Saimaa University of Applied Sciences
Faculty of Business Administration Lappeenranta
Degree Programme in International Business

Asya Archakova

Service Quality and Customer Satisfaction. Case study: Company X.

Thesis 2013

Abstract

Asya Archakova
Service Quality and Customer Satisfaction. Case study :Company X, 39 pages,
1 appendix
Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business
Thesis 2013
Instructors: principal lecturer Minna Ikävalko, Saimaa University of Applied Sciences, managing director Dita Kaarna, Company X.

Customer satisfaction and service quality are one of the basic opportunities which help to run, to improve business and profit of the company, and especially save the loyalty of its customers. Good service is a result of organized corporate culture, which can be considered as a kind of social culture in general. Setting the values of a generalized trend of activity, rules, regulations and standards concretize this direction. In theory parts are described five determinants of good service quality and customer perception of service measuring. The intension of the research study was to find out what customers think about company's service quality and if customer satisfaction level is good enough to attract more consumers and save those who have been loyal to the company for years.

Data for this study were collected in Company X, which is situated in Etelä-Karjala region, mostly suitable for Russian tourists. The questionnaires were handed out in the market during the shopping process or sent via e-mail. The research was set to examine the customer's satisfaction level with the service provided by the company.

This study will help the company to improve its service quality for better customer satisfaction. It may be a good example of what can be improved not only for the Company X, but also for the companies which are fully or partly targeted on Russian customers.

Keywords: Customer Satisfaction, Service Quality, Organisation standards

Table of Contents

1   Introduction

Customer Satisfaction and Service Quality are leading components in the system of external relations of each organization, as today they largely determine its competitiveness. The desire to manage relationships with customers leads to the fact that organizations are starting to pay attention to the development and implementation of service standards. Reviewing standards of customer service as part of the corporate culture of the organization allows finding more effective approaches to its development and implementation.

1.1   Background of the study

This study was decided to be carried out after one year of the author's working experience in Company X. As the growing interest of the company's production among Russian customers is very intensive, the idea to make service quality of customer satisfaction research, based on the customer's point of view, was a logical conclusion for the final thesis.

Other reasons for making the survey are also very important:

- No previous research has been made in this area of studies in the company
- Intensively growing demand among customers
- Personal wide work experience in service department

Customers do not buy goods or services, they buy the benefits goods and services provided them with. They buy offerings consisting of goods, services, information personal attention and other components. Customers are lifeblood of any organization, and without them, a firm has no revenues, no profits, and therefore no market value (Grönroos 2000, 3).

 To satisfy its customers, the company should listen and accept their feedback and improve service and goods if it needed to be so.

1.2 Objectives and Delimitations

The objective of the research is to find out if Company X in Etelä-Karjala region offers good service quality, what is the level of customer satisfaction measurements and how it can be improved, including the general atmosphere in the market.

The company has such a big amount of customers that it became an important issue to evaluate the company's service, as no customer satisfaction survey has been conducted before. Therefore, the research question is: how people see the service quality of the company from the customer's point of view?

The research is restricted to the customers of the Company X in Etelä-Karjala area.

1.3 Structure of the research

The thesis consists of two parts. The theoretical study part is based on the theory of service quality, service quality determinants, SERVQUAL instrument, service gaps, service quality attributes, quality perception measurements, Seven criteria of good perceived service quality, customer satisfaction , definition of customer satisfaction, Importance of customer satisfaction, customer satisfaction measurement, corporate culture and organizational standards.

After analyzing the resources which were suitable for the research, it was not easy to decide what is important to mention in the theoretical part of the work and what should be left outside. Cultural and business differences, consequences and causes of customer satisfaction: involving employees and customers, benefits of customer satisfaction – these concepts were reviewed as possible parts which could be included in theory, but after analyzing them one more time it was decided that it was not necessary to leave them in the research, because other parts explain the core idea even more detailed.

The empirical studies and the service quality of customer satisfaction survey are based on qualitative research method. It includes research design and an evaluation of the answers, which were given as questionnaires, handed out to the customers of the Company X.

2 Corporate culture and Organization standards

Corporate culture of each organization can be considered as a kind of social culture in general, so the core of the corporate culture supports a certain system of values. The latest determine the representation of the standards (rules, standards, and other elements), which should be followed in the organization, and these ideas get their implementation in employee's behavior. At the moment, there are many definitions of organizational and corporate culture, most of which come down to understanding the culture of the organization as a system of different elements (rules, regulations, standards, myths, legends, and patterns of behavior, communication patterns, etc.), and values are the basis of it. (Ronzina 2010.)

Setting the values of a generalized trend of activity, rules, regulations and standards concretize this direction. Service quality is that component in the structure of the corporate culture, which, on the one hand is a manifestation of values prevailing in the organization, and on the other hand, defines the specific parameters of behavior. (Ronzina 2010.)

Organization may benefit maintenance "spontaneously" or to develop and implement certain requirements to customer service. In organization where the service is in accordance with the standards, there will be a certain manner of service, the specific approach to the client, specific rules and manner of behavior in different situations - concept of behavior in relation to the client. (Ronzina 2010.)

Considering the behavior of the parameters in organization, they can be standardized in order to quality customer service (Ronzina 2010):

- Speech formulas, the language (vocabulary)
- Facial expressions, gestures
- Proxemics (what position, how to communicate with the buyer)
- Clothes
- Makeup, jewelry
- State of the environment (must be clean)

- Speed of service and response times
- Security in the buying process
- Other

Service quality must be determined by certain external and internal factors of life of the organization. The more consciously the specific content of these factors are, the more subtle they are considered in the development of the Service Quality, the greater is the probability that it will be effective. These factors are (Ronzina 2010):

- Norms of human rights (the law of consumer protection, etc.)
- Cultural norms that exist in a society in which the organization offers its products and / or services in the market
- The values and mission of the organization
- Characteristics of the goods and services offered by the organization
- Characteristics of target groups (clients)
- Features of the premises where customers are served (close, spacious, quiet, noisy, etc.)
- Other factors

Customer Satisfaction and Service Quality depend a lot on Organization Standards (OS) of the company where they are applied. Latest might work as a great benefit to improve the profit and customer loyalty (Ronzina 2010).

The following table shows the functions of OS between three community groups: employers /customers/employees.

Employers	Customers	Employees
OS help attract and win customers through competitive service, and as a consequence - to increase profits	The presence of OS is a guarantee of SQ of organization	OS help to make their working process more efficiently and to find effective behaviors in the workplace more easy
OS help to ensure the credibility of the	OS affects to the	OS affects to the better

organization, long-lasting customer loyalty	more enjoyable buying process and other services in the organization	profit
OS may help to position the organization in the market, to create the image, reputation, its face, a different atmosphere, specificity, uniqueness	OS reinforce sense of self-esteem from the customer's side	OS contributes self-development
OS help to manage staff and help it to work more efficiently	The presence of OS facilitate the ongoing process of choosing between the various organizations	OS mainly work for the cohesion of the group (if considering that employees are openly share this point of view)

Table 1: Functions of OS between three community groups

This study develops and tests the model, which investigates the relationships among service quality and customer satisfaction.

2.1 Service Quality

Service quality is a complex construct, which has been the focus of a number of studies in the services marketing literature. Two schools of thought dominate this literature: the Nordic school of thought and the North American school of thought. Specifically, the Nordic school of thought is based upon Grönroos's (2005) two-dimensional model while the North American school of thought is based upon Parasuraman et al.'s (1985) in (Karatepe 2013) five-dimensional SERVQUAL model. Other significant conceptual and empirical studies in this research stream suggest that service quality is comprised of service product, service environment, and service delivery, or consists of interaction quality, physical environment quality, and outcome quality. (Karatepe 2013.)

2.2 Service Quality Determinants and the SERVQUAL Instrument

In the mid 1980s Berry and his colleagues Parasuraman (1985) and Seithaml (1985) began to study service quality determinants and how customer evaluates

the quality of services based on the Perceived Service Quality concept (Grönroos 2005).The 10 determinants were found to characterize customers' perception of the service. One of the determinants, *competence*, is clearly related to the technical quality of the outcome, and another, *creditability*, is closely connected to the image aspect of perceived quality. However, it is interesting to observe that the rest of the determinants are more or less related to the process dimension of perceived quality. (Grönroos 2005.)

