

A Managerial Approach For Customer Satisfaction And Fulfillment of The Marketing Concept

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The authors present a managerial approach for assessing customer satisfaction and the marketing concept. An empirical investigation in the retail drugstore industry reveals that managers do not fully understand the needs and wants of their customers and that their customers are not as satisfied as the managers perceive them to be. The study also reinforces the importance of location in retailing and identifies price and merchandise availability as other key attributes customers desire; these findings contrast with managers' perceptions of the greater importance of customer service and employee expertise.

Introduction

The competitive environment of retailing is becoming increasingly hostile and complex. These tough times in retailing are manifested by constant price-cutting and promotions as a means of remaining competitive (Zinn 1990). However, price competition is easily duplicated and often injures all firms involved (Porter 1985). Promotions can cut into profits and often have primarily a short-term effect (Peter and Olson 1987). Going-out-of-business sales, bankruptcies, and predictions of large-scale failure in the 1990s are becoming commonplace (Zinn 1990). As marketers struggle for answers to these problems, the time may have come to turn to one of the few accepted paradigms in marketing, the marketing concept (Arndt 1979). Houston (1986) summarized the marketing concept as a managerial prescription for achieving the goals of the firm by virtue of a thorough understanding of the needs and wants of its customers.

One key measure of whether retailers are fulfilling the marketing concept is that of customer satisfaction. Customer satisfaction is accepted as a key outcome of marketing efforts by both marketing practitioners and researchers. The acceptance and centrality of customer satisfaction is underscored by its inclusion in the marketing concept in that profits should be achieved through the satisfaction of customers' needs and wants (Churchill and Suprenant 1982).

As an instrument of society dependent upon repeat business for success, retail marketers must be concerned with the perceptions of the customer (Dickinson 1981). Although the achievement of long-term customer satisfac-

tion is a high strategic priority, few firms monitor it regularly (Day and Wensley 1988).

The purpose of the study is to develop a better understanding of customers, customer satisfaction, the marketing concept and how this understanding may be utilized for retail success. Specifically, the objectives are to: (1) offer an exploratory method to help retailers understand their customers' needs and wants better, (2) discover to what degree these needs and wants are being fulfilled currently in drugstore retailing, (3) identify major differences in perceptions that may currently exist among managers and customers, (4) propose theoretical explanations why these differences exist, and (5) suggest specific managerial actions that can be taken to serve customers better.

Background

The concept of satisfaction could apply equally well to products or stores. If one is interested in judging a store's fulfillment of satisfaction in the eyes of the customer, then one must first establish the relevant criteria upon which a store is judged. Brown (1978) summarizes the attraction attributes of retail stores into five categories: (1) merchandise, which includes assortment, quality, brand names, and price; (2) service, which includes hours open, delivery, and returns; (3) physical characteristics, which include layout, cleanliness, decor, displays, checkout ease, parking, and in-store movement; (4) employees, which include their number, friendliness, knowledge, and helpfulness; and (5) other shoppers, which include friends and social groups. Also worth noting is Ruckert and Churchill's (1984) study

which found channel member satisfaction to have four dimensions: product, financial, service, and social. Finally, Nickel and Wertheimer (1979) find store location, price, pharmacist, and quality of merchandise to be the most important criteria used in selecting a pharmacy.

Churchill and Surprenant (1982) define satisfaction both conceptually and operationally:

Conceptually, satisfaction is an outcome of purchase and use resulting from the buyer's comparison of the rewards and costs of the purchase in relation to the anticipated consequences. Operationally, satisfaction is similar to attitude in that it can be assessed as the sum of the satisfactions with the various attributes of the product or service (p. 493).

The above mentioned elements also correspond to Coyne's (1989) typology of service encounters, which when combined, affect the customer's perception of overall satisfaction with the provider. Coyne delineates the following encounters:

1. Environmental service encounters: These are interactions with the provider that the customer rarely notices unless performed badly. Within the retail pharmacy industry, customers do not notice if their prescriptions are filled correctly, rather they notice if a mistake is made.

2. Transactory encounters: Customers expect to exert a limited amount of effort to complete the transaction. They know what they want and they expect to get it. Typically, these are routine transactions with the end result (e.g., a particular product purchase) known in advance.

3. Assistance-based encounters: Customers do not know the desired outcome of the encounter in advance and require the assistance of the provider to complete the transaction and make the best decision. For instance, when choosing among several competing brands of cold remedies, the customer may request the assistance of the pharmacist in order to make the optimal selection.

The essence of Coyne's argument is that service providers need to be aware of how customers define the encounter, whether environmental, transactory or assistance-based, so that they can concentrate on the individual attributes which comprise the encounter in order to provide overall customer satisfaction.

