A STUDY ON THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION, BUSINESS ETHICS AND CERTAIN RELATED VARIABLES

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Introduction

Acquiring, maintaining and enhancing existing market shares, and furthering customer loyalty in the present competitive environment is of prime importance to any business organization. Towards this, they have to put in their best efforts and to develop sustainable competitive advantages. One aspect that is capable of providing competitive advantage is all round ethics of the organization. In the present day business, organizations are facing myriad ethical issues that involve moral judgments, standards to be followed, rules of conduct as well as conflicting perceptions as to what is right or wrong. Experiences show that even a minor unethical behavior from the part of the organization is likely to dent and hurt customer satisfaction and trust. Such attitudes of dissatisfaction and distrust will induce customers to take appropriate actions to protect themselves. The end result is the loss of customer loyalty.

That the customer is supreme is an undoubted fact. He is the final decision maker regarding maintaining a relationship with an organization. Any organization should, as such, accord prime importance in creating and maintaining a solid relationship with the customer, and that too from his perspective. Any customer expects to obtain certain benefits through establishing a firm relationship with an organization. Some of his expectations include a customized personal service, ethical conduct, etc. This has been proved empirically (Strout, 2002; Wray et al., 1994). Consumers engage in transactions because they perceive that the benefits acquired from an organization will be greater than the monitory value they pay (Jones and Sasser, 2002).

Review of Literature

There is at present no dearth of literature regarding the concepts of ethics, as well as customer behavior. The volume of literature is getting enriched day by day. Chonko and Hunt (1985) identified a host of ethical issues that creates problems to business managers. Some of them include problems related to corruption, fairness, honesty, price, product, staff, confidentiality, advertising, data manipulation, etc. Ethics is one aspect that is capable of enhancing customer satisfaction, trust and the consequent loyalty.

Customer satisfaction

Though the concept of customer satisfaction (Florin, 2014) was first introduced by Peter Drucker in 1954, serious studies emerged only in the mid-1970s (Biabani and Asadbeigi, 2013). Customer satisfaction is now recognized as an important part of corporate strategy (Fornell et al., 2006), and a key driver of long-term profitability and market value of the firm (Oh et al., 2013). Customer satisfaction has been defined in

different ways. According to Anderson et al. (2004), it is the customers' overall evaluation based on their purchase and consumption experiences with products or services.

The concept of customer satisfaction is an abstract concept. It is common knowledge that the actual manifestation of the state of satisfaction differs from customer to customer, and product or service to product or service. Further, different consumers are found to express varying levels of satisfaction for the same experience or service encounter (Ueltschy et al., 2007). Boshoff and Gray (2004) are of the opinion that satisfaction is not just inherent in the product or service itself but, primarily consists in the consumer's perception of the attributes of the product or service as they relate to that individual. A similar view was expressed by Kotler and Armstrong (2010). According to them customer satisfaction is dependent on both psychological and physical variables. Further, the level of satisfaction also varies depending on the number of other options that the customer may have for comparing the firm's products or services and performance. Therefore, the vital role of customer satisfaction depends on the firm performance. The first step required for enhancing corporate performance is to improve customer satisfaction.

Customer satisfaction is now a key indicator and an important element with respect to business strategies. It determines how the delivered products or services meet or exceed customer expectation (Kotler and Armstrong, 2010; Lovelock, 1991). Some of the theories under which the concept has been defined include Expectancy-disconfirmation theory, Transaction-specific satisfaction and overall satisfaction, etc. According to the Expectancy-disconfirmation theory, satisfaction is an emotional reaction that emanates from evaluating the perceived discrepancy between prior expectation and actual experiences (Oliver, 1980). The Transaction-specific satisfaction and overall satisfaction presents two contrasting aspects. While transaction-specific satisfaction assesses satisfaction for a specific service; the cumulative overall satisfaction is the customer's impression about the past transaction experiences of the service provider (Parasuraman et al., 1994).