As a result of later study 10 determinants of service quality were decreased to the following five (Grönroos 2005):

1. *Tangibles.* This determinant is related to the appeal of facilities, equipment and material used by a service firm as well as to the appearance of service employees.
2. *Reliability.* This means that the service firm provides its customers with accurate service the first time without making any mistakes and delivers what it has promised to do by the time that has been agreed upon.
3. *Responsiveness.* This means that the employees of a service firm are willing to help customers and respond to their requests a well as to inform customers when service will be provided, and then give prompt service.
4. *Assurance.* This means that employees' behavior will give customers confidence in the firm and that the firm makes customers feel safe. It also means that the employees are always courteous and have the necessary knowledge to respond to customers' questions.
5. *Empathy.* This means that the firm understands customers' problems and performs in their best interests as well as giving customers individual personal attention and having convenient operating hour.

SERVQUAL is an instrument for measuring how customers perceive the quality of a service. This instrument is based on the five determinants mentioned above and on a comparison between customers' expectations of how the service should be performed and their experiences of how the service is rendered (disconfirmation or confirmation of expectations). Usually, 22 attributes are used to describe the five determinants and respondents are asked to state (on a seven-

point scale from "Strongly Disagree" to "Strongly Agree") what they expected from the service and how they perceived the service. Based on the discrepancies between expectations and experience over 22 attributes, and overall quality score can be calculated. The more this score shows that experiences are below expectation, the lower the perceived quality. However, more important that calculating the overall score may be the score on the individual attribute scales, perhaps summarized over determinants. (Grönroos 2005, 74.)

2.3 Service Gaps

Customer perceptions play a key role in the theory of "Service Gaps", which tries to study the differences between expectations and experience. As shown in figure, the overall gap that results dissatisfied customer is caused by one (or more) of the following earlier gaps (Schneider & White 2004):

1. Promotional gap: the inability of the business organization to fulfill expectations created in the minds of customers mainly by marketing communications.
2. Understanding gap: the gap occurred due to the inaccurate understanding of customer needs and priorities by the managers of the organization.
3. Procedural gap: the gap occurred due to the translation of customer expectations into appropriate operating procedures and systems with the business organization.
4. Behavioral gap: the difference between customer expectations and organization's performance, focusing on how procedures adequately cover service delivery requirements.
5. Perception gap: the difference between customer performance perceptions and reality.

Gap 1 .*Promotional gap*

What is said about the services differs from the standards actually delivered

The service quality gap

The difference between customer's expectations of a service and their perceptions of the actual service delivered by an organization

| |
|---|
| Gap 2. *The understanding gap*

Manager's perceptions of customer's expectations are inaccurate |
| Gap 3. *The procedural gap*

Customer's expectations are not translated into appropriate operating procedures/systems |
| Gap 4. *The behavioral gap*

The service that is from the specification of the service |
| Gap 5. *The perception gap*

The level of service perceived by customers differs from the service actually provided |

Figure 1: Service Gaps (Schneider & White 2004, 40).

2.4 Finding Service Quality Attributes and Measuring Quality Perceptions

The point has already been made that customers have certain expectations about the kind of performance that is appropriate to a particular service. Certain services are more industrialized and transactional-based, e.g. fast food, ticket sales, and airline check-in desks. Other service encounters feature more un-predictability, and hence opportunities for customization through situational sensitivity (Grönroos 2005).

It was found that if the service employees, through their experience and obser-vations of encounters, were to compile a basic list of significant service attrib-utes they would in turn to be able to formulate a simple measurement system

that would emulate the process control system of manufacturing. The study evidenced a two-step configuration of attributes-should values and could values – the former being values without which the latter could not effectively operate. (Grönroos 2005.)

Service employees privately sampled their own performance, using a preset scoring system. Findings indicated that using such simple measuring techniques actually enhanced performance where the rate of continuous improvement was known. Where performance was measured and the rate of continuous improvement was not known, performance degraded over time. Of the number of conclusions that this study yielded, the most salient were as follows (Grönroos 2005, 76):

- That the act of measuring and totaling did indeed enhances subsequent performance.
- That service providers are motivated by evidence and not simply by feeling that they have improved their progress.
- Measurement systems are able to benefit from the measurement effect a continuous improvement component could be seen to operate the Seven Criteria of Good Perceived Service Quality.

There has been a range of studies of service quality conducted in many countries. From them various lists of attributes of factors of good quality can be collated. As was mentioned earlier in the context of the SERVQUAL determinants, such lists are useful as starting points for managers who want to develop an appropriate list of attributes of features that describe a given service. However, in order to make such lists of determinants or factors of good service quality useful for managerial purposes, they have to be short, yet still provide a comprehensive list of aspects of good quality. Seven Criteria of good perceived service quality are an integration of available studies and conceptual work. Some of these studies have been discussed in this section. One of the seven, *professionalism and skills,* is outcome – related and this a technical quality dimension. Another criterion*, reputation and credibility*, is image-related, this fulfilling a filtering function. However, four other criteria, *attitudes and behavior, accessibility and flexibility, reliability and trustworthiness, and service recovery,* are clearly

process-related and this represent the Functional Quality dimension. Finally, the impact of *serviscape* is introduced as a seventh criterion. This is clearly a process-related, functional quality criterion. (Grönroos 2005.)

The role of *price* in a quality is not very clear. Normally, however, the price of a service can be viewed in relation to the quality expectations of customers or to their previously perceived service quality. If the price of a service is considered too high, customers will not buy. Price also has an impact on expectations. But in some situations price seems to be a quality criterion. A higher price level may equal a better quality in the minds of customers, especially when the service is highly intangible. In many cases professional services are examples of such services. (Grönroos 2005.)

1.Professionalism and Skills Customers realize that the service provider, its employees, operational systems, and physical resources have the knowledge and skills required to solve their problems in a professional way (outcome-related criteria).
2.Attitudes and Behavior Customers feel that the service employees (contact persons) are concerned about them and interested in solving their problems in a friendly and spontaneous way (process-related criteria).
3.Accessibility and Flexibility Customers feel that the service provider, its location, operating hours, employees, and operational systems are designed and operate as that it is easy to get access to the service and are prepared to adjust to the demands and wishes of the customer in a flexible way (process-related criteria).
4.Reliabiliy and Trustworthiness Customers know that whatever takes place or has been agreed up-

on, they can rely on the service provider, its employees and systems, to keep promises and perform with the best interest of the customers at heart (process-related).
5.Service Recovery   Customers realize that whenever something goes wrong or something unpredictable happens the service provider will immediately and actively take action to keep them in control of the situation and find a new, acceptable solution (process-related criteria).
6.Servisgap   Customers feel that the physical surrounding ad other aspects of the environment of the service encounter support a positive experience of the service process (process-related criteria).
7.Reputation and Credibility   Customers believe that the service provider's business can be trusted and gives adequate value for money, and that it stands for good performance and values which can be shared by customers and the service provider (image-related criteria).

Table 2: The Seven Criteria of Good Perceived Service Quality (Grönroos 2005, 80).

3 Customer Satisfaction

3.1 Definition of Customer Satisfaction

A comprehensive definition of customer satisfaction in term of pleasurable fulfillment is given by Oliver (1997) in (Grigoroudis & Siskos 2010):

"…Satisfaction is the consumer's fulfillment response. It is judgment that a product or service feature, or the product or service itself, provided (or is

providing) a pleasurable level of consumption-related fulfillment, including levels of under-or overfulfillment…"

According to an exhaustive review of Yi (1991) (Grigoroudis & Siskos 2010), customer satisfaction may be defined in two basic ways: either as an outcome, or as a process (Table 2):

- The first approach defines satisfaction as a final situation or as an end-state resulting from the consumption experience.
- The second approach emphasizes the perceptual, evaluative and psychological process that contributes to satisfaction.

Although different approaches of defining customer satisfaction may be found in the literature, the most popular of them are based on the fulfillment of customer expectations. As, Gerson (1993), Hill (1996), Oliver (1997), and Vavra (1997) (Grigoroudis & Siskos 2010) mentioned, satisfaction is a standard of how the offered "total" product or service fulfills customer expectations.

Approach	Definition	Author
Satisfaction as an outcome	The buyer's cognitive state of being adequately o inadequately rewarded for the sacrifices h has undergone	Howard and Sheth (1969)
	An emotional response to the experience provided by, (or associated with) particular products or services purchased, retail outlets, or even molar patterns of behavior, as well as the overall marketplace	Westbook and Reilly (1983)
	An outcome of purchase and use resulting from the buyer's comparison of the rewards and the costs of	Churchill and Suprenant (1982)

	the purchase in relation to the anticipated consequences	
Satisfaction as a process	An evaluation rendered that the experience was at least as good as it was supposed to be	Hunt (1977)
	An evaluation that the chosen alternative is consistent with prior belief's with respect to that alternative	Engel and Blackwell (1982)
	The consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after this consumption	Tse and Wilton (1988)

Table 3: Definitions of Customer Satisfaction (Grigoroudis & Siskos 2010).

