# CHAPTER TWO
# REVIEW OF LITERATURE

This chapter reviews the literature regarding service delivery issues. The main areas are the following; (1) the concept of customer satisfaction, (2) the making Customer Satisfaction Happen Model, (3) the concept of needs and motivation, and (4) previous and similar studies.

## 2.1 THE CONCEPT OF CUSTOMER SATISFACTION

It is apparent that there are several research studies regarding the measurement of customers' satisfaction. In general, the investigators try to examine how their service delivery units perform in order to evaluate the quality of services, thus, meaningful results will help to increase alertness of service development and resolve any service problems as soon as possible. Therefore, the service delivery units can retain their customers or even recruit new customers. To do so, Dowling (2004, p. 323) advised that the organizations must offer better customer value than their competitors. They must also develop programs to enhance customer satisfaction and service quality. The British Prime Minister, Winston Churchill, stated *"I am easily satisfied with the very best"*. From this valuable dialogue, customer satisfaction is considered to be a major part of customer retention. Another claim made is that customer satisfaction automatically leads to customer loyalty. This suggests that satisfied customers will not defect to a competitor. Thus, customer satisfaction is an important determination of customer retention.

Dowling (2004) defines the meaning of customer satisfaction as a person's felt condition that results from a product or service's perceived performance relative to its expected performance. If performance falls below expectations the customer is dissatisfied. If performance exceeds expectations, the result is satisfaction, and if performance exceeds expectations, the customer is very satisfied and sometimes may be delighted. (Dowling, 2004, p.322) The definition of customer satisfaction causes service providers to alert themselves as to how customers define (perceived) performance, how their expectations are formed, and what should be improved when expectations are not met. Another related definition for satisfaction can be derived

from Henry S. Richardson, who said that "The core idea of satisfying is that one ceases to search for alternatives when one finds an alternative" (Richardson, 2004, p. 106). This can imply for service providers that the customers will stop at their best alternative.

Nulman (2000) also brings the definition of customer from *Customer Loyalty* by Jill Griffin; she looks to define the customer. She states that a customer is "a person who becomes accustomed to buying from you." Without a strong track record of repeat purchases, this person is not your customer; he or she is "your buyer" A true customer is "grown" over time. She also states that customers are people who come to us repeatedly for goods and services. They look within our organization to buy as many products or services as they can use and they become ambassadors for us in gaining new customers. Customers who love us cannot be easily converted away from the relationship (Nulman, 2000, p. 36).

On the other hand, Armistead and Clark (1993) clarify the meaning of customer service for a researcher to recognize which kinds of activities are considered as customer services and supports. They state that a primary focus of customer service and support is to ensure that the customer has maximum use and derives maximum value from the purchase (Arimistead & Clark, 1993, p. 7).

Since the SMEs Coordination and Services Center is the frontal consulting services provided by Office of SMEs Promotion, the researcher derived the significance of the front stage that has been described in *Service is the Front Stage* of James (2006, p. 24), who illustrates that services are essentially intangible as they produce consumers simultaneously. They cannot be displayed, owned and bought in the same way as a product. Nor can they be protected by filing a patent. To demonstrate a service, it is often necessary to provide a sample. One way to make interaction more touchable is to transform it into an unforgettable, distinctive experience.

Elaine (2000, p. 4) said. "Still, there are numerous obstacles that happen in the way of delivering excellent customer service. Some common barriers include management attitude; making it difficult for customers with a problem to contact a service center or the person who can really help; unreliable equipment; restrictive company policies; difficult-to-understand and out-of-date procedures or a lack of

understanding of the value of service. Theses barriers are mostly beyond the control of the customer service provider."

Some barriers to excellent customer service are within the control of the customer service provider. These are challenges that can be overcome through diligent effort, allowing the service provider to do the best possible job. Some of these barriers that can be overcome are:

1. Laziness

2. Poor Communication skills

3. Poor time management

4. Attitude

5. Moodiness

6. Lack of adequate training

7. Inability to handle stress

8. Insufficient authority

9. Serving customers

10. Inadequate staffing

## 2.2 THE MAKING CUSTOMER SATISFACTION HAPPEN MODEL

On the other hand, McNealy (1996, pp. 77-84) has customized the model called, "The Making Customer Satisfaction Happen Model", to the extent that there are four steps to create satisfaction.

