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THE ROLE OF CUSTOMER SATISFACTION IN INCREASING SALES IN THE SERVICE SECTOR

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Abstract

This paper's aim is to explain the role of customer satisfaction in service sector, especially in hotel and bank industries and the ways in which customer satisfaction can be measured and increased. Customer satisfaction is the key factor that determines the future sales of the company. This paper provides detailed information on how customer satisfaction affects and can be increased in bank and hotel industries. In order to explain it, the paper contains information about SERVQUAL Method for explaining customer expectations in five measurements such as reliability, responsiveness, assurance, empathy and tangibles; and 5 Gaps regarding hotel industry and Service Profit Chain for bank industry. [Arlen, 2008] The study supports understanding customers, having an individual approach to each of them, keeping good relationships with them and with keeping customer satisfaction in high level increase sales.

Keywords: *customer satisfaction; hotel industry; bank industry; customer expectation.*

JEL Classification: M30

Introduction

Research on customer satisfaction was one of the most famous marketing areas. Customer satisfaction is becoming the field to which all businesses continue to give



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attention and try to keep on the highest possible level. Customer satisfaction rate relies on how the company gives attention to it and tries to satisfy it. The connection between meeting the expectations of customers and its effects to the marketing is direct. Furthermore, businesses are scared of the negative word of mouth which can be shared during a short time to a lot of people and can also have effects to the customer expectations, which can immediately create problems for businesses. As getting profit was the main purpose for companies a few years ago, but nowadays to focus on customer and getting profit thought their satisfaction is essential, because of the fact that customers who are those getting your product or service. One of the visible results of marketing activity is customer satisfaction, which plays a main role in case of differentiation of the company and creates reasons for customers to choose company's service. To put it another way, it creates competitive advantage and allows company stand out of the competition, especially for firms which are surviving in the competitive market. Keeping customer satisfaction at the highest level could not guarantee customer loyalty for the firm, but it can guarantee positive word of mouth. The reason why service companies need to pay attention to customer satisfaction during the quality of services is the characteristics of the service that differentiate the product and make it create and consume at the same time, which plays an essential role in customer satisfaction. This article contains abstract, introduction, research methodology, main body, conclusion and references.

Research Methodology

The qualitative data that was collected from websites and scientific articles were used to explain the customer satisfaction effects for sales in the service sector, especially in the hotel and banking industry and affecting the satisfaction of each industry. Other types of qualitative data collection tools also were used, such as online survey and participation method. The question of online survey was "Which of the following options affects customer satisfaction the most?" Online survey was used to clarify existing data. Participation method was used in August 2018 in the hotel to clearly understand determinants of customer satisfaction.

Customer Satisfaction in Service Sector

The service industry is experiencing a fundamental change, which has a direct impact on the manner we live and operate. New services are being continuously introduced to satisfy our current needs and needs that we did not even know we would have. The service sector produces goods which we cannot see, touch and warehouse. It



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is the third largest sector of the economy, which comes after the production and manufacture of raw materials, due to the fact that all countries pay more attention to this sector year by year by creating opportunities for service companies. [Chappelow, 2019] In today's competitive market, the thing that will secure in the long term the company's development is strong relationship with customers in terms of their satisfaction. The researchers found that even increasing the quality of services is a more efficient tool for increasing sales and profit, and not for all marketing activities. It is also essential from financial side, because of the fact that the cost of attracting new customer is more than the cost of maintaining a relationship with an existing customer. At this point in time, service quality has become more important for company's success than product quality and companies which are investing in order to improving their service quality get competitive advantage on those firms which do not. It should be mentioned that the employees' behaviour or performance plays a main role in creating customer satisfaction. For this reason, service companies spend time and money for training employees especially who has direct communication with the customer. In the restaurant service sector, the behaviour, speech and communication of the waiter with the customer determine the future sales of the company from this customer. According to the *trainingmag.com* or *2018 Training Industrial Report* total USA training expenditures in 2018 was \$87.6 billion [Freifeld, 2018].

Customer satisfaction level can be measured using 2 methods: Customer satisfaction index and Customer satisfaction score. Customer satisfaction index is created by combining many customer satisfaction survey results in single customer satisfaction index which shows overall satisfaction level. Customer satisfaction score is the measurement of satisfaction through giving only one question to the customer. The most two popular question about the customer satisfaction index are about: (Customer Satisfaction Score / Customer Satisfaction Index)

1. Rating overall service experience out of 10, where 10 is very satisfied and 1 is very dissatisfied.
2. Probability of suggesting Company "X" to friend or colleague out of 10, where 10 is very satisfied and 1 is very dissatisfied.

