

A New Approach to Customer Satisfaction, Service Quality and Relationship Quality Research.

Byron Sharp, Narelle Page, John Dawes
Marketing Science Centre
University of South Australia

Abstract

In this paper we outline an overall approach for tracking service and relationship quality that differs substantially from the conventional paradigm. The conventional attitude-based approach relies on assumptions about the link between evaluations of service quality and subsequent behaviour which are not supported by the substantive body of research findings about buyer behaviour. The attitude-based approach also requires inferences to be made concerning what aspects of service provision determine the attitudes. Unfortunately the traditional approach is still widely practiced in commercial market research, as well as practised and taught in Universities. We therefore now explain a different approach which looks directly at service provision by using descriptive non-attitudinal measures and seeks to relate these to observed buying behaviours of interest. The approach has been trialled across a number of service categories and markets with promising results.

Introduction

Most service companies have research programs designed to measure service quality, and/or customer satisfaction, and/or relationship quality. Such programs are designed to allow management to manage service provision and relationship building initiatives. They provide essential information to guide efforts to reduce variability in service quality and to provide customers with the service that will help ensure their continued patronage. While there is little *direct* evidence as to the link between service quality and better company performance, company-level data suggests a link between higher quality, higher market share and improved profitability (Buzzell and Gale 1987; Buzzell et al. 1975; Rust and Zahorik 1993).

The Problem with Subjective Evaluations/Attitudes

Measuring service quality and satisfaction traditionally involves asking customers for subjective attitudinal evaluations, that is, asking if they personally felt the service they received was satisfactory. Many service and relationship quality measurement programs also ask customers for subjective evaluations, eg "please rate the quality of the delivery service - was it excellent, very good, fair or poor". This is done on the assumption that customers' attitudes towards the service will affect their future behaviour, such as repeat-purchase behaviour or recommending the company to others.

Attitude → future behaviour (buying or recommending)

While this attitudinal measurement approach sounds intuitively sensible, it is actually fraught with problems. It is a needlessly complicated and indirect approach. It does not focus on service provision or buyer behaviour. Instead it measures customer attitudes and makes inferences from these both to service delivery and to buyer behaviour. Yet the purpose of service quality market research is not to determine whether or not customers give positive or negative evaluations (actually the answer to this question is usually the same - most customers give positive evaluations). What really needs to be discovered is (a) what sort of service is the company really delivering, and (b) how does this impact on real customer behaviour, that is, what aspects of the service really affect behaviour - either positively and negatively? So logically, the important things are to measure the actual service provision experienced and the subsequent behaviour.

Service delivery → future behaviour (buying or recommending)

Apart from this logical argument against measuring customers subjective evaluations (attitudes) there are also three very practical concerns:

Attitude-based service quality research does not tend to produce managerially actionable findings. Managers need to know what specific aspects of service delivery are poor and which aspects affect behaviour. Measuring global attitudes is not a direct way of gathering this information. Finding out that on average, customers rate the hotel's reception service at "6 out of 10" does not tell a manager what the problems with the reception service actually is.

New research into customer's subjective evaluations (attitudes) has shown that customers are extremely fickle. Typically, only half the respondents who gave a particular attitudinal response (eg "Ansett has good in-flight service") give the same response on a second interview, irrespective of when that second interview takes place - for example 15 minutes later or a month later (Dall'Olmo Riley et al. 1997). It seems that attitudes are seldom deeply held, customers give an attitudinal response only because they were asked to, not because they necessarily hold a strong opinion. Most of the time customers form no real judgement about the service, and even when they do they often quickly forget it. This is evidenced by the wide scale success of the Dirichlet model of repeat-purchase that assumes no purchase feedback (Goodhardt et al. 1984).

Not surprisingly then, decades of research into the link between customer's expressed attitudes and their subsequent behaviour has consistently shown a very weak link (Foxall 1999; Kraus 1995). The vast bulk of customers who switch away from the brand they used previously said they were satisfied. Attitudes appear to be more a function of behaviour (we like brands we *have* used) rather than the other way round (Bird and Ehrenberg 1966).

