CHAPTER 2

LITERATURE REVIEW

2.1: The definition of customer satisfaction

With the deepening of economic globalization many companies experiencing more opportunities also increasing competitiveness pressures. Currently, many international Enterprises have theoretical researches and practical explorations in customer satisfaction. Now, customer satisfaction has become an important business objectives and performance indicators.

According to English business dictionary, customer satisfaction is the degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers. Although customer satisfaction is a new thing, researchers defined customer satisfaction under different angles and different time. While the literature contains significant differences in the definition of customer satisfaction, all the definitions share some common elements. When examined as a whole, three general components can be identified:
(1) Consumer satisfaction is a response (emotional or cognitive);
(2) The response pertains to a particular focus (expectations, product, consume experience);
(3) The response occurs at a particular time (after consumption, after choice, based on accumulated experience).

Consumer responses followed a general pattern similar to the literature. Satisfaction was comprised of three basic components, a response pertaining to a particular focus determined at a particular time.

There are some Conceptual and Operational Definitions in Consumer Satisfaction Literature as follows:

<table>
<thead>
<tr>
<th>Source</th>
<th>Conceptual Definition</th>
<th>Response</th>
<th>Focus</th>
<th>Time</th>
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</thead>
<tbody>
<tr>
<td>Oliver 1997</td>
<td>The consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment</td>
<td>Fulfillment response/ judgment</td>
<td>Product or service</td>
<td>During consumption</td>
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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 | Response to the evaluation | Perceived discrepancy between prior expectations (or some norm of performance) and the actual performance of the product | Post-consumption

Westbrook 1980 | Refers to the favorability of the individual’s subjective evaluation of the various outcomes and experiences associated with using or consuming it (product) (Hunt 1977). | Favorability of the individual’s subjective evaluation | Outcomes and experiences | During consumption

| **Table 2.1 Definitions in Consumer Satisfaction Literature**

Thus, researcher considers that customer expectations and needs are a psychological foundation of customer satisfaction; customer satisfaction depends on the difference between their actual experience and the expectations. In theory, meet or exceed customer expectations, the customer will satisfied or relatively satisfied, on the contrary, consumers feel general, dissatisfied or very dissatisfied. If customer complaints are properly handled, company will achieve customer satisfaction.

For tourists products, researcher believes that customers have a psychological expectations before purchase, when tourism producers offer products meet or exceed customer expectations, can be recognized by consumers. Tourism products are a kind of emotional consumptions, tourist satisfaction is not only a mental activity, but also the pleasure after their needs were met. Visitor satisfaction depends on the difference between visitor’s expectation and actual perceived effects. Although consumers’ needs and expectations are really personal issues, but also have some regularity under different groups of people or different regions. This research will focus on survey customer demand regularity in target market through questionnaires to improve customer satisfaction in DONGTHAI Travel Company.
2.2: Customer satisfaction theory

2.2.1: introduction of 4Cs: consumer, cost, convenience, communication

![Diagram of 4Cs: consumer, cost, convenience, communication]

**Figure 2.1** Four Cs: consumer, cost, convenience, communication

**Consumer** – The principle of four C’s of marketing states that your customer should be your prime focus. Unlike the traditional marketing mix where the primary focus is on Products, in the 4 C’s model, the primary focus is on the customer. Thus the companies which follow this model believe in making products which satisfy their customers. They are generally ready to offer customizable products and because they have a general set of target customers, this principle is only applicable for smaller market segments and not for mass markets. For mass markets, the traditional marketing mix can be used.

**Cost** – Cost is equivalent to Pricing in the traditional marketing mix. Cost is a very important consideration during consumer decision making and hence in the 4 C’s principle, the cost variable is given special attention. The 4 C’s model generally plans on the basis of Customers and not products. And hence they have to plan the cost of the product on the basis of their customer. If you are targeting a SEC A segment, then the costing of the product needs to be premium to have proper psychological positioning. On the other hand, if your product is for the SEC B and SEC C classes, then it needs to have a lower costing. Thus over here, costing of the product depends on the customer.

**Communication** – The concept of communication remains same for both, the traditional marketing mix as well as for the 4 C’s of marketing. Off course, the marketing communications for a company following the 4 C’s of marketing is
completely different as it needs a completely different Segmentation, targeting and positioning. As said before, the 4 C’s of marketing are generally used for Niche products. The media vehicles used for marketing communications for a mass product and that for a niche product are different. A niche marketing company might use more of BTL rather than ATL whereas in a mass marketing company, ATL communications are very important.

**Convenience** – Convenience is equivalent of distribution or placement of the traditional marketing mix. When you have a niche customer base, the convenience of the customer in acquiring your product plays a critical role. Take a niche product like Heavy machinery as an example or even products like television and air conditioners. What if the companies who sell these products do not give you delivery and installation. You will not buy the product as you won’t be ready to pick up the machine and install it yourself. You will be looking out for your own convenience. Thus convenient, like distribution, plays a critical role. The customer will not buy your product if it is not convenient to him.

