



Munich Personal RePEc Archive

Analysis of customer satisfaction in services industry: A case study of private universities in Karachi, Pakistan

Waseem, S. Nazneen and Chhapra, Imran Umer and Bhutto, Shumaila

Dadabhoy Institute of Higher Education, KASBIT, Institute of Business and Technology (IBT)

2 January 2014

Online at <https://mpra.ub.uni-muenchen.de/52762/>

MPRA Paper No. 52762, posted 11 Jan 2014 11:28 UTC



Analysis of Customer Satisfaction in Services Industry: A Case Study of Private Universities in Karachi, Pakistan

S. Nazneen Waseem*; Imran Umer Chhapra**; Shumaila Bhutto***

**Assistant Professor,
Business Administration,
Karachi, Pakistan.*

***Department of Management Sciences,
KASB Institute of Technology (KASBIT),
Karachi, Pakistan.*

****Institute of Business and Technology (IBT),
Karachi, Pakistan.*

Abstract

The purpose of this study is to analyze which factors have influence on the satisfaction of customers in service sector which can ultimately affects organization's profitability. This study attempts to examine the relationship between students' satisfaction and others variables such as service quality, empathy and customer relationship management. The investigation is conducted both from a theoretical and empirical point of view after conducting a pilot study, the instrument was administered to 100 under graduate and postgraduates who were selected based on random sampling from the four private universities of Karachi, Pakistan. The analysis started with descriptive analysis followed by regression, correlation and reliability analyses. The empirical results of the relationships in this study provide support for the Hishamuddin study (2008), which identified the factors contributing to the satisfaction of students. The results verify that service quality and empathy has significant impact on the students' satisfaction level, while female were found to be more satisfied. The outcomes of the study also showed positive relationship among all the three explanatory variables and dependent variable.

Keywords: Customer satisfaction, Empathy, Customer relationship Management, Service Quality, Higher Education.

Introduction

With the ever increasing growth of the service sector of the global economy, the importance for the service sector related studies and studies on innovation cannot be ignored. Services sector is biggest and highest growing sector in the world economy, service products distributed are responsible for a big share in total worlds' output, and providing employment opportunities in most of the developed countries. (Spohrer & Maglio, 2008). The growth of service sector has called the attention of researchers for examining consumer perceptions regarding service providers (Patrick, 2003). The services sector in Pakistan has provided steady support to the growth of economy with its share over the last few years raised to more than 50% of GDP (Ahmed and Ahsan, 2011). The service sector in Pakistan is highly diversified while consisting of four major sectors: distributive, producer, personal and social services. To increase understanding and measurement of the nature of services, two steps need to be carried out:

- Measuring the determinants of service quality
- To establish Measurable quality standards (Mudie, 1999).

Higher education plays a fundamental role in a society's and human resource development which ignites the importance of this service sector. The researchers in the study have selected the education sector to examine customer satisfaction in this service sector keeping in view the importance of this service industry. The chairman of HEC accepted that three challenges to higher education for its survival are access, relevance and quality, so in order to become an emerging or growing nation we need to defeat these problems. This highlights the importance of maintaining the education quality to maintain customer satisfaction which is in this case the students of universities (Bilal, 2012). As education serves as a milestone in the development of any nation it is important to analyze determinants of students' satisfaction in the education sector, the share of service sector to GDP increased from 39 percent in years 1960-61 to 53.3 percent in 2010-11, the social and community sector which includes education sector has also been increasing with the growth rate of 6.5%, being a good contributor to the growth of economy understanding the determinants of customer satisfaction and factors responsible for their dissatisfaction is important which can help in improving and streamlining the quality and contribution of education sector.

Research Hypothesis

H₁: There is significant relationship between empathy and students' satisfaction.