Therefore, basing service quality research on attitudes is not sensible or useful. Likewise there seems little point in measuring customer satisfaction (which is nothing more than an attitude). The exceptions to this are organisations in a monopoly position, such companies do not need to worry about customer loyalty but they usually need to keep customers satisfied in order to avoid regulators or at least fulfil the requirements that regulators have set them, for example Telstra's rural obligations. Also, monopoly companies can not measure loyal behaviour - all their customers have to be loyal. Companies with government ownership, and government organisations themselves are also rightly concerned with customer (voter) satisfaction.

But most companies are not in monopoly positions so their emphasis should be on measuring their service provision and relationship enhancing efforts, and determining how these impact on buying behaviour. In this paper we briefly describe a new approach based on the above rationale.

Linking Service Provision with Buyer Behaviour

Given the problems with evaluative (attitudinal) assessments of service quality our approach emphasises the gathering of descriptive, 'objective', information on the service provision and on customer behaviour (either repeat-purchase or providing recommendations).

Making causal inferences about objective elements of service provision, even from cross sectional data, is often less contentious than it is from attitudinal variables. There is clearer separation between the independent variables (service that did or did not occur) and the dependent variable (loyalty behaviour). Whereas the separation between say satisfaction and re-purchase intention is not great. Even between attitudes and behaviour it is difficult to know what is causing what.

Objective measures are not only possible, but they form the basis of much scientific work even in the social sciences (see Hunt 1993). The use of objective measures of service quality are, however, uncommon (though there is some use in commercial market research e.g., mystery shopping, and much use in product quality research). A reason for this reluctance to employ measures that are based on pre-determined explicit standards may be that such measures are seen as not customer-oriented. That is, that they may not capture customers' assessments of the service experience. This can be addressed by prior qualitative research to help ensure that a service quality study captures relevant aspects of the service received. Another important benefit of a prior qualitative study is to ensure that the instrument uses customers' own terminology to increase the validity of the study (to make sure all respondents understand the questions and to remove any ambiguous questions or jargon).

To collect descriptive information on the service provision we may:

- ask customers to provide descriptive responses concerning the actual service they received (e.g., "did the porter offer to take your bags?", "were you given street directions?");
- or have trained 'mystery shoppers' record the service that was delivered. Mystery shopping has been found to be a reliable and valid means of evaluating service quality, although the results cannot be used to compare individual sites due to service variability and sampling concerns (Dawes and Sharp 2000);
- or ask staff to factually report what they did (or did not do);
- or use internal company records to provide data on what relationship building interventions the customer was and was not exposed to.

Ideally the market research should explicitly measure the effectiveness of organisations' selling channels (sales representatives, telephone sales etc) and also customers' evaluations of the service received in ordering, gaining and using the product or service. For example, in the airline industry a customer service quality study would incorporate measures for the purchasing of tickets, pre-flight service (check-in, baggage handling, lounge), the actual flight itself (leaving on time, food service, special requests, general presentation and hospitality of crew), post flight service (baggage, connecting flights etc) and any follow-up contact (eg. complaint handling). This information is can then be modelled against data on customer behaviour that is also collected. Behaviours such as repeat-buying, recommending, complaining, or paying price premiums. Where it isn't possible to measure actual behaviour we advocate the use of non-attitudinal, probabilistic predictors of future behaviour that have been shown to be reliable (e.g., see Danenberg and Sharp 1996).

This approach has been tremendously successful in providing managers with reliable information about variation in the quality of service provision, and showing what aspects of the service are associated with desirable buyer behaviour.

It provides actionable information by going to the heart of the issue – linking actual service provision to buyer behaviours that really matter. Rather than taking a side route by examining buyers attitudes.

Service & Loyalty

This approach, to directly examine the relationship between service provision and loyalty behaviour, has been advocated by Rust (1993). It allows for examination of the link between particular components of customer service and loyalty. Some elements of customer service may be more important than other elements. It is financially impossible and practically improbable to focus marketing efforts on all possible customer service elements. Discovering the elements that relate to subsequent buying behaviours gives managers a better handle on what they should manage in order to reduce customer defection.

A more traditional alternative is to ask customers directly which service elements are most important to them. This is fraught with problems, buyers may be good at making choices but do not necessarily know how they make these choices. And the practice of asking them what is important out of a list of usually all relevant features tends to produce high scores for every item. It is also difficult to interpret such scores as they give little insight into the trade-offs customers might make.

