DEVELOPING A MODEL OF CUSTOMER SATISFACTION

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Abstract:
The goal of this research is to develop and test a customer satisfaction-loyalty model for direct selling companies of cosmetic products. The main determinants of satisfaction are identified and measurement scales for each construct are provided. The fundamental hypothesis is that there is a direct relationship between satisfaction and loyalty. We conducted a qualitative and a quantitative research. The satisfaction-loyalty model (which describes the relations between the satisfaction' determinants and the dimensions of loyalty) is tested with Structural Equation Modeling (SEM), using Amos 16.0. The sample is represented by 676 young buyers of cosmetic products from direct selling companies.

Key words: loyalty, satisfaction, SEM, direct selling

JEL classification: M31

INTRODUCTION

In marketing literature there is a unanimous opinion regarding the major importance of the understanding and the maintaining of customer satisfaction and loyalty. Satisfaction is defined as pleasurable fulfillment (*Oliver, 1997).* In direct selling, satisfaction is analyzed as a combination between satisfaction generated by the salesman, the product, the company and the perceived value (Musa, 2005). Alturas, Santos and Pereira (2005) investigate the factors affecting satisfaction in direct selling and the results indicate a large list of such factors as: trust, the availability of the product, the company's image, the variety of the products, flexibility, convenience, financial value, the specific of the product, professionalism, buying pressure, demographic characteristics, customer's experience with the company, the products and the salesman and the perceived risk. Musa (2005) tests a model of satisfaction and loyalty in direct selling and shows that general satisfaction is generated by the satisfaction with the salesman and the products. Also, general satisfaction has a positive impact on attitudinal and action loyalty. Satisfaction is a necessary step in constructing loyalty (Oliver, 1999, p. 160) and is often used as a predictor of future buying or a major determinate of loyalty (De Wulf, 1999; Ranaweera, Prabhu, 2003).

One of the most cited definitions of loyalty is the one of Jacoby and Chestnut (1978), who see this process as a behavior result of consumer's preferences for a specific brand from a set of similar brands. Dick and Basu (1994, p. 99) define loyalty as the "customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and their repeat patronage". In marketing research literature, loyalty is investigated as a component of one (general loyalty), two (attitudinal and behavioral) or four dimensions (cognitive, affective, conative, action). Evanschitzky and Wunderlich (2006) define *cognitive loyalty* as the evaluation of the company or a product attributes' performance. They also define *affective loyalty* as an emotional general evaluation and *conative loyalty* as the behavioral intention of the customer to continue to buy one company's products. *Action loyalty* includes: "saying positive things about the company to others, recommending the company or service to

others, paying a price premium to the company, expressing a preference for a company over others, continuing to purchase from it" (Zeithaml et al., 1996, p.34).

Although satisfaction is considered the most important predictor of loyalty (Oliver, 1999; De Wulf, 1999), most common in loyalty research, most of the models don't investigate the factors affecting satisfaction, especially in direct selling. The most common factors included in satisfaction- loyalty models are perceived quality and perceived value (Rowley, 2005).

In this context, in 2010, we conducted a research **to identify the factors affecting customer satisfaction** for direct selling cosmetics products, on the Romanian market. In order to create the research instrument, we organized 31 *depth interviews* with direct cosmetics sellers and 29 depth interviews with customers who buy cosmetic products from those companies. *The survey* consisted in collecting data from 813 young buyers, students of Alexandru Ioan Cuza University of Iasi. The 49 items evaluating the customers experience with the direct selling company are all formative items and they measure different dimensions of customer satisfaction. We used rated on a 7-point Likert scales, with 1 for *total disagreement* and 7 for *total agreement*. In order to identify the factors generating satisfaction as a construct of loyalty, we used exploratory factor analysis with SPSS 17.0 with common factors analysis and the extraction method was *Principal Axis Factoring (PAF)*. The final scale reliability is measured by internal consistency. The Cronbach alpha value is 0.93, indicating a good internal consistency (Malhotra, 1998). We choose Kaiser criterion to select the number of common factors ("eigenvalues" grater than 1) (Malhotra, 1998).