Customer Satisfaction in Hotel Industry

Hotel industry is one of the main industries within the service sector. It becomes the most competitive industry year by year. Nowadays, having the highest customer satisfaction level and keeping customer loyalty are the main goals of the hotels



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because of the fact that they will secure the long term business integrity. In service sector satisfaction, it determines the difference between what was expecting and the result of product or service after consumption. Oliver's (1977) disconfirmation paradigm theory is one of the most widely used theories regarding customer satisfaction in scientific researches. This theory explains that the post-purchase experience is becoming the source of determining the satisfaction. Of course, if the performance or service quality is below the customer expectation, it will lead to the dissatisfaction of the customer. If the performance meets and exceeds expectations, this means that the customer will be satisfied and respectively delighted. Expectation confirmation theory includes four main concepts: expectations, perceived performance, disconfirmation of beliefs, and satisfaction. Previous researches on customer satisfaction in hotels reported that the key determinants of customer satisfaction are personality, staff service quality and physical environment [Oppong & Augustine, 2017].

Personality

Personality refers to individual feeling, thinking and behaving. The behaviour of each client towards the service is directly associated with the qualities of their personality, which differentiates each person from the other. These personal qualities create a character which determines everyone as an individual. McCrae & Costa (1989) assorted these personal qualities into 5 categories: openness, extraversion, agreeableness, neuroticism and conscientiousness. [Oppong & Antwi, 2017]

- **Openness** – being interested in everything, quickly adapting to new places, being open to unfamiliar experiences, being highly curious and creative.
- **Extraversion** – being sociable and extroverted, always being in the centre of attention.
- **Agreeableness** – being kind and helpful to others, having an interest always towards people.
- **Neuroticism** – feeling depressed, fear and jealousy.
- **Conscientiousness** – having discipline, working according plan.

Staff Service Quality

Creating a performance of services in line with the expectations of their customers will guarantee the companies to survive, to distinguish themselves from the competition and, in particular, to help them continue to operate in their own line



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of business. The quality of the services obtained by the client can be measured with SERVQUAL Method which was developed by Valarie Zeithaml, A. Parasuraman and Leonard Berry in 1988 for capturing and measuring service quality [Mulder, 2018]. There are 5 determinants of this method which measure service quality: reliability, responsiveness, assurance, empathy and tangibles (SERVQUAL).

- **Reliability** – is the fulfilment of the promised service with accuracy. Reliable service means to serve on time, without any problems.
- **Responsiveness** – is providing quick service and answering to their questions.
- **Assurance** – is about knowledge and politeness of employees and conveying trust and confidence. Assurance also includes to be respectful to customers, good communication and to be interested in customers by heart.
- **Empathy** – is providing individual service and attention to each customer.
- **Tangibles** – is about physical facilities which lie between customer and service provider, such as staffs' appearance and other physical equipments. [Archakova, 2013] (SERVQUAL)

One main point should be mention about the customers that, of course, not all customers are the same and have similar expectations regarding the 5 determinants. For this reason, it is so important for the service provider to understand customers and then to provide individual services. Sensing this personal approach to their customers will feel more confident and positive thinking will increase the service provider.

Understanding and relationship between customer and service provider should be as strong as possible. In order to maintain this strong relationship and at the same time to improve the quality of services, these 5 gaps that create the problem should be closed. Using the SERVQUAL method we can measure the following gaps. This GAP Model was introduced by Parasuraman, Zeithaml, and Berry in 1985 in order to increase service performance. These gaps are:

- **Gap 1** – also known as knowledge gap – is between customer expectations and customer perceptions. Customer expectations are what they expect will happen based on what they saw, their lifestyle, experience and cultural background. Perception is totally customer's individual approach towards the service based on their previous experience and even current mood. The more the gap between them will be overcome, the more satisfied the customer will be. [Essays, 2018]
- **Gap 2** – also known as policy gap – is between management perception and service quality specification. This gap occurs when service provider understands needs and wants of customer, but is not able to deliver accordingly. It is also about

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when the service provider cannot set the required quality specifications or it set them, but cannot reach them as needed. (The Customer Service Gap Model)

- **Gap 3** – also known as performance gap – is between quality specification and service delivery. It is highly related with employees who maybe are less trained, due to the equipment problems and lack of management. (The Gap Model of Service Quality)

- **Gap 4** – also known as communication gap – is between service delivery and external communication. The service provider creates high expectations in customers' mind though communication channels such as advertising in media. At the point of the delivery of service, if what they have shown in advertising and actually service does not match, it creates a communication gap and also dissatisfied customer. (The Customer Service Gap Model)