3.2 Importance of Customer satisfaction

Market-driven business organizations place special emphasis on customer satisfaction. Edosomwan (1993) in (Grigoroudis & Siskos 2010) defines these organizations as follows:

"…A customer- and market-driven enterprise is one that I committed to provide excellent uality and competitive products and services to satisfy the needs and wants of customer in a well-defined market segment…Such an enterprise analyze its market capabilities and provides products and services to satisfy market needs. It considers its customers as the final judges who determine product and service satisfaction level, delivery, price and performance…".
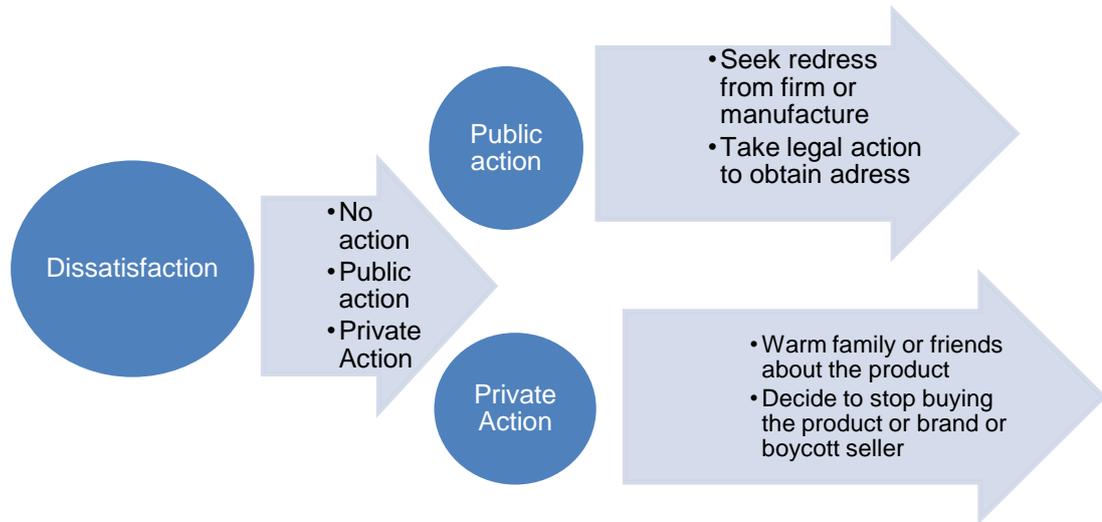
Figure 2: dissatisfied customers complaint behavior (Day and Landon, 1977) in (Grigoroudis & Siskos 2010).

4 Customer Satisfaction Measurement

4.1 Definition of Customer Satisfaction Measurement

The measurement of customer satisfaction has emerged within the field of Total Quality Management (TQM) although it has been explored by several researchers and theorists from other scientific areas (e.g. marketing). The TQM School formalizes customer satisfaction as a quality component, as appearing in the major quality awards, emphasizing on the exploitation of customer satisfaction data within a business organization (Grigoroudis & Siskos 2010).

Nowadays, the increasing interest in customer satisfaction is closely related to the quality revolution that started in the early 1980s. The TQM researchers realized that the quality improvement of products and services could not only rely on the internal metrics and standards of the business organizations, but it had also to be combined with customer information and feedback. Moreover, the quality should be manifested in ways relevant and perceptible to the total set of customers. (Grigoroudis & Siskos 2010.)

Generally, the TQM School studies the problem of customer satisfaction measurement from the product or service quality viewpoint. In particular, customer satisfaction is considered as a necessary condition for offering high quality products or services. In the early 1970s, AT&T was the first company to introduce a market survey different from these that the other companies used to conduct. This survey was called SAM (Satisfaction Attitude Measurement) and it was a satisfaction mail survey addressed only to customers that had used the technical assistance services of AT&T. Given the success of this effort, it was decided to expand the market survey to the total set of organization's customers, taking the form of a telephone survey (TELSAM), so as to be integrated into the permanent customer satisfaction measurement program of AT&T. (Grigoroudis & Siskos 2010.)

During 1960-1980, customer satisfaction measurement was initially considered as a problem of consumer behavioral analysis. The most important effort from this perspective was the following (Grigoroudis & Siskos 2010):

Cardozo: The Cardozo model (1965) in (Gerson 1993) is one of the first research efforts in the area of customer satisfaction measurement. This approach is based on some if the major theories of social psychology, aiming at understanding the impact of satisfaction to future customer purchase behavior. In particular, the model combines Helson's "contrast effect" and the Festinger's theory of cognitive dissonance. The adaptation level theory provides a conceptual framework, for understanding how consumers form product quality expectations, suggesting that the perceptual judgment of a person to incoming information depends on the individual's current expectation level. The work of Helson (1964) on adaptation level theory, proposes that stimuli, resulting in a displacement of the adaptation level may also change and individual's perception of other information in the series (i.e. a "contrast effect"). On the other hand, the theory of cognitive dissonance can account for the psychological consequences of disconfirmed expectations, since it proposes that people have a motivational drive to reduce dissonance by changing their attitude, beliefs and behaviors (Grigoroudis & Siskos 2010).

4.2 Advantages of Customer Satisfaction Measurement Programs

The most important advantages of a customer satisfaction measurement survey may be summarized in the following (Grigoroudis & Siskov 2010):

- Customer satisfaction measurement programs improve the communication with the total clientele, provided that they constitute continuous and systematic efforts of the business organization.
- Business organizations may examine whether the provided services fulfill customer expectations. Furthermore, it is possible to examine whether new actions, effort, and programs have any impact on the organizations' clientele.
- The critical satisfaction dimensions, which should be improved, are identified, as well as the ways through which this improvement may be achieved.
- The most important strengths and weakness of the business organization against competition are determined, based on customer perceptions and judgments.
- The personnel of the business organization is motivated to increase its productivity given that all improvement efforts, regarding the offered services, are evaluated by the customers themselves.
- It also should be mentioned that although customer satisfaction I a necessary but not a sufficient condition for the financial viability, several researches have shown that there is a significant correlation among satisfaction level, customer loyalty and profitability.

5 Empirical Research

5.1 Introduction to the Case Company X

Company X has been working in the retail market since 2003, and offers its customers a wide range of different products. The superarket has its own brands which are produced exclusively for the company. By itself, the company is an authorized retailer in Finland for the few well-known trademarks. The company sells quality products which are produced by, or for the Finnish X Trade Company, according to the standards of the EU and Finland. All production guarantees the good level quality for its customers.

In an increasingly growing and competitive market, the company is represented as one of the cheapest stores in Finland, and provides its customers with high standards of quality and service.

The store is mostly known with its wide choice of goods, its technical qualities and functionality.

5.2 Research Methodology

The aim of thesis is to gather information among company X's customers about customer satisfaction, service quality, production and its quality.

The customer satisfaction research was implemented by using qualitative research. The questionnaires were handed out to the customers of the market.

The questionnaire included a mix of structured and open questions. This helped customers to spend less time to choose the suitable option.

The aim of the survey was to find out customers' general opinion about the company.

5.3 Customer Satisfaction Direct Measurement and Research process

According to Caddote & Turgeon (1988) and Woodruff & Gardial (1996) the satisfaction measurement systems can generally segregate into the following categories according to the source of the available information (Mattson 2009).

Direct measurement system, based on data coming directly from the set of customers, like customer satisfaction surveys, customer complaint systems, personal interviews, etc. There are several types of direct customer satisfaction measurement systems, each providing the analysis of the particular problem from a different perspective. Individual companies have developed their own procedures and standards for measuring customer satisfaction that fit to their structure and operations. After working in the company more than a year, and having a good knowledge of what the main group of customers is who prefer to shop in the market, it was decided to do the next approach (Mattson 2009):

- define the objectives
- develop the research design
- identify the attributes
- design the questionnaire
- design the sampling plan
- gather data
- analyze the data
- use the data for thesis empirical part

Any customer satisfaction measurement process has the ability to collect qualitative data regarding customer perceptions, something that is not possible using the mechanisms of a classic market survey of Naumann (1995) & Giel (1995) (Mattson 2009). This was, the process gives the ability to identify or formulate specific improvement actions. The goal is not to conduct a survey or to achieve a predetermined score on the results, but rather to satisfy customers, which are the most important element of the process (Mattson 2009).

Defining the problem is the most important step in marketing research, since only when the problem has been clearly and accurately identified can a research project be conducted properly and gives useful data as result (Mattson 2009).

Defining the problem determines the entire project. Regardless of how well a research plan is designed and carried out, if the problem is not correctly identified, the findings could be misleading (Mattson 2009).