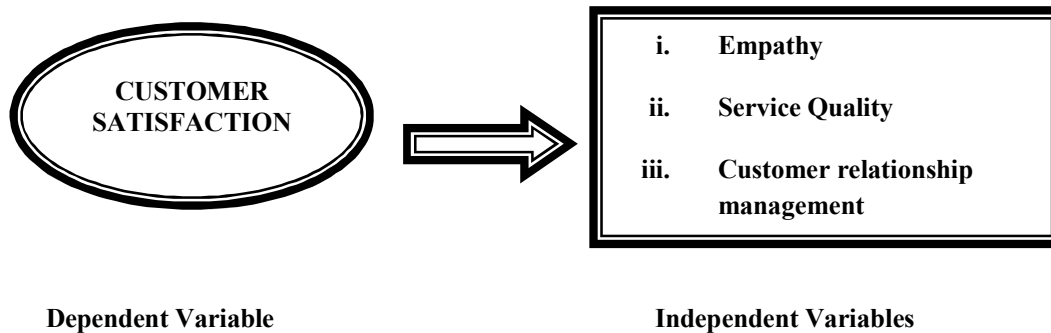
H₂: Providing quality education service does have an impact on the students' satisfaction.

H₃: Customer relationship management does affect students' satisfaction.

Theoretical Framework

After examining all the variables inducing customer satisfaction, the researchers have identified the following conceptual framework including the independent and dependent variables:

Figure 1: Image Showing the Theoretical Framework of the Study



Literature Review

A very important management strategy customer satisfaction has been studied and researched for over two decades and meanwhile other related concepts like customer loyalty, perceived service quality, and customer retention and customer relationship management has also able to attract the attention of researchers discussion. Oliver (1980) introduced the expectation-satisfaction consumer issues. The researchers in this study have identified customer service quality as a key source of competence and regarded as a key success factor in maintaining competitive advantage in service sector (Palmer, 2001). Some authors like McDougall emphasized that the two dimensions perceived value and service quality variables to be incorporated in customer satisfaction models to understand the determinants of customer satisfaction. In education sector the service provided is the education to students of universities, and the study is about students' satisfaction. Sanyal view for quality of education almost agrees with Monem (2010).

The relationship between quality of service and customer satisfaction has received researchers' great attention over the last few years. Sureshchandar investigated the link between quality of service and customers' satisfaction implying that the two are closely related and are positively correlated (Sureshchandar, 2002). Yet, there is another modern concept of customer delight, which is addressed as an extension of basic satisfaction provided. But the antecedents and consequences of customer delight have not been empirically explored. The paper by Oliver (1997) who worked first time on this behavior reveals that unexpected high levels of satisfaction leads to pleasure (a positive affect) which ultimately stimulates customer delight also supports the proposition that satisfaction acts in parallel with customer delight. Here the implications for managers' decision making include developing separate strategies to stir up customer satisfaction and delight in-service context. McDougall (2000) examines the justification for viewing higher education as a service provision with the student body as the customer, conducted investigation among the relationship between three elements – core service quality, relational service quality and perceived value – and customer satisfaction, measuring the student experience belonging from three undergraduate degrees, testing a modified version of the SERVQUAL instrument. Analysis of the results discovered higher average perception scores than the students' expectation scores on every dimension except tangibles affecting the customer satisfaction. One of the researches also suggests effects of increased customer satisfaction on dramatically improving the profitability (Hallowell,

1996). Kordupleski et al (1993) also theoretically identifies the importance of quality service provision and increased market share and claims that the good service quality leads to satisfied customers, spreading positive word of mouth, ultimately leading to higher market share. This also confirms that students are more likely to continue their enrollment in those educational institutions which met students' expectations for services quality.

Another variable identified by some of the researchers like Berry, Bolton, Morgan and Hunt was customer relationship management (CRM) as a key driver of customer satisfaction. CRM principles endow with a strategic focus for highlighting and finding sources of value for the customer and his satisfaction. Actually the process of CRM work at the customer–company interface and the companies often utilizes the information from the customers to produce and deliver innovative offerings to them (Berry 1983, Ruth & Bolton).

The researchers identified the long-run value of potential and current customers within service context and observe boost in earnings and shareholders wealth if marketing activities are directed towards maintaining and improving long lasting company-customer relationships (Berry, 1983, Morgan and Hunt, 1994). Vargo and Lusch (2004) also confirm in their researches that CRM principles aid organizations to foster a culture that creates value for the shareholders and the utility for customers. Payne A. 2012 in his handbook of CRM notes the rise of CRM activities, emphasized to focus on profitable customers and elaborates that due to the rising industry and competitive characteristics Customer Relationship Management is a holistic strategic approach to manage the customer relationships, creating satisfied customers and thus maximizing the shareholder value.

