THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND LOYALTY: A STUDY OF SELECTED EATERIES IN CALABAR, CROSS RIVER STATE

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Abstract

The research work focused on the relationship between customer satisfaction and loyalty: A study of selected eateries in Calabar, Cross River State. The study aimed at examining the significant relationships between customer satisfaction and loyalty; customer satisfaction and customer patronage; and customer satisfaction and customer retention. The study adopted survey and descriptive research designs. Data were analyzed using the Pearson Product Moment Correlation (PPMC) method. The study revealed that there subsist significant relationships between customer satisfaction and: loyalty, customer patronage and customer retention. It is recognized that with improvement of customer satisfaction a firm will find customers that are more loyal. Based on the study, firm managers are advised to satisfy and better manage their relationships through quality product and service offerings to their customers as a competitive policy in the marketplace. These offerings are required to meet or surpass consumers’ expectations.

Key words: Customer satisfaction, loyalty, patronage, retention and service quality

1. Introduction

In an increasingly competitive and dynamic environment, every firm needs to identify, anticipate and satisfy consumers to maximize profit. Customer satisfaction is one of the most important issues concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continuous improvement in modern eateries. Customer satisfaction is a collective outcome of perception, evaluation, and psychological reactions to the consumption expectation with a product or service. It is a customer’s overall evaluation of the performance of an offering. This overall satisfaction has strong positive effect on customer loyalty intentions across a wide range of product and service categories. Customer
satisfaction is a person’s feelings of pleasures or disappointments resulting from comparing a product perceived performance (or outcome) in relation to his/her expectation (Veloutsou et al, 2005 and Kotler & Armstrong, 2010). Without the customer it is impossible for any business to sustain itself. Achieving the desired results is frequently a result of customer actions. Therefore, any business without a focus on customer satisfaction will remain irrelevant in the market place, observe low customer patronage, poor customer retention and loyalty. Owing to the rapid increase of eateries in all nooks and crannies of our society, it is pertinent for firms to imbibe the concept of customer satisfaction in their operation to achieving customer loyalty, retention, patronage, recommendation and increase in sales volume. This research work shall try to examine the relationship between customer satisfaction and customer loyalty towards firms (Mac Bite and Crunches) offerings.

As customer needs and expectations are changing all the time, this study intends to reveal whether customer satisfaction towards a firm’s offering can lead to customer retention, patronage and in turn increase its sales volume. An appeal towards this concept “customer satisfaction” attracted the researcher to embark on a research whether customers can be satisfied by eateries (Mac Bite and Crunches). Also, whether customer satisfaction can result to customer loyalty, retention, patronage, recommendation, increase in sales volume and market share.

Without the customer it is impossible for any business to sustain itself. Achieving the desired results is frequently a result of customer actions. Therefore, any business without a focus on customer satisfaction is at the mercy of the market. Also it has been observed that little or no research work has being conducted in Nigeria as it relate to the relationship between customer satisfaction and loyalty in eateries. It is the backdrop that has led to this research work.

1.1 Statement of the problem
The ability to satisfy consumers remains one of the greatest task for any firm to achieve as customer needs and expectation are changing at all time. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services. It is a highly personal assessment that is greatly affected by customer expectations.

Customer satisfaction differs depending on the situation and the product or service. A customer may be satisfied with a product or service, an experience, a purchase
decision, a sales person, store, service provider, or an attribute or any of these. Customer satisfaction is a measurement of the degree by which a product or service offered by a company either fails to meet, or goes beyond their customers’ expectations. A large factor in determining the likelihood of success and profits in an organization is customer satisfaction. Through critical observation it has been noticed that the fast food sector is becoming competitive as many eateries are being set up at all nooks and crannies of the society. How then is it possible to satisfy consumers and make them loyal customers towards a firm’s product and services? This study intends to examine the effect of customer satisfaction on loyalty, patronage, retention of customers.

1.1.1 Objectives of the study
The research objectives for this study include:
- To examine the significant relationship between customer satisfaction and loyalty.
- To determine significant relationship between customer satisfaction and customer patronage.
- To access the significant relationship between customer satisfaction and customer retention.

1.1.2 Research hypotheses
The research hypotheses for the study include:
H₀: There is no significant relationship between customer satisfaction and loyalty.
H₀: There is no significant relationship between customer satisfaction and customer patronage.
H₀: There is no significant relationship between customer satisfaction and customer retention.

