

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Customer satisfaction

Creating satisfaction and loyalty is a key concern of marketers and marketing managers in now a days and it will remain in the future. It is well accepted that customer satisfaction is both a goal and a marketing tool for customer-centered companies (Kotler, Keller 2020). Customers' satisfaction with their purchase is a significant factor that leads business to success. In recent times, customer satisfaction has gained new attention within the context of the paradigm shift from transactional marketing to relationship marketing (Sheth, Parvatiyar 2022). Bank performance can accomplish customer satisfaction by satisfying their customers' needs and wants (LaBarbera, Mazursky 2021). Customer satisfaction as a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment (Oliver 2020).

In general satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance or outcome to the expectation (Oliver, Richard 2021). If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied and delighted (Fournier, Mick 2021). In case of mobile commerce, customer satisfaction is customer's post-purchase appraisal and emotional response or reaction to the overall product or service, familiarity in a mobile commerce environment (Lin, Wang 2021). Jones, Sasser (2023) mentioned that achieving customer satisfaction is the main goal for most service firms today. Increasing customer satisfaction has been shown to directly affect companies' market's share, which leads to improved profits, positive recommendation, and lower marketing expenditures and greatly impact the corporate image and survival (Pizam, Ellis 2021). Better service quality results in enhanced customer satisfaction, which in turn leads to strong customer loyalty. It can be stated that customers, when satisfied with the services they have experienced, are more likely to establish loyalty (Taylor et al. 2020), resulting in repeat purchases (Fornell 2021) and favorable word-of-mouth (Halstead, Page 2022).

In today's dynamic business environment from the firm's point of view, it is about building and sustaining a strong relationship with their customers by understanding the ingredients of customer satisfaction. The key to customer loyalty is customer satisfaction which largely depends on the service quality offered by service providing firms. Service quality and customer satisfaction have been identified as key elements of the service-profit chain (Heskett et al. 2021). Customer service quality is a significant

source of distinctive competence and often considered a key success factor in sustaining competitive advantage in service industries (Palmer 2019).

Nowadays, delivering quality service is an integral part of an ongoing strategy of most business firms and constitutes an essential ingredient for success and survival in the present day's competitive environment (Ulwick, Bettencourt 2018). The issue of customer satisfaction has been viewed by different scholars based on their perceived perspectives. Yi (2020) opined that customer satisfaction is a collective outcome of perception, evaluation and psychological reaction to the consumption experience with a product or service. Lui and Yen, (2022) viewed customer satisfaction as how customers can get more benefits than their cost. In comparison with other traditional performance measures, customer satisfaction is probably less sensitive to seasonal fluctuations, changes in cost, or changes in accounting principles and practices (Kotler, 2021). Satisfaction of customer is used for indicating future possible revenue (Hauser, Simester and Wernerfelt, 2020).

Customer satisfaction is the necessary foundation for a company to retain existing customers (Guo, Xiao and Tang, 2020). The customers who are unsatisfied with the received service would not be expected to have long run relationships with the company (Lin and Wu, 2022). Roger (2022) was of the opinion that an estimate of the effects of increased customer satisfaction on profitability (assuming hypothesized causality) suggests that attainable increases in satisfaction could drastically improve profitability. To Roger, increase in customer satisfaction will lead to increase in profitability. Customer satisfaction is increasingly seen as an important objective for many businesses, the extent to which it is taken seriously varied (Matthew and Christne (2020). They were of the opinion that there is a significant relationship between customer satisfaction and profitability. That is, the higher the level of customer satisfaction, the higher the degree of profitability for the organization. Eugene and Claes (2020) were of the opinion that many firm that are frustrated in their efforts to improve quality and customer satisfaction are beginning to question the link between customer satisfaction and economic returns. They agreed on the nature and strength of the link. To them, expectation, quality and price affect customer satisfaction, and customer satisfaction in turn affect profitability. Finally, they suggested that the marketing expectation of the quality of a firms output positively affects customer overall satisfaction with the firm, more so, customer satisfaction positively affects profitability of a firm. Yeung, et al (2020) was of the opinion that delivering customer satisfaction is at the heart of modern marketing theory. More so, they believed that there is a growing research evidence of the beneficial effects of customer satisfaction in terms of both behavioral outcomes such as loyalty, and performance outcome such as profits. Organizations are constantly looking for ways of increasing their customers' base through the satisfaction of customers with their products or services. Among various methods to measure a firm

competitiveness and marketing performance, customer satisfaction is the most universally accepted measurement. (Morgan, et al 2021). Many firms attempt to measure customer satisfaction in order to evaluate whether they meet their customers' needs better than their competitors. (Fornel, 2022).