When designing a survey study, it is important to check the quality of the questionnaire. It is always necessary to ask yourself and other people whether the concepts you want to measure are really measured by the way the questions are formulated. It is also necessary to control for the correctness of all routings in the questionnaire (Saris & Gallhofer 2007, 17).

After corrections in the questionnaire, it would be a benefit to test a new version again, and only after these activities, it will be suitable for the survey to begin.

The questionnaire has been designed to make customers feel free to think, easy to operate among answers and be accurate. The questionnaire includes questions related to the service quality, customer satisfaction and open general question.

5.4 Sampling Strategy

A sample is a subset of the population that should represent the entire group. Sampling is simply stated as selecting a portion of the population, in your research area, which will be a representation of the whole population. The strategy is the plan you set forth to be sure that the sample you use in your research study represents the population from which you drew your sample (Landreneau 2013).

Before combining the example of the questionnaire, it was necessary to form questions which would give direct answers on the main research questions. Study also requires certain group of people, and there were no any challenge, as all the customers of the market were suitable.

5.5 Validity and Reliability

Validity

Validity is concerned with whether the findings are really about what they appear to be about.

It is possible to study the opinions that customers have about the quality of a particular product manufactured by a particular organization. However, if the

research is conducted shortly after a major product recall this may have a dramatic, and quite misleading, effect on the findings (Saunders et al. 2009).

Validity is divided into four types (Saunders et al. 2009):

- Conclusion validity (is the degree to which conclusions we reach about relationships in our data are reasonable.).
- Internal validity (is the approximate truth about inferences regarding cause-effect or causal relationship.).
- Construct validity (refers to the degree to which inferences can legitimately be made from the operationalizations in the study to the theoretical constructs on which those operationalizations were based.).
- External validity (refers to the approximate truth of conclusions the involve generalizations.).

Validity level of this research appears to be high, as it was collected according to the main key words.

Reliability

Reliability refers to the extent to which data collection techniques or analysis procedures will yield consistent findings. It can be assessed by posing the following three questions (Saunders et al. 2009, 156) :

- Will the measure yield the same result on the occasions?
- Will similar observations be reached by other observes?
- Is there transparency in how sense was made from the raw data?

In this research it is freely possible to find answers which match the questions related to reliability. While writing the theis, the author was trying not to deviate from the main research questions.

6   Data Analysis

The research was conducted in July 2013 and was answered by the customers of retail Market X. The questionnaires were handed out in the market and sent via e-mail.140 customers answered the survey. As tourists who travel to Finland by bus usually visit our store, employees of the company and tour guides mostly know each other. It was easy to rely on their help to spread questionnaires among tourists in the buses and then return papers in a few weeks later. The example of the survey is enclosed at the end of the thesis.

6.1   Number of respondents

Service quality and customer satisfaction survey was handed out to the customers of the market. The amount of female and male respondents is unequal, as most of the leading customers in the market are woman. Thus, only 20 % among all of the respondents are males, the rest 80% belongs to females. The reason for this gap might be that females, usually, are the main who answer for the shopping process in the family. Most of males refused to answer the questionnaire, because of the high demotivation and lack of interest in handing out the survey.
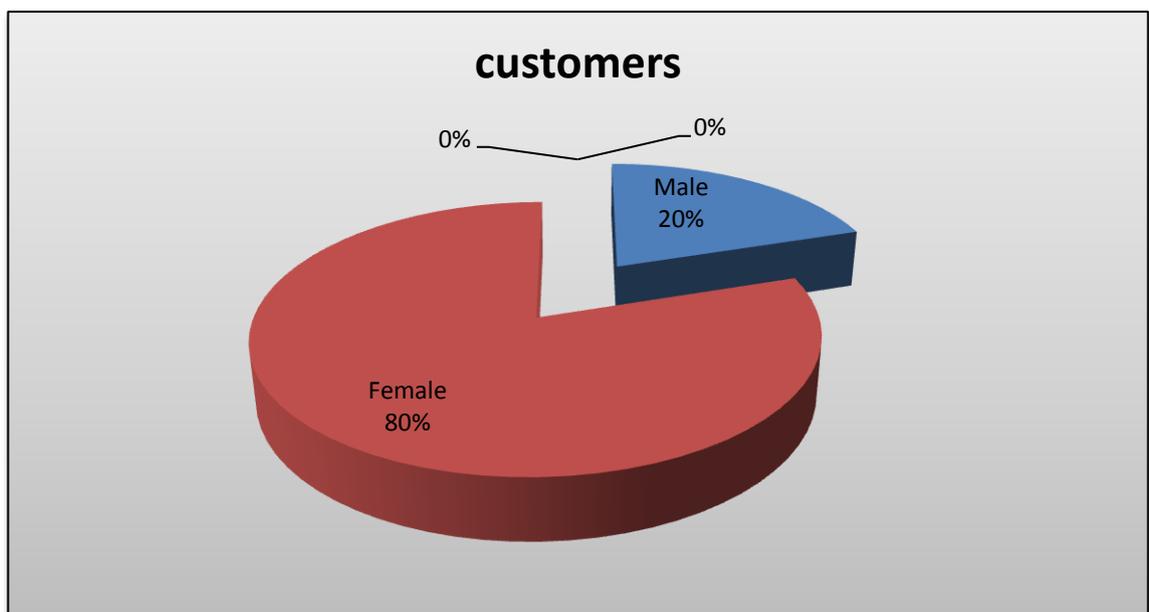
Figure 3: The number of Respondents in the Store

6.2   Age Bracket

The survey was conducted among the customers who were at leat 18 years old. The question about respondent's age was asked to understand the customer. The largest group is between 34-41 years and the smallest group is 'Other', which is related to the age of people who are over 57 years old. The age of re-spondents is very important, as company's sales mostly depend on the largest group of customer. Young customers are also important, because they spend money for themselves.
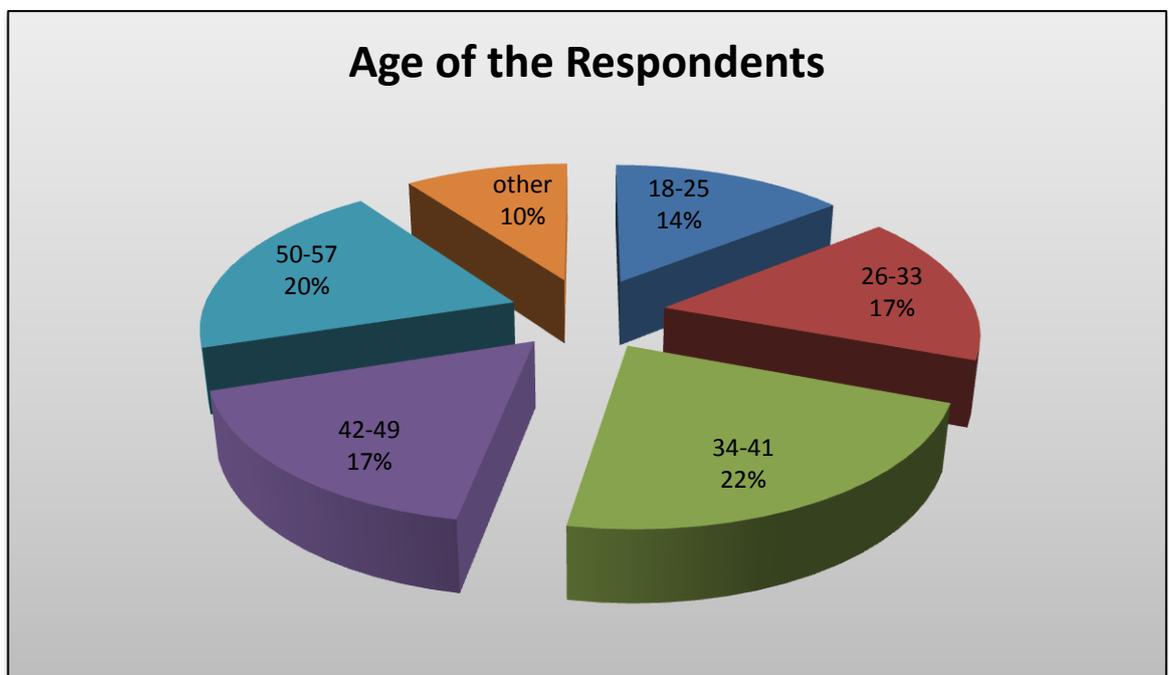

Figure 4: Age Bracket of the Respondents

6.3   Service Quality

Employee Effectiveness

Conducting an employee effectiveness survey helps business leaders find out what is preventing people doing their jobs. Furthermore, the data can help or-ganizations focus precisely where changes need to be made in order to have the biggest impact on individual and business performance.

