

Consumer Satisfaction and Repurchase Intentions

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Abstract

The aim of this study is to investigate the relationship between consumer satisfaction and repurchase intentions in order to attempt to resolve the mixed views on these concepts. Data for this study were generated through the secondary sources which include: text books, journals, seminar and conference papers and internet materials. Result of the findings show that there is a positive relationship between consumer satisfaction and repurchase intentions, satisfied consumers are more likely to continue their relationship with a particular firm than dissatisfied ones. All firms that want to create and maintain competitive advantage against rivals should offer superior services to their customers. Customer satisfaction is also important for organizations as it has a positive impact on the overall financial performance of the firms. Establishing direct link between repurchase and satisfaction ratings had not been easy for many organizations and this link can be weak. However, organizations should offer qualitative products and services to their customers as they are the key factors in satisfying customers and they have a positive effect on the repurchase intentions of customers in the future. This study will be useful to both private and public organization as well as future researchers.

Keywords: Satisfaction, repurchase intentions and organizations.

Introduction

Today's business environment is highly competitive that companies need to be customer oriented (Kotler, 1997), and customer satisfaction represents a modern approach for quality in business life and serves the development of a truly customer-oriented culture and management (Cengiz, 2010). Firms always look forward to long lasting success. In order to be successful in the long run, they need to keep abreast with all of their stakeholders. Out of the stakeholders, customer is considered to be the most important one. Future repurchase intentions of customers are outcomes of various organizational efforts. One of the most important determinants of customer repurchase intentions discussed by researchers is offering competitively the best service quality to customers; this idea is supported by (Parasuraman, Zeithaml, & Berry, 1985, 1988).

Consumer satisfaction and repurchase intention are among the most researched concepts in academia and among the most important constructs in practice today. Satisfaction refers to the degree of overall pleasure or contentment felt by the customer, resulting from the ability of the service to fulfill the consumer's desires, expectations and needs in relation to the service while repurchase intention refers to the individual's judgment about buying again a designated service or product from the same company or seller, taking into account his or her current situation and likely circumstances. Organizations try to offer the best possible service to their customers in order to retain them and create positive repurchase intentions in the future. Repurchase and consumer satisfaction have a powerful impact on firms' performance by providing a competitive advantage (Edvardsson, Johnson, Gustafsson & Strandvik 2000; Lam, Shankar, Erramilli and Murthy 2004; Reichheld, Markey and Hopton 2000; Zineldin 2006), numerous loyal consumers (Mellens, Dekimpe & Steenkamp 1996; Zineldin 2006), and increasing customer satisfaction. Despite extensive research on the relationships between customer repurchase and satisfaction, these constructs appear to be complex and multidimensional, and are, therefore, not well understood by many. Establishing a direct link between repurchase and satisfaction ratings has not been easy for many organizations (Mittal & Kamakura 2001), and some researchers have demonstrated that this link can be weak (Homburg & Giering 2001; Kumar 2002; Quick & Burton 2000; Seiders et al. 2005; Shih & Fang 2005). Customers may indicate that they are satisfied, but purchase goods and services elsewhere (Powers & Valentine 2008).

Marketing managers rely on repurchase intentions to predict sales in a variety of marketing activities: e.g., new product introductions (Silk & Urban 1978), advertising effectiveness (Bird & Ehrenbert 1966), service management (Pérez et al. 2007), and demand forecasting for existing products. Similarly, academic researchers frequently use repurchase intention as a proxy for purchase behavior (Morwitz, Steckel & Gupta 1997, 2007). And perhaps most importantly, "repurchase intentions are the most widely used indicator of customer loyalty in firms' customer feedback systems" (Morgan & Rego 2006).

However, this study focuses on the relationship between consumer satisfaction and repurchase intentions.