2. Literature review
2.1 Theoretical framework
The underpinning theoretical framework is drawn from Oliver (1977 and 1980) expectation disconfirmation theory. This theory posits that expectations, coupled with perceived performance, lead to post-purchase satisfaction. This effect is mediated
through positive or negative disconfirmation between expectations and performance. If a product/service outperforms expectation post-purchase satisfaction will result (positive disconfirmation). If a product/service falls short of expectations the consumer is likely to be dissatisfied (negative disconfirmation). The dominant model of customer satisfaction is the expectation disconfirmation theory. Disconfirmation theory declares that satisfaction is mainly defined by the gap between perceived performance and expectation which is promising approach to explain satisfaction. The Expectation Confirmation Theory (ECT) also known as expectation disconfirmation theory (EDT) has satisfaction as main dependent factor and expectation and perceived performance, as main independent factors. Customer satisfaction is the collection outcome of the customer’s perception, evaluation, and psychological reaction to the consumption experience with a product or service (Khalifa & Liu, 2003). It leads to repeat purchase, loyalty, retention, positive word of mouth and increases long term profitability for the organization and customer (Wirtz, 2003).

Fig. I: Expectation disconfirmation theory
Source: Oliver, 1980

Expectations are formed by personal experience and understanding of environment, taking into account practice feasibility based on expectancy theory. Perceived performance is a relatively less influenced estimation of performance based on objective judgement rather than emotional reactions.

Expectation disconfirmation occurs in three (3) forms:

i) Positive disconfirmation: Occurs when perceived performance exceeds expectations.

ii) Confirmation: Occurs when perceived performance meets expectations.

iii) Negative disconfirmation: Occurs when perceived performance does not meet and is less than the expectations.

It is more probable for customers to be satisfied if the service performance meets (confirmation) or exceeds (positive confirmation) their expectations. On the contrary
customers are more likely to be dissatisfied if the service performance is less than what they expected (negative disconfirmation). Khalifa & Liu (2003) discuss that taking expectation disconfirmation as the only determinant of satisfaction; this theory does not cause the fact that if high expectations are confirmed, it would much more lead to satisfaction than confirmation of low expectations. To resolve this drawback perceived performance is included as an additional determinant of satisfaction. In other words, the only way to really ensure satisfaction is to empirically create disconfirmation by manipulating expectations and performance.

2.1.1 The concept of service quality
Parasuraman et al., (1988) defined service quality as “the global evaluation or attitude of overall excellence of services”. So, service quality is the difference between customer’s perception and perceptions of services delivered by service firms or as “the customer’s satisfaction or dissatisfaction formed by their experience of purchase and use of the service” (Gronroos, 1984 and Parasuraman et al., 1988). Also, Nitecki, et al., (2000) defined service quality in terms of “meeting or exceeding customer expectations or as the expectations of service” Oliver (1977) reported that service quality is a causal antecedent of customer satisfaction, due to the fact that service quality is viewed to be at the transactional level and satisfaction is seen to be an attitude.
Dabhalker et al., (1996) and Zeithaml et al., (1996) reported that the service quality divisions are related to overall service quality and/or customer satisfaction. Fornell et al., (1996) opined that there is a casual relationship between service quality and satisfaction and that the perceptions of service quality affect the feelings of satisfaction and/or dissatisfaction by the customer.

2.1.2 Dimension of service quality
Parasuraman et al., (1988) studied four different types of services including banking industry, credit card companies, motor repair shops and long distance telecommunication companies and the results show that service quality had ten (10) dimensions such as reliability, responsiveness, competence, access, courtesy, communication, creditability, security, understanding/knowing the customers and tangibility. However, in 1988, these ten dimensions were cut down to five namely, tangibility, reliability, responsiveness, assurance and empathy.
Figure 2: Sourced from Parasuraman (1988)

Five Dimensions of Service Quality (SERVQUAL)

1. Reliability: It is the ability to perform the promised services dependably and accurately. The elements of reliability are speed, willingness to respond, accuracy and dependability.

2. Responsiveness: It is the willingness to help customers, and provide prompt service. Its elements include that of reliability.

3. Assurance: It is the knowledge and courtesy of employees and their ability to convey trust and confidence. The dimension of assurance may be measured using elements of knowledge trained professional, communications and caring for the customer.

4. Empathy: It is the provision of caring individualized attention to customers. Its elements are the same as assurance.

5. Tangibles: This dimension includes the appearance of physical facilities, equipment personnel and communication materials used to communicate with customers. Elements within the tangibles dimension are cleanliness, space, atmosphere, appearance of server and location.

Zeithaml et al., (1990) proposed a comprehensive perception of quality assessment and claimed that there are other factors apart from the dimension of Parasuraman et al., (1988). These dimensions of service quality according to him are;
1. Access: It includes how easy it is to come into contact with the supplier. This is where position, opening hours, supplier availability and other technical facilities belong.

2. Communication: It is the ability to communicate in an understandable way that is natural to customer.

3. Credibility: This refers to the ability of being able to trust suppliers.

4. Courtesy: This refers to the suppliers’ behaviour. Examples are politeness and kindness.

However, Parasuraman et al., (1988) assurance dimension is a combination of credibility and courtesy dimension of Zeithaml et al, (1990).