It is very important to know the quality of help that employees provided to their customers. As shown in fig.5, the largest amount of respondents agreed that they receive qualitative support from the employees in case if they have any questions related to the assortment. The second largest part of the respondents answered that most of the time employees are ready to help in occurred issues. However, the amount of respondents who answered 'never' is six times bigger than those who answered "almost never". According to the results, employees of the company provide customers with the help and information as much as they are able to.
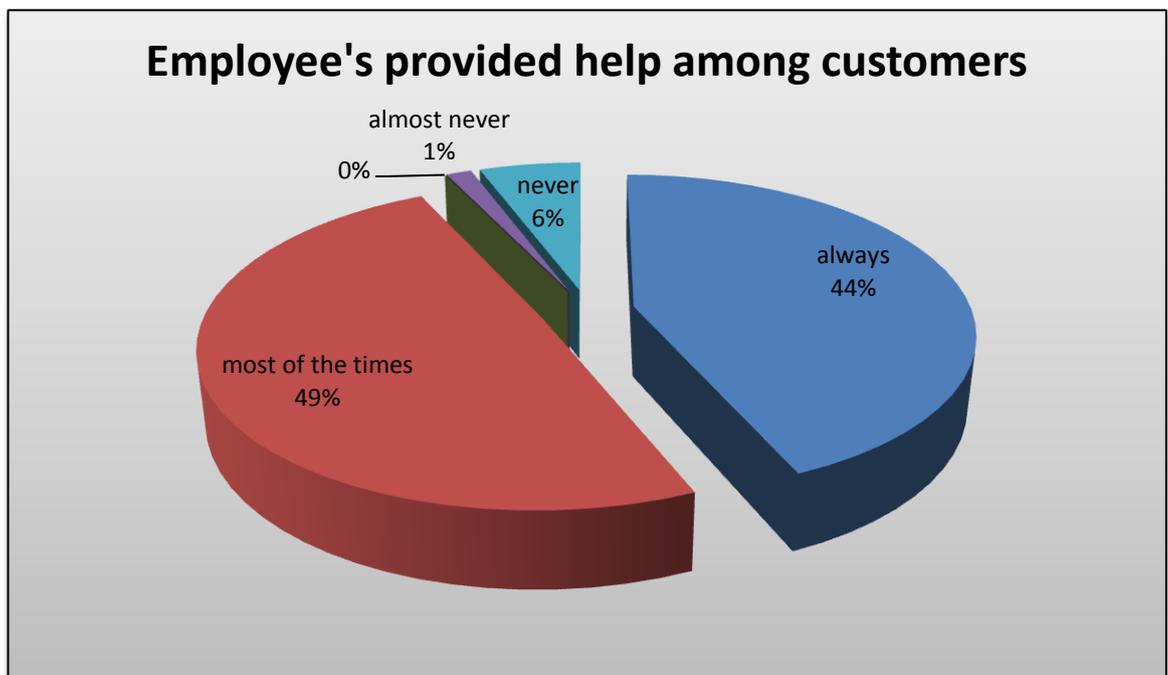
Figure 5: Employee's provided help among customers

6.4 Check-out procedure

This part contains information about how quick the check-out procedure in the market is.

The checkout process is a very important part of the sale and mostly depends on the cashiers. The quicker the line moves the more people can and will buy and the more satisfied they will be.

As shown in fig.6, the biggest part of the respondents is mostly satisfied with the check-out procedure in the store. Zero number of respondents answered that they are not satisfied with the check-out procedure, what shows the high quality of work performed by employees. The number of customers which get through the market's check-out line every day is very big, the queues can be very long, especially during the weekends, and this is why the dissatisfaction with the procedure can be explained by the high dependence on the queue lines.

Customer satisfaction with the check-out procedure

Depends on the queue 29%

Not satisfied 0%

0%

Absolutely satisfied 22%

Satisfied most of the times 49%
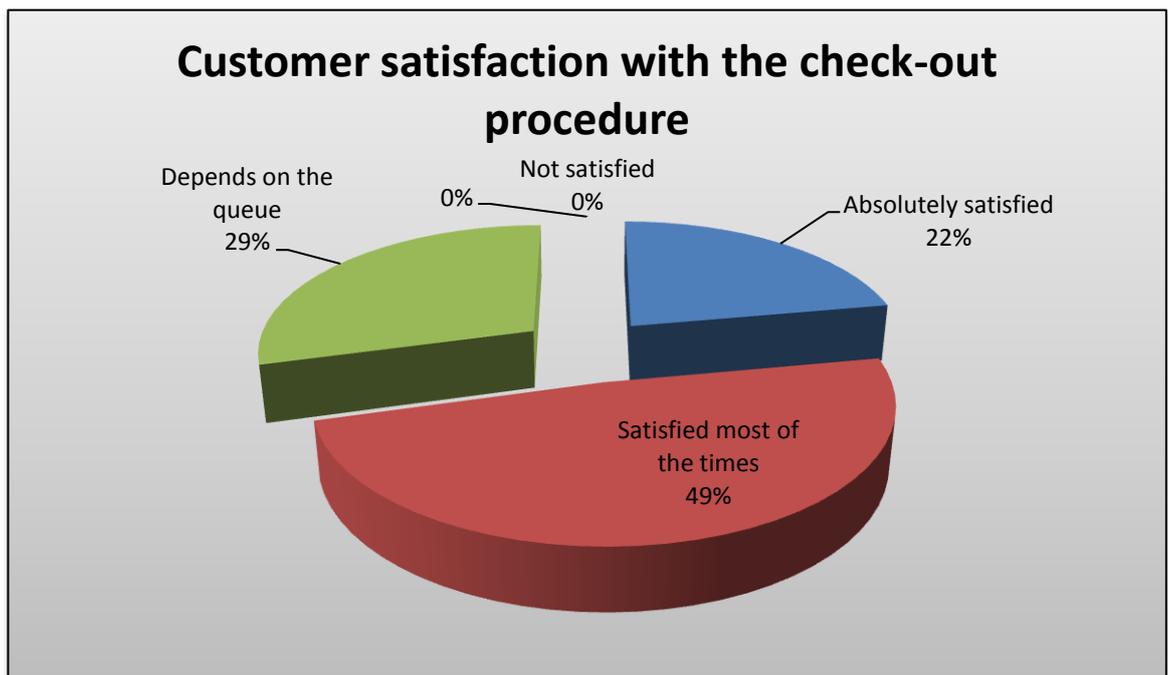
Figure 6: Customer satisfaction with the check-out procedure

6.5 Invoice and Tax free information

Company X offers its customers possibility to get a personal card, which allows getting discount after buying with the certain amount of money. This bonus appears every third month and it can be withdrawn at any time when the customer needs. However, the main value of this card is affordance to the customers to receive Invoice and Tax Free receipts. All important information about how to obtain Invoice and Tax free is placed on each check-out desk in the market. According to the pie chart, 56 % of respondents confirm that information about obtaining Invoice and Tax free is quite available and straightforward for the customers. 37 % of respondents answered that information is clearly available. On-

ly 2 % answered that information is not available and not straightforward. Poor information about Tax Free and Invoice can be explained with the fact that customers usually never read written information which is placed in the market, and as for the employees, it is quite complicated to explain detailed procedure of obtaining Tax Free and Invoice more than one or two times, while performing their main duties during the working process.
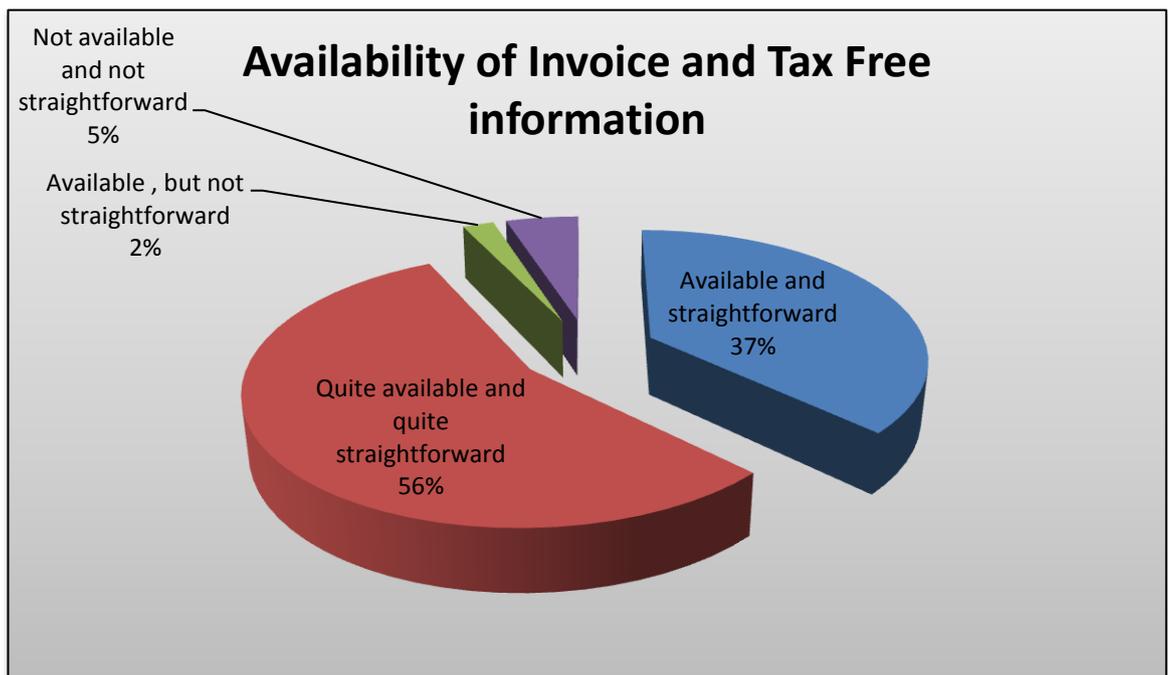