Asking what is important to the customer is not the same as finding out what affects their buying behaviour. A better approach is to determine relative importance from statistical and experimental techniques. We do not have space to do just techniques justice here, but they are well documented in the mainstream academic literature.

Empirical studies

A number of empirical studies have been conducted using this approach. Please contact the authors for results of the individual studies.

Examples of objective measures of Relationship Quality:

Know name of contact personnel

Face-to-face contact

Telephone contact

Social invite

Business function invite

Examples of objective measures of Service Quality (using a range of industry settings):

No delivery problems

Contact with truck driver / sales manager

Know name of sales manager / sales rep

Delivery on time

Waiting time in queue

Empirical findings have included being able to determine the most preferred method of contact (face to face has been preferred in a number of studies over telephone contact); identifying how close or strong the relationship is using the simple "know main contact's name" measure and setting benchmarks whereby more customers will know the name of their main contact; being able to rectify dissatisfaction with late delivery by keeping customer's in contact at all stages of the despatch process. More findings are included in Page (1999).

Implications

Objective measures provide a very useful complement to subjective assessments. They also provide insight into environmental/external causes of subjective assessments. Such measures provide managers with strategic information to develop service quality and relationship marketing programs and allow researchers and managers to determine what activities have stronger associations with overall relationship and service quality. Objective measures are very straightforward and have high face validity. They are unambiguous, easily understood by people of different cultural and ethnic backgrounds and can be used a benchmark (eg. 74% of large clients knew their main contact's name) and monitored over time to see change. The application of such measures and the modelling of relationships with buyer behaviour provides an immediate practical tool for marketing managers. In addition it opens up the opportunity to develop generalisations concerning aspects of service provision and how variation affects customer loyalty.

References

- Bird, Michael and Andrew S.C. Ehrenberg (1966), "Intentions-to-Buy and Claimed Brand Usage," *Operational Research Quarterly*, 17 (1), 27-46.
- Buzzell, Robert D. and Bradley T. Gale (1987), *The PIMS Principles*. New York: The Free Press.
- Buzzell, Robert D., Bradley T. Gale, and Ralph G. M. Sultan (1975), "Market Share - A Key to Profitability," *Harvard Business Review*, 53 (January-February), 97-106.
- Dall'Olmo Riley, F., A.S.C. Ehrenberg, S.B. Castleberry, T.P. Barwise, and N.R. Barnard (1997), "The Variability of Attitudinal Repeat-Rates," *International Journal of Research in Marketing*, 14 (No. 5), 437-50.
- Danenberg, Nicholas and Byron Sharp (1996), "Measuring Loyalty in Subscription Markets Using Probabilistic Estimates of Switching Behaviour," in Australia New Zealand Marketing Educators Conference, Andrea M. Martin and Richard G. Starr, Jr (Eds.) Vol. 1. Auckland, NZ: Department of Marketing, University of Auckland.
- Dawes, John G. and Byron Sharp (2000), "The Reliability and Validity of Objective Measures of Customer Service: "Mystery Shopping"," *Australasian Journal of Market Research*, 8 (No. 1 January), 29-46.
- Foxall, Gordon R. (1999), "Attitudinal Behaviour," Working Paper: Keele University, UK.
- Goodhardt, Gerald J., Andrew S.C. Ehrenberg, and Christopher Chatfield (1984), "The Dirichlet: A Comprehensive Model of Buying Behaviour," *Journal of the Royal Statistical Society*, 147 (part 5), 621-55.
- Hunt, Shelby D. (1993), "Objectivity in Marketing Theory and Research," *Journal of Marketing*, 57 (April), 76-91.
- Kraus, Stephen J (1995), "Attitudes and the Prediction of Behavior: A Meta-Analysis of the Empirical Literature," *Personality and Social Psychology Bulletin*, 21 (No. 1, January), 58-75.
- Page, Narelle and Catherine Eddy (1999), "The Correlation Between Service Quality, Satisfaction and Loyalty," in Australian & New Zealand Marketing Academy 1999, Jack Cadeaux, Dr. (Ed.) CD proceedings. Sydney: School of Marketing, University of New South Wales.
- Rust, Roland T. and Anthony J. Zahorik (1993), "Customer Satisfaction, Customer Retention, and Market Share," *Journal of Retailing*, 69 (No. 2, Summer), 193-215.