*Table 1. The Making Customer Satisfaction Happen Model*

| Step 1 | Identify customers: It is important to recognize not only the end-user customers but also every section that helps to create customers, such as, the distributors. |
|---|---|
| Step 2 | Identify customer needs and expectations: It needs to realize needs and expectations of the customers, if performance falls below expectations the customer is dissatisfied. |
| Step 3 | Measure customer perceptions: Knowing how the products and services perceived by customers and how customers perceive the competitors help to improve the services. |
| Step 4 | Develop action plans: This step is to set up the strategic plan in order to generate customer's satisfaction. |

*Note:   From Making Customer Satisfaction Happen Model by R.M. McNealy, 1996, London: Chapman & Hall.*

## 2.3. THE CONCEPT OF NEEDS AND MOTIVATION

In order to implement the four-steps of making Customer Satisfaction Happen Model productively, a thorough understanding of customers' needs and motivations is compulsory. Obviously, one of the primary theories associated with needs and motivation which represent the starting point for most contemporary thoughts on motivation leads to actions and selecting mode of choices. Moorhead and Griffin (2001) stated that need theorists have attempted to identify and categorize the needs that are the most important to people (Moorhead & Griffin, 2001, pp.120-122). The best known need theories are the hierarchy of needs and the ERG theory.

### 2.3.1 The Hierarchy of Needs

The hierarchy of needs, developed by psychologist Abraham Maslow in the 1940s, is the best-known need theory. Maslow argued that human beings "want" animals: they have innate desires to satisfy a given set of needs. Furthermore, Maslow believed that these needs are arranged in a hierarchy of importance, with the most basic needs at the foundation of the hierarchy.

The most basic needs in the hierarchy are physiological needs. They include the needs for food, sex, and air. Next in the hierarchy are security needs, which are things that offer safety and security, such as adequate housing and clothing and freedom from worry and anxiety. Belongingness needs, the third level in the hierarchy, are primarily social. They include the need for love and affection and the need to be accepted by peers. The fourth level is esteem needs. It is actually encompassed two slightly different kinds of needs: the need for a positive self-image and self respect and the need to be respected by others. At the top of the hierarchy are self-actualization needs. These involve realizing our full potential and becoming all that we can be.

Maslow believed that each need level must be satisfied before the level above it becomes important. Thus, once physiological needs have been satisfied, their importance lessens, and security needs emerge as the primary sources of motivation. This escalation up the hierarchy continues until the self-actualization needs become the primary motivators. However, if a previously satisfied lower-level set of needs becomes deficient again, the individual returns to that level (Moorhead & Griffin, 2001, p.120-122).

Obviously, physiological needs are probably the easiest to evaluate and to meet. Adequate earnings, good nutrition, and comfortable temperatures and living conditions are measures taken to satisfy this most basic level of needs. Security needs can be satisfied by such things as job stability, adequate insurance and retirement systems, for instance. Most belongingness needs are satisfied by family ties and group relationships. For esteem needs, these are met at least partially by social recognition and awards. Self-actualization needs are perhaps the hardest to understand and the most difficult to satisfy.

Figure 2. The Maslow's hierarchy of needs
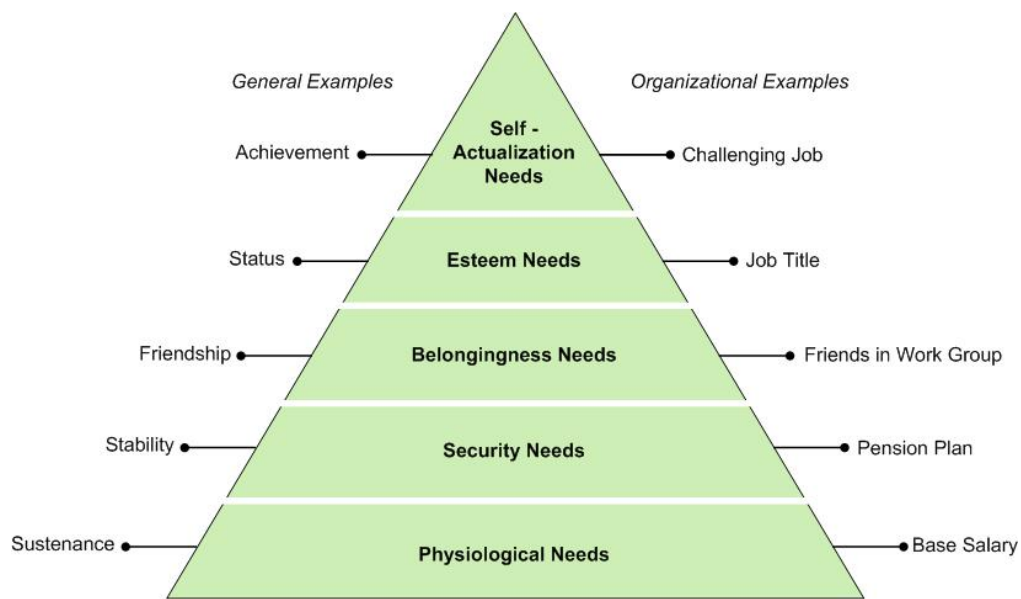


Reference : Adapted from Abraham H.Maslow, "A Theory of Human Motivation," *Psychological Review,* Vol.50, 1943,pp.374-396.