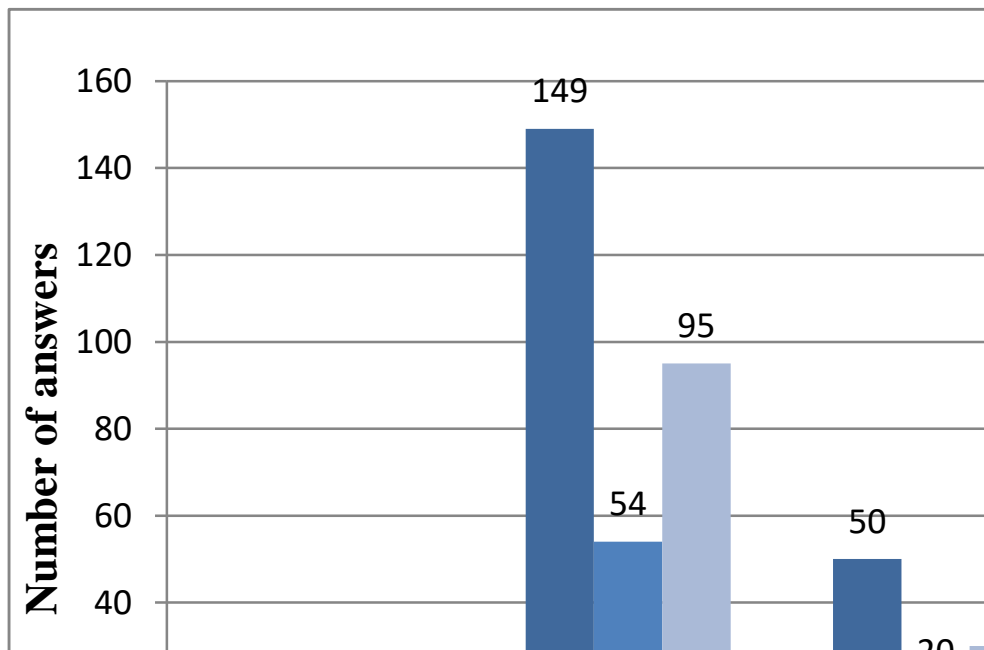
- **Gap 5** – also known as customer gap – is between expected service and perceived service. This gap occurs when one of above 4 gaps occurs; this means that in order to close this gap the service provider has to first close others. This gap means that the actual service performance does not match with expected service performance. (The Gap Model of Service Quality) (Gap Model Of Service Quality)

Physical Environment

Service space – is the term which generalizes the physical environment. Physical environment is the place where customers get service and the design and the quality totally depends on service provider. According to their stars hotels have international standards which they have to obey. Creating a physical environment is also related to these standards. But there are some things that should be in all hotels irrespective of the stars such as normal temperature, internet, silence and comfortable furniture.

From my experience in a hotel in August 2018 it results that physical environment is so important for a guest in order to create a first expression. Before contact with staff, the physical environment is the one that can attract and reject customers. It is clear that customers' expectations will be directly related with hotel stars and if there is any gap between my expectations regarding stars and what actually I get, at that time I will be dissatisfied. One thing should be mentioned, according to my observations it is better to design inside hotel relating to the outside. For instance, using more light colours for hotel near sea and using more dark and strong colours for hotels which are located near mountains or simply nature. In hotels, educated customers can feel and give attention to each of SERQUAL Method determinants.

From my point of view, these five determinants are strongly correlated among one another, because for example lack of reliability can affect empathy, if the service is not delivered on time it can create some problems in giving needed attention to each customer.



Graph 1. Results of the online survey

As it was written before, the key determinants of customer satisfaction are personality, staff service quality and physical environment. In order to understand which one is more important among them, one more research was done by me. This research was an online survey. Survey questions were about Name and Surname, Gender, to which age group he or she belongs (18-25, 25-35, 35-55) and the main question. The question was “What do you think, which answer has more effect to the customer satisfaction?” Answers are: personality, staff service quality and physical environment. In the survey participated 208 people, from which 131 were women



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(62.98%) and 77 were men (37.02%). Generally, 192 (92.31%) people were between 18-25, 15 people between 25-35 and 1 person between 35-55. From women 123 (93.89%) were between 18-25, 7 women between 25-35 and 1 woman between 35-55. From men, 69 (89.61%) were between 18-25 and 8 (10,39%) were between 25-35. Generally, out of 208 people 149 people (71.63%) answered “Staff service quality”, 50 people (24.04%) answered “Physical environment” and 9 people (4.33%) answered “Personality”. From women, 95 women (72.52%) answered “Staff service quality”, 30 women (22.90%) answered “Physical environment” and 6 women (4.58%) answered “Personality”. From men, 54 women (70.13%) answered “Staff service quality”, 20 women (25.97%) answered “Physical environment” and 3 women (3.90%) answered “Personality”. In order to understand clearly this data, see Graph 1.

Customer Satisfaction in Banking

Banking sector is the sector which has so many customers and at the same times so many competitors; for this reason, the customer satisfaction always comes on the first place. Improving service quality and developing service through the results of feedbacks, complains and requirements of customers is best way to improve customer satisfaction. It should be mentioned also that customers are becoming more educated about their rights and this increases the quality of expectations from firms.