The final dimensions of satisfaction, the percentage of the total variance explained by each factor and the internal consistency of their scales are presented in the table 1.

Table 1: Dimensions of satisfaction

Dimension	Percentage of variance explained	Internal consistency
1. Personalization of the relation	33,76%	0,883
2. The experience with the products	6,78%	0,739
3. Easiness of buying	5,54%	0,680
4. The reflection of the brand on self image	4,18%	0,860
5. The professionalism of the salesman	3,19%	0,830

The next step is to investigate the relation between these factors and consumer loyalty. Loyalty is measured by its four dimensions: cognitive, affective, conative and action. A satisfaction-loyalty model is proposed and tested.

RESEARCH HYPOTHESES

The purpose of this study is to build and to test a customer satisfaction –loyalty model for direct selling cosmetic companies.

Hypotheses

Although Dick and Basu (1994) anticipated the existence of more than one step in attitudinal loyalty process, the first multidimensional model is advanced by Oliver (1997). This is a complex close-up view and the models testing the four dimensions of loyalty are very few in research literature (Harris, Goode, 2004; Evanschitzky, Wunderlich, 2006) and none in direct selling area.

Therefore,

H 1: Customer loyalty is a process made by four distinct phases: cognitive, affective, conative and action

There is a general opinion which sustains that satisfaction is a necessary step in constructing loyalty (Oliver, 1999, p. 160; Torres-Moraga, et. al, 2008; De Wulf, 1999; Musa, 2005; Ranaweera, Prabhu, 2003). We did not identify models with factors affecting satisfaction and different stages of loyalty in direct selling marketing literature. We know however that general satisfaction is determined by the satisfaction regarding the salesman and the products and also that general satisfaction has a positive effect on attitudinal and action loyalty (Alturas, Santos, Pereira, 2005). In this context, we posit that each dimension of satisfaction has a positive effect on loyalty. Therefore,

H2: Personalization of the relation has a positive effect on loyalty (cognitive, affective, conative, action)
H3: Experience with the products has a positive effect on loyalty (cognitive, affective, conative, action)
H4: Easiness of buying has a positive effect on loyalty (cognitive, affective, conative, action)
H5: Reflection of the brand on self image has a positive effect on loyalty (cognitive, affective, conative, action)
H6: The professionalism of the salesman has a positive effect on loyalty (cognitive, affective, conative, action)

Based on the literature review and our previous study described in the first part of this article, we present a research model for this study (figure 1).

RESEARCH METHOD

Sample data
We used both qualitative and quantitative research. First, we conducted 29 depth interviews. Depth interview is considered one of the most powerful methods used to investigate a person' experience. This method is used in other studies for cosmetics products (Alturas et al., 2005). The purpose of the qualitative study was to answer the question: which are the main element which influence the buyer to repeat the acquisition of the cosmetics products from the same company? The information was used to choose the most adequate scales for measuring loyalty. The second step was a survey based on a questionnaire. The sample is formed by 676 young students of Alexandru Ioan Cuza University of Iasi who often buy cosmetic products for direct selling companies and who bought least one product in the last three months (Suh, Yi, 2006). All responses were assessed on seven-point Likert scales ranging from 1 (strongly disagree) to 7 (strongly agree). We choose seven-point Likert scale because is more detailed and reduces the probability to obtain extreme answers (Yuksel, 2001).

Variable measures
The latent variables representing the dimensions of satisfaction are measured with the scales identified by using exploratory factor analysis in our first study presented in the introduction. In order to measure the four dimensions of loyalty, we use and adapt scales from the marketing research literature. None of the studies investigating the four dimensions of loyalty (Sivadas, Backer-Prewitt, 2000; Harris, Goode, 2004; Evanschitzky, Wunderlich, 2006) is focused on direct selling and that is

