

**CHAPTER 2**

**LITERATURE REVIEW**

## 2.1. LITERATURE REVIEW METHODOLOGY

In order to undertake the review of literature, detailed review was done in the following manner:

- Review of year wise, author wise work done on Customer Satisfaction. Various definitions on customer satisfactions were also studied and the ones suiting this research were taken up in this paper.
- Review of Studies undertaken on Customer Satisfaction in general and Service Sector in particular. International studies were also reviewed to understand the work done so far.
- After having done this, research studies done on Customer Satisfaction in Telecommunication were review at three stages: a) International, b) National and c) Specific to Assam and North East in India.
- Review of Regulatory guidelines and survey and audit done by TRAI was also studied for Assam and North East from Customer Satisfaction perspective. (Agarwal, Jain, 2013)

## 2.2. Customer Satisfaction Definition

**Oliver (1980)** defines that “Customer satisfaction is a summary psychological state when the emotions surrounding disconfirmed expectations are coupled with the consumer’s prior feelings about consumption experience”. **According to Churchill and Surprenant (1982)**, “Customer satisfaction is an output, resulting from the customer’s pre-purchase comparison of expected performance with perceived actual performance and incurred cost”. (Agarwal, Singhal, 2013)

**Parasuraman *et al.* (1994)** have put further put forward the simple and clear definition for satisfaction. They suggest that satisfaction is influenced by service quality, product

quality and price. They researched satisfaction on a transaction level, implying that the overall satisfaction is a function of transactions. **Yi (1991)** opines that the customer satisfaction operates in two different ways: transaction-specific and general overall. The transaction-specific concept concerns customer satisfaction as the assessment made after a specific purchase. Overall satisfaction refers to the customer's rating of the brand, based on all encounters and experiences (**Johnson and Fornell, 1991**).

Customer satisfaction is an important tool that can increase profits by preventing customers from defecting (**Reichheld and Sasser, 1990**). **Linking to Telecom Sector; Bei and Chiao (2001)** concluded that customer satisfaction has got a positive effect on customer retention. **Fornell (1992)** concluded that customer satisfaction heightens customer loyalty and prevents customer churn (a very important aspect for Telecom Service Providers), lowers the customers' price sensitivity, reduces the costs of failed marketing and of new customer creation, reduces operating costs due to the increase in the number of customers, improves the effectiveness of advertising and enhances business reputation. (Agarwal, Jain, 2013)

### **2.3. Customer Satisfaction Studies- Overall**

Customer satisfaction has been a popular topic in marketing practice and academic research since Cardozo's (1965) initial study of customer effort, expectations and satisfaction. Customer satisfaction is typically defined as a post consumption evaluative judgment concerning a specific product or service (Gundersen, Heide and Olsson, 1996). It is the result of an evaluative process that contrasts pre-purchase expectations with perceptions of performance during and after the consumption experience (Oliver, 1980).

The most widely accepted conceptualization of the customer satisfaction concept is the expectancy disconfirmation theory (McQuitty, Finn and Wiley, 2000). The theory was developed by Oliver, who proposed that satisfaction level is a result of the difference between expected and perceived performance.

Satisfaction (positive disconfirmation) occurs when product or service is better than expected. On the other hand, a performance worse than expected results in dissatisfaction (negative disconfirmation). Studies show that customer satisfaction may have direct and indirect impact on business results. Luo and Homburg (2007) concluded that customer satisfaction positively affects business profitability. The majority of studies have investigated the relationship with customer behavior patterns (Dimitriades, 2006; Faullant et al., 2008). According to these findings, customer satisfaction increases customer loyalty, influences repurchase intentions and leads to positive word-of-mouth. Given the vital role of customer satisfaction, it is not surprising that a variety of research has been devoted to investigating the determinants of satisfaction.

Satisfaction can be determined by subjective (e.g. customer needs, emotions) and objective factors (e. g. product and service features). Applying to the hospitality industry, there have been numerous studies that examine attributes that travelers may find important regarding customer satisfaction. Atkinson (1988) found out that cleanliness, security, value for money and courtesy of staff determine customer satisfaction. Knutson (1988) revealed that room cleanliness and comfort, convenience of location, prompt service, safety and security, and friendliness of employees are important. Barsky and Labagh (1992) stated that employee attitude, location and rooms are likely to influence traveler's satisfaction.

A study conducted by Akan (1995) showed that the main determinants of hotel guest satisfaction are the behavior of employees, cleanliness and timeliness. Choi and Chu (2001) concluded that staff quality, room qualities and value are the top three hotel factors that determine traveler's satisfaction.

Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of reporting complaint and friendliness when reporting complaint (Kim, Park and Jeong, 2004). Customer services

are the opportunities for telecom service providers that are added to mobile network other than voice services in which contents are either self produced by service provider or provided through strategic compliance with service provider (Kuo, Wu and Deng, 2009).

