DOES CUSTOMER SATISFACTION MATTERS?

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Abstract Customer plays an important role for business as a profit generator, core of business strategy and brand ambassador of the business. Due to the important role played by customers towards the business, it is important for the business to ensure customers satisfaction are preserved and build customer loyalty towards the brand. Customer satisfaction are important for an organization due to its effect on the financial standing of a company and the positive impact towards the company’s public perception. Due to this, it is important for a company to ensure customers are satisfied, by offering the best product, good services experiences and effective post-purchase solution. On the other hand, customer loyalty should be the long-term goal for a business. A loyal customer can be a core for a business to build its brand, and expand the company.

Keywords: Customer satisfaction, customer loyalty, customer switch

1.0 Introduction

Ever since people engaged in trade, customer has been one, if not the most important entity for a business (Liu et al., 2019), regardless of its size. Customer is a party that engage with business to purchase goods or use services provided by the business (Gómez, McLaughlin, & Wittink, 2004) to meet their need and needs (M.F. Shamsudin, Ali, Ali, & Shabi, 2019). Typically, customers are regarded as a revenue driver for the business (Razak & Shamsudin, 2019). However, as business and trading evolves throughout time, customer becomes a direct stakeholder to the company that expand its role beyond that (M.F. Shamsudin, Razak, & Salem, 2018).

According to (Mohd Farid Shamsudin, Esa, & Ali, 2019), customers are the main revenue driver and profit generator for the business. Customer have need and wants; and business will identify and capitalize on that to generate revenue (Hasim, Shamsudin, Ali, & Shabi, 2018). Business earned income largely from customers (Salem, Shawtari, Shamsudin, & Hussain, 2016). The profit generated by customers are important for a business’ sustainability (Mohd Farid Shamsudin & Razali, 2015), running the day-to-day operations (M. F. Shamsudin, Razak, & Salem, 2018) and long-term expansion process (M. F. Shamsudin, Shabi, & Salem, 2018). There is a possibility no business without customers (Kadir & Shamsudin, 2019).

(Eberle, Milan, & Dorion, 2016; Forsythe, 2016; Lau, Cheung, Pires, & Chan, 2019) claimed that customer also plays a role as the base of a business’ strategy. Market driven business can use customers as a benchmark (Kant & Jaiswal, 2017; Moghavvemi, Lee, & Lee, 2018; Yilmaz, Ari, & Gürbüz, 2018) on whether the strategy implemented will do well within the market. Failure to consider its customer may cause the business to implement strategy that looks good on paper, but fell short on its execution (M. F. Shamsudin, Nurana, Aesya, & Nabi, 2018).

Past research indicates that customer can indirectly be the brand ambassador of the business (Nguyen, Nisar, Knox, & Prabhakar, 2018). Brand ambassadors are loyal customers understanding (Famiyeh, Asante-Darko, & Kwarteng, 2018) and enjoying what organization are selling

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or the support you are providing (Amin et al., 2017; L. K. Chen & Yang, 2015; Iwashita, Shimogawa, & Nishimatsu, 2011), and would love to spread their experience with others (Huaman-Ramirez & Merunka, 2019; H. J. Kim, 2012; Mathew & Thomas, 2018). As people spend more time engaging in social media, brand ambassador’s role is not just restricted to celebrities (M. F. Shamsudin, Nurana, et al., 2018). With just a Retweet or Share, business can be viral and gain following from the public (S. Hassan, Shamsudin, & Mustapha, 2019). With the role that customers played in a business, the importance of preserving customer satisfaction and building customer loyalty are increasingly significant for an organization (Ahmad, Ahmad, & Papastathopoulos, 2019; Ayo, 2018; Keshavarz & Jamshidi, 2018; Walls, Okumus, Wang, & Kwun, 2011).