Table 1: Table Showing the Comparison of Value of Customers to the Firm with Value to Customers under this Study

	LOW Value to Customers	HIGH Value to Customers
HIGH Value of Customers	Vulnerable Customers	Star Customers
LOW Value of Customers	Lost Causes	Free Riders

Source: Gupta and Lehmann (2005), p.44

Keeping in view that every customer is not profitable equally; investments shall be made wisely based on the customers' profit potential, as illustrated in Table 1. Firms should work to get hold of customers in the upper-right quadrant and strip the customers in the lower-left quadrant.

Another variable identified through the review of existing literature as a relevant variable effecting the customer satisfaction in service industry was found Empathy, (Munusamy et al, Lawrence, Palmer, Rasli et al, Fitri). Empathy relates to carrying an individualized attention from the service company to the customer, but its empirical measurement has been proved difficult (Lawrence et al, 2004).

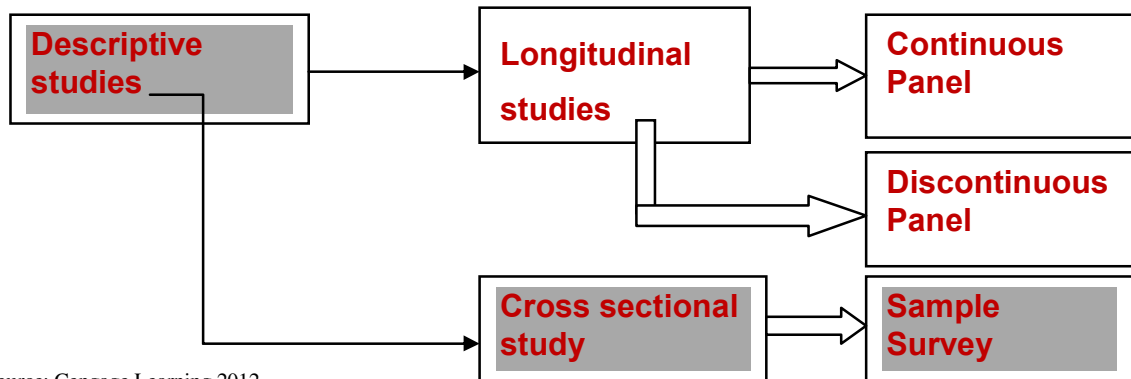
In hotel and restaurants business, car rentals, banking industry empathy has been viewed as the employees or business strength and source of customer satisfaction whereas in services like tour operations, transport services it is not exactly identified as strength of the business (Rafiq, 2005),

but in Hishamuddin (2008) study findings empathy and service quality within higher education sector are the two main core factors responsible mostly for the satisfaction of students.

Research Methodology

To explore the key factors or drivers of customer satisfaction in education context, field research was conducted; research design was descriptive but quantitative. The first hand data was collected from different private sector higher education universities of Karachi in a non-contrived setting. For primary data the mode of data collection used was questionnaires in order to analyze the correlation and regression effects between the dependent and independent variables. Questionnaires with close ended questions were designed and filled by n=100 students (of different undergraduate and graduate programs) which included the variables like Service Quality, Empathy, Customer Relationship Management and Customer Satisfaction. Data were gathered from randomly selected four universities out of 35 business schools in Karachi. Data analysis has been done by using the statistical software SPSS-19 and E-views 8 which helped in carrying out complicated data analysis, regression, correlation, descriptive statistics and also performed certain tests like Wald Test, detecting Autocorrelation etc.

Figure 2: Image Showing the Classification of Descriptive Studies of the Study



Source: Cengage Learning 2012

- The researchers have followed the shaded path for this research.

Conceptual Framework

Research Model

$$CS = \beta_1 + \beta_2 E + \beta_3 SQ + \beta_4 CRM + \varepsilon$$

Where;

CS = Customer Satisfaction

E = Empathy

SQ = Service Quality

CRM = Customer relationship Management

ε = the error term

Results

Among the respondents 52% were Male and most of the respondents belong to the age group of 18 to 28 Years. As per the findings it was observed that all of the data was negatively skewed implying that most of the scores of the variables tend to accumulate at higher scores of the scale whereas fewer scores occur toward the lower score of the scale. The results of ANOVA test showed the Value of $F=46.286$ which implies the overall model is significant and clearly acceptable.