Review of Literature

Consumer Satisfaction

Customer satisfaction is a marketing term that measures how products or services supplied by a company meet

or surpass a customer's expectation. Customer satisfaction is now considered as the corporate level strategy (Rust & Zahorik, 1993). Research shows that customer satisfaction is the basis and source of success for an organization. As such, customer satisfaction is a base of relation between marketing and management departments (Claycomb & Martin, 2002), and a source of competitive edge (Anderson et al., 1994). Customer satisfaction is also important for organizations as it has a positive impact on the overall financial performance of organizations (Anderson et al., 1994; Rust and Zahorik, 1993). Henkel et al. (2006) found that those customers who are satisfied with the service provided by the firms intended to increase their usage and intentions to purchase in the future. Cronin et al. (2000) concluded that the quality of service offered, the service itself and the overall satisfaction with the provided service had a direct bearing on the intentions of customers to continue with the current service provider in the future. Brown and Gulycz (2001) consider the satisfaction of customers as an important tool to retain customers in the future and with positive repurchase intentions. For years companies have invested significant resources to improve their customers' satisfaction (Durvasula, et al. 2004). Customer satisfaction indicates the general health of the organization, its future prospects, and provides companies with many benefits including forming consumer loyalty, preventing customer churn, reducing marketing costs, and enhancing business reputation (Fornell 1992). The success of the firm's strategy depends on the company's ability to fulfill its promises to consumers, which in turn leads to forming long-term, profitable relationships (Carpenter and Fairhurst 2005). Chow and Zhang (2008) proposed that it is important for managers to identify satisfying product attributes from dissatisfying ones, because brand switching is more likely to occur as a result of dissatisfaction. Satisfaction, as an independent variable, is considered to be linked to consumer repurchase behaviour.

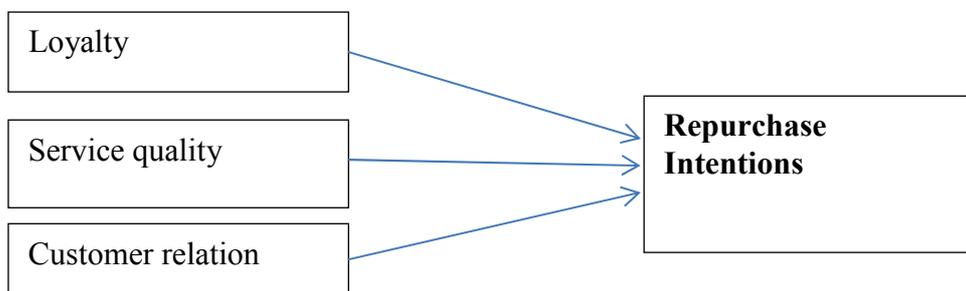
Research shows that overall customer satisfaction has three principal components: Satisfaction with the product, the company, and the salesperson.

Repurchase intentions

The concept of repurchase and the factors influencing it has been investigated by many scholars (Dick and Basu 1994; Ehrenberg and Goodhardt 1968; Evans and Gentry 2003; Jacoby and Kyner 1973; Law, Hui and Zhao 2004; Mittal and Kamakura 2001; Quick and Burton 2000; Seiders et al., 2005; Wanke and Fiese 2004). Repurchase is defined as a consumer's actual behaviour resulting in the purchase of the same product or service on more than one occasion. The majority of consumers' purchases are potential repeat purchases (Peyrot and Van Doren 1994). Customers buy similar products repeatedly from similar sellers, and most purchases represent a series of events rather than a single isolated event. Retention is another common term for repurchase (Hennig-Thurau 2004; Narayandas 1998; Zineldin 2006), which is considered to be one of the most important variables in relationship marketing (Fullerton, 2005; Morgan & Hunt, 1994). While repurchase is the actual action, repurchase intent is defined as the customer's decision to engage in future activities with the retailer or supplier (Hume, Mort & Winzar 2007). Two forms of repurchase are identified: the intention to re-buy (repurchase), and the intention to engage in positive word-of-mouth and recommendation (referral) (Zeithaml, et al. 1996). There have been discussions in the marketing research literature as to whether purchase intentions and past purchasing behaviour are correlated with actual consumer behaviour in the future (Dixon, et al. 2005). In effect, does repurchase intent actually result in repurchase?