2.0 Customer Satisfaction

Customer satisfaction usually being used as a tagline by a business to entice customer (Mohd Farid Shamsudin, Ali, Nadzri, & Wahid, 2019) and buy its products or use the services (Basha, Mason, Shamsudin, Hussain, & Salem, 2015). According to (W. H. Kim, Cho, & Kim, 2019) customer satisfaction is a state where customers are satisfied, whether on the quality of product or the overall interaction experienced by the customer. As a whole, it is a positive reflection by a customer towards business organization (Gerdt, Wagner, & Schewe, 2019).

2.1 Impact towards an Organization

For a market driven organization, customer satisfaction should stand as the core of its planning strategy (M. F. Shamsudin, Razak, et al., 2018). Business may face difficulty although the product offered is at the lowest price if customer not satisfied. (Mohd Farid Shamsudin & Razali, 2015) suggested that organization to focus on customer satisfaction, as it is crucial towards the organization performance (Ahmad et al., 2019; Han & Hyun, 2017; Wu & Liang, 2009). (Eberle et al., 2016; Lau et al., 2019) stated that organization effort to spend millions on marketing may not provide high returns should customers are unhappy (Mohd Farid Shamsudin, Ishak, et al., 2019). According to (Salem et al., 2016), the overall poor quality of customer service is much more dominant in causing customer to shun a business compared to the price of product or services (M.F. Shamsudin et al., 2019).

(M. Shamsudin et al., 2015) highlighted the important of customer satisfaction from the financial standpoint where satisfied customers bring positive impact on the business’ financial standings (Smith, Damron, & Melton, 2017). A satisfied customer is more likely to repeat its buying experience (Mohd Farid Shamsudin, Ali, Wahid, & Nadzri, 2019) with the existing business (Mohd Farid Shamsudin, Esa, et al., 2019). Organization at the same time may gain benefits by retaining existing customers (Izogo, 2016, 2017). According to (Giovanis, Zondiros, & Tomaras, 2014; Jusoh, Zakuan, Bahari, Ariff, & Hayat, 2012), there are 60 - 70% success rate if business offer its products and services to existing customers, compared to only 5 – 20% success rate in approaching new prospects (Razak & Shamsudin, 2019). (Mohd Farid Shamsudin, Esa, et al., 2019) reported that a satisfied customer would share up to 4-6 people about their experience. This domino effect, combined with the cost saving in searching for new customers in comparison with customer retention, will help to expand business’ profit (Mohd Farid Shamsudin, Ali, Wahid, et al., 2019).
Preserving customer satisfaction will improve the organization culture as a whole (Javalgi, Hall, & Cavusgil, 2014; Smirnova, Rebiazina, & Frösén, 2018). Satisfied customer will provide positive experience for the staff (Lussier & Hartmann, 2017), especially for staff that directly engaged with the customer (Sabbagha et al., 2016). As business face less complain from customers, resources can be allocated to improve products and train staff to provide better experience for the customer (M. Shamsudin et al., 2015). A better trained employer will continue to provide satisfactory experience to customers (Lai & Gelb, 2019; Purohit, 2018; Singh & Das, 2013), and this continuous positive cycle will assist good employee retention to serve the organization.

2.2 Achieving Customer Satisfaction

With the importance of customer satisfaction towards an organization, business has shifted its strategy to focused more on the customer side (Nguyen et al., 2018). Achieving customer satisfaction covers various perspective for it to be successful (Ramanathan, Di, & Ramanathan, 2016). In essence, customers are basically satisfied when their wants and needs are being met by the business (Razak & Shamsudin, 2019). Thus, a business must ensure that the products or services that it offers are perfect and most importantly meeting the needs of the target customer (M.F. Shamsudin et al., 2019). While a total defect-free product or services are seldom achievable, business must at least ensure that within a controllable circumstance (Amin et al., 2017; Iwashita et al., 2011), its products or services are expected to function perfectly (Solomon, 2018).