Therefore, conceptual framework for studying customer satisfaction in manufacturing industry is developed using marketing theory concepts. The framework aims to act as a stepping stone for determining how empirical data growth and performance of telecoms industry situations and real customers satisfaction, fits marketing theory. To this end, customer satisfaction is modelled as a gap between two constructs: pre-purchase expectations and purchase perceptions. A parallel marketing concept known as the purchase decision process is used to model identifiable inputs to the two constructs, thus creating the ability to model different customer profiles. The purchase decision process is adapted to suit Manufacturing industry and can be described as: customer recognition, total quality programs, evaluation of competitors, customer relation management approach. These four decision approaches contribute to pre-purchase expectations and perceptions of what is actually provided. Products delivery service, product quality and price are modelled as features that manifest consistently during the purchase decision process and therefore in pre-purchase expectations and purchase perceptions affect customer satisfaction.

2.1.2 The concept of consumer loyalty

Consumer loyalty is defined as a post-evaluation regarding purchase decisions (Churchill Jr and Surprenant, 2020). Kotler (2021) has defined consumer loyalty as a consumer's feelings of either pleasure or disappointment resulting from a comparison between the perceived performance of a specific product or service and his or her expectations. Consumers usually seek a relationship between their needs and wants and their perceived evaluation (Parker and Mathews, 2021). Therefore, if the perceived performance is worse than expected, the consumer will be disappointed, and if the perceived performance is better than expected, the consumer will be satisfied. If the performance perceived by the consumer is equal to their expectation, they will be indifferent or in a neutral state (Lin, 2018). A consumer's buying decisions are measured by cultural, social, personal and psychological factors (Lin, 2021). In addition, three significant factors affect consumer satisfaction: consumer need, consumer value and consumer cost. A consumer need is the consumer's desire to buy a product or service to satisfy a need (Parker and Mathews, 2022). Researchers found that consumers are driven by a desire to fulfill their needs and they are influenced by specific expectations (Parker and Mathews, 2021).

Customer loyalty refers to an individual's judgment and a value regarding what is necessary and essential for his or her life (Kenny, 2020). It shows an individual reflection of what is essential or

valuable in life (Lin, 2021). The customer cost represents what the customer will pay for either a service or product that matches his or her desire and value (Best, 2022). Consumers are typically concerned with receiving something worth what they paid for, and that is a reflection of satisfaction (Lin, 2023). Those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. Another author explained this difference. I.e. a customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product (Solomon, 2019, p. 34.). When a consumer/customer is contented with either the product or services it is termed satisfaction. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2019, p. 789). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation.

Customer Loyalty varies from one person to another because it is utility. "One man's meal is another man's poison," an old adage stated describing utility; thus highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals. Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization. Customer satisfaction is defined by one author as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption" (Tse & Wilton, 2023, p. 204) hence considering satisfaction as an overall post-purchase evaluation by the consumer" (Fornell, 2021, p. 11).

2.1.3. Factors affecting customer satisfaction

Products quality has been the subject of considerable interest by both practitioners and researchers in recent years (Henderson 2019). According to the satisfaction model customer satisfaction is influenced by products quality (Uddin, Akhter 2022). When customers get expected service quality, it leads to higher satisfaction (Hutchinson et al. 2021). Quality is a multi-dimensional phenomenon (Mosahabet al. 2019). Thus, reaching the product quality without distinguishing the important aspects of quality is impossible. In his discussion of product quality, Gronroos (2020) refers to three dimensions of output technical product quality, service performance quality, and an organization's mental.

McKenna (2021) suggests that organizations to achieve satisfied customers should forget about market reviews, advertising, and promotions instead they should emphasize appropriate infrastructure in order to provide appropriate products and delivery services to meet customer's expectations. Therefore, in order to upgrade the perceived product quality, regular assessment of customers' needs, desires, tastes, and interests is recommended through survey (Ranjbarian et al. 2022).

