prevailing among the modern customers. As such there is a greater need to raise the customer satisfaction levels so as to preserve the existing market share in the days to come. It is said that consolidation is the basis for expansion. An adage which is more popular among war/defense logistics/strategy is equally valid with respect to service sector organizations.

Telecom- Sector: By a step-wise method, the number of variables reduced in Telecom-sector so that a smaller number of variables which can account for the maximum of



this variance are identified. The variables thus derived are mentioned in the table along with the various statistical values such as Beta weight, R<sup>2</sup> Regression Coefficient and Probability.

In the Telecom customer sample (n= 249), the proportional variance contributed by Transparency is 23%, by Customer Satisfaction it is 17% and by Brand Positioning it is 21% respectively. Age group and Credit Card Status are together contributing 1% variance.

Therefore, the regression equation for the Customer Loyalty score will have five variables with their respective regression coefficients determining their contribution. It may be noted that two of the regression coefficients have a negative sign. These are age group and credit card status. It indicates that with aged customers there is no improvement in consumer loyalty level, instead there is deterioration. In fact younger consumers are more favorably inclined to making repeat purchases from the same service provider, provided the service provider is able to fulfill their consumer expectations compared to the older people.

With regards to Credit Card status, credit card holders are positive towards customer loyalty. Code assigned to card holders is '1' and non-holders were given '2' for coding and decoding processes.

**Banking Sector:** By a step-wise method, the number of variables reduced in Banking-sector so that a smaller number of variables which can account for the maximum of this variance are identified. The variables thus derived are mentioned in the given table along with the various statistical values such as Beta weight, R<sup>2</sup> , Regression Coefficient and Probability.

In the Banking sector customer sample (n= 175), the proportional variance contributed by Transparency is 9%, by Customer Satisfaction it is 36% and by Brand Positioning it is 21% respectively. Age group and Credit Card Status are together contributing 1% variance.

### CONCLUSION

An examination of the results on the impact of Customer Satisfaction on Customer Loyalty in both the leading service sector organizations calls for a conclusion that there is a highly positive correlation between these two variables.

A gradual positive increase in the Customer Satisfaction is influencing and determining the Consumer Loyalty level in positive direction. Directly and indirectly relationship marketing influences all the vital aspects of marketing - consumer acquisition, consumer care, retention, consumer loyalty and finally transformation of consumer as a brand protagonist.

### RECOMMENDATION

1. Initiation of all possible measures to raise the customer satisfaction levels so as to promote customer loyalty in service sector organizations
2. Product value addition should be done keeping in view the changing marketing values which results in higher customer satisfaction
3. Keeping in view the consumer ephemeralism vis-à-vis electronic ephemeralism, services should be made digital based while striking a balance between automation on the one hand and customer perception on the other.
4. Similarly, in view of our Indian customers' low level of education and perception, eye-contact between customer and supplier should not be totally eliminated as direct eye-

Table 3 : Coefficient of Determination R<sup>2</sup> ( n = 249 )

Variable	R <sup>2</sup>	Reg. Coeff.	SE	t - Value	t - Prob
Transparency	0.2254	0.39840	0.0671	5.940	0.001
Customer Satisfaction	0.1713	0.25922	0.0652	3.975	0.001
Brand Positioning	0.2061	0.29722	0.0654	4.547	0.001
Age Group	0.0115	-1.16096	0.353	3.293	0.001
Credit Card	0.0168	-3.34721	1.006	3.325	0.001

Table 4: Coefficient of Determination R<sup>2</sup> ( n = 175 )

Variable	R <sup>2</sup>	Reg. Coeff.	SE	t - Value	t - Prob
Transparency	0.0921	0.17543	0.0804	2.183	0.05
Customer Satisfaction	0.3638	0.46752	0.0776	6.022	0.001
Brand Positioning	0.2070	0.31042	0.0867	3.581	0.001
Age Group	0.0117	-0.90094	0.4255	2.652	0.05
Credit Card	0.0098	-2.93840	1.1079	2.118	0.01

contact between customer on the one hand and service provider on the other hand is enhancing customer satisfaction level.

5.Value addition should be done both in form and content, that is, product style instead of concentrating more upon product enrichment in either form alone or in content/quality alone.

6.Low-end customers should be encouraged with all possible encouragement, support and consumer respect for the promotion of cross-selling and up-selling as a satisfied and particularly delighted customers will play a major role in cross-selling and up-selling.

7.Customer Loyalty among all groups of customers should be elevated to the delighted level so that the delighted customers themselves will act as powerful spokesperson and a proxy marketing representative to the organization..

8.Though multiple loyalties cannot be abrogated altogether yet customer loyalty to the given organization can be encouraged under the given organizational limitations.

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