Figure 7: Availability of Invoice and Tax free information

6.6 Service expectations in occurred issues related to the returned or damaged goods and rejected Invoice receipts

The most common customer service situation is when the is client seeking help. It is extremely important to get customer service interaction right away. As the market offers varieties of goods, it is obvious that employees face appreciable quantity of issues related to the returned or damaged goods and invoice receipts with declined stamps. Actively listening to the customer, treating them in a friendly manner and being able to offer pertinent service or advice is mandatory. Only 42 out of 140 respondents mentioned in questionnaires that they have met such problems in the market. According to the chart, 59 % of respondents are satisfied with offered support from employees in occurred problems, 31 %

consider employee's effectiveness very helpful. Mostly, customers suggest that they are not provided with help in line with expectations, but there are such a big amount of cases, when employees are not able to decide occurred problem related to damaged goods and invoices. All rules are written and placed on each check-out desk and explained detailed by the cashier. In case, if the customer breaks the rules and tries to accuse employee in certain mistake, it is easy to find out what was the reason of rejected invoices. The customs office put the red stamp with explanations on receipt if it is rejected.
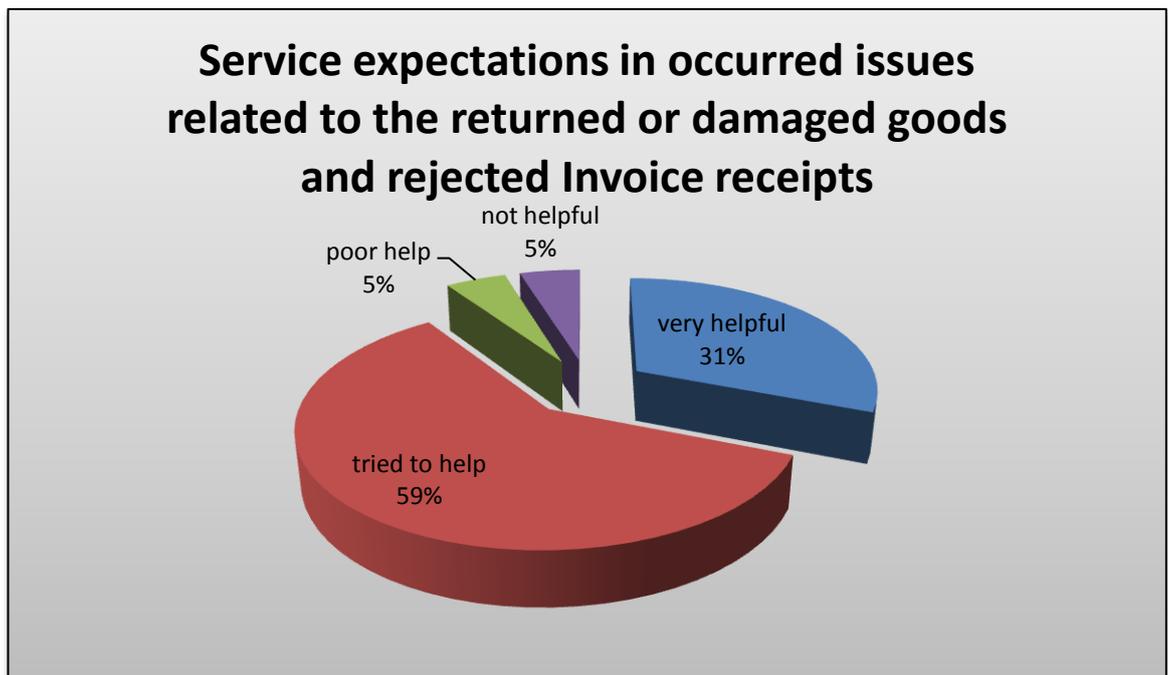
Figure 8: Service expectations in occurred issues related to the returned or damaged goods and rejected Invoice receipts

6.7   Product Quality

Customers have high expectations of the products. Market X is well known for its fair prices according to its product quality. It stands to reason that it is impossible to meet each customer's needs, especially when they have a wide selection among other stores and supermarkets. The most important is to maintain the generally accepted level of quality standards. In the result, answers are strongly divided into two large and one small category. A little bit more than half of the customers discern no quality difference between products in Market X and other stores and supermarkets, 35 % evaluate company's products as a

high level. Only 7 % of all respondents answered that the quality is not so good in comparing with other supermarkets, what means an excellent result for a company with exceeding flow of customers. The company's quality is a key differentiating factor for investors and brokers when selecting a trading venue. It leads to the idea that if the customers think that the quality is the same as in other markets, then the company is sustainable on the market.

Figure 9: How customers evaluate the quality of Company X in comparison with other markets

6.8   Image of the service quality

Service expertise is very important for business to be successful. Products can be bought also elsewhere, but if the customer feels important and will get high quality customer service, he will also return to the store (Mattsson 2009).

The survey gives very good result. The bigger amount of respondents is quite satisfied with the service quality in the market. Service quality satisfaction level includes product quality, employees' effectiveness and service expectation in total, and in general it means that on 60% customers are satisfied with the quality level.

Figure 10: Service Quality satisfaction level

6.9 Image of the Company

The positive image of a company gives it a great benefit when the customer is looking for a new service.

In the present environment of increased competition with rapid market entry of new store concepts and formats, the managerial challenge of increasing store loyalty also presents the research challenge of a more in-depth understanding and an empirical estimation of this important type of consumer behavior. There is some evidence that store loyalty may be positively related to the store image. (Bloemer 1007.)

As the fig.11 shows, 55% of the customers like the image of the market, its location and how it operates. None of respondents dislike the company's image. It is very important to know that customers prefer to visit the market not only because it sells cheaper goods, but also because they like to be there, feel comfortable on the territory of the market and agree with the fact that the company takes care of its image.
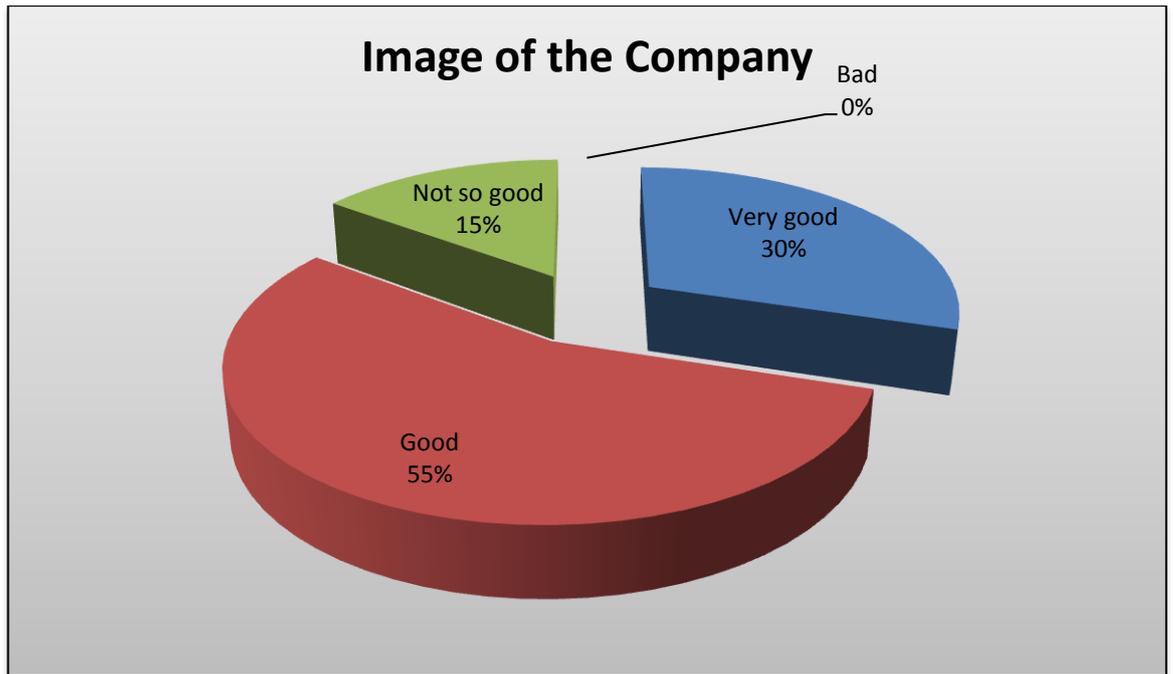
Figure 11: Image of the Market

6.10 Product assortment in the Market

Assortment Strategy

The number and type of products displayed by retailers for purchase by con-sumers, is assortment strategy of a company. The two major components of an assortment strategy are the depth of products offered (how many variations of a particular product a store carries), and the width of the product variety (how many different types of products a store carries) (Investopedia 2013).