Conceptual Framework

The current study draws upon each of the above studies in defining store satisfaction as to how pleased customers are with regard to perceived attraction characteristics. Thus, customer satisfaction is three-dimensional: (1) essential attributes—including assortment, variety, quality, brand characteristics, cleanliness, hours, location; (2) transactory—centering on the price of items; and (3) assistance-based—including employee helpfulness, friendliness, employee attitude and store services.

In order to better understand the components of store satisfaction, a varimax factor rotation is used. This procedure reveals three factors which account for 70% of the variance of the responses. Table 1 identifies the factors, the variance explained by each, the factor loadings, and the reliability of the scale that constitutes the factor. These three factors closely parallel Coyne's (1989) service encounters described earlier. The first factor explains the majority of the variance (52%) and centers around assistance-based store attributes. The second factor centers around basic variables essential to the shopping experience such as product availability and store accessibility as well as the cleanliness of the store. These variables are a reflection of Coyne's environmental encounters. The third factor consists of price satisfaction on each of three major product categories in drugstore retailing, which closely

TABLE 1
Factors and Their Reliability

| Variable | Factor Loadings | | |
|---|-----------------|----------|----------|
| | Factor 1 | Factor 2 | Factor 3 |
| ASSISTANCE BASED STORE ATTRIBUTES | | | |
| Employee helpfulness | .86 | | |
| Employee attitude | .82 | | |
| Health Insurance Programs | .64 | | |
| Personalized Pharmacy Service | .63 | | |
| Cronbach's Alpha | .89 | | |
| ESSENTIAL STORE ATTRIBUTES | | | |
| Variety of product lines | | .79 | |
| Assortment of brands | | .70 | |
| Hours open | | .69 | |
| Location of store | | .66 | |
| Store cleanliness | | .60 | |
| Number of sizes of items | | .51 | |
| Cronbach's Alpha | | .87 | |
| TRANSACTORY BASED STORE ATTRIBUTES | | | |
| Price of over-the-counter drugs | | | .83 |
| Price of health and beauty aids | | | .78 |
| Price of prescription drugs | | | .74 |
| Cronbach's Alpha | | | .84 |
| Variance Explained | .52 | .10 | .08 |
| Total Variance Explained | | | .70 |

relates to transactory encounters. Additionally, all three factors exhibit solid evidence of reliability as Cronbach's coefficient alpha is above .80 for each scale (Nunnally 1978).

These three factors may be viewed as critical success factors in drugstore retailing. Critical success factors are the essential areas where things must go well to ensure success of the business. Special and on-going attention must be paid to these areas (Boyton and Zmud 1984).

A Managerial Approach

Managers and customers are asked to use these assistance, environmental and transactory based variables to estimate the degree to which they are satisfied with each store. Additionally, managers are asked to rank the most important reasons why they perceive that customers shop at their store and customers are asked to rank why they actually shop at any drugstore. This procedure is done in

**TABLE 2
Managerial Approach**

1. Both the manager(s) and customers must participate.
2. All parties must be measured at the same point or points in time.
3. Identify and analyze as many relevant variables as possible in the same way for all competitors.
4. Describe the needs and wants of the customer and the level of customer satisfaction.
5. Describe how well management understands its customers.
6. Implement the appropriate action steps.

order to measure the needs and wants of the customers, and the perception of these needs by the managers. Table 2 presents the necessary conditions for measuring customer satisfaction and fulfillment of the marketing concept.

The first condition involves the participation of both management and customers. Such a dyadic study is necessary in order to determine just how well managers understand their customers. This procedure either removes or verifies a manager's understanding of his or her customers.

The second condition requires the assessment of all parties simultaneously. Customer opinions change over time. Customers move in and out of an area, employees and products change, and competition is constantly evolving.

Condition three involves the identification of the variables to different customers have different needs as well as differing perceptions and levels of need fulfillment. The variables must be analyzed in the same manner for

managers and customers. Utilization of the same method allows for direct comparisons to be made.

Once the above conditions are complete, management can then analyze the needs and wants of customer and the level of customer satisfaction. This analysis should become an integral part of the planning process of the firm.

The final conditions require management to take an inward look at themselves and compare their perceptions to the perceptions of their customers. This descriptive process allows management to identify differences between themselves and their customers. Once these discrepancies are known, appropriate changes in the store's strategy can be assessed and implemented.

Methodology

The sample consists of 237 customers from eight drugstores in a metropolitan area in the southeast United States. Approximately 30 customers were surveyed from each store in a convenience sample along with the manager of each store. Graduate students conducted the survey outside of each store without store personnel present in an attempt to get the true feelings of the customers.