Customers are also satisfied if company holds high ethical standards while conducting their business (Hahm, Chu, & Yoon, 1997; M.-K. Kim, Park, & Jeong, 2004). Business organization need to ensure that they are transparent during the whole interaction and transactions (Amin et al., 2019; Belwal & Amireh, 2018), by not overpromising or manipulating a loophole to gain advantages even if it is legal (D. J. Lee & Ahn, 2007), such as charging unexplainable fees, including clauses in fine prints, changing terms and conditions, and others (D. J. Lee & Ahn, 2007). With choices available to them, customers will easily swap their preferences if they felt cheated by the business (M. F. Shamsudin, Shabi, et al., 2018).

As mentioned beforehand, customer highly values a positive interaction and experience. Due to this, it is important to observe how do business communicate with customer to ensure customer satisfaction will be achieved (K. H. Chen, Chang, & Kenny, 2013; J. Lee & Kim, 2015). One of the prevalent trends imported by the business is the shift from business to customer (B2C) relationship to human to human (H2H) relationship (Lagrosen & Lagrosen, 2016). Under H2H relationship, business value customers as a ‘human’, beyond just a client and profit generating entity (Ding & Tseng, 2015). Gone are the days where generic and automated responses can entice customers to engage with the business.

The personalized, human to human relationship then may extend beyond just communication between business and customer (Pandey & Charoensukmongkol, 2019; Román & Martín, 2014). The business can amplify it through implementation in the products and services that it offers (Eckert, 2004). Through adaptive selling approach and personalized campaign that encourage customer to create and feels their life is the central parts of the business organization focused.
2.3 Importance of Customer Satisfaction

Achieving customer satisfaction should be the main goal for any organization (Salem et al., 2016). It has been mentioned before that from the financial standpoint, satisfied customers bring positive impact on the business’ financial standings (Shafei & Tabaa, 2016). Satisfied customer that has positive perception towards certain brand may cares more about how they are being treated than how much they pay for buying the product or subscribe to the services (Lau et al., 2019). In general, if there are options available, many consumers will choose the company that made them happier with good services and high-quality products even if it comes with higher prices over a low-cost but low-quality service alternative (Famiyeh et al., 2018). This is why and how most high-end brand manage to attract customers even with offering premium prices: the customers know that the price offered are worth the services (Ramanathan et al., 2016).

Customer satisfaction is not only related towards revenue generating factor but also from the cost reduction perspective as well (Sallaudin Hassan & Shamsudin, 2019). (Muhammad, Farid Shamsudin, & Hadi, 2016) stated that satisfied customer lead to a customer retention. (Sallaudin Hassan & Shamsudin, 2019) suggested that by increasing customer retention to only just 2%, the effect is similar to the business cutting its costs by 10%. The underlying logic is that: a repeated customer that is satisfied by business organization will continuously went to the business again (Moghavvemi et al., 2018), thus reducing the monetary and time cost spend to generate sales and searching for new leads to be converted as your customer (Javalgi et al., 2014). (Cullinan, Du, & Zheng, 2012; Lunn & Lyons, 2018; Temerak & El-Manstrly, 2019) stated that the cost of searching and converting prospect to new customers are estimated to be 6 -7 times higher than retaining an existing one.

A satisfied customer will easily be a business’ marketing avenue to reach prospective customers (Rohman & Bohlin, 2014), especially nowadays with the engagement of social media (M. F. Shamsudin, Nurana, et al., 2018). A combination of eagerness to share and the availability of platform for reviewing business encourage people to review company and business that they interact with (Segarra-Molina & Moliner-Tena, 2016). Through the review, business build its online reputation and presence.

2.4 Customer dissatisfaction

Much of the reason why company focus on delivering experience that preserve and improves customer satisfaction does not lie on only the positive effect brought by satisfied customer but also to avoid consequences occurred if customers are dissatisfied. It may not be a exaggeration to suggest that dissatisfied customer can break a business (K. Kim, Jun, & Lee, 2014; Yang, Xu, Yang, & Chen, 2018).