According to the pie chart, results give us 56% of satisfied customers and only 2% of non- satisfied. 26% of respondents are very satisfied with the assortment in the market, which means that the Company X carries a large number of dif-ferent products. The main target of each company is to get the high demand among customers, and to keep it on the same level further. The Company X has its own products which are very popular, but it requires changing the as-sortment from time to time to attract more consumers. The company provides a big variety of different products, this is why the satisfaction level is quite high.

Customer Satisfaction with product assortment

not satisfied
2%

not very satisfied
16%

very satisfied
26%

satisfied
56%
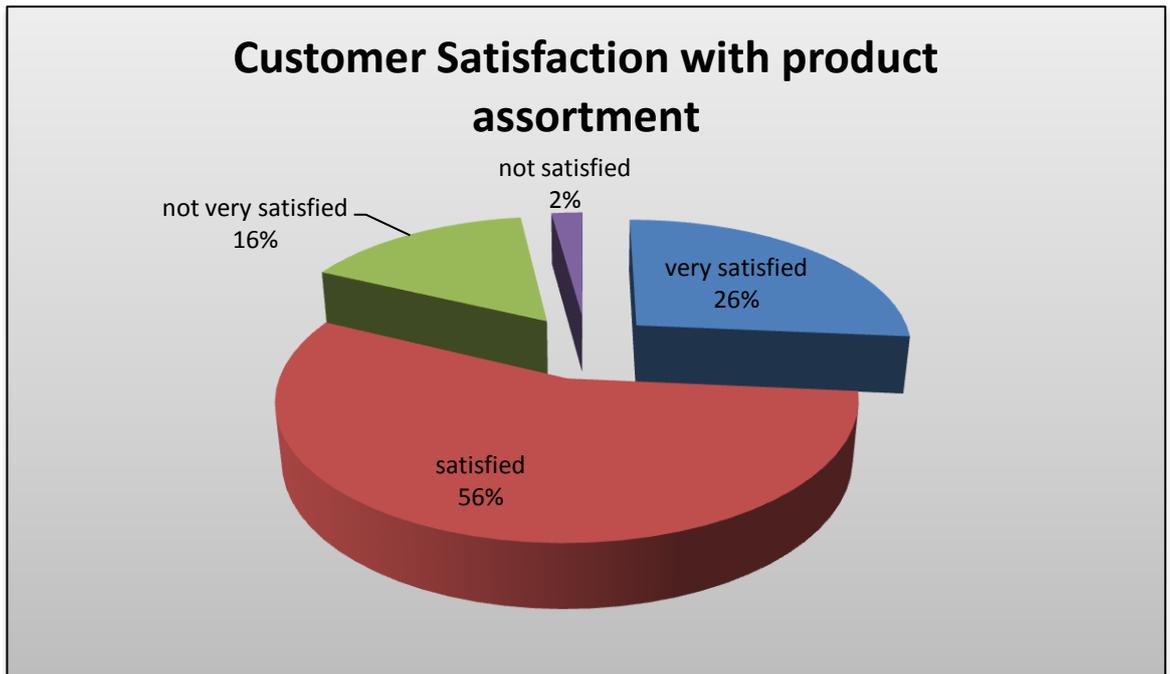
Figure 12: Customer Satisfaction with product assortment

6.11 Loyalty

One of the questions in the survey was related to the level of probability if customers might advise to visit the market to their friends or family. As the author works in the company, it was noticed how many customers the market serves every day. The results are not surprisingly very high, because 64% of respondents would recommend the market to their friends and relatives. Another 34 % will probably mention the market in a list of recommended retail places to go, and only 2% of respondents will not advise to visit the market to anyone. As the market is very popular among Russian tourists, it is very necessary to keep positive reputation, because being recommended among friends and relatives is the best advertisement.
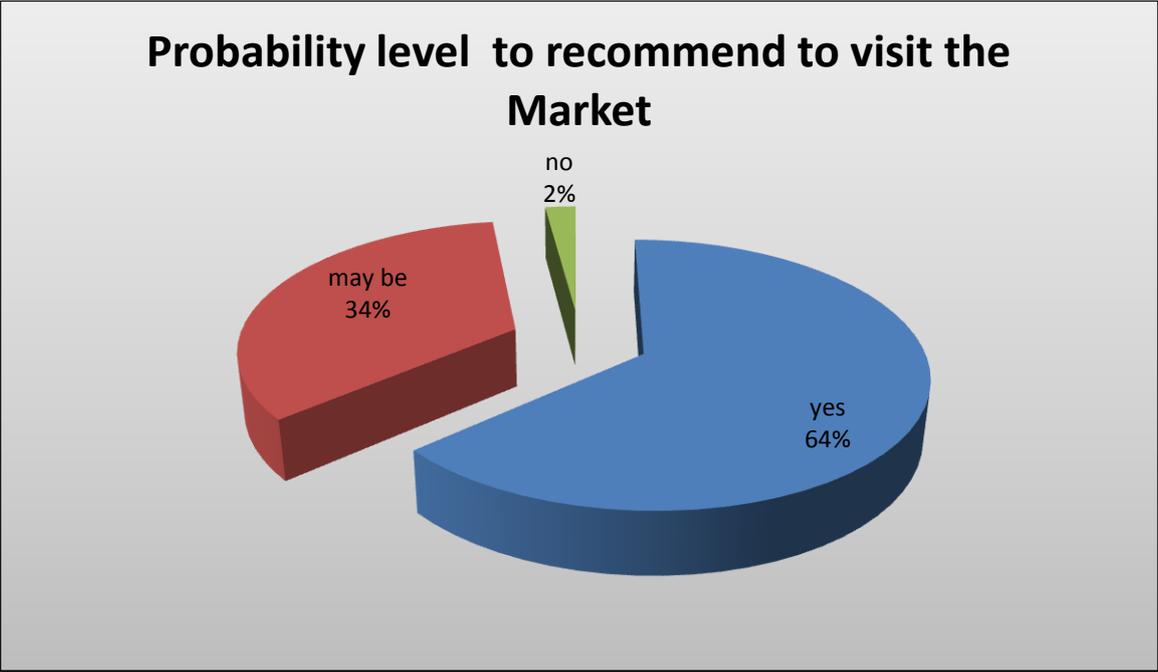
Figure 13: Probability level to recommend to visit the Market