The responses were compared on a store-by-store and on an aggregate basis. Since the study is positioned as an exploratory analysis, the primary examination of results centers on descriptive characteristics such as rankings, means and frequencies. These characteristics are then compared in order to determine how well managers understand their customers.

**TABLE 3
Ranking of Variables**

| Variable | Mgr. | Cust. | Number of customers Ranking variable | | |
|------------------------------------|------|-------|--------------------------------------|----|----|
| | | | 1 | 2 | 3 |
| Location | 1 | 1 | 128 | 30 | 10 |
| Knowledge & Attitude of Pharmacist | 2 | 8 | 38 | 20 | 10 |
| Pharmacist Availability | 3 | 6 | 28 | 28 | 15 |
| Service | 4 | 7 | 27 | 14 | 17 |
| Price | 5 | 2 | 44 | 45 | 23 |
| Merchandise Quality | 6 | 4 | 22 | 19 | 29 |
| Merchandise Availability | 7 | 3 | 31 | 25 | 35 |
| Product Variety | 8 | 5 | 27 | 1 | 25 |
| Health Insurance | 9 | 9 | 18 | 2 | 8 |
| Delivery | 10 | 10 | 11 | 9 | 4 |

TABLE 4
Satisfaction Measures

| Variable | Managers | Customers | Difference |
|---|----------|-----------|------------|
| FACTOR 1: ASSISTANCE BASED STORE ATTRIBUTES | | | |
| Employee helpfulness | 4.13 | 3.89 | .24 |
| Employee attitude | 4.13 | 3.91 | .22 |
| Health insurance programs | 4.25 | 3.87 | .38 |
| Personalized pharmacy service | 4.25 | 4.02 | .23 |
| FACTOR 2: ESSENTIAL STORE ATTRIBUTES | | | |
| Variety of product lines | 4.13 | 4.02 | .11 |
| Assortment of brands | 3.88 | 3.91 | -.03 |
| Hours open | 4.75 | 4.12 | .63 |
| Location of store | 4.38 | 4.36 | .02 |
| Store cleanliness | 3.75 | 4.11 | -.36 |
| Number of sizes of items | 3.75 | 3.80 | -.05 |
| FACTOR 3: TRANSACTORY BASED STORE ATTRIBUTES | | | |
| Price of over-the-counter drugs | 4.00 | 3.55 | .45 |
| Price of health and beauty aids | 4.00 | 3.65 | .35 |
| Price of prescription drugs | 3.88 | 3.64 | .24 |
| Total absolute mean difference | | | .255 |

macists (all managers of this particular chain are pharmacists) second in importance while customers ranked it eighth. Only 68 customers ranked knowledge and attitude in any of the top three positions. This gap in perceptions indicates a possible serious misunderstanding of customers' needs. Further evidence of this problem is provided by the managers' ranking of pharmacists' availability third while customers ranked it sixth. In addition, customers and managers appear to be defining the shopping experience differently. Managers view the encounter as an assistance-based one, while customers perceive it to be transactory. These discrepancies are further supported by the customers' rankings of price and product variables discussed below.

Results and Implications

Table 3 summarizes the perceptions of the managers and the customers with regard to their rankings of key store attraction characteristics. Table 4 is a comparison of the managers' and customers' perceptions of customer satisfaction. Thus, Table 3 offers a means of measuring how well managers know their customers' needs and wants. This information is important because a firm cannot practice the marketing concept if a firm does not know the needs and wants of its customers? Table 4, then, shows how well these needs and wants are being fulfilled. Since the aggregate results closely parallel the individual stores, this analysis centers on the group comparisons.

1. Location, Location, Location

The old adage that the three most important variables in retail are "location, location, and location" is reinforced by this study. Location ranked far and away as the most important variable for managers and customers; it was also the number one choice of 128 customers out of the 237 respondents. The efficacy of location is explained somewhat by the small trading area of the stores. Eighty percent of the respondents live within five miles of the store, while 73 percent work within five miles of the store. Additionally, location had the highest mean customer satisfaction score (4.36) of any variable indicating that the customers are well satisfied with the location of the stores.

2. We are not as important as we think we are.

Managers ranked the knowledge and attitude of the phar-

3. The right goods at the right price.

The second and third most important variables for the customers are price and merchandise availability; however, managers rank these variables fifth and seventh in importance. Also, the three price satisfaction variables have the lowest mean satisfaction scores of any variables (see Table 4), further under-scoring the importance of price to the customer. These transactory based variables also exhibit the largest differences between managers and customers as to the degree to which customers are satisfied.