why we used four scales from different studies which we considered the most appropriated with the results of qualitative research.
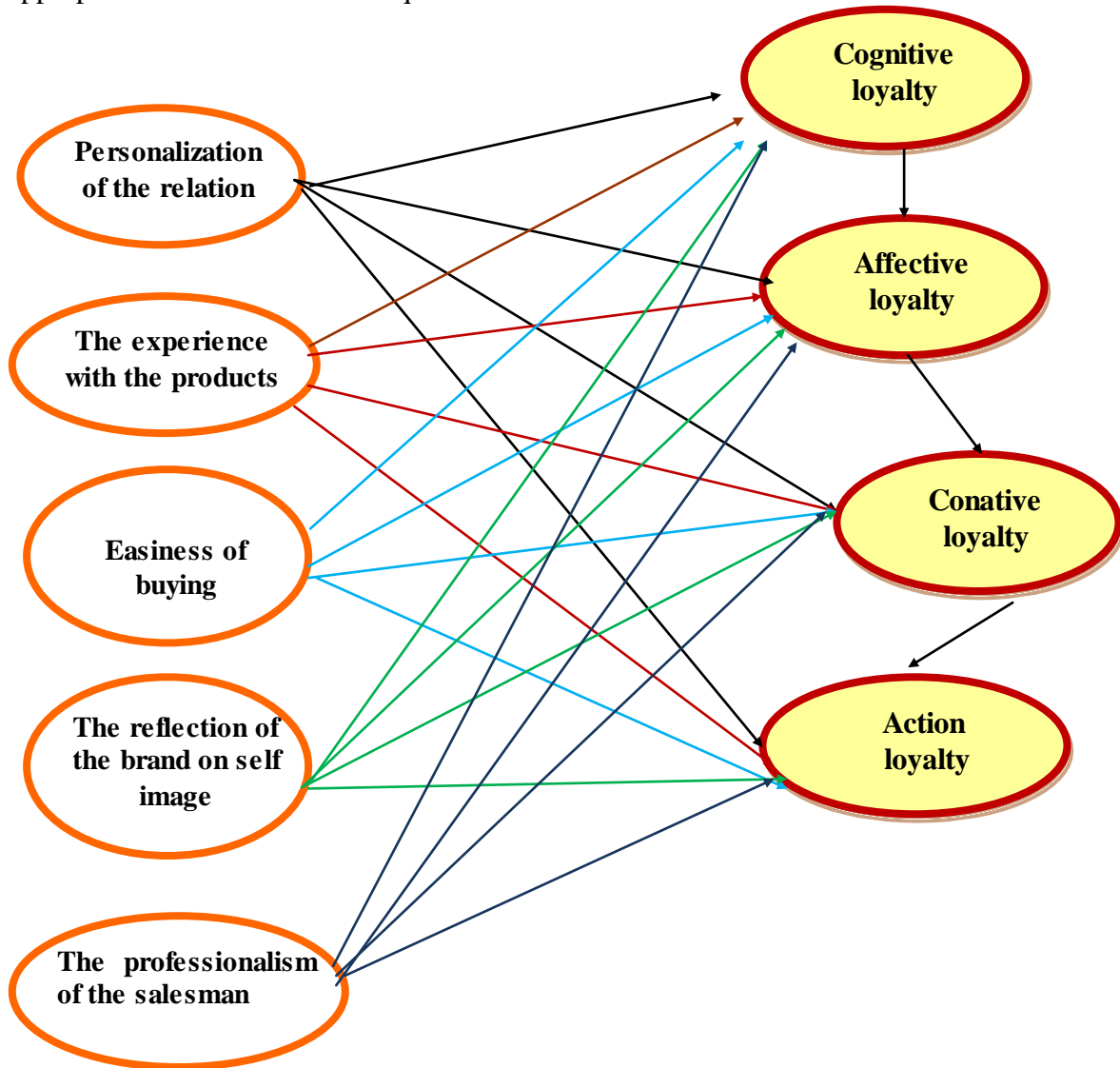

Figure 1. *The research model*

The scale for *cognitive loyalty* is based on the work of Harris and Goode (2004) who test a loyalty model for on-line buying behavior. In order to measure *affective loyalty* we consider that the most adequate scale is the one validated by Quester and Lim, (2003). *For conative loyalty* we used the scale of Evanschitzky and Wunderlich (2006, p. 336), adapted from Zeithaml, Berry and Parasuraman (1996). The scale for *action loyalty* is adjusted from Zeithaml, Berry and Parasuraman (1996). All the scales are presented in the **Appendix A**. The questionnaire is tested on 40 persons from the sample.

