

CHAPTER II LITERATURE REVIEW

2.1 Definition of Customer Satisfaction

The term “Customer Satisfaction” will arise when the customers of products receive expected quality of either or both products and service. Customer satisfaction can be described as the perception of an individual’s discontent or pleasure through comparing the perceived performance with one’s expectations (Lin et al., 2010). If the results are below the expected level it indicates that the customers are disappointed or unsatisfied, whereas if the results exceed the expected level then the customers will be happy. When the customers are pleased with the value offered by the company, then it is more likely that they will become loyal customers for a long time. To provide satisfaction of products and service to customers is a requirement for businesses in order to increase income and maintain competitive advantage not to mention that customer satisfaction is one of if not the most important aspect for business survival. Below are the levels of customer satisfaction:

1. When the satisfaction level is at the lowest (level 1), it is predicted that customers will move to another competitor and give bad reviews for the business.
2. When the satisfaction level is between level 2 to 4, it indicates that the customers are feeling a little satisfied but there’s still chance for them to move to another competitor when there are better offers.

3. When the satisfaction level is at the highest (level 5), it signifies that the customers will re-purchase, give good reviews and also share their good experience to others potential customers. The high level of satisfaction will help create a strong brand loyalty that will not be glued to only logical offers.

The relationship between customers satisfaction and customers loyalty are not proportional, in example when using the customers satisfaction using the scale of 1 to 5 in which the points will indicates: 1 (one) for very bad, 2 (two) for bad, 3 (three) for neutral, 4 (four) for good, and 5 (five) for very good.

2.2 Indicators for Customer Satisfaction

According to a theory by Kotler as stated in the article from Suwardi (2011), the indicators for customer satisfaction can be measured from:

1. Re-purchase

In which the customer will come back to the company/shop to look for the product or service.

2. Creating word-of-mouth

In this case the customer will help spread positive and good things based from their experience to others.

3. Creating brand image

In which the customer will be less attracted or will not be influenced by other competitor' offers because the customers have already have a sense of loyalty towards that particular product or service.

4. Creating the decision to purchase other products or service offered by the same company.

2.3 Aspects of Customer Satisfaction

According to Tzeng and Chang (2011), finding out the quality of customer is an effort of measurement to which degree a product or service delivers their purpose according to the customers and to know if they have attained the expected value. Customer satisfaction is also an element that has always been connected to the grade of quality that can heavily influence the performance to fulfill customer expectations. However, quality is not only emphasize on the end products like goods and service but also accentuate on the quality of human resource, process, and physical environment. In short, to create a high quality product or service, it have to be accompanied by a high quality human resource and process.

To attain high quality of customer satisfaction, there are 5 (five) dimensions that can determine the degree of product and service quality, namely:

1. Tangible Factor

Tangible aspect will be significant towards the level of satisfaction when a product or service cannot be seen, smell, and feel. In cases like this, customers will use their sense of sight to rate their level of satisfaction. Tangible factors like the cleanliness and tidiness of the place, employee appearance, comfortable room, interesting exterior and interior design, availability of supporting technology and a good promotion media like brochure and poster.

2. Reliability

This dimension is used to assess the degree of reliability of the company in providing high quality service to its customers. There are two aspect of this dimension namely job consistency (performance) and the ability to be

trusted (dependability). The effort to increase the level of reliability can be done through creating working culture, giving good service, reducing

mistake by giving training continuously to employees and also emphasizing on work discipline.

3. Responsiveness

This element is the most dynamic aspect of service quality. Customer expectations toward the level of service almost always change with the tendency of slowly increasing from time to time.

4. Assurance

This dimension is connected between the ability of the company with employee behavior in creating a sense of trust to the customers. There are

4 (four) aspects of assurance namely, employee hospitality when servicing customers, employee's ability to create the feelings comfort and security to customers, the knowledge and speed in providing service to customers and can uphold company reputation.