The improved customer services are the focal point of the telecom service providers for social as well as for economic reasons. From a social point of view, services should be available to the customers on reasonable terms. As far as economic factor is concerned, services should satisfy the needs of the customers (Turel and Serenko, 2006; Melody, 1997). For developing satisfaction among customers, the telecom service providers need to be extra careful for the customer services they provide. Satisfaction of customer is determined by his evaluation of service provided by a brand (Gustafsson, Johnson and Roos, 2005). The study of Ahn, Han and Lee (2006) shows that when the customers, do not get their complaints considered properly, they start looking for other brands. It happens because either the customer service centers do not handle the complaints or the customers are not able to address them properly. Sometimes, telecom service providers take considerably longer time to resolve the problems like network coverage or call quality, the customers do not wait for long and hence they lose satisfaction with that particular brand (Ahn, Han and Lee, 2006).

Furthermore, the friendly attitude and courteous behavior of the service workers at service firms leaves a positive impression on the customer which lead towards customer satisfaction (Soderlund and Rosengren, 2008). On the other hand, if a telecom service provider lacks in providing services (call drops) to its customers it experiences customer churn. Kim, Park and Jeong (2004) argued that service provider should provide customer oriented services in order to heighten up customer satisfaction. It was also found that the customers get satisfied to a brand more if they get all the needed services accumulated in that very brand (Ahn, Han and Lee, 2006). Attempt has also been made to sequentially check author wise work done on Customer Satisfaction from 1980 onwards: Following is the summary. (Agarwal, Jain, 2013)

## 2.4. SUMMARY OF CONTRIBUTIONS FROM VARIOUS AUTHORS ON CUSTOMER SATISFACTION FROM 1980 ONWARDS

Authors	Year	Comments on Customer Satisfaction
Oliver	1980	Customer Satisfaction is the result of an evaluative process that contrasts pre purchase expectations with perceptions of performance during and after the consumption experience
Churchill and Surprenant	1982	It is an outcome of purchase and use resulting from the buyer's comparison of the rewards and costs of the purchase relative to anticipated consequences. Operationally, similar to attitude in that it can be assessed as a summation of satisfactions with various attributes
Reilly	1983	He defines consumer satisfaction as either a cognitive response or an effective response
Day	1984	The evaluative response to the current consumption event The consumer's response in a particular consumption experience to the evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product perceived after its acquisition
Parasuraman	1985	It is the traditional notion that views quality as the customer's perception of services excellence, i.e. quality is the customer's impression of the services provided".
Westbrook	1987	He defines satisfaction as a "global evaluative judgment about product usage/consumption". It provides little guidance for developing context-specific measures.
Atkinson	1988	He found out that cleanliness, security, value for money and courtesy of staff determine customer satisfaction
Tse and Wilton	1988	The consumer's response to the evaluation of the perceived discrepancy between prior expectations (or some norm of performance) and the actual performance of the product as perceived after its consumption.
YI	1990	Satisfaction is a process or outcome
Bolton	1991	A customer is satisfied when an offering performs better than expected and is dissatisfied when expectations exceed performance or when actual

		experience exceeded from expectations.
Fornell	1992	High customer satisfaction leads to a stronger competitive position resulting in higher market share and profit.
Peterson and Wilson	1992	Studies of customer satisfaction are perhaps best characterized by their lack of definitional and methodological standardization.
Oliver	1993	Customer satisfaction can be derived from product
Taylor and Baker	1994	Satisfaction and loyalty are recognized as strongly related
Parasuraman	1996	Customer satisfaction also contributes to customer retention
Heskett	1997	Satisfied employees tend to be more involved, dedicated, have greater organizational commitment, more loyal and productive towards customer needs, thus enhancing customer satisfaction, which is the ultimate aim of businesses today
Roger	1998	Expectations and disconfirmation are important variables to explain customer satisfaction
Reynolds and Arnold	2000	Satisfied customers have a higher likelihood of recommending that others try the source of satisfaction
Homburg & Giering	2001	Customer satisfaction can be defined —as the result of a cognitive and affective evaluation, where some comparison standard is compared to the actually perceived performance. The satisfaction judgment is related to all the experiences made with a certain supplier concerning his products, the sales process, and the after-sale service.
Johnson	2002	Customer satisfaction can be empirically measured and meaningfully compared as a weighted-average or index of satisfaction indicators
Frederick Reichheld	2003	Satisfaction lacks a consistently demonstrable connection to actual customer behavior and growth.
Thurau	2004	Customers have expectations with regard to the behavior of service employees, when these are exceeded; the level of customer satisfaction with the service provider is positively influenced.
Ju	2005	Service value has a positive connection with customer satisfaction, which leads to customer loyalty
Kotler	2006	Whether the buyer is satisfied after purchase depends on the offer's performance in relation to the buyers expectations.
Syed & Conway	2006	Customer satisfaction is influenced most by the responsiveness of the frontline employees, followed by price and quality.
Padhy, Yogaswara	2007	Customer satisfaction is mainly based on traditional service quality (SERVQUAL) dimensions of tangible, reliability, responsiveness, assurance and empathy.