RESULTS

Data analysis proceeds with the specification of the measurement model followed by the specification of the structural model. Model identification is achieved according to the recursive rule. The reliability of the scales is measured with Cronbach alpha (α). The α values are higher than 0.7 for all constructs. In order to validate the measurement model we used confirmatory factor analyses on all constructs. We eliminated the items that loaded with a value below 0.6 (Schumacker, Lomax, 2004) till we obtained the best measurement model. The indicators for each scale are presented in

the **Appendix A**. The recommended values used for estimating the model are the following goodness-of-fit statistics: RMSEA ≤ **0.08** for an acceptable model (Schumacker, Lomax, 2004); RMSEA ≤ **0.06** for a good model (Hu, Bentler, 1999), GFI ≥ **0.9** (Hooper, et. al, 2008), RMR closer to 0 (Arbuckle, 2007), CFI ≥ **0.9** (Brown 2006), TLI ≥ **0.9** (Bentler, Bonnet, 1980), PNFI ≥ **0.5** (Hooper, et. al, 2008).

The scale used to measure cognitive loyalty has a very low validity and we eliminated it from the model. In order to estimate the validity of the structural model, a joint confirmatory factor analysis (with all latent variables included simultaneously, less than the one for *cognitive loyalty*) was performed. The goodness-of-fit indices are: RMSEA = 0.05; GFI = 0.95; RMR = 0.09; CFI = 0.96; TLI = 0.95; PNFI =0.7. The structural model is a valid one. The hypotheses are tested with structural equation modeling. Using AMOS 16.0, a structural model is analyzed and the path coefficients are estimated. We search the best structural model and the simplified result is represented in figure 2. This structural model represents the data structure well: RMSEA = 0.05, GFI = 0.92, RMR =0.1, CFI =0.96, TLI = 0.95, PNFI = 0.76. In figure 2 we represented only the significant relations between the variables (p=0.05).

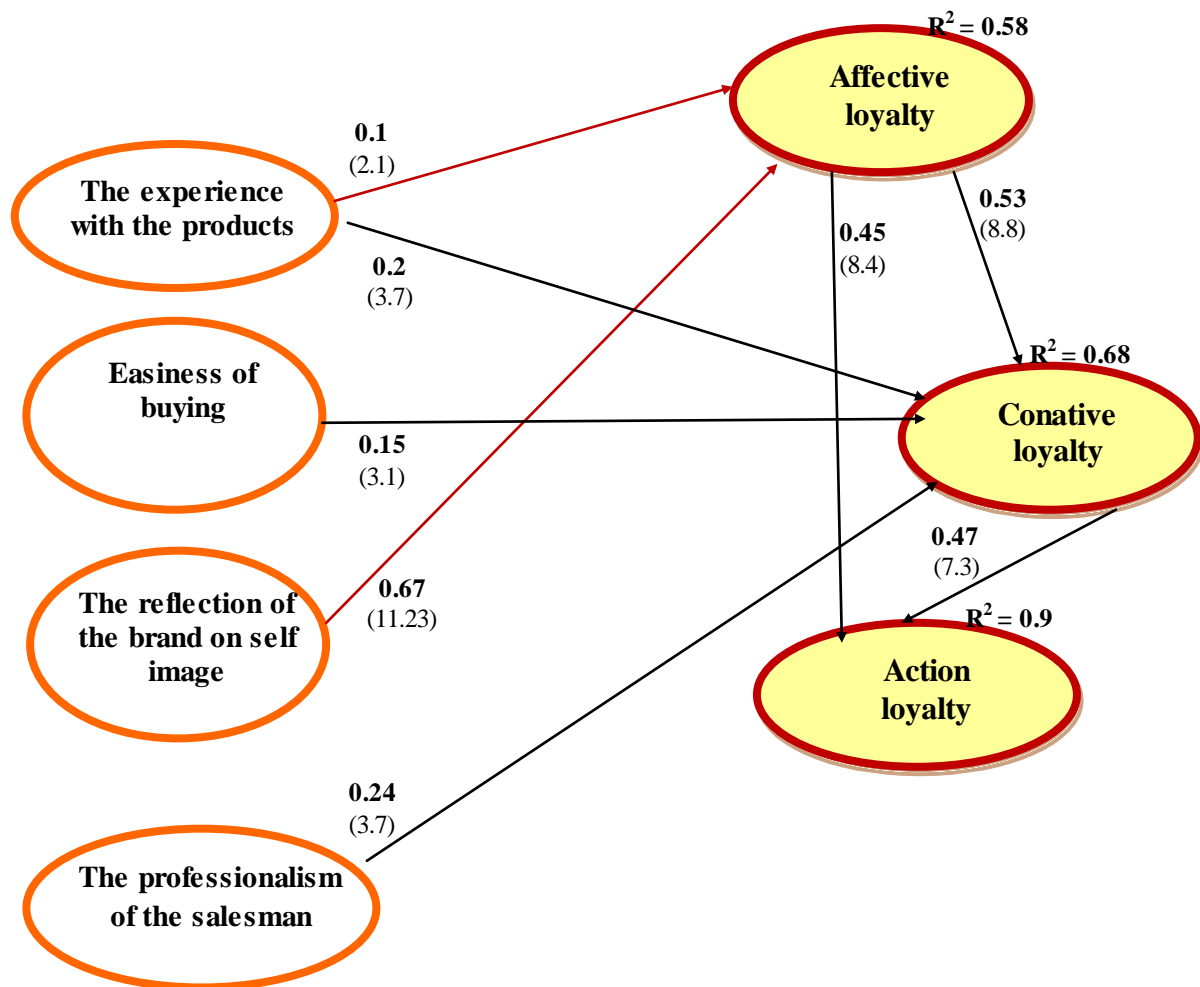Figure 2. *The satisfaction - loyalty model*