Several factors affect customer satisfaction, price is one of them. Price is used as an indicator of product quality, which results in better expectations from the product and determines higher satisfaction. The research shows that price perceptions directly influence satisfaction judgments as well as indirectly through perceptions of price fairness (Herrmann et al. 2022). Price reasonability and consumer satisfaction are significantly associated with each other. The customers can switch to another industry who offers fair prices this reveals that the consumers can be held on to for a longer duration by offering them the fair prices so; the customer satisfaction is caused by the fairness of the price (Ali et al. 2020). The company brand image is a valuable intangible capital that is hard to imitate and it can help an organization to achieve a sustainable and superior financial performance (Roberts, Dowling 2022). The company image is designed as the total impression that the public has for a company. From the companies' perspective, being reliable, professional and innovative, having social contribution and valuing the customers are the elements that form the company image (Vranakis et al. 2019). Martensen et al. (2020) indicates that the image is an important element in the customer satisfaction model. The image is expected to have a positive relationship towards the customer expectations, customer satisfaction and loyalty of customers to the company.

Gupta (2022) found the empirical evidence between corporate reputation and competitive advantage for the firms by successfully differentiating it from competitors. Among the components of competitive advantage are willing to purchase, willingness to pay a premium price, customer satisfaction and customer loyalty. Meanwhile, the components of a company's reputation found by Gupta (2022) are corporate ability and corporate social responsibility. This finding supports the popular view in business literature that when customers are faced with parity in price and quality of a product, they would prefer to choose products from the company that contributes to corporate social responsibility when making the consumption related decision. The rapid changes in the technology are the challenge for the companies to satisfy the customers and to get their loyalty through innovative products. The innovation used for strategic orientation toward customer satisfaction, loyalty, and to gain market potential that increases the market share of the company. Innovativeness is described as a process of converting the invention or idea into a product that customer purchase and provides financial benefits to its providers. This idea that has to convert into an innovation into a product or service must have the

quality to satisfy some specific needs of the customers and can be implemented at an economic cost to be converted into an innovation. Service innovativeness, or the propensity to introduce service innovations to satisfy customers and improve firm value at acceptable risk, has become a critical organizational capability (Dotzelet al. 2019). Signal quality and network coverage have always been essential criteria for selecting MTS providers. During the previous years, where technology had not advanced so much in this area, company networks were limited only to certain locations.

Today the product delivery system has been improved and the company transportation networks have grown to a great extent. Surveys have shown that both high cost of transport and delivery system affect consumer's satisfaction and the sale growth of the company (Woo, Fock 2020). The strategic importance of managing customers' complaints were examined for the first time by Fornell, Westbrook in 2017. They showed that by encouraging the expression of customer complaints today, a company might be able to decrease future complaints. It is very important for any customer to know where he can address his complaints which will be given the proper consideration (Vranakiset al. 2022). Currently mobile service provider's concern for providing value added service for promoting customer satisfaction; includes SMS, MMS, voice call service, SMS alert, information service etc. This study is concern for assessment of customer satisfaction on the basis of several quality factors (see Fig. 1) like; service innovativeness, service reliability, service competitiveness, service consistency, the operator's network/signal coverage, pricing, offering, fulfillment of customer demand, value added service, brand value and operators contribution to society.

2.1.4 Dimension of Customers Satisfaction

Customer Satisfaction as a Multi-Dimensional: The object of customer satisfaction is varied and can be related to different dimensions of multiple experiences with product/service providers. For example we can refer to satisfaction with on-going business relationship or with price performance, satisfaction with the time or service delivery or the service experience, service context and satisfaction with entire reputation and outlook of an organization. Satisfaction with Attribute-Specific Satisfaction can be related to specific attribute of a product or service. For example with mobile telecommunication, satisfaction can be related to specific attribute of multimedia messaging service, short message sending, voice message sending, mobile TV or mobile internet, call charges per minute, network coverage.

Customer satisfaction as a Process: The process perspective presupposes that "customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectation or desire" (Khalifa and Liu 2022). The

customer is satisfied if the performance of a product/service is equal to his or her expectations and he or she is dissatisfied if the product or service performance is perceived to be below his or her expectations.

2.1.5 Approaches to determining customer satisfaction

Customer satisfaction can be determined by three broad approaches; Observational methods, data base methods and subjective methods. Observational methods can be classified into observational studies and experimental studies. Data base methods can include customer complaints and suggestions and reports from field sales representatives etc. Subjective method has been widely used to determine customer satisfaction. This approach involves the use of questionnaire and interviews. In this study, subjective methods would be used. This would involve mainly the use of questionnaire.

2.2 Theoretical Framework

The theory underpinning the study is assimilation-contrast theory. In a highly competitive marketing environment like the telecom industry in Nigeria, an understanding of assimilation and contrast effects is of substantial interest. The theory was introduced by Anderson (2021) in the context of post-exposure product performance based on Sherif and Hovland's (2022) seminal research which suggest that judgments of objects can be affected by contextual factors (Joan and Brian, 2023). For the purpose of this study, the contextual factors that can affect consumers' judgements of telecom services include the core product, pricing system, distribution strategy, promotion tools and customer service.