Effect of Ethical Sales behavior on Customer Satisfaction

Even though ethical sales behavior may not directly enhance performance, a salesperson with good ethics is capable of establishing a favorable relationship with the customer, thereby acquiring the customer's satisfaction and trust (Román and Ruiz, 2005; Vesel and Zabkar, 2009). If a salesperson discloses false information for influencing a customer, and in the event of his learning the truth, he will become dissatisfied leading to loss of trust. As against this, if a salesperson provides the required correct information, the customer will be satisfied leading to his trust. This will lead to word-of-mouth recommendations by the customer, thereby indirectly decreasing the transaction costs. Many other studies have opined that though ethical climate does not have a direct effect on the firm performance; it acts indirectly to enhance it.

Ethics and Customer Satisfaction

A number of earlier studies have been carried out to establish the relationship between perception of an ethical climate and customer satisfaction at the individual level. A few of them include Jaramillo et al. (2012); Valenzuela et al. (2010); etc. It has

been empirically proved that organizations' ethics serve as competitive advantage and distinguish them from competitors. Further, an organization's ethical business can provide a favorable image to customers, thereby encouraging consumers to develop positive attitudes toward the organizations. Customers are found to be more likely to be satisfied with products and services offered by organizations that are ethical in nature (Luo and Bhattacharya, 2006; Roman & Ruiz, 2005).

Customer Loyalty

Customer loyalty is of vital importance for a firm's survival and growth. It is capable of building a loyal customer base (Mandhachitara and Poolthong, 2011) and is an important basis for developing a sustainable competitive advantage. Customer loyalty is capable of customer retention and a key element in delivering long-term corporate profitability (Bartol and Martin, 1994; Chiou and Droge, 2006). Customer loyalty, through retention of customer can help in increasing the profits over the lifetime of a customer (Lemon et al., 2002).

Effect of Ethics on Customer Loyalty

A number of studies have attempted to establish the relation between ethics and customer loyalty. Adoption of an ethical honesty and good marketing practices; creates, maintains and reinforcement of the consumer trust (Grönroos, 1989), retention (Anderson and Sullivan, 1993) and word of the mouth (Anderson and Mittal, 2000). Renjan and Sahu (2014) established that customer loyalty is positively affected by a number of aspects like ethical advertisement, ethical pricing, celebrity endorsement and ethical behavior depicted through their advertisements. Eidi and Esmaeili (2014) is of the opinion that establishing an ethical climate within the organization creates ethical behavior of employees as well as ethical decision making. This leads to customer loyalty and the resultant corporate performance. An organizations' ethical image is critical for forming customer loyalty and satisfaction (Roman and Ruiz, 2005).

From the above review it can be seen that though there has been a number of studies that examined the relationship between various individual variables, the complex relationship between the different variables have not been examined. The present study attempts to bridge the gap.

Objectives of the Study

The objectives identified for the study are to find out the relationship between:
1. Business ethics and customer satisfaction
2. Value and customer satisfaction
3. Customer satisfaction and perceived trust
4. Perceived trust and customer loyalty
5. The variables under study and demographic variables

From the exhaustive review of literature presented above, it is expected that ethics, customer satisfaction and customer loyalty are positively related. The following hypotheses are derived to provide direction for the study:

• H1: Customer's perception of Business ethics and Value are positively related to Customer satisfaction.

• H2: Customer satisfaction is related positively with trust of customers.

• H3: Customer trust is positively related to customer loyalty.
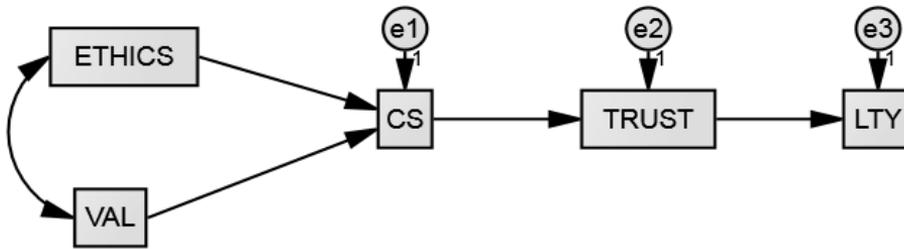The model proposed for the study is presented as Figure 1.

Figure 1. Proposed Model

The study also attempts to find out the relationship between the different variables under study and the demographic particulars of the respondents like gender, marital status and occupation.