All in all, the traditional marketing mix model helps a company define its strategy more efficiently. However, the 4 C’s model, although not much different, really helps if you are a customer oriented firm.

### 2.2.2: Advantages of Customer satisfaction theory

Four Cs Theory was proposed by U.S. marketing expert Robert F. Lauterborn in 1990. It based on customer demand, re-set the four basic elements of marketing mix: consumer, cost, convenience and communication. It stressed that companies should focus on customer satisfaction first, then try to reduce customer purchase costs, and the convenience of buying process and marketing communication. It has great progress and development compared with 4P theory. It attaches to customer-oriented, the pursuit of customer satisfaction as the goal. It is actually important in current situation that consumers play an initiative role.

Tourism product is a kind of service products, with its own feature. Namely: integrated, invisible, synchronization, non-metastatic, vulnerability and heterogeneity. Customers spend time, money and effort to obtain a travel experience, and feeling, and this feeling and experience is as individual as the person. Therefore, it is an emotional spending. In addition, the tourism product is easy to copy, tour companies difficult to use difference strategies. In this situation, the customer satisfaction is very important for the tourism industry. So, this research will focus on customer satisfaction.
2.2.3: limitations of Customer satisfaction theory

From the practical application of business and market development trends, 4C theory also has inadequate:

First, 4Cs theory is consumer-oriented, focusing on looking for consumer demand, to meet consumer demand, but there is competition-oriented in market, enterprises can not only see the demand, but also pay an attention to competitors. In order to win in fierce market competition, company should analysis own strengths and weaknesses in the competition and take the appropriate strategy. Secondly, under the guidance of the 4C theory, companies often ignore the long-term profits. So how combine consumer demand and corporate’s long-term profit is a big problem to be solved. In this research, we focus on search customer need, pivotal need in different age, use cost rational and improve customer satisfaction. We will combine customer satisfaction and company’s long-term profits.

2.3: American Customer Satisfaction Index (ACSI)

2.3.1: Introduction of American Customer Satisfaction Index (ACSI)

The American Customer Satisfaction Index (ACSI) was established in 1994 by the Center to provide a new economic indicator tracking the quality of products and services from the perspective of customer. The ACSI is the only measure of the quality of economic output nationwide. Research is showing the ACSI to be a leading economic indicator, and a predictor of financial performance at the firm level.

2.3.2: The ACSI Model and Methodology

The ACSI Model and Methodology the concept behind ACSI, namely, a measure of overall customer satisfaction that is uniform and comparable, requires a methodology with two fundamental properties. First, the methodology must recognize that ACSI and other construct in the model represent different types of customer evaluations that cannot be measured directly. Accordingly, ACSI uses a multiple indicator approach to measure overall customer satisfaction as a latent variable. The result is a latent variable score or index that is general enough to be comparable across firms, industries, sectors, and nations.

Second, as an overall measure of customer satisfaction, ACSI must be measured in a way that not only accounts for consumption experience, but also is forward-looking. To this end, ACSI is embedded in the system of cause and effect relationships shown in Figure 1, which makes it the centerpiece in a chain of relationships running from the antecedents of overall customer satisfaction—expectations, perceived quality, and value—to the consequences of overall customer satisfaction—voice and loyalty. As was indicated, the primary
objective in estimating this system or model is to explain customer loyalty. It is through this design that ACSI captures the served market's evaluation of the firm's offering in a manner that is both backward- and forward-looking.

Figure 2.2 American Customer Satisfaction Index (ACSI) Model

2.3.3: Perceived Quality, Perceived Value, and Customer Expectations of ACSI

As is shown in Figure 1, overall customer satisfaction (ACSI) has three antecedents: perceived quality, perceived value, and customer expectations.

The first determinant of overall customer satisfaction is perceived quality or performance, which is the served market's evaluation of recent consumption experience, and is expected to have a direct and positive effect on overall customer satisfaction. This prediction is intuitive and fundamental to all economic activity.

The second determinant of overall customer satisfaction is perceived value, or the perceived level of product quality relative to the price paid. Adding perceived value incorporates price information into the model and increases the comparability of the results across firms, industries, and sectors. For perceived quality, we expect a positive association between perceived value increases and customer satisfaction.

The third determinant of overall customer satisfaction is the served market's expectations. The served market's expectations represent both the served market's prior consumption experience with the firm's offering—including non-experiential information available through sources such as advertising and word-of-mouth—and a
forecast of the supplier's ability to deliver quality in the future. This role of expectations is important because the nature of the ongoing relationship between a firm and its customer base is such that expected future quality is critical to overall customer satisfaction.

Finally, customer expectations should be positively related to perceived quality and, consequently, to perceived value. Customer knowledge should be such that expectations accurately mirror current quality. Hence, we expect served market to have expectations that are largely rational and that reflect customers' ability to learn from experience and predict the levels of quality and value they receive (Howard 1977).