Table 2: Table Showing the Regression Analysis under this Study

Dependent Variable: CS
Method: Least Squares
Date: 04/27/13 Time: 13:41
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.949167	0.239477	3.963506	0.0001
E	0.243233	0.087226	2.788527	0.0064
SQ	0.450324	0.081637	5.516167	0.0000
CRM	0.105645	0.077658	1.360383	0.1769
R-squared	0.589630	Mean dependent var		3.698500
Adjusted R-squared	0.576806	S.D. dependent var		0.729205
S.E. of regression	0.474372	Akaike info criterion		1.385530
Sum squared resid	21.60280	Schwarz criterion		1.489736
Log likelihood	-65.27648	F-statistic		45.97846
Durbin-Watson stat	1.914946	Prob(F-statistic)		0.000000

In the above model the value of R^2 is 0.589 or 58.9% which explains that 58.9% of the variance in customer satisfaction is explained through independent variables which are empathy, service quality and customer relationship management.

Table 3: Table Showing the Individual Significance Test (T-Test) under this Study

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.949167	0.239477		3.9635	0.0001
Empathy	0.243233	0.087226	.284	2.7885	0.0064
Service Quality	0.450324	0.081637	.459	5.5161	0.0000
Customer Relationship Management	0.105645	0.077658	.139	1.3604	0.1769

a. Dependent Variable: Customer satisfaction

Empathy the first independent variable and is significant, with the significance value of 0.0064 and $t = 2.788527$. This explains empathy has significant impact on the student's satisfaction level.

Service Quality is the second independent variable which is also significant and has the significance value 0.000 and t -value = 5.51612. This explains service quality has significant impact on the students' satisfaction level.

Equation of this relationship:

$$SMS = 0.949 + 0.45SQ \text{ where } SQ = \text{Service Quality}$$

Customer relationship management is the third independent variable and it is insignificant, with the significance value 0.1769 and t -value = 1.36. This explains customer relationship management does not have a significant impact on the students' satisfaction Level.

Equation of this relationship:

$$CS = 0.949 + 0.105CRM \text{ where } CRM = \text{Customer Relationship Management}$$

**Table 4: Table showing the Correlation Analysis under this Study
Correlations Matrix**

	CS	SQ	E	CRM
CS	1.000000	0.712163	0.655395	0.580212
SQ	0.712163	1.000000	0.619268	0.555744
E	0.655395	0.619268	1.000000	0.695286
CRM	0.580212	0.555744	0.695286	1.000000

On the basis of correlation matrix, service quality has the strongest relationship with customers satisfaction followed by empathy and then CRM. The $r = 0.655395$ which is clearly showing a positive and higher than moderate correlation between customer satisfaction and empathy. Correlation between service quality and customer satisfaction is stronger $r = 0.712163$ which is a positive relationship. On the other hand; correlation between customer relationship management and customer satisfaction is $r = 0.580212$ means a positive relationship between the two.

Multicollinearity

On the basis of detection methods; R^2 value, correlation matrix method and auxiliary regression equations method there was no multi-collinearity detected among the independent variables.

Table 5: Table showing the Wald Test under this Study

Test Statistic	Value	df	Probability
F-statistic	1.850642	(1, 96)	0.1769

On the basis of Restriction test, the third variable customer relationship management C(4) will not be dropped as the results are insignificant and will use the unrestricted regression equation model.

Table 6: Table showing the Autocorrelation under this Study

Breusch-Godfrey Serial Correlation LM Test:			
Obs*R-squared	3.438210	Probability	0.179226

As per the Durbin Watson value 1.92, and the results of BG/LM Test there was no autocorrelation detected as the results were insignificant with $p = 0.1792$.

**Table 7: Table Showing the Case wise Summary under this Study
Customer satisfaction**

Gender	Mean	N	Std. Deviation
MALE	3.6618	51	.74469
FEMALE	3.7181	47	.72909
Total	3.6888	98	.73399

The study findings also revealed that females' respondents were found to be more satisfied as compared to male respondents with the overall education services offered at higher education institute with less deviation in their opinions.

Customer Satisfaction

Age Group	Mean	N	Std. Deviation
18-28Years	3.7602	82	.65465
29-38 Years	3.4423	13	.85078
38 Years and Above	3.7083	2	.64818
Total	3.7165	97	.68430

The students belonging to the age group of 18-28 years were found to be more over all satisfied as compared to other age groups.