4. It's never clean enough.

Based on the measures of satisfaction, customers and managers view the issue of store cleanliness in different perspectives. Customers rate store cleanliness as one of the items with which they are the most satisfied (see Table 4). Managers, on the other hand, perceive that their customers are not as satisfied with this aspect of store operations. This discrepancy in satisfaction ratings may be attributable to a variety of reasons. For instance, the training pharmacists receive reinforces the necessity of compounding medicines in relatively sterile environments; and this knowledge may carry over into the manner in which they view the cleanliness aspect of the store's operations. Customers, on the other hand, may rarely perceive this aspect unless it is performed poorly, meaning that they will not notice if a store is clean, rather they will notice if it is not clean, corresponding to Coyne's (1989) environmental encounter.

5. Customers are different, but consistent.

The four-variable assistance factor explains over half of the variance of the entire 13-item satisfaction with service varies considerably among consumers. Additionally, the internal consistency of this factor is quite high indicating that the service satisfaction level is consistent within customers, be it high or low. The result implies that once a customer has a bad service experience on any dimension, the experience likely may grow to include all service dimensions. However, the reverse might also be true; a good experience in one area may snowball into other areas.

6. Substantive, rather than significant

This study is positioned as exploratory, rather than confirmatory, but t-tests were performed. No significant differences (.05 level) were found between manager and customer perceptions of all the customer satisfaction variables (Table 4). However, small but not statistically significant differences in satisfaction could be causing a store to lose customers. Therefore, this study searches for substantive results as recommended by Sawyer and Peter (1983). Given the problems facing retailing discussed earlier, substantive information is more critical than ever before.

Discussion

The approach used in this study has particular value from a management perspective because it measures not only customer's perceptions of needs, wants, and satisfaction, but also management's perception of each. First, if the customers are not satisfied with something and the managers perceive that they are, there is a discrepancy. That is, the managers believe they are offering good service, prices, and the right products; but in reality, they are not. This method allows for these differences to be identified and corrected minimizing lost sales. Second, if the customers perceive certain key attraction characteristics differently than the managers, the entire focus and position of the store may be off. For example, managers may be targeting service conscious consumers, while the potential target market primarily consists of those who desires a convenient location, good prices, and the availability of the right merchandise mix. Thus, managers can emphasize the key attributes the customers desire in their advertising and throughout the store. Third, the study indicates that upper management cannot take for granted that store managers know their customers; they must monitor the situation. Also, the individual manager should not assume he or she knows his or her customers. On a micro basis, an individual store manager can assess differences on a customer by customer basis. By identifying areas of dissatisfaction early, a manager could prevent the loss of customers. Additionally, through the understanding of the

importance of the needs and wants of the customer, a store can be better positioned to serve its customers. Furthermore, by periodic utilization of this approach, managers are able to stay abreast of changing needs, wants, and satisfaction levels and use a proactive rather than a reactive approach.

From a theoretical perspective, the study underscores the need to look at both actors in the exchange process (Gaski 1984). Consumers often have different goals than managers, and measuring both sides of the dyad can be helpful in explaining why satisfaction is or is not present. Second, the components of retail satisfaction were operationalized and tested, along with a ranking of customer needs and wants. Thus, the study provides an exploratory method (i.e. the managerial approach) with which to measure fulfillment of the marketing concept.

The study is limited in its generalizability since all responses are from one chain of drugstores in the same geographical area. In order to expedite the responses, customer participants received a coupon book valued at \$5.00 which may have introduced some bias into the study. Additionally, all the managers of the drugstores are registered pharmacists; this fact may explain the high ranking regarding pharmacy services.

Although the generalizability of these results is limited, several future directions of research are suggested. First, the managerial approach can be tested in other types of retail businesses where a service provider has close contact with customers (e.g., credit officers, customer contact employees and salespersons). Second, the method could be used in services marketing. Service firms often experience quality fluctuations because of their labor intensity (Zeithaml, Parasuraman and Berry 1985) especially could benefit by measuring both sides of the dyad. Third, research should be extended to include other levels of marketing and management personnel, such as brand or product managers, sales managers, and vice-presidents. Including the people who are responsible for the strategic positioning of their firms and products will enable marketers to discover whether or not these higher level executives know their customers and whether or not their strategic decisions match their market. Last, and perhaps of most importance, marketing researchers must offer more than theoretical direction concerning the marketing concept. The effectiveness and feasibility of the marketing concept must be evaluated. Ideally, this evaluation should be threefold: academicians, consumers, and managers. This study provides the first step in that direction, a simple managerial approach and a scale that is both easy to use and reliable. Therefore, the recommended prescription to help cure the woes of retailing is to strive for customer satisfaction and fulfillment of the marketing concept by understanding the customer better, and by monitoring this understanding of customers' changing needs and wants.

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