The **affective loyalty** is positive influenced by *the reflection of the brand on self image* (β= 0.67; p< 0.05) and by *the experience with the products* (β= 0.1; p< 0.05). The two factors explain 58% of the affective loyalty variance. The **conative loyalty** is positive influenced by *the professionalism of the salesman* (β= 0.24; p< 0.05), *the experience with the products* (β= 0.2; p< 0.05) and the *easiness of buying* (β= 0.15; p< 0.05). Both with affective loyalty, these factors explain 68% of the conative loyalty

variance. The **action loyalty** is positive influenced by *conative loyalty* ($\beta = 0.47$; $p < 0.05$) and *affective loyalty* ($\beta = 0.53$; $p < 0.05$) which explain 90% of the variance.

Hypotheses confirmation or disconfirmation

H1 is partial confirmed. We identified only three of the four dimension of loyalty, except the conative loyalty. Its scale was eliminated due to the lack of validity. A cause of this result might be the process of selecting and adapting the scales. The scales were selected from different research studies but not for direct selling area. They were initially made for measuring loyalty for service companies. The actual sample is represented by persons who are buying cosmetic products from a company for more than one year, at least two times in a year and have already their salesman. In their case, the first step of loyalty, cognitive phase, is already taken. In order to verify if it is possible to identify four phases of loyalty, a new research is necessary. The connection between affective and action loyalty was not investigated in other studies. We found that affective loyalty has a positive impact on action loyalty.

H2 is not confirmed. *The personalization of the relation* does not significant influence consumer loyalty.

H3 is partial confirmed. *The experience with the products* has a positive effect on affective and conative loyalty.

H4 is partial confirmed. *Easiness of buying* has a positive effect on conative loyalty.

H5 is partial confirmed. *The reflection of the brand on self image* has a positive effect on affective loyalty.

H6 is partial confirmed. *The professionalism of the salesman* has a positive effect on conative loyalty.