2.1.3 Classification of service quality

Lewis (1987) suggested that service quality can be classified as;

1. Essential subsidiary
   Essential refers to the service offered and subsidiary includes factors such as accessibility, convenience of location, availability, timing and flexibility, as well as interactions with the service provider and other customer.

2. The core (Contractual) of the service
   The core or the outcome quality refers to what is delivered to the customer.

3. The related (customer-employee) relationship of the service
   This refers to process quality. It is how the service quality is delivered which is the most important element for most services (Gronroose, 1985; McDaugall &Levesque, 2000 and Parasuraman et al., 1988). McDougall and Levesque (2000) in their direct approach investigation on four services firms (Dentist Clinics automobile shop, restaurant, and haircut salon). He demonstrated that both core rational service quality classes have significant impact on customer satisfaction. Heskett et al., (1997) conducted studies for several service providers such as airline, restaurants etc, and reported that service quality solely defined as rational quality, has consistent effect on satisfaction and is regarded as key factor in delivering customer satisfaction. Furthermore, Sureschander et al., (2001) identified five factors of service quality which were core service or service product, human element of service delivery, systematization of service delivery, tangibles of services and social responsibility.
2.1.4 Benefits of service quality

The benefits of service quality include;

1. Retaining customer: High quality builds loyal customers and creates positive word of mouth. It is an important factor in the purchase decision. It determines customer satisfaction, which affects business and word-of-mouth. Studies have shown that it costs four to six times as much to create a customer as it does to maintain an existing one.

2. Avoidance of price competition: A restaurant with a reputation for good quality food and service has a much stronger competitive position than one with a reputation for inconsistent or poor quality. The restaurant with good image can count on positive word-of-mouth of its satisfied customers.

3. Retention of good employees: Employees appreciate working in operations that are well run and produce high quality products. When an operation has good quality, it can retain good employees, recruiting is easier and training costs are reduced.

4. Reduction of costs:
   a. Internal costs: They are those costs that are associated with correcting problems discovered by firm before the product reaches the customers.
   b. External costs: They are those costs associated with errors that the customers experience.
   c. Quality system: This cost is viewed as investment in the future of the company to ensure that customers return.

2.1.5 Categories of service quality

There are three (3) categories of service quality. These include;

1. Technical quality: This refers to what the customer is left with after the customer-employee interactions have been completed.

2. Functional quality: It is the process of delivering the same service or product.

3. Societal (ethical) quality: It is a credence quality, it cannot be evaluated by the customer before purpose and is often impossible to evaluate after purchase.

2.1.6 The concept of customer satisfaction

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 customer satisfaction in their operations. Customer satisfaction is the degree to which customer
expectations of a product or service are met or exceeded. Customer satisfaction means that the customers’ needs are met, product and services are satisfactory, and customers’ experience is positive (Friday and Colts, 1995; Gitomer, 1998). Firms are required to offer product/services that meet or surpass consumers’ expectations. This in turn will lead to customer satisfaction. Customer satisfaction is a post choice evaluation judgment concerning a specific purchase decision. Customer satisfaction is the necessary foundation for firms to retain the existing customers. The customers who are unsatisfied with the received products/services would not be expected to have long run relationships with the firm (Guo, Xiao & Tang, 2009 and Lin & Wu, 2011). In the buyer behavior model developed by Howard and Sheth (1969), consumer satisfaction is defined as the point at which expectation and reality coincide. The concept of satisfaction embraces not only what is gained in the use of a product, but also consumers feeling about the effectiveness of their own decision process. Customer satisfaction is the level of a person’s perceived performance or outcome in relation to his/her own expectation.

2.1.7 Customer satisfaction and customer loyalty
Khan (2012) in his research work concluded that customer satisfaction has significant impact on customer loyalty. Similarly like Kim and Yoon (2004) they give evidence that the source of customer loyalty is customer satisfaction. Yen and Gwinner (2003) find that satisfaction has positive and significant effect on customer loyalty. Lin and Wang (2006) also examine that satisfaction have significant and positive impact on loyalty. An empirical research conducted by Bassey, Okon & Umorok (2011) on effective customer service: A tool for client retention among stock broking firms in Nigeria revealed that satisfied customer would promote more loyalty behavior, and opined amongst others that customer satisfaction has direct impact on loyalty.

2.1.8 Customer satisfaction and patronage
According to Dominici & Guzzo (2010) research on the topic of guest satisfaction, which translates into the consideration of whether or not customers will return to a hotel or advise it to other tourists, is pivotal to the success of the hospitality business. Neglecting to pay attention to those hotel attributes considered most important by
guests leads to negative evaluations of the hotel, thus restricting the chance of repeat patronage. A customer that derives satisfaction from a firm’s product/service tends to patronize such offerings.