The theory states that if performance is within a customer's latitude (range) of acceptance, even though it may fall short of expectation, the discrepancy will be disregarded, that is, assimilation will operate and the performance will be deemed as acceptable whereas if they fall within the customer's latitude of neutrality, there will be minimal change. On the other hand, if performance falls within the latitude of rejection, contrast will prevail and the difference will be exaggerated and the good or service will be deemed unacceptable (Oxford, 2022).

The theory suggests that satisfaction is a function of the magnitude of the discrepancy between expected and perceived performance. When the expectations and the actual product performance do not match, the consumer will feel some degree of tension. In order to relieve this tension, the consumer will make adjustments either in expectations or in the perception of the product's actual performance. Consumers will tend to assimilate or adjust differences in perceptions about product performance to bring it in line with prior expectations if the discrepancy is relatively small. However, if the discrepancy is relatively high, contrast will occur and consumers will magnify or exaggerate the discrepancy and the product would be rejected as totally un-satisfactory.

The following explanations show that customer satisfaction is dependent upon six important dimensions. Framework of the research indicates those variable can affect customer satisfaction in mobile telecom industry. In other words, customer satisfaction can be influenced by customer service, pricing structure, coverage, staff strength and promotion.

Customer loyalty Customers don't expect you to be perfect. They do expect you to fix things when they go wrong. The duties of the customer service staff is to clearly communicate with customers, to manage their problems regarding product or service, to transfer the appropriate information, to analyze the customer need and wants, to inform about new offerings, and to manage the length of the call. Handling customer-complaint effectively leads to customer loyalty. Customer loyalty always a successful indicator in business growth. Customer loyalty is a momentous factor of marketing mix for any product or service. To generate customer loyalty the company should provide high quality customer products.

PRICE FAIRNESS: Price is an important variable that defines the company's profit. For having the benefits and usage of any service or product the customer will pay an amount of money which is known as price. Price is also determined by what a buyer is willing to pay, a seller is willing to accept and the competition is allowing to be charged. Price is the key element for customer satisfaction. A good price is the major contributor for satisfaction. Because the monetary cost is the price and in making customer value monetary aspect play a very vital role.

COVERAGE: As Communication is all about to get coverage and to stay connected throughout the world therefore in Nigerian almost four cellular companies are in different urban and rural areas. As in urban areas mobile phone coverage is better than rural areas but still some cellular companies cannot provide mobile coverage in some areas. If particular cellular company fail to provide coverage where customer need then it will lead to lack of satisfaction.

PROMOTION: One of the major elements of marketing mix is promotion. Media plays major role to promote a product in various areas. Sometimes company offer discount packages to increase the sale of any particular product. Promotion is defined as to indicate the "right" product to the target market or other distribution channels. It cannot be effective unless it catches the attention of people.

2.3 Empirical Review

A number of studies agree that there is no direct relationship between satisfaction and loyalty (e.g. Kotler, 2003; Hokanson, 2020). Such studies mention that being satisfied does not mean being

loyal, and that the two have different determinants. However, other studies found the opposite, claiming that loyalty is a consequence of satisfaction (e.g. Winstanley & Martha, 2020).

Leelakulthanit and Hongcharn (2022) investigated the determinants of customer satisfaction by interviewing 400 mobile phone users in Thailand. Their study found that promotional value, quality of customer service at shops and corporate image play the most important role in determining customer satisfaction.

In the same respect, Alom, Khan, & Uddin (2022) interviewed 60 university students in Bangladesh who were also mobile users, to identify the determinant factors in selecting mobile service providers. Results of that study revealed two factors, brand image and perceived call rate, to have the most influence on the consumers' selection decision of a mobile service provider in Bangladesh.

Bugel, Buunk, & Verhoef (2022) examined commitment to companies, in The Netherlands, using the psychological investment model. The study examined the customer-company relationships in five sectors: the banking industry, health insurance, supermarkets, mobile telecom providers, and the automotive industry. The study recruited 300 respondents for each sector. With regard to satisfaction, the outcome of the study suggests that satisfaction plays an important role in determining customer commitment for service providers and there is a positive correlation between improving customer satisfaction and gaining customer loyalty.