As customer can utilize its presence especially online to provide feedback on a business. Similar to the positive impact, a dissatisfied customer will air its grievance towards the brand through social media, and will spread it to a larger crowd compared to when they receive positive experience (Huaman-Ramirez & Merunka, 2019; Letters, 2016). According to (Broetzmann, Kemp, Rossano, & Marwaha, 1995), an unhappy customer is prone to share to “between 9-15 people about their experience and around 13% of dissatisfied customers tell more than 20 people” (Borishade et al., 2018). To make it worse, given the tendency and preferences of online community towards sensationalized content, negative review will gain faster and higher traction compared to positive news.
Dissatisfied customer can bring negative impact financially on a business. Typically, one may think that due to the compensation that business needs to provide to the unhappy customers. In retrospect, a dissatisfied customer will set a precedent to future customers from interacting with the business organization (Alteren & Tudoran, 2016; Menguc & Boichuk, 2012; Smirnova et al., 2018). Hence, even though a business organization may have improved, the negative perception will linger and can prevent prospects from buying products or use services from the business organizations or service providers (M. F. Shamsudin, Razak, et al., 2018; M.F. Shamsudin et al., 2018). From a different, it is estimated that around 96% of unhappy customers don’t complain, however 91% of those will simply leave and never come back (Peterson & Crittenden, 2018). The underlying issue from this statistic is that not only business lose their current customers, most of them will not provide complain and just simply left. This indicates that the issue faced by business organizations are much worse that what they had anticipated (Butcher, Sparks, & O’Callaghan, 2002). To make it worse, company that may view the complaint received are in the minority, and will not make changes to rectify the issue. In the long run, it may be too late to address customer complain (Sallaudin Hassan & Shamsudin, 2019).

2.5 Improving Customer Satisfaction

With the knowledge of the importance of customer satisfaction and the danger of dissatisfied customers towards the company, business should take preparatory measures to ensure customer satisfaction are well maintained and improved. It always begins at the organization itself. Business must provide and create a culture that will value customer as a human, not just a revenue source. Employees, especially those that interact directly with customer must be well trained and taken care of so that they are satisfied and happy with their responsibilities and in turn (Ding & Tseng, 2015; Huaman-Ramirez & Merunka, 2019), spread that positivity environment towards the customers (Legendre, Cartier, & Warnick, 2019). In short, to make customer happy, business must make sure employee are happy in the first place (Gómez et al., 2004).

(Shahzadi, Malik, Ahmad, & Shabbir, 2018) suggested that one of the important aspects that a business need to pay attention of is the timeliness in interaction with customer. The timeliness aspect covers from during the customers engage with the business to buy a product or use the services provided up till the period taken by business to assist customers in post-purchase issue (Aydemir & Sahin, 2019).

In order to improve customer satisfaction, business must be open towards customer’s feedback. Business should not treat every negative feedback as something bad (Mwakatumbula, Moshi, & Mitomo, 2019). Instead, take it as a constructive criticism for a business to improve its operations. By doing this, a company will be much more flexible towards feedbacks and much more open to change (Salem et al., 2016).

3.0 Customer Loyalty

Like a Pokémon evolutionary trees, a satisfied customer that continues to engage with business may evolve to loyal customers. Customers loyalty are such a rare gift, that it will be valuable asset for the business. In order to achieve customer loyalty, business must prepare an improved strategy to incorporate its customer to be loyal to the brand (Junaid, Hou, Hussain, & Kirmani, 2019). From the customer’s perspective, a business can build customer loyalty by understanding what the customers value towards the business. It may range from quality of products, good deals, prices,
timeliness of delivery, and others. As different customer group may possess different value, classifying it and preparing a personalized value improving factor can entice customer to stick with the brand (Shamim & Mohsin Butt, 2013).