Card Holders

The survey did not include the section about number of card holders of the company. Seven days of each day of the week between April-August 2013 were selected to calculate the average number of card holders. Among 1666 customers, 674 are card holders and the rest 992 do not have the card. Approximately 70-98 of new cards are made for the customers every day. The company has been existing already many years, but its enlargement few years ago is a great benefit as it makes customers want to become card holders.
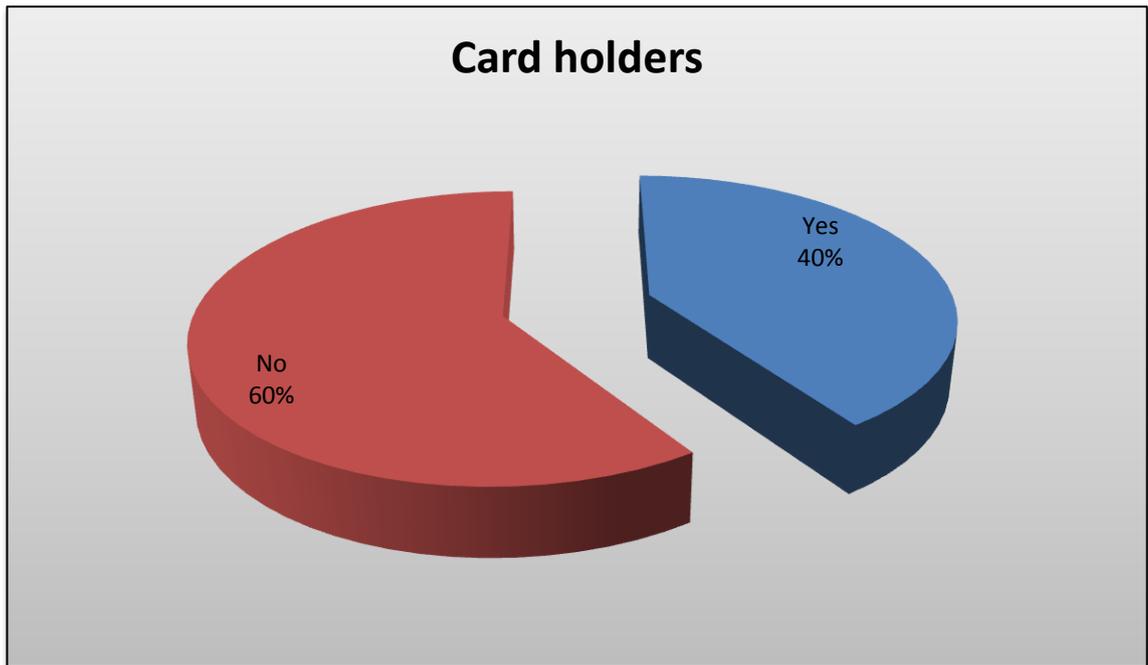
Figure 14: Card holders

At the end of the questionnaire respondents had an opportunity to leave any comments. These are the examples:

Complaints:

- Narrow choice of assortment among food products

Advice:

- More check out desks
- Products for kids
- Translate all price descriptions into Russian language
- More card bonuses
- More dairy products, and food for pets
- One check-out desk only for Invoice receipt returns
- More clothes
- Make the market space wider
- Everything is perfect, do not change anything

Like any other companies, the company has some failures in selling some goods, which are unpopular. It is essential to experience with the products and to analyze the results.

The market has 14 check-out desks, and most of the time not all of them are open. Probably, those respondents who argue that the company needs to open more check-out desks visited the market during the rush-hour. Company also experienced in selling products for kids, pets and more clothes, but it turned out unprofitable. There are few other reasonable advises, which might be taken on the examination.

7   Conclusion

7.1   Summary of the Findings

Customer satisfaction is simply a convenient phrase to describe the attitudes and   feelings that customers hold about an organization. Customer satisfaction and loyalty behaviors are a lead indicator of future organizational performance.

Many organizations have failed to use the information generated by the customer surveys to improve satisfaction. This is not because customer satisfaction surveys do not work but because many are based on flawed methods.

As there were no previous researches handled in the Company X, it was a complexity to manage with what kind of research method should be applied. As employee of the company, the author meets service and customer satisfaction issues every working day, and was given many recommendations and varieties of choices how to organize the survey. The easiest way was to give direct questions to receive direct answers. The amount of respondents who took part in the survey, in comparing with the amount of daily market's customers, is sufficiently small, but the results are so unambiguous that more respondents were not needed. All opinions strongly divide into categories, which relate to the positive side in every section of the questionnaire.

7.2   Discussions and Recommendations

The present study investigates how service quality influence on customer satisfaction and how customers define quality. The results of the survey are recommended to observe if the company needs to change or to improve its strategies and. It gives not only information for the company's possible operations, but it shows a perfect example of service quality from the customer's point of view.

Since customers' loyalty behaviors are driven by their attitudes, loyalty must be managed through satisfaction rather than directly, emphasizing the importance of producing actionable outcomes from customer satisfaction surveys.

Even with accurate and actionable information from surveys, it is extremely difficult to improve customer satisfaction. Many organizations attempt to achieve it

on the cheap, forcing the managers be responsible for quick winds rather than getting the target by not doing what matters for most customers.

In the future, the study for the Company X could be carried so that all markets of the company would take part in the survey. Also the questionnaire could include other details and questions, and pay more attention to get the specific information which will be the most important.

List of References

Bloemer, J.1007 On the relationship between store image, store satisfaction and store loyalty .http://arno.unimaas.nl/show.cgi?fid=3126. Accessed on 11 September 2013

Definition of"Assortment Strategy" 2013.
http://www.investopedia.com/terms/a/assortment-strategy.asp. Accessed on 15 August 2013

Gerson, R. 1993. Measuring Customer satisfaction: A guide to managing quality service. Boston, United States of America: Course technology crisp.

Grigoroudis, E., Siskos Y. 2010. Customer Satisfaction Evaluation: Methods for Measuring and Implementing Service Quality. Technical University of Crete.

Grönroos, C. 2005. Service Management and Marketing. A customer relationship management approach. Swedish School of Economics and Business Administration.

Hill, N., Roche, G. and Allen, R. 2007. Customer Satisfaction.The customer experience through the customer's eyes. London,United Kingdom,Cogent Publishing Ltd.

Investopedia. http://www.investopedia.com/terms/a/assortment-strategy.asp.

Accessed on 12 June

http://www.haygroup.com/ww/services/index.aspx?id=11. Accessed on 12 June 2013

Karatepe, M. 2013. Service Quality, Customer Satisfaction and Loyalty: The Moderating Role of gender.http://www.questia.com/library/1G1-267133418/service-quality-customer-satisfaction-and-loyalty. Accessed on 28 August 2013

Landreneau ,J. 2013. Sampling Strategies.
http://www.natco1.org/research/files/SamplingStrategies.pdf. Accessed on 28 August 2013

Malla, K. 2012. Service Quality and Customer Satisfaction at ISS Facility Service Company. Jyväskylä University of Applied Science. Unit of Facility Management in Tourism. (cleaning service). Bachelor's Thesis.
http://publications.theseus.fi/bitstream/handle/10024/46289/Malla_Kalyan.pdf?sequence=1.Accessed on 12 September 2013

Mattson, K. 2009. Customer Satisfaction in Retail Market. Vaasa University of Applied Science. Unit of Business Administration. Bachelor's Thesis.
http://publications.theseus.fi/bitstream/handle/10024/6350/Mattsson_Katriina.pdf?sequence=1. Accessed on 25 May 2013

http://publications.theseus.fi/bitstream/handle/10024/46289/Malla_Kalyan.pdf?sequence=1.Accessed on 12 September 2013

Mukhopadhyay P. 2008 .Theory and Methods of Survey Sampling, 2nd Ed.

Richard, A. 2003. Research Questions. United Kingdom.

Ronzina, M. 2010. Standards of customer service as a part of the corporate culture of the organization.
http://pda.tr200.biz/referat_menedjment/?referat=83192&page=1. Accessed on July 15 2013

Saris E., Gallhofer N .2007. Design, Evaluation, and Analysis of Questionnaires for Survey Research. Barcelona University of Ramon Llull.

Saunders, M., Lewis, F.,Tornhill, A. 2009. Research Methods for business students. Pearson publications.

Schneider, B., White, S. 2004. Service Quality: Research prospects

Figures

Charts

Tables

Appendix

Dear Respondent, Company X is handling the survey among the customers related to the Service Quality, Customer Satisfaction and assortment of the Market. We will appreciate, if you fill in this questionnaire. It will not take much of Your time. Your answers are very important to us. The results will be used in generalized view. Thank you!

Gender:

- Male
- Female

Age bracket:

- 18-25
- 26-33
- 34-41
- 42-49
- 50-57

How well do employees provide help to customers?

- Always
- Most of the time
- Almost never
- Never

Are you satisfied with the quickness of the check-out procedure?

- Absolutely satisfied
- Satisfied most of the times
- Depends on the queue

Is the information about Invoice and Tax Free available and straightforward?

- Available and straightforward
- Quite available and quite straightforward
- Available, but not straightforward
- Not available and not straightforward

If you have ever met any problems related to the returned or damaged goods and rejected invoice receipts, what was the level of the service expectations?

- Very helpful
- Tried to help
- Poor help
- Not helpful

How do you evaluate the quality of our Market in comparison with other retail places?

- Better
- The same
- Less well

In general, are you satisfied with the service in the market?

- Satisfied
- Quite satisfied
- Satisfied, but not much
- Not satisfied

How do you like the image of our market?

- Very good
- Good
- Not so good
- Bad

Are you satisfied with the assortment in the market?

- Very satisfied
- Satisfied
- Not very satisfied
- Not satisfied

Would you advise our market to visit to among Your friends and relatives?

- Yes
- Maybe
- No

Your comments and wishes about service quality, customer satisfaction and assortment improvement?