CONCLUSIONS

The **affective loyalty** is positive influenced by *the reflection of the brand on self image* and by *the experience with the products*. The **conative loyalty** is positive influenced by *the professionalism of the salesman, the experience with the products* and the *easiness of buying*. The **action loyalty** is positive influenced by *conative loyalty* and *affective loyalty*. There are just a few studies investigating the four components of loyalty. Most of the researches study either attitudinal or action loyally. In the present study, we approached the complex perspective of four dimensions loyalty. From the factors affecting satisfaction, the most powerful one is *the reflection of the brand on self image*. Its impact is grater on affective loyalty. The scale can measure the development of loyalty and identify individual levels of loyalty. The loyalty measurement scale might be useful for companies to collect data for investigating the level of loyalty of their customers. These data can be used for a better customer relationship management, in order to develop loyalty strategies for affective or action phase or to draw customer profiles. The managers can correlate customer buying behavior (buying frequency, the amount for the acquisitions, types of products) with different stages of loyalty. The scale can be used to track the evolution of loyalty during the years. The factors with greater positive impact on behavioral loyalty might be used to develop short term strategies.

The model was tested using only the students' pespective. The conclusions of the present study and the model can not be used for other gropus of customers. As a future research direction we consider the necessity of conducting a new research. Another limitation of the study and a new research direction is the *conative loyalty* scale measurement.

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Appendix A. Scale items

Dimensions and indicators	Final scales
Personalization of the relation ($\alpha = 0.8$) RMSEA = 0. 04, GFI = 0.99, RMR = 0.01, CFI = 1, TLI = 1, PNFI = 0.3	The salesman recommends the best products for me The salesman always helps me to choose the products I need The salesman presents me in detail the products I am interested in The salesman always ask me if I am pleased with the products
The experience with the products ($\alpha = 0.7$) RMSEA = 0.04, GFI = 0.99, RMR = 0.06, CFI = 0.99, TLI = 0.99, *PNFI =0.33*	I received each time the products I ordered The products I receive are the same with those presented in the catalogue For me, the promotions presented in the catalogue are at the best hand
Easiness of buying ($\alpha = 0.7$) RMSEA = 0.058, GFI = 0.99, RMR = 0.14, CFI = 0.98, TLI = 0.98, PNFI =0.98	It is very important that I can study the offer in the catalogue for more days before I order I am interested to see the promotional offers.
The reflection of the brand on self image ($\alpha = 0.78$) RMSEA = 0.08, GFI = 0.99, RMR = 0.1, CFI = 0.99, TLI = 0.98, *PNFI =0.33*	I feel this brand define my personality I feel more beautiful when I use this brand I am more confident when I use this brand
The professionalism of the salesman ($\alpha = 0.7$) RMSEA = 0.03, GFI = 0.99, RMR = 0.1, CFI = 0.99, TLI = 0.99, PNFI =0.99	The salesman is very friendly with me The salesman offers me the information I need every time The salesman tells me immediately when he receives the products I ordered
Cognitive loyalty ($\alpha = 0.8$) *RMSEA = 0.12,* GFI = 0.98, RMR = 0.16, CFI = 0.98, TLI = 0.95, *PNFI = 0.32* **The scale was eliminated due to the lack of validity**	I rather use the products of this company I consider the company has the best offers I consider the offers of this company are not what I like I rather buy this brand instead of other cosmetic brands
Affective loyalty ($\alpha = 0.92$) RMSEA = 0.07, GFI = 0.98, RMR = 0.04, CFI = 0.99, TLI = 0.98, PNFI = 0.49	I brought this brand because I really like it I am pleased to buy this brand instead of other cosmetic brands I like this brand more than other cosmetic brands I feel more attached to this brand than the others cosmetic brands I am interested in this brand, more than the others cosmetic brands
Conative loyalty ($\alpha = 0.65$) *RMSEA = 0.1,* GFI = 0.98, RMR = 0.2 CFI = 0.97, TLI = 0.97, PNFI = 0.97	I intend to buy this brand in the future, too I intend to buy more products with this brand I intend to recommend this brand to my friends
Action loyalty ($\alpha = 0.83$) RMSEA = 0.08, GFI = 0.97, RMR = 0.1, CFI = 0.98, TLI = 0.94, PNFI = 0.62	I recommend this brand to those who ask for my advice I say positive things about this brand to other people I consider this brand the first choice when I want to buy cosmetic products.

α – Cronbach alpha