Reliability Test

Reliability test implies for consistency, the degree to which an instrument will give same results for the similar individuals at different times.

Following are the results of "α value" obtained by Split-Half reliability test of the variables:

Table 8: Table showing the Reliability Statistics under this Study

Cronbach's Alpha	Part 1	Value	.872
		N of Items	8 ^a
	Part 2	Value	.864
		N of Items	7 ^b
	Total N of Items		15
Correlation Between Forms			.831
Guttman Split-Half Coefficient			.904

a. The items are: Overall satisfied by the quality of services offered, Overall satisfaction with the educational services offered, Satisfaction with the Institute education standards, Satisfaction with the Institute facilities, Satisfaction with the level of students responsiveness, Satisfaction with regards to the clarity and Implementation of Policies, Service providers prefer to talk about students' experiences rather than their own, Service providers listens to me patiently.

a. The items are: Overall satisfied by the quality of services offered, Overall satisfaction with the educational services offered, Satisfaction with the Institute education standards, Satisfaction with the Institute facilities, Satisfaction with the level of students responsiveness, Satisfaction with regards to the clarity and Implementation of Policies, Service providers prefer to talk about students' experiences rather than their own, Service providers listens to me patiently.

b. The items are: Staff tend to get emotionally involved with the student's problems, Programs Intended Learning outcomes are met, Services provided to me are what I expected, Satisfaction with the range of services offered, Trust the service provider to solve the students issue, Organization consultancy is good at maintaining good customer relations through its services of customer care, Courteousness of service staff.

Reliability coefficients of all variables included effecting customer satisfaction was found to be 0.904. This indicates that the modified measuring instrument scale as a measure of the perception of customer satisfaction regarding education sector is efficient and seems to be quite reliable.

Conclusion and Critical Debate

The study was conducted with the aim of analysis of the factors contributing to students' satisfaction in education sector. The education sector is one of the major subsectors in service industry. The growth of service sector gives a new aspect of stability to growing process of Pakistani economy, thus providing more employment opportunities, reducing the poverty level and improving the standards of living of a quality life.

It is concluded from the results service quality has a significant and positive relationship with student satisfaction., confirms to the suggestion of other existing literature (McDougall,2000, and Palmer, 2001), which states that by improving service quality it will lead to potentially improve the students' satisfaction for which most of the private institutes compete for. It is also to verify here that from the regression analysis, empathy was found to be another critical factor effecting students' satisfaction. When the focus is on strategies to increase empathy and assurance in service quality it will help students to give better assessment to their satisfaction, this also confirms to the previous findings of (Lawrence, Rasli et al, Fitri, Hishamuddin). Whereas; the third variable customer relationship management was found insignificant in this study for explaining the students satisfaction contradictory to the work of Berry, Bolton, Morgan and Hunt but there exists positive relationship with the dependent variable.

Recommendations

There shall be more focus on establishing strategies for retaining and attracting new and potential customers in service sector as service sector contributes to a major portion of the GDP of Economy. The analysis showed due to growth of service sector in the last few years, the services sector provides more employment generation opportunities. More researches and effort shall be towards its continuous growth.

Through increasing trade and investment, will have more satisfied customers in the sector. The study therefore suggested some actions and strategy for avoiding the hindrances towards the

education sector growth and also suggested a package of policy reform so that this sector emerges as a driving sector for growth, employment, and poverty reduction. Measures like; better facilities to the students, training to the faculties, and emphasis on outcome based learning, training of the nonteaching staff associated with the educational institutes to learn customer relationship management strategies to cater to the varied needs and problems of the students.

Future Research Work

This research would aid the researchers in future to explore further, would help finding, identifying and testing new variables for students' satisfaction in education sector. The study can be carried out at secondary education level, at public sector institutes with more sample size. This research and future researches would be helpful in determining and doing critical analysis of future education scenario in Pakistan and its contribution as sub-sector of service industry for the growth of economy.