Sadia, Tasneem, & Khan (2021) examined customer loyalty in the telecommunication industry in Pakistan, using 146 cell phone users. The study found that customer loyalty is shaped mainly by: trust, service quality, staff loyalty, and switching cost. The results of this study agree, partially, with a study by Boohene and Agyapong (2020) of 460 clients of Vodafone Telecom Company in Ghana. This study concluded that satisfaction does not necessarily lead to loyalty, while service quality was found to be strongly and positively correlated with loyalty. However, it can be noticed from the findings of this study that customer satisfaction is already built into service quality. Customers perceive service quality positively if they are satisfied with the service provider and with the services offered to them.

The importance of service quality in the choice decision for a mobile phone operator was also emphasized by Rahman, Haque, and Ahmad (2020) who conducted a study of 400 mobile telecom customers from major cities in Malaysia. This study concluded that network quality is one of the important factors in overall service quality. In addition to service quality, the study found that price plays an important role in the choice criteria for mobile telephone operators in Malaysia. Such a finding is not far from the outcome of a study conducted by Gupta and Sharma (2019) in India. They concluded that in order to retain customers and attract new customers, mobile service providers must provide

“service with reasonable quality without any hidden price, the two most important determinants of consumer satisfaction”. The importance of service quality and price in determining customer satisfaction was also reported by Hafeez and Hasnu (2019) who investigated customer satisfaction in Pakistan. The same was found by Balaji (2019) who studied the antecedents and consequences of customer satisfaction with Indian mobile services, surveying 199 postpaid mobile subscribers in a major city in India.

Belaji reported that “perceived quality is an important predictor of customer satisfaction, which ultimately results in trust, price tolerance and customer loyalty”.

The impact of service quality on customer satisfaction was confirmed by a study conducted by Omotayo and Joachim (2022) on 148 subscribers of major telecom companies in Nigeria. They found that service quality has a positive impact on satisfaction and loyalty. Such a positive relationship between service quality and satisfaction is supported by many studies, for example (Sureshchandar, Rajendran, &Anantharaman, 2023; Cronin, Brady, &Hult, 2020; Caruana, Money, &Berthon, 2020; Negi, 2021; Agyapong, 2020).

Eshghi, Kumar, &Gangui (2021) recruited 238 mobile phone users in four major cities of India to identify the impact of service-related factors on customer satisfaction, repurchase intention, and the recommendation of a service to others. They found that “the most significant predictors of customer satisfaction are: competitiveness, relational quality, reliability, reputation, support features, and transmission quality”. Other studies found that satisfaction in telecom industry is determined by factors like voice call quality, wireless coverage, and the customer complaint process (Kim, Park, &Jeong, 2023).

Wong (2020) conducted an interesting study using a usage and payment records of 1403 Canadian post-paid mobile customers over 3.7-year study period. Wong reported that greater loyalty, thus retention, is observed in customers with optimal rate plans than those with non-optimal ones. This indicates that in order to reduce churn rates (i.e. loss of customers), mobile service providers must seek effective customer retention strategies. According to some studies, the major churn determinant was found to be the dissatisfaction of customers on pricing (Wong, 2019; Kim, Park, &Jeong, 2020; Keavency, 2023).

Fazlzadeh (2022) studied customer retention from a dimension of loyalty. He examined the relations among service quality, corporate image, satisfaction, and loyalty in Iran. He collected data from 417 customers of an Iran mobile service provider. Results revealed that customer satisfaction plays a significant mediating role in relationships from service quality, corporate image, and perceived value to loyalty. Loyal customers tend to remain longer with their service providers.

Siddiqi (2021) argues that individual differences might play a role in consumer satisfaction, loyalty, and retention. To prove his argument, Siddiqi (2022) studied 500 university students who had mobile phones and credit cards. The outcome of this study revealed that gender, age, and income differences affect customers' satisfaction, loyalty, and retention. For example, women are found to be more loyal, more satisfied, and less likely than men to switch mobile phone services. The same results were found for younger students, both mobile phone and credit card users. However, high income students were found to be less satisfied, less loyal, and more prone to switch both mobile phone and credit card services. Ahmad et al (2022) studied customer retention through the quality of Short Message Services (SMS), using 331 university students using SMS of any cellular company in Pakistan. Their results indicate that service quality has a significant relationship to customer retention. From all the above studies, it can be observed that customer satisfaction has a direct effect on the financial performance of a firm (Ittner&Larcker, 2020; Smith & right, 2020). Such a positive association between customer satisfaction and financial performance is explained by a number of studies to be a result of less customer switching, more loyalty, less price sensitivity, and positive word-of-mouth advertising (Kim, Park, &Jeong, 2019; Homburg &Giering, 2022; Garvin, 2020).