### 2.3.2 ERG Theory

Another important need theory of motivation, ERG theory developed by Clayton Alderfer, Yale psychologist, extends and refines Maslow's needs hierarchy concept. He stated that there are several important differences between the two. The E, R and G stand for three basic need categories: existence, relatedness, and growth. ***Existence needs*** – those necessary for basic human survival – roughly correspond to the physiological and security needs of Maslow's hierarchy. ***Relatedness needs*** – involving the need to relate to others, are similar to Maslow's belongingness and esteem needs. Finally, ***growth needs*** are equivalent to Maslow's needs for self-esteem and self-actualization (Moorhead & Griffin, 2001, p. 123).

In contrast to Maslow's approach, ERG theory suggests that more than one kind of need – for example, relatedness and growth needs – may motivate a person at the same time. A more important difference from Maslow's hierarchy is that ERG theory includes a satisfaction – progression component and frustration – regression component. The satisfaction – progression concept suggests that after satisfying one category of needs, a person progresses to the next level. On this point, the need hierarchy and ERG theory agree. The need hierarchy, however, assumes the

individual remains at the next level until the needs at that level are satisfied. On the contrary, the frustration – regression component of ERG theory suggests that a person who is frustrated in trying to satisfy a higher level of needs eventually will regress to the previous level.

Figure 3. The ERG theory
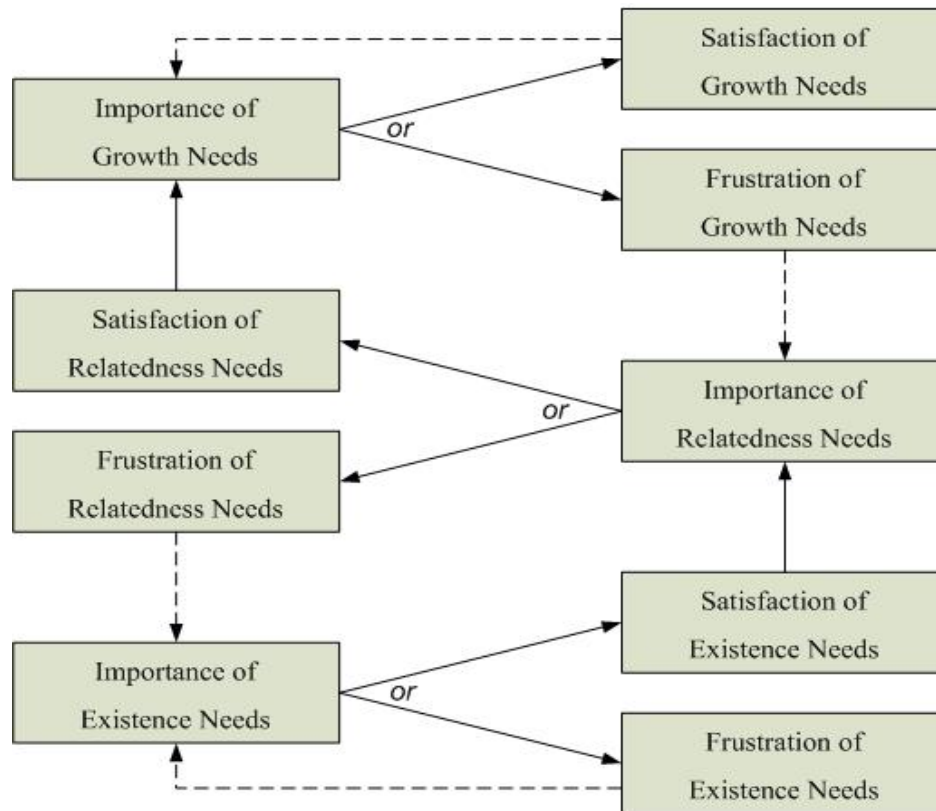


## 2.4 PREVIOUS AND SIMILAR STUDIES

According to the research paper of the department of SMEs Coordination and Services of the Office of SMEs Promotion (2006), it provided the achievement rate of the consulting services at the SMEs Coordination and Services Center. The study examined the level of knowledge and understanding obtained from the consulting services, not the satisfaction of the customers towards the consulting services. It explored the outcome of consulting services and how the entrepreneurs had applied in their business operations. The respondents of this research had been divided into 2 groups; majorities and minorities of respondents. The majorities were entrepreneurs and owners of the business of which there were 65.50 percent of the respondents.