Model of the study

Satisfaction



Source: Jakada, Izbaz& Farida (2015)

Consumer Satisfaction and Repurchase Intentions

Early studies on consumer behaviour explored the relationship between repurchase and the level of satisfaction. However, this relationship is not straight forward. Mittal and Kamakura (2001) stated that the satisfaction-repurchase relationship can display variability due to three main reasons. The first includes satisfaction thresholds, which consist of satisfied consumers who have different levels of repurchase due to their different characteristics. The second includes response bias, which means that ratings obtained from the survey may not

represent a true picture due to the different characteristics of consumers. The third includes nonlinearity, which means that the satisfaction-repurchase function may be nonlinear and vary for different consumers.

Tsai, Huang, Jaw and Chen (2006) reported that longitudinal and cross-sectional satisfaction-repurchase studies have demonstrated that satisfied consumers are more likely to continue their relationship with a particular organization than dissatisfied ones. This view is supported by a number of researchers (Anderson and Sullivan 1993; Davidow 2003; Deslandes 2003; Durvasula, et al. 2004; Eggert and Ulaga 2002; Fullerton 2005; Harris 2003; Hennig-Thurau 2004; Jones, et al. 2000; Mittal and Kamakura 2001; Preis 2003; Szymanski and Henard 2001).

In contrast, Olsen (2002) stated that despite the common view that satisfaction is linked to repurchase, few empirical studies can be found that relate satisfaction to actual repurchase behaviour. Kamakura (2001) indicated that establishing a direct link between repurchase and satisfaction ratings has not been easy for many organizations. In addition, the satisfaction-repurchase relationship can be affected by consumers' characteristics. Despite the identical ratings on satisfaction, a significant difference was observed in repurchase behaviour, which was attributed to differences in consumer age, education, marital status, sex, and area of residency (Mittal and Kamakura 2001).

Another key area that organizations should focus on in order to satisfy customers and influence them to re-buy a particular product, it to keep a good relationship with them or engage in what is known as customer relationship management (CRM). CRM has interest in understanding how relationships with individual customers are created, built, and sustained over time (Bhattacharya and Bolton, 2000). It began with investigations of how customers formed their assessments of products (goods and services).

Initially, researchers focused on allocation of resources between customer acquisition and retention (Blattberg and Deighton, 1996). But today the management of customer equity requires that organizations use information about customers and potential customers to segment them and treat them differently depending on their future long-term profitability (Blattberg, Getz, & Thomas, 2001; Peppers & Rogers, 2005; Rust, Zeithaml, & Lemon, 2000).

Notably, customer satisfaction literature developed around the idea that satisfaction is influenced by the difference between expectations and experience (Oliver, 1980, 1999).

Conclusion and Recommendations

Finally, on the basis of all findings by investigating the relationship between repurchase intentions and consumer satisfaction, we conclude that there is a positive relationship between consumer satisfaction and repurchase intentions, satisfied consumers are more likely to continue their relationship with a particular firm than dissatisfied ones. All firms that want to create and maintain competitive advantage against rivals should offer superior services to their customers. Customer satisfaction is also important for organizations as it has a positive impact on the overall financial performance of the firms. Also offering quality products and services is said to be the key factors in satisfying customers and it has a positive effect on the repurchase intention of customers in the future. Establishing direct link between repurchase and satisfaction ratings had not been easy for many organizations and this link can be weak.

Based on the study above we recommend that:

1. Due to the fact that satisfaction is linked to repurchase intentions, business organizations should focus more on consumer satisfaction than sales volume, because consumers and customers are the life blood that keeps the business going therefore, capturing their attention to re-buy a particular product is important to the organization.
2. Qualitative goods or services should be produced in order to satisfy or even exceed the ever changing needs, expectations or preferences of the customers or consumers.
3. Business organizations should contact consumers to know their needs before going into production or consumers should determine what is to be produced, how and when.
4. There is need for firms to identify satisfying products and services and continue to produce them effectively for consumers, and then do away with the dissatisfying ones, because brand switching is more likely to occur as a result of consumer dissatisfaction.
5. Organizations should be able to create, build, and sustain a long-run relationship with customers in order to achieve a long-run profitability.

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