References

Adrian Payne, "Handbook of CRM: Achieving Excellence in Customer Management", Published on 26-Jul-2012; ISBN-10: 07506-6437-1, 464 pages

Amran Rasli et al (2012), "Perception of Service Quality in Higher Education: Perspective of Iranian Students in Malaysian Universities", International Journal of Academic Research in Management (IJARM), Vol. 1, No.1, November 2012, Page: 10-25, ISSN: 2296-1747

Authors

Ayaz Ahmed and Henna Ahsan (2011), "Contribution of Services Sector in the Economy of Pakistan", PifahsanDE Working Papers 2011:79, Pakistan Institute of Development Economics, Islamabad

Berry, Leonard L. (1983) "Relationship Marketing.", In Emerging Perspectives on Services Marketing, ed. Leonard L. Berry, G. Lynn Shostack, and Gregory Upah, pp. 25–28 Chicago: American Marketing Association

Bolton, Ruth N. (1998) "A Dynamic Model of the Duration of the Customer's Relationship with a Continuous Service Provider: The Role of Satisfaction." *Marketing Science*, 17 (1), 45–65

E. J. Lawrence et al, 2004, "Measuring empathy: reliability and validity of the empathy quotient", *Psychological medicine*, 2004, 34, 911–924. 2004 Cambridge university press

G.S. Sureshchandar (2002), "The relationship between service quality and customer satisfaction – a factor specific approach", *Indian Institute of Technology Madras, Emerald* 16, (2002)

Gordon H.G. McDougall, Terrence Levesque, "Customer satisfaction with services: putting perceived value into the equation", *Emerald* 14, (2000)

- Hishamuddin Fitri Abu Hasan, (2008), "Service Quality and Student Satisfaction: A Case Study at Private Higher Education Institutions", *Journal of International Business Research*, Vol 1, No 3, July 2008
- Jayaraman Munusamy, Shankar Chelliah and Hor Wai Mun(2010), "Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector in Malaysia", *International Journal of Innovation, Management and Technology*, Vol. 1, No. 4, October 2010, ISSN: 2010-0248
- Kordupleski, Raymond E., Roland T. Rust, and Anthony J. Zahorik. (1993), "Why Improving Quality Doesn't Improve Quality", *California Management Review* 35 (3): 82-95
- Mobasser Monem, Hasan, M. Baniamin, (2010), "Higher education in Bangladesh: status, issues and prospects", Vol.30 No, 2 PP.293-305
- Morgan, Robert M. (2000). "Relationship Marketing and Marketing Strategy: The Evolution of Relationship Marketing Strategy within the Organization." In *Handbook of Relationship Marketing*, ed. Jadish N. Seth and Atul Parvatiyar, pp. 481–504. Thousand Oaks, CA: Sage
- Mudie and Cottem (1999), "Management and Marketing of services", ISBN: 978-0-7506-3594-3, Division of Reed Educational and Professional Publishing Ltd, 2nd Edition, Pg 81, 1999
- Muhammad Bilal and Imran Khan (2012), "Issues and prospects behind the depressed higher education in Pakistan", *Interdisciplinary journal of contemporary research in business*, Institute of Interdisciplinary Business Research, November 2012 Vol 4, No 7, Department of Management Sciences, The Islamia University of Bahawalpur
- Mohammad Rafiqul Islam (2005), "A Context Analysis of Customer satisfaction in Services", Blekinge Institute of Technology, Karlskrona, Sweden, 5th of June 2005
- Palmer, A., 2001. *Principles of Service Marketing*. McGraw-Hill, New York (p. 227)
- Richard L. Oliver, "Customer delight: Foundations, findings, and managerial insight", Vanderbilt University, USA, *Journal of Retailing*, Volume 73, Issue 3, 1997, Pages 311–336
- Roger Hallowell, "The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study", *Emerald* 7th Edition, (1996)
- Routledge Falmer, Spohrer, J. & Maglio, P. (2008). The emergence of service science: Toward systematic service innovations to accelerate co-creation of value. *Production and Operations Management*, 17(3), 238-246
- Valerie S. Folkes and Vanessa M. Patrick(2003), "The Positivity Effect in Perceptions of Services: Seen One, Seen Them All?", *Journal of Consumer Research*, Vol. 30, No. 1 (June 2003), pp. 125-137
- Vargo, Stephen L., and Robert F. Lusch. (2004) "Evolving to a New Dominant Logic for Marketing." *Journal of Marketing*, 68 (1), 1-17