

MEASURING CUSTOMER SATISFACTION: A LITERATURE REVIEW

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Abstract

Customer satisfaction (CS) has attracted serious research attention in the recent past. This paper reviews the research on how to measure the level of CS, and classify research articles according to their approaches and methodologies. This paper also tries to supply some insights about the state of measuring CS in Vietnam. The main objective is to provide a conceptual basic to understand existing methodologies used for measuring CS. A total of 103 articles from more than 50 journals and international conferences are reviewed. A number of important methodologies used for measuring CS are defined and classified into two different approaches based on their nature. Another important contribution of this study is to suggest some criteria which should be considered to make CS measurement as a leading indicator of the financial performance. This paper can be helpful for managers to gain basic conceptual ideas of the methodologies used for measuring CS and also the criteria which make CS measurements more likely as a driver of financial performance when they are satisfied.

Keywords: Customer satisfaction, Measure customer satisfaction, Customer satisfaction index/ measurements, SERVQUAL, National Customer satisfaction index

JEL Classification: C10, M30

1 INTRODUCTION

In today market-oriented business environment, it can be said arguably that the question how to satisfy customers becomes the ultimate concern of most of the companies in any kind of business. Therefore, understanding customer satisfaction (CS) dimensions, measuring it and taking advantage from these measurements become the urgent need for managers and establish the mainstream in academic literature about CS in the recent past. CS is important to measure because of its significant impacts on firms' long-term performance and also customer purchasing behaviors. In the academics, consistently providing high CS is well acknowledged to be associated with higher customer loyalty and enhanced reputation (Fornell, 1992; Anderson & Sullivan, 1993; Wangenheim & Bayon, 2004). Customer loyalty is considered as the outcome of a process beginning with customer satisfaction (Oliver, 1999). There exist definitely other factors other than customer satisfaction that form the customer loyalty and retention such as personal determinism and social factors. But satisfaction is a necessary step in loyalty formation (Oliver, 1999). CS can also supply a higher barrier against switching to other competitors. Loss cost and move-in cost were positively significant related to the CS (Kim, Park & Jeong 2004). Exploring the relationship between CS and the economic return is also one of the most interesting topics. Anderson, Fornell and Lehmann (1994) attempted to explore the relationship between CS and financial returns using a national customer satisfaction index (NCSI) and ROI (return on investment). They found the significantly positive association between ROI and CS but not immediately realized. Ittner and Larcker (1998) found that CS is a leading indicator of customer purchasing behavior, growth in the number of customers, and accounting performance. Banker, Potter and Srinivasan (2000) used operating profits per available room to measure financial performance and verified its lead-lag relation with CS for 18 hotels managed by a hotel corporation. However, there were also quite

a few of studies found no positive relationship between CS and economic returns. Yu (2007) found that “higher CS leads to higher customer revenue and higher customer costs at the same time, and thus customer profits remain unaffected”. There is obviously a tradeoff and lead to the question of probability. Thus, in order to achieve more practical implications, CS measurements do not only need to respond to the evaluation of current situation but also being a leading indicator for financial performance. The main objective of this study is to review and provide the conceptual basics to understand the methodologies used for measuring CS. Also, the article suggests ideas for making CS measurements to be leading indicators of financial performance by undertaking a review of the literature in CS research. In addition, it makes an attempt to get some insights about the state of measuring CS in the practice of Vietnam market in particular.

The remainder of this paper is organized as follows. Section 2 discusses the methodology used for reviewing in this paper. Section 3 is about the statistical and citation analysis of selected articles. Section 4 provides the conceptual basic ideas about methodologies used for measuring CS. Section 5 is about discussion, suggestion of criteria to make CS measurements being leading indicators of financial performance and some insights about measuring CS in Vietnam. Section 6 is conclusion.

2 METHODOLOGY

2.1 Research agenda

The research agenda is about the methodology used for measuring customer satisfaction. The search key for finding articles, books, and documents related to the research agenda are: “measure/develop customer satisfaction”, “customer satisfaction measurements”, “technique for measuring customer satisfaction”, “customer satisfaction”, and “customer satisfaction proxy/index/scale”. The main aim of the research is to define the most popular methodologies which are used to measure CS which are proposed and applied in the practice. These key works help to identify the articles which are most likely to studies about measuring CS.

2.2 Literature search criteria

In search of relevant articles, the search will consist of journal articles with peer reviewed, books, government publication, conference proceedings and other relevant work. The search of literature will be conducted by using major multi-purpose databases such as Web of Science (Thomson Reuters), ProQuest, Emerald, Science Direct and EBSCO. A search for more articles using the same search key words will be conducted on the Internet using Google Scholar in order to increase the coverage of the literature search. The search criterion for the publication period is up to December 2014.

2.3 Literature search procedure

The initial searches revealed that a total 265 articles were found from various sources included academic and professional journals, books and other publications. Then these articles' content would be analyzed for the relevance of method or proxy used for measuring CS. When the articles were found to be relevant to the study agenda, they would be assessed in more detail of its purposes, methodologies and findings. The citation criteria were applied to get the articles which are most valuable to the research topic. Except the very recent articles and books, the articles published more than 2 years and received less than 2 citations were eliminated. After the analysis, 103 relevant articles and books were chosen.