2.1.9 Customer satisfaction and retention
Customer retention is the continuity of the business relations between the customer and company. Customer retention refers to customer’s stated continuation of a business relationship with the firm (Gerpott, Rams & Schindler, 2001; Timothy, Bruce, Lerzan, Tor & Jaw, 2007; and Awara, 2010). Numerous metrics have been employed by researchers, and firms to measure customer retention; for instance, customer recommendation intention (Reichheld, 1996), share of the wallet (Jones and Earl, 1995), customer repurchase intention and (Chandon, Morwitz, Renartz, 2005). Of all these metrics, customer satisfaction is by far the most commonly used and best (Reichheld, 1996). Researches have shown a relationship between customer satisfaction and client retention (Oyenihi & Abiodun, 2008; Jones & Earl, 1995 and Timothy et al., 2007).

3. Methodology
Research design: The study adopted survey and descriptive research designs

Instrumentation: The instrument used for data collection is the questionnaire developed to determine the relationship between customer satisfaction and loyalty: a study of selected eateries in Calabar, Cross River State. A five point scale of strongly agreed (5), agreed (4), undecided (3), disagreed (2) strongly disagreed (1) were used to measure the responses for the respondents.

Data analysis: Data were analyzed using the Pearson Product Moment Correlation (PPMC) method.

Reliability: The reliability was tested using Cronbach’s Alpha. The Cronbach’s Alpha coefficient of 0.873 indicated a high reliability of the instrument.

4. Result and discussion
From table 1 Correlation coefficient of 0.95 shows that there is a positive relationship between customer satisfaction and loyalty. This is further testify by the $r^2 = 0.9025$. Since the $t_{cal}$ of 5.27 is greater than $t_{crit}$ of 3.182 at 0.05 significant level it therefore
shows that there is a significant relationship between customer satisfaction and loyalty. The result is in tandem with Khan (2012) in his research work that customer satisfaction has significant impact on customer loyalty. Similarly like Kim and Yoon (2004) they give evidence that the source of customer loyalty is customer satisfaction. Also, an empirical research conducted by Bassey, Okon & Umorok (2011) on effective customer service: A tool for client retention among stock broking firms in Nigeria revealed that satisfied customer would promote more loyalty behavior. Again, Awara, 2010, emphasized strengthening customer retention through effective management of service relationships.

From table 2 Correlation coefficient of 0.94 shows that there is a positive relationship between customer satisfaction and customer patronage. This is further testify by the $r^2 = 0.8836$. Since the $t_{cal}$ of 4.78 is greater than $t_{crit}$ of 3.182 at 0.05 significant level it therefore shows that there is a significant relationship between customer satisfaction and customer patronage. The result is in support with Dominici & Guzzo(2010) research on the topic of guest satisfaction, which translates into the consideration of whether or not customers will return to a hotel or advise it to other tourists, is pivotal to the success of the hospitality business. Neglecting to pay attention to those hotel attributes considered most important by guests leads to negative evaluations of the hotel, thus restricting the chance of repeat patronage.

From table 3 Correlation coefficient of 0.96 shows that there is a positive relationship between customer satisfaction and customer retention. This is further testify by the $r^2 = 0.9216$. Since the $t_{cal}$ of 5.94 is greater than $t_{crit}$ of 3.182 at 0.05 significant level it therefore reveals that there is a significant relationship between customer satisfaction and customer retention. In support of is result Oyenihi & Abiodun (2008), Jones & Earl (1995) and Timothy et al (2007) opined that research have shown a relationship between customer satisfaction and client retention. Numerous metrics have been employed by researchers, firms to measure customer retention, customer satisfaction is by far the most commonly used and best (Reichheld, 1996).

5. Conclusion

Customer satisfaction is the degree to which customer expectations of a products or services are met or exceeded. Therefore, any business especially service providers in a competitive environment without a focus on customer satisfaction will remain
irrelevant in the marketplace, experience low customer patronage, poor customer retention, loyalty and recommendation. Customer satisfaction increases firms’ market shares and assists eateries to enhance customer loyalty, customer patronage as well as sales volume.

6. Implication of findings
On the bases of the above analysis, it is recognized that with improvement of customer satisfaction firms will find customers that are more loyal. By thereferring of loyal customers a firm can also attract more customers. Based on the study, firm managers are advised to satisfy and better manage their relationships through quality product and service offerings to their customers as a competitive policy in the marketplace. Firms are required to offer products/services that meet or surpass consumers’ expectation.

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Table 1: Pearson Product Moment Correlation result between customer satisfaction and loyalty

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Table 3: Pearson Product Moment Correlation result between customer satisfaction and customer retention
References