Methodology
Sampling

Data were collected from a sample of 111 respondents. They belonged to the cross section of population from the state of Kerala. For instance they included teachers, students, employees, etc. The respondents belonged to varying demographics, the details of which are presented in Table 1.

Table 1. Demographics of the sample studied

Demographics	Details	Number	Per cent
Gender	Male	79	71.2
	Female	32	28.8
	Total	111	100
Marital status	Unmarried	72	64.9
	Married	39	35.1
	Total	111	100
Occupation	Teacher	15	13.5
	Private sector	43	38.7
	Students	36	32.5
	Others	17	15.3
	Total	111	100

The age of the respondents ranged from 18 to 63 years. The average age of the sample stood at 28 years. The overall years of experience for the employed ranged from 6 months to 42 years, with the average being 7.04 years. Thus it can be considered that the sample is representative in nature.

Measure for data collection

The data was collected using a structured questionnaire having 15 items on a six point scale. There items pertained to five domains, each domain having three items. The domains were Customer satisfaction, Loyalty to service provider, Value realized by customer, Trust, and Business ethics. All the measures used in the study were scales with psychometric validity and reliability, and have been used in research studies before. The details are provided in Table 2.

Table 2. Details of Measures

No	Domain	Reference
1	Customer satisfaction	Valenzuela et al. (2010)
2	Loyalty	Palmatier et al. (2007)
3	Value realized by customer	Palmatier et al. (2007)
4	Trust	Belonax et al. (2007)
5	Business ethics	Panigyraki (2013)

The questionnaire was administered online through Google docs. The link of the questionnaire was directly mailed to the respondents. Since data was collected online, all the received questionnaires were complete in all respect and hence useful, and none of them warranted rejection. The responses so obtained were analyzed using SPSS, Version 20. The statistical tools applied for the analysis included t-test, correlation and ANOVA.

Findings

To find out the relationship between the different variables the correlation was found out. The correlation matrix and descriptive statistics are provided in Table 3. It can be found that ethics and value are significantly related to customer satisfaction, and in turn with trust and loyalty. That customer satisfaction is related to ethics are in consistency with Moon and Choi (2014). However no relationship was established between customer satisfaction and the demographic variables, namely age and experience. Similarly most of the variables did not have any significant relationship with the demographics studied, except between trust and experience, which was correlated at 0.05 level.

Table 3. Correlation and Descriptive Statistics of the Sample

Variables	CS	Loyalty	Value	Trust	Ethics	Age	Experience
CS	1	0.515**	0.272**	0.413**	0.230*	0.050	0.121
Loyalty		1	0.575**	0.478**	0.162	0.140	0.166
Value			1	0.490**	0.109	0.073	0.081
Trust				1	0.105	0.162	0.201*
Ethics					1	-0.166	-0.146
Mean	14.98	15.38	14.13	14.37	14.8	28	7.04
SD	1.93	1.62	2.08	2.26	2.19	8.29	7.00

*Notes: CS - Customer satisfaction, **Significant at 0.01 level, * Significant at 0.05 level*

It can be found that ethics (0.230) and value (0.272) have significant positive correlation with customer satisfaction. Hence the H1 that 'Customer's perception of Business ethics and Value relates positively with Customer satisfaction' is accepted. This is partly in line with the earlier studies of Jaramillo et al. (2012) and Valenzuela et al. (2010). This is also in consistency with the findings of Luo and Bhattacharya (2006) and Roman & Ruiz (2005).

Customer satisfaction is found to have significant positive correlation with trust (0.413). This correlation is in line with H2 that 'customer satisfaction is positively related to trust of customers'. Hence this hypothesis is also accepted. In the same line H3 that 'Customer trust is positively related to customer loyalty' is also accepted as the r value is .478. Since customer loyalty, through retaining the customer is capable of increasing the profits over the lifetime of a customer (Chiou and Droge, 2006; and Lemon et al., 2002) the organizations should strive to maintain it at a fairly high level.