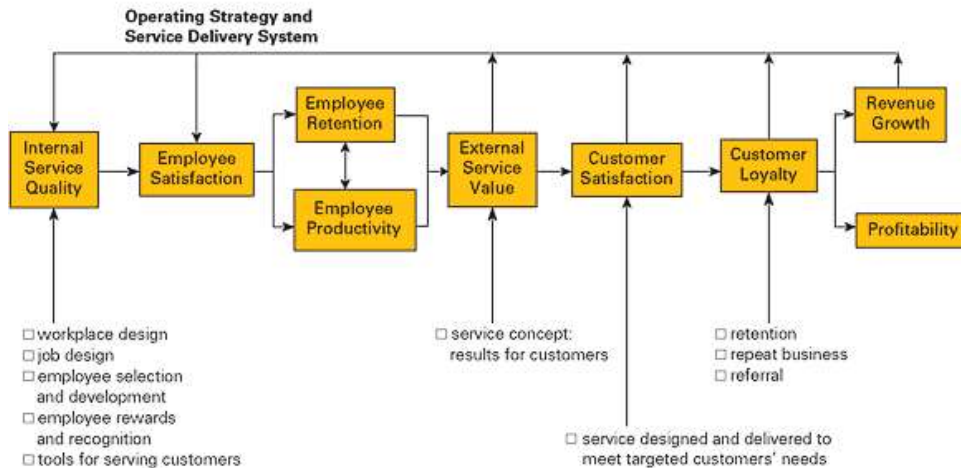
Service Profit Chain

Service profit chain was developed by James L. Heskett, W. Earl Sasser, and Leonard Schlesinger in the *Harvard Business Review* in 1994. It includes internal services quality, employee satisfaction, employee retention, employee productivity, external service value, customer satisfaction, customer loyalty, revenue growth and profitability. [Heskett *et al.*, 2008]

- **Internal service quality** is the first step of service profit chain which is directly related to the employees. As I mentioned before, training and support employees is so essential for service firms, because everything such as customer satisfaction and service quality depend on them. Creating a qualitative service is possible if employees are trained as needed. Employee training and education not only improve the skills of the staff, but allow them to clearly understand who their customers are, what they really want and what they expect from them. These include also motivating employees through rewards to encourage them to actively participate in

the bank's operations. It is also about creating a safe workplace where all employees can work together to achieve common organizational goals. [Heskett *et al.*, 2008]

The Links in the Service-Profit Chain



Source: hbr.org

• **Employee satisfaction** is needed to keep customer satisfaction at a high level, because of the fact that if it is the customer who brings money to the company, it is the employee who serves customers and keeps customer satisfaction in high. One thing should be mentioned about employee satisfaction – is important to determine what satisfies each employee and to have individual approach to each of them. [SurveyMethods, 2017]

• **Employee retention and productivity** – it is clear that not always keeping employees is high; a certain level of turnover is possible. But even in this case one should consider the entire costs regarding training, productivity and additional costs. Each employee is the face of company who passes the vision of the company to customer. (Bass)



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• **External service value** always depends on both the perception of how the service is delivered and the expectations of the customer. Because of the fact that value changes from one person to another, all level of management have to be as close as possible to understand their expectations. [Heskett *et al.*, 2008]

• **Customer satisfaction** is the tool which can be even more effective than marketing activities and is the source of positive word of mouth for firm. Satisfied customer will always talk about company positively, recommend his or her own environment and will have great chance to come back. In order to satisfy customers, the company must first know what they want, understand their requirements, and only then must expect feedback from them. Obtained data should be analyzed by firm and use for improving needed things. [Mulder, 2018]

• **Customer loyalty** is so closely related to customer satisfaction, because dissatisfied customers will not be again purchasing from the same company. In general, a company has high sales to loyal customers, and researchers found that loyal customers are 20% of all customers who not only buy but even cover other losses of the company. [Heskett *et al.*, 2008]

• **Revenue growth and profitability** are the last part of the service profit chain which is also the result of all previous parts. [Heskett *et al.*, 2008]

Conclusion

The conclusions of this study can be understood as follows: today's customers are becoming more educated as the day goes by and at the same time their expectations increase as well. In order to satisfy each customer when all sales depend on them firms should make achieving customer satisfaction their first goal and work on closing the main 5 gaps. In addition, these findings provide additional information about the role of quality of personnel services or the importance of training in the services sector and the impact of the internal environment of the company on the satisfaction of employees in creating customer value and the decision of future sales. This article is recommended for marketing and tourism students who are interested in the services sector and for those who research about the ways of achieving customer satisfaction.

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CASE STUDIES