Hsu	2008	Cumulative customer satisfaction is a fundamental indicator of firms past, current and future performance instead of specific transactional information about a product or service encounter.
Young	2009	Organizations depend on their employees to be in tune with the needs of their customers for purposes of designing and delivering services or products which provides satisfaction to the customers.

(Agarwal, Jain, 2013)

## **2.5. TELECOM INDUSTRY SPECIFIC STUDIES ON TELECOM SECTOR**

- 2.5.1 Studies done in Assam and NE Circles
- 2.5.2 Studies done in Rest of India
- 2.5.3 Studies done globally

### **2.5.1. Studies on customer satisfaction in Assam and NE Circles**

For Assam and NE Circles, study has been done by TRAI on both the Survey and Audit Model.

The Survey module has been commissioned with the objective of gauging the subscriber feedback on Quality of Services by way of primary survey and comparing them with quality of service benchmarks stipulated by TRAI. In addition, Survey module would also measure the compliance of ‘Telecom Consumer Protection and Redressal of Grievances Regulations, 2007’.

The Audit module assesses the Quality of Service of telecom operators (Basic (Wireline), Cellular Mobile (Wireless) and Broadband services) by auditing the service level records maintained by the operators, conducting drive tests as well as live

measurements and comparing them with quality of service benchmarks stipulated by TRAI. (QoS report by TRAI)

### **2.5.2. Studies done in rest of India on customer satisfaction in Telecom**

Studies done in customer satisfaction domain in the Telecom sector in India show that customer satisfaction is one of the most important reasons for a customer sticking to a particular Operator and giving incremental revenues (*S K Chadha and Deepa Kapoorin 2009*). This fact is also substantiated by the various definitions given earlier from authors and researchers. Studies in Telecom sector have shown that perceived quality is a very important predictor to customer satisfaction, which ultimately results in trust, price tolerance and customer loyalty. (*Makam S Balaji, 2009*). Studies have also shown that product offerings needs to be revisited very frequently and competition to be watched closely for ensuring stickiness of customers (*Shitala Tripathi, 2009*)

### **2.5.3. Studies done globally on customer satisfaction in Telecom**

Study done on customer satisfaction in Malaysian Telecom Sector indicates that operators need to look beyond price for customer satisfaction. A high level of service becomes the selling point to attract customers' attention (*Chang Ee Ling and Ernest Cyril de Run, 2009*)

Another study on customer satisfaction level in Pakistan Telecom sector explores trust as a important factor for satisfaction serving as a linkage between customer satisfaction and customer loyalty. (*Khokhar, et al 2011*)

Similarly a study on the Telecom Sector in Iran tries to apply Disconfirmation Theory on customer satisfaction determination. This study indicates that expectation disconfirmation, desire disconfirmation and perceived performance were important determinants of customer satisfaction. (*Setayesh Sattar, 2009*). On theoretical side this study dwells on conceptualization of formation of customer satisfaction by examining its determinants and on the practical side the empirical findings highlight better

understanding of the respective roles and relative importance of respective determinants to customer satisfaction

To add to the above, studies have also been done in the Telecom Sector in Pakistan on the factors determining customer satisfaction and have been evaluated against price fairness and customer service. It is seen that customer service is the most important stimulant for customer satisfaction as prices are more or less similar for competitive offerings. (Hanif, et al 2010)

## **2.6. CONCLUSION AND GAP IN LITERATURE**

The review of literature highlights that there are many common factors which impact customer satisfaction on an overall basis. These factors are similar in nature even if industry is different. Some important common factors are pre purchase perception v/s actual experience, price fairness, loyalty, trust and product offerings. Also it is seen that these factors are closely connected to the various definitions and theories on this subject. (Agarwal, Jain, 2013)

Following were gaps in literature which prompted the current reserach

- Mostly the studies were done by collecting the data in and around the academic area the samples were not representative of any Circle
- In case of Assam and NE Circle, a detailed research work was not done to study the customer satisfaction level for the Telecom sector
- The audit and survey work done by TRAI was not comprehensive enough to provide induatry wise/operator wise recommendation on improvement areas
- None of the existing studies compated the operator level to operator level customer satisfaction level
- None of the existing studies captured the location to location difference in customer satisfaction from one operator to another

- None of the existing studies focused on micro level indepth study on customer satisfaction level

Hence, this study has been undertaken to cover this gap in literature.