



Modelling and Investigating the relationship of after sales service quality with customer satisfaction, retention and loyalty – A case study of home appliances business



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ABSTRACT

After sales services (ASS) are activities that take place after the purchase of the product by customers and are devoted to supporting customers in the use and disposal of goods. ASS can create sustainable relationships with customers and contribute significantly to customer satisfaction. The purpose of this study is to evaluate the ASS quality by measuring the level of customer satisfaction (CS), customer retention (CR) and customer loyalty (CL) through the SERVQUAL dimensions comprising of ASS attributes and also to check which such ASS-based dimensions of SERVQUAL needs to be focused more on improving the quality of ASS with the consideration of firms involved in manufacturing the home appliances. For this purpose research models were proposed to examine the influence of ASS attributes on CS, CR and CL for three different products such as Gas Stove, Water Purifier and Mixer Grinder from the home appliances sector and tested by multiple regression analyses on data collected through the structured survey questionnaire, with a five-point Likert scale. The study has demonstrated the application of multiple regression analysis in studying the influence of ASS attributes on CS, CR and CL, and the results of the study have helped in analysing the performance of the case companies so as to devise suitable strategies in improving CS, CR and CL.

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1. Introduction

The role of customers in any business cannot be underestimated and every business has the prime objective of satisfying its existing customers and of attracting new customers. Customer satisfaction is so fundamental that, it cannot be regarded as a separate function in business. According to [Posselt and Gerstner \(2005\)](#), improved customer satisfaction (CS) will lead to improve customer retention (CR) and customer loyalty (CL), eventually resulting in improved profit. In order to satisfy the customers, the company has to focus on effective customer services to meet their needs. It has become evident that service activities of various kinds such as dealing with customer queries and complaints, ascertaining customer needs and expectations, service delivery, enhancing interpersonal relationship between service personnel and customers, setting service standards and targets, setting up service centers and websites, measuring the effectiveness of service and

taking remedial actions, etc., ([Armstrong and Stephens, 2005](#)) play a crucial role in enhancing CS and subsequently service programs are gaining importance in the manufacturing industries sector as well. This trend and increase in service activities has made industries to focus not only on manufacturing of products but also on services that accompany the products. Consequently manufacturing industries are becoming more and more service oriented and they consider their after-sales services (ASS) that include tangibles such as spare parts and consumables, to be of strategic importance ([Johansson, 2006](#)). Indeed, as stated by [Schmenner \(1995\)](#) 'the line that separates manufacturing and service has become more and more blurred'. Indeed, through offering this kind of product coupled with service, manufacturing firms make an effort to sell their goods, enhance CS, keep customer loyal and create growth opportunities in market ([Ahn and Sohn, 2009](#)).

As mentioned by [Lele and Karmarkar \(1983\)](#), product support is a business opportunity for many companies. Nevertheless it is observed that despite the increasing importance of product support services that include ASS, literature dealing with ASS is observed to be sparse. This paper addresses ASS, where products are sold in traditional manner and include, additional services to

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guarantee functionality and durability of the product owned by the customer. These services are usually provided and managed during middle and end of life phases of a product life-cycle, and are devoted to supporting customers in the usage and disposal of goods (Borangiu et al., 2013: 73). ASSs are taking an important role in the operations of traditional manufacturing firms, and thus ASSs have an important impact on the operations strategy of such firms (Johansson, 2006).

Delivering superior customer value and the resulting customer satisfaction are crucial to the competitive edge of a firm. Certainly, service quality and the resultant CS are principal drivers of financial performance and can be improved by managing the performance of the service attributes. During recent years, there have been studies that attempt to link performance with CS, CR and CL. Many researchers have reported that there is a positive correlation between CS, CR and CL which ultimately leads to profitability (Anderson and Sullivan, 1993; Eklof et al., 1999; Hallowell, 1996; Heskett et al., 1994; Matzler et al., 2004; Mittal and Kamakura, 2001; Parasuraman et al., 1988; Zeithaml et al., 2009) postulated that CS increases CL, apart from augmenting cross-buying and enhancing positive word of mouth.