From the above findings, the model developed for the study can be accepted. The model is presented as Figure 2.
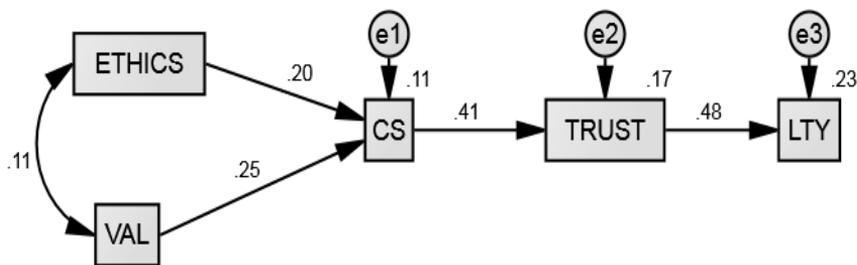
Figure 2. Final Model
Note: Val – Value, CS – Customer satisfaction, LTY – Loyalty

It was also an objective of the study to find out the relationship between the different variables and demographic particulars like gender, marital status and occupation. The details are presented in the following sections.

Table 4. Data and t-value Based on Gender (N – Male 79 and Female 32)

Variable	Gender	Mean	Std. Deviation	t-value
Ethics	Male	14.63	2.321	1.283**
	Female	15.22	1.773	
Customer satisfaction	Male	15.11	1.941	1.114**
	Female	14.66	2.010	
Loyalty	Male	15. 37	1.777	0.115**
	Female	15.41	1.188	
Value	Male	14.33	2.153	1.627**
	Female	13.63	1.827	
Trust	Male	14.39	2.210	0.168**
	Female	15.22	1.773	

*Note: ** Not significant*

Table 5. Data and t-value Based on Marital Status

Variable	Marital status	Mean	Std. Deviation	t-value
Ethics	Unmarried	15.01	2.133	1.395**
	Married	14.41	2.256	
Customer satisfaction	Unmarried	14.94	2.089	0.273**
	Married	15.05	1.731	
Loyalty	Unmarried	15.31	1.700	0.640**
	Married	15.51	1.485	
Value	Unmarried	14.18	2.105	0.373**
	Married	14.03	2.058	
Trust	Unmarried	14.22	2.290	0.930**
	Married	14.64	2.218	

*Note: ** Not significant, N= Unmarred 72 and Married 39*

From Tables 4 and 5, it can be seen that none of the variables studied are having significant t-value. This proves that there is no difference between male and female; and married and unmarried respondents for all the five variables studied. This finding is significant in terms of addition of new findings to literature. Earlier studies have not examined this interesting area. Similarly in the F-test, other than ethics which was

having significant difference at 0.05 level (2.27), no other variable had any difference with respect to their occupation. This signifies that people having different occupations did not view the variables differently (other than ethics).

Conclusion

The present study has thus succeeded in presenting the complex relationship between the variables studied. Though previous researches has studied and established relationship between individual variables, this study has gone into the relationships between a few variables. A study of this dimension has not been undertaken earlier. The findings of this study will be of particular interest as it has practical implications too. To maintain reasonably high levels of customer satisfaction, the resultant trust and loyalty, corporate should strive to have an atmosphere of ethics and value in the organization. There is scope for further studies to identify the relationship between the variables presented in the present study and corporate performance. It is earnestly expected that further research will be initiated in this challenging area.

The study is not without some limitations. It has utilized a cross-sectional research design. With a cross sectional design, the implications of customers' changed attitude on ethics over a period of time is not easy to be detected. A study on longitudinal and qualitative manner would provide further theoretical details with respect to the findings of the study. It is expected that the results of the present study would trigger further researches.

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Abstract

Ethics and customer satisfaction are highly researched topics. Substantial literature exists in this area. However, the complex relationship between the variables ethics, value and customer satisfaction, and perceive customer trust and loyalty have not been examined. The study examined the complex relationship between ethics and value with customer satisfaction. The relationship between customer satisfaction and the resultant trust and loyalty is also examined. Significant positive correlation was found between the variables that were examined. A model has also been developed signifying the relationship between the variables. However, the study failed to establish any difference with respect to certain demographic aspects like gender, marital status and occupation with the variables studied. The findings of the study will be a significant contribution to the field of customer satisfaction research.

Keywords: business ethics, customer satisfaction, customer loyalty, trust