5. Empathy

This dimension includes offering full attention to customer, provide easiness for customers to develop a good communication relationship, and also possessing the product and service in accordance to customer needs.

2.4 Customer Satisfaction Measurement Method

According to Kotler (2012), there are 4 methods that can be used to measure the level of customer satisfaction, namely:

1. Complaint and suggestion system

Giving attention to customers and providing them with convenient way to convey their opinion in the form of suggestion or complaint is an important thing for a company's wellbeing. This can be solved through multiple media such as providing a suggestion and complain mailbox or using a specialized customer service hotline for customers to deliver their message. Although, those tools may not be used by a unsatisfied customer because they feel lazy to do it and choose to just ignore. The fatal consequence of this is that the customer can directly move to another competitor and do not comeback.

2. Customer Satisfaction Survey

Survey can be used to discover customer satisfaction level whether it done directly to the customers by utilizing media like post mail, telephone, or indirectly through a customer satisfaction survey via internet.

3. Ghost Shopping

Ghost shopping is done by hiring a group of people to act like potential customer to purchase a product that belongs of the company or the competitor. In which the ghost shopper will report the findings such as weaknesses or strengths from competitor products and service.

4. Lost Customer Analysis

Using this method, the company will re-analyze to find reasons that caused its' customers to stop their purchasing activity from their company and will make efforts to contact those customer in order to find out their stance

on the matter and give their opinions regarding the shortcoming of the product or service that they company offered.

2.5 Benefit of Customer Satisfaction

According Fogo et al., (2013), there are several benefits that customer satisfaction gives and can be utilized to as an advantage. Those benefits are:

1. Giving a positive impact in customer loyalty.
2. Becoming a tool for greater future profits (especially with continuous re-purchase).
3. Minimize future expense especially in marketing, sales, customer service cost.
4. Increase tolerance towards price change. Customers shall be willing to purchase with premium cost or a higher price and they will not be tempted to switch to another competitor because of the price change.

2.6 Factors Influencing Emergence of Customer Dissatisfaction

Basically, the satisfaction or dissatisfaction of a customer towards a product or service can be seen from the process after the purchase. When a customer is satisfied, they will show their satisfaction through spreading positive word-of-mouth to other customers and more likely to re-purchase the same product. Where on the contrary, an unsatisfied customer will more likely to return the product they have purchased accompanied by complaining or maybe even sue the company. The figure below depicts the factors influencing the emergence of customer dissatisfaction.

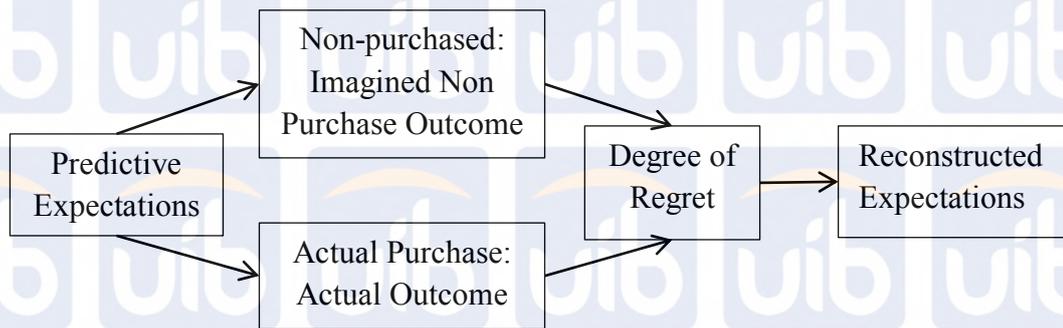


Figure 1. Model of Dissatisfaction with Different Types of Purchase Decisions,

Source: Cho (2011).

The factors that can cause customer dissatisfaction are:

1. There is a mismatch between customer expectation and reality.
2. The service given to the customers is unpleasant.
3. The behavior from the service giver is unsatisfying.
4. Unsupported environment condition and physical evidence.
5. High cost that is not proportioned with profit.
6. Unrealistic promotion and advertisement.