A

Seminar report

On

Customer Satisfaction

Submitted in partial fulfillment of the requirement for the award of degree
Of MBA

SUBMITTED TO: **SUBMITTED BY:**

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Preface

I have made this report file on the topic **Customer Satisfaction**; I have tried my best to elucidate all the relevant detail to the topic to be included in the report. While in the beginning I have tried to give a general view about this topic.

My efforts and wholehearted co-corporation of each and everyone has ended on a successful note. I express my sincere gratitude to …………..who assisting me throughout the preparation of this topic. I thank him for providing me the reinforcement, confidence and most importantly the track for the topic whenever I needed it.

Acknowledgement

I would like to thank respected Mr…….. and Mr. ……..for giving me such a wonderful opportunity to expand my knowledge for my own branch and giving me guidelines to present a seminar report. It helped me a lot to realize of what we study for.

Secondly, I would like to thank my parents who patiently helped me as i went through my work and helped to modify and eliminate some of the irrelevant or un-necessary stuffs.

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Content

INTRODUCTION

Customer satisfaction is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals. In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

"Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability.... These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective."

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction.

"In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel—even though its facilities and service would be deemed superior in 'absolute' terms."

The importance of customer satisfaction diminishes when a firm has increased bargaining power. For example, cell phone plan providers, such as AT&T and Verizon, participate in an industry that is an oligopoly, where only a few suppliers of a certain product or service exist. As such, many cell phone plan contracts have a lot of fine print with provisions that they would never get away if there were, say, 100 cell phone plan providers, because customer satisfaction would be far too low, and customers would easily have the option of leaving for a better contract offer.

There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. This literature is summarized by Mittal and Frennea (2010). They summarize the outcomes in terms of customer behaviors, immediate financial outcomes such as sales and revenues, and long-term outcomes based on the stock market.

What Is Satisfaction?

Satisfaction is an overall psychological state that reflects the evaluation of a relationship between the customer/consumer and a company-environment-product-service. Satisfaction involves one of the following three psychological elements: cognitive (thinking/evaluation), affective (emotional/feeling), and behavioral.

Why Organizations Focus on Customer Satisfaction

Businesses monitor customer satisfaction in order to determine how to increase their customer base, customer loyalty, revenue, profits, market share and survival. Although greater profit is the primary driver, exemplary businesses focus on the customer and his/her experience with the organization. They work to make their customers happy and see customer satisfaction as the key to survival and profit. Customer satisfaction in turn hinges on the quality and effects of their experiences and the goods or services they receive.

History of Banking in India

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors.

For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reason of India's growth process.

The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dial a pizza. Money have become the order of the day.

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks
- Nationalisation of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

To make this write-up more explanatory, I prefix the scenario as Phase I, Phase II and Phase III.

Phase I

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.

In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in india as the Central Banking Authority.

During those days public has lesser confidence in the banks. As an aftermath deposit mobilisation was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

Phase II

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalised Imperial Bank of India with extensive banking facilities on a large scale specially in rural and semi-urban areas. It formed State Bank of india to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country.

Seven banks forming subsidiary of State Bank of India was nationalised in 1960 on 19th July, 1969, major process of nationalisation was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country was nationalised.

Second phase of nationalisation Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949 : Enactment of Banking Regulation Act.
- 1955 : Nationalisation of State Bank of India.
- 1959 : Nationalisation of SBI subsidiaries.
- 1961 : Insurance cover extended to deposits.
- 1969 : Nationalisation of 14 major banks.
- 1971 : Creation of credit guarantee corporation.
- 1975 : Creation of regional rural banks.
- 1980 : Nationalisation of seven banks with deposits over 200 crore.

After the nationalisation of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%.

Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

Phase III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalisation of banking practices.

The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money.

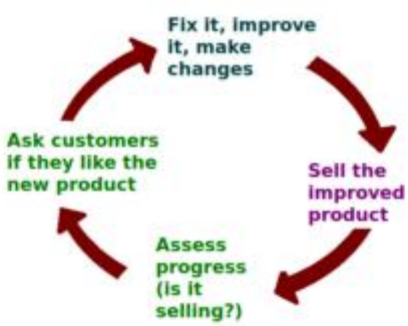
The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

Expectations and Customer Satisfaction

Expectations are beliefs (likelihood or probability) that a product/service (containing certain attributes, features or characteristics) will produce certain outcomes (benefits-values) given certain anticipated levels of performance based on previous affective, cognitive, and behavioral experiences. Expectations are often seen as related to satisfaction and can be measured as follows:

1. **Importance:** Value of the product/service fulfilling the expectation.
2. **Overall Affect-Satisfaction Expectations:** Like / Dislike of the product/service.
3. **Fulfillment of Expectation:** The expected level of performance vs. the desired expectations. This is "Predictive Fulfillment" and is a respondent-specific index of the performance level necessary to satisfy.
4. **Expected Value from Use:** Satisfaction is often determined by the frequency of use. If a product/service is not used as often as expected, the result may not be as satisfying as anticipated. For example a motorcycle that sits in the garage, an unused year subscription to the local fitness center/gym, or a little used season pass to a ski resort would produce more dissatisfaction with the decision to purchase than with the actual product/service.

Purpose



A business ideally is continually seeking feedback to improve customer satisfaction.

"Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty." "Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold:"

1. "Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services."
2. "Although sales or market share can indicate how well a firm is performing *currently*, satisfaction is perhaps the best indicator of how likely it is that the firm's customers will make further purchases *in the future*. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes."

On a five-point scale, "individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) "Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction."

Customer Satisfaction Measurement

A basic and effective base line customer satisfaction survey program should focus on measuring customer perceptions of how will the company delivers on the critical success factors and dimensions of the business as defined by the customers:

For example:

- Service Promptness
- Courtesy of Staff
- Responsiveness
- Understanding the customer problem, etc.

The findings of the company performance should be analyzed both with all customers and by key segments of the customer population. The essential starting point for Customer Satisfaction Measurement (CMS) is exploratory research. Since satisfaction is about an organization's ability. To meet customer requirement one has to start by clarifying with customers exactly what those requirements are. This is done through exploratory research using focus groups or one to one depth interviews.

Two main factors determine the accuracy of CMS. The first is the asking the right question and the second is the asking them to the right people sample of customers which accurately reflects the customer base.

Three things decide the accuracy of a sample. They are:

- It must be representative.
- It must be randomly selected.
- It must be adequate enough.

Improving Customer Satisfaction

Published standards exist to help organizations develop their current levels of customer satisfaction. The International Customer Service Institute (TICSI) has released The International Customer Service Standard (TICSS). TICSS enables organizations to focus their attention on delivering excellence in the management of customer service, whilst at the same time providing recognition of success through a 3rd Party registration scheme. TICSS focuses an organization's attention on delivering increased customer satisfaction by helping the organization through a Service Quality Model. TICSS Service Quality Model uses the 5 P's - Policy, Processes People, Premises, Product/Services, as well as performance measurement. The implementation of a customer service standard should lead to higher levels of customer satisfaction, which in turn influences customer retention and customer loyalty.

Customer Satisfaction Surveys:

Surveys and questionnaires are the most common marketing research methods. Typically, they are used to:

- ✓ Assess the level of customer satisfaction with a particular product, service or experience
- ✓ Identify factors that contribute to customer satisfaction and dissatisfaction;
- ✓ Determine the current status or situation of a product or service;
- ✓ Compare and rank providers;
- ✓ Estimate the distribution of characteristics in a potential customer population; or
- ✓ Help establish customer service standards.

CUSTOMERS’ REQUIREMENTS

- NORMAL REQUIREMENTS Are typically what one gets by just asking customers what they want.
- EXPECTED REQUIREMENTS Are the obvious / compulsory requirements. For example, if meal is served hot, customers barely notice it. If it's cold or too hot, dissatisfaction occurs. Expected requirements must be fulfilled.
- EXCITING REQUIREMENTS

  Beyond the customer's expectations.

  If provided , customer would be excited

  If not ,they would hardly complain

Benefits and Challenges

Surveys allow an organization to quickly capture vital information with relatively little expense and effort. A primary advantage of this method is its directness: "the purpose is clear and the responses straightforward." Additionally, the information gathered by surveys can easily be analyzed and used to identify trends over time. The public views consumer product polls and pollsters in a generally positive manner compared to political and other polls. One study found that at least sixty percent of the public feels that market research about products and services has a positive impact on society. Seventy percent consider the people who conduct such surveys to have positive impacts on society.

A major disadvantage of customer surveys is that the responses may be influenced by the measurement itself through various forms of bias. For example, most surveys are voluntary, and some researchers have found differences between survey respondents and non-respondents. People who respond to surveys answer questions differently than those who do not respond, and late responders answer differently than early responders.

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