As an organization itself, it is important for a company to ensure customers’ trust towards the brand are being build and maintained (Barreto & Ramalho, 2019). The best and probably the easiest way for business to build trust with its customers is to do their job based on what they had promised to the customers, and exceed expectations whenever possible (Khan, Razzaque, & Hazrul, 2017). This will be the method to ensure customers’ expectation are managed. If any error occurs, do not be defensive but acknowledge the mistake, apologize and offer a real solution instead (Kotler, 1966).

3.1 Type of customer loyalty

A loyal customer can actually be categorized to different subset. The differences may come from its preferences towards the brand itself. Business must familiarize with each type of customer loyalty to convert them as a fully loyal customer and will not be enticed by competitors regardless of the offer made.

The first subset of loyal customers comes from those who are satisfied with the business’ product and services. With less to complain and happy towards the brand, business can retain these customers without needing to implement extra incentives (Lau et al., 2019). Even though the happy, loyal customers contribute significant amount of revenue towards the business, their loyalty are fickle and will choose the business’ competitors if better offer are made, or if they face unpleasant experience with the brand that caused them to be unhappy (M. Shamsudin et al., 2015). There are also customers who are only loyal towards the price that the brand offers (Huber, Herrmann, & Wricke, 2001; Lymeropoulos, Chaniotakis, & Sourel, 2013; Swani & Yoo, 2010). A cost-savvy, loyal customers, this group will buy from the brand as long as the price is cheap regardless of the quality that the brand offers (Cakici, Akgunduz, & Yildirim, 2019; Gallarza, Arteaga, & Gil-Saura, 2019; Konuk, 2019). If they manage to find other alternatives with cheaper price, these customers will easily switch or churn to the other brand.

From a different perspective, there are also customers that are loyal only due to the perks offered by the brand. The customers may not spend much on the brand and only engage for the perks, such as loyalty programs, coupons, discounts and others (Berry, Zeithaml, & Parasuraman, 1985).

The last subset is the purely loyal customer. Loyal customers are devoted to the brand and all the products and services provided by the company (Ahn & Back, 2019; A. C. H. Chen, Chen, & Ma, 2016; Hanna & Rowley, 2013). A purely loyal customer will make frequent purchases towards the brand and proudly be the brand ambassadors to share the positive aspect of the business organizations (Letters, 2016).

3.2 Importance of customer loyalty

From the financial perspective, loyal customers not only cost effective for a company, but also provide steady revenue stream. As mentioned above, it is more expensive to acquire new customers compared to retaining the existing one. With customers that are loyal to the business, the business organizations can allocate its resource in improving customer experience and
innovating their product or service instead (Girish & Lee, 2019). This are much better rather than spending it on a marketing strategy with low success probability to acquire new customers. (Ahn & Back, 2019; Ding & Tseng, 2015) stated that constructive criticism can be obtained from loyal customers. In a business, a perfect day seldom occurs, with technical difficulties or a simple mistake can occur almost in a daily basis (Mahendrawathi, Astuti, & Nastiti, 2015). Customers with brand loyalty will be more tolerant with the issue and share constructive criticism to improve the brand instead of spreading the negativity.

A customer that possess brand loyalty will also assist the company as its buffer against competition. This is because, the loyal customers already love what the brand are offering, thus following the Pareto principle, even they comprise only 20% of customer base, loyal customer but will bring in 80% of the company’s income (Mahendrawathi et al., 2015). With this steady stream of income, business can operate without implementing desperate strategy, such as lowering the price of massive discount to compete with its competitors.

4.0 Conclusion
All the statements from the review on customer satisfaction lead to the conclusion that it is vital for business organization to focused and realign their customer position in the market. Business organization need to review their current policy and culture towards customer. (M. Shamsudin et al., 2015) suggested that business organization should start to focused on market driven and put priority to customer as their utmost matters. The fact is that business exist because of customer (Mohd Farid Shamsudin, Ishak, et al., 2019). Business organization need to meet the customer expectations and provide the best services in the market in order to gain loyalty.

References:


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