The overall achievement rate of consulting services categorized by the level of knowledge and understanding found that the respondents obtained additional information and knowledge as well as inspiring new ideas of doing business. The survey results stated that the respondents rated "middle" level for this category. For the topic of consulting, within 11 fields of topic, the respondents rated the service quality as follows:

*Table 2. Rate of Service Quality Regarding Topic of Consulting*

| Topic of consulting | Rate of achievement |
|---|---|
| 1. Business start-up | Middle |
| 2. Venture Capitalizing/ Venture Capital Fund | Middle |
| 3. Credit / Financial | Middle |
| 4. Debt restructuring | Middle |
| 5. Writing business planning | Middle |
| 6. Product design and development | Middle |
| 7. Domestic marketing | Middle |
| 8. Management | Middle |
| 9. International marketing | Rather high |
| 10. Franchising | Rather high |
| 11. Legal service | Rather high |

*Note:   From Office of Small and Medium Enterprises Promotion,   2006*

From the findings of the research, it was found that overall achievement of the consulting services of the SMEs Coordination and Services Center included an increase in knowledge, the applying of knowledge in business operations, the achievement of applying knowledge in the business were middle level of achievement, regardless of points of service delivery units. However, concerning the open – ended questions, the respondents required OSMEP to improve its services by increasing the seminars and business activities as well as providing more information regarding the complete running of a business. They also requested more service

delivery units to serve adequate consulting services as well as an increase in the number of consultants from different fields and occupations extensively.

Another research study on satisfaction towards service delivery unit can be also found in other service sectors besides consulting services. Thanyawee Chuanchuen (2007) studied on 'Satisfaction of passengers with services and facilities provided at the passenger terminal complex, Suvarnabhumi International Airport.' She illustrated that the study was carried out for the purpose of measuring quality of services and facilities provided at the Passenger Terminal Complex, Suvarnabhumi International Airport (Thanyawee Chuanchuen, 2007). From the findings, overall degrees of satisfaction with services and facilities provided at the Passengers Terminal Complex were satisfactory. Although many areas in which passengers needed to see further improvement included quiet zones / rest areas, check-in facilities, baggage screening, walking distance throughout the airport, food and drink prices, seating facilities, direction and signage, staff's language ability, Internet / WiFi connection, shower facilities, air conditioning problems and toilet facilities.

From her findings, it brought the idea that if the authority of Airports of Thailand wanted to improve services and facilities provided at the Passenger Terminal Complex, the survey results derived from her study could provide at least a general idea about the overall satisfaction and the degrees of satisfaction with each service and facility. Her study helped to identify which areas passengers were satisfied with and which areas they were dissatisfied with and which needed to be improved. Here are some recommendations that she raised for improvement.

• Toilet facilities can be improved by increasing the number of toilets, providing clear direction and signage to the toilets, and cleaning those more often.

• The problem about walking distance throughout the airport can be fixed by providing transportation such as small car or golf cart and installing movable passageways or railways throughout the airport.

• Direction and signage should be improved in terms of size and clearness.

• There should be staff assigned to assist passengers at the transfer gate.

There was also another researcher, Sunun Sunnitilawan, 2006, whose study was concerned with the measurement of customer satisfaction. She had surveyed the

customers' satisfaction towards GEC (General Electronic Commerce Service Co., Ltd) customer support and electronic purchasing system, which is her own workplace (Sunun Sunnitilawan, 2006). From her study, she found that overall satisfaction towards GEC customer support was at a good level. She also raised some points that were needed to improve, such as insufficient support staff, inadequate channels to contact GEC customer support, especially in an urgent case. Thus, the GEC Company can use this information to improve its service level and enhance the capability of the electronic purchasing system.

The degree of satisfaction can be measured among the colleagues within the same place of work. In order to improve the working effectiveness, the researcher, Patchareeya Torpradit (2007), figured out how the employees in the Office of the Permanent Secretary, Ministry of Justice, were satisfied with the flow of in-out documents (Patchareeya Torpradit, 2007). Her study aimed to identify the problems the employees faced when they sent or received documents. The study derived with the suggestions to improve the flow of in-out documents in the organization. The result stated that personnel were quite satisfied with the flow of in-out documents in the Office of the Permanent Secretary, but they were faced with too many steps in the receiving and sending of documents, time consuming process and lack of promptness by their superior to endorse the documents which delayed the transfer of the documents.

However, the customer satisfaction could also be measured in the health care service sector. Such as Waraporn Sangaunvorapong's study, in which she attempted to measure the level of customer satisfaction in the service accredited community pharmacies and to evaluate whether customers gained benefit from accredited community pharmacies (Waraporn Sangaunvorapong, 2007). Questionnaires were used as an instrument to collect data and distributed only to customers who intended to buy medication from those accredited community pharmacies. The result of the study emphasized that the role of the community pharmacy was strong in serving people in the community in order to solve their health problems. Her study realized that the community pharmacy required more public relations to encourage low-income people to obtain the service from accredited community pharmacies instead of typical drugstores which would charge more in the cost of drugs and fees.