To continuously improve strategies aimed at enhancing CS, it becomes necessary for service business managers to increasingly focus on evaluating CS for services. Of course, customers decide who offers the best services; that is, customers determine service quality. However, identifying critical service performance factors that generate CS and loyalty is critical to success (Deng and Pei, 2009). It is observed that much of the CS and loyalty studies had been conducted in consumer markets and pure services such as banking (Auka et al., 2013; Filip and Anghel, 2009; Hafeez and Muhammad, 2012; Vera and Trujillo, 2013), tourism (Eboli and Mazzulla, 2007; Yoon and Uysal, 2005), hotel (Al-Rousan and Badaruddin, 2010; Dominici and Guzzo, 2010; Poku et al., 2013), retailing (Lombart and Louis, 2012; Vesel and Zabkar, 2009) whereas, such a study in the field of ASS that plays a supportive role for manufacturing industries is non-existent, despite the importance of ASS for any organisation. Based on the above-mentioned research background, the main purpose of this study is to examine the relationships between the perceived ASS quality and CS, CR and CL by multiple regression analysis models using SPSS AMOS 21 with the case companies that are involved in the manufacturing of home appliances such as Gas Stove, Water Purifier and Mixer Grinder.

2. Research background

2.1. Service quality

Kotler (2004: 444) defines service as 'any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product'. As put forward by researchers (Kettinger and Lee, 1994; Lee et al., 2000; Lim and Palvia, 2001) ties taking place in the customer-service department of an organization with the aim of dealing with customers and satisfying their demands, including complaints, claims handling, and billing. As applied to today's manufacturing firms it is observed that the tangible product is not separable from the intangibles of customer service, and not only the product itself should be technically competitive in creating value for customers but also the other service-related issues (Farahani et al. 2011: 201). In fact, it is pointed out by many researchers that service is one way of differentiating the product from that of the competitors and it can represent an effective competitive advantage (Brown, 1992; Mathe and Shapiro, 1993; Wellemin, 1984) and because of this reason companies have started paying more

attention to customer service.

Manufacturing and service operations have common characteristics, but most services are created at the customer interface. Looking at the performance of service quality, ity model that identified five key gaps that can give rise to problems in service delivery and the following five elements are considered to be the most important to a buyer or customer. 1. Reliability-that represents ability of an organisation to perform the promised service, 2. Assurance-that signifies the knowledge and courtesy of employees and their ability to convey trust and confidence, 3. Tangibles-that represents the physical facilities, equipment and the appearance of the personnel, 4. Empathy-that is characterised by the caring and individual attention the firm provides its customers, 5. Responsiveness that symbolises the willingness to help and provide prompt service (Gitomer, 1998; Griffin, 1995; Heskett et al., 1990; Parasuraman and Grewal, 2000).

2.2. Customer satisfaction

Customer satisfaction (CS) has been a subject of great interest to organizations and researchers alike. It is well known that no business can exist or remain relevant in the market place without customers. Thus, it is imperative for firms to imbibe the concept of CS in their operations. CS can be perceived as the degree to which customer expectations of a product or service are met or exceeded as against the perceived performance (Kotler and Armstrong, 2010) and the ultimate goal of any firm is to ensure that the customer that purchases its product or service is satisfied (Brink and Berndt, 2004:49). Implementation of CS philosophy in any business involves the following activities: identification of customers, identification of their needs and expectations and finally, measurement of their perceptions (Stenberg, 1997). Knowing the needs of the customer makes it easier to anticipate the ideal set of products and services but the major flaw for all the companies is observed to be their inability to understand what the customers expect and the ways by which the customers can be satisfied (Rothschild, 1984).

2.3. Customer retention

Zineldin (2000:28) has defined retention as "a commitment to continue to do business or exchange with a particular company on an ongoing basis". Customer retention has become a major concern for organizations because of the reason that retaining customers is found to be more profitable than investing huge sums in attracting new ones (Weinstein, 2002). In fact, customer acquisition is observed to be an expensive and difficult task for companies, as this requires considerable investment, time and effort. Hence, the organizations are increasingly focusing upon strategically building a strong base of loyal customers rather than focusing upon attracting new ones. As a matter of fact, customer retention is an inherent outcome of customer loyalty, which has been positively linked to financial performance indicators such as profitability and market share (Anderson et al., 1994). This aspect is reinforced by Reichheld and Sasser (1990), whose study has shown that enhanced customer loyalty results in increased revenue, increased market share, reduced customer acquisition costs, and overall profitability. Earlier studies have revealed that CS is a profitability driver and a satisfied customer is a sustained customer (Bennett and Rundle-Thiele, 2004; Zineldin, 2000). Researchers in their studies related to CR have shown that CR can result in many benefits that include higher market share, positive word-of-mouth, lower costs, lower price sensitivity (Reichheld and Sasser, 1990), higher efficiency, and higher productivity (Zineldin, 2000). Furthermore, CR has often been assumed as an indicator of CL.

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