

## **An Investigation of Customers' Viewpoints on the Factors that affect Customers Satisfaction, by Using Improved Kano's Model (Case Study: A private bank in Tehran)**

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**Abstract:** No organization can survive without customer. The secret of organizations' permanency is their customers. Customer satisfaction is a concept that is further paid attention in today's business since satisfied customers are the main component of organizational success. If banks did not manage to satisfy their customers, they would not survive and prosper. Indeed, banking has to perceive customers needs and demands and satisfy them in competition with its rivals. In this study, library research, internet resources, and field research are employed to investigate customers' views on the effective factors in customers satisfaction using improved Kano's model. This study is an applied and descriptive-survey research from the viewpoints of purpose and information collecting method, respectively. Its statistical population is the customers of a private bank in Tehran and the number of analyzed statistical samples is 302 persons who were selected using stratified sampling method. The information collecting tool is questionnaire which a Cronbach's Alpha coefficient of 0.832 confirmed its reliability. SPSS software was used to analyze the data collected by questionnaire. Based on the results, "providing customers with financial consultancy" and "withdrawal of money from current account by ATM card" have the highest priorities in the case of attractive requirements. In the case of performance requirements, "duration of waiting in line" and "friendly and intimate attitude of bank employees" have the highest priority. "Checking credit balance" and "getting bank statement via internet" also have the highest priorities in the case of basic requirements, while the highest priorities in indifference requirements case involve "broadcast of bank advertisements in media" and "reading advertisements in newspaper". Some suggestions have also been made at the end of this paper to further improve bank's customers satisfaction level.

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### **Introduction:**

Organizations have been established to obviate environment needs. One of the most important environmental factors is customer. If organizations could obtain, retain, and/or enhance customers satisfaction, they would prosper as well. Thus, leading organizations always seek to ensure customers satisfaction and bank system, which in market-based economy is one of the most crucial components of economy and has a primary responsibility in most countries, is no exception (Wieck, Leon, 1996).

Satisfaction/dissatisfaction is an emotional response which is made to evaluate the used product or provided service (Wilkie, William.L, 1994). Blanchard and Galwoy (1994) believe that customer satisfaction is a result of customer perception of a transaction or a the value relevance so that price equals the ratio of provided service quality to customers' costs and price (Hallowell, 1996).

A definition of customer satisfaction, which is accepted by many experts, takes customer satisfaction as a result of customer's pre-purchase comparison of expected performance with perceived

real performance and afforded costs (Beerl & et al, 2004). Nowadays, organizations have found that their survival is highly dependent on customers satisfaction and loyalty. For instance, customers satisfaction has been considered as an indispensable requirement for customer retention and assists the realization of economic objectives (Che-Ha, Norbani & Hashim, 2007). Kattler (1994) has stated that customer satisfaction is the key to customer retention (Rauyrue, Miller, 2007). The advent of customer satisfaction issue in financial service has been widely investigated. According to existing evidence, the focus on customer satisfaction, especially in banking industry) is a primary and essential objective (Arbore & Busacca, 2009). The intensity of competition among country's banks, the every-day establishment of various finance and credit institutions, and the provision of a diversity of services required by customers makes it more necessary to deal with customers and obviate their needs. In an environment where customers are informed and enjoy selectivity, neglect of their needs is not possible anymore (Levesqe, Gordon, 2001). Moreover, there are a lot of researches showing a relation between customers

satisfaction and their loyalty so that satisfied customers are often loyal customers as well (Gable & et al, 2008). Kano, based on Herzberg's motivation-hygiene factors theory, designed a model which is known as Kano's model (Hung Wu, 2004). Kano's model is widely used by organizations as an effective instrument for perceiving customers preferences and this fact is beholden to the ease of customers' needs classification based on statistical data (Xu & et al, 2008). Therefore, the specification and investigation of the effective factors in customers satisfaction of vital importance for finance institutions and banks. On this basis, we aim to investigate the mentioned factors for a private bank in Tehran.

### **Specification of Problem**

Customer satisfaction is one of the fundamental concepts of assessment which is sought in most businesses. Customer is measured periodically or after any structural change. Reviewing the literature on customers satisfaction it is found that these definitions have mostly been tested by interviewing examinees (customers) and the results show that most of them comparably overlap with each other. It is obvious from researchers' views on definitions of satisfaction that three major factors exist in all definitions so that a set of these factors can serve as a basis for a comprehensive definition of satisfaction. These factors are as follows: customers satisfaction is an emotional reaction or a kind of mutual perception and cognition (Pratten, 2004). Customer dissatisfaction occurs when a customer receives a product or service under his/her expected quality level. Nonetheless, it should be noticed that the series of elements which causes dissatisfaction is not necessarily in a one to one accordance with the elements which lead to satisfaction. Thus, the following definition may be more accurate one: customers dissatisfaction is a case in which one of the dissatisfying factors sufficiently affects his/her deduction about the quality of products or received service (Biggs and Swailes, 2006).

Literature and Historical Background of the study

In a study in 2008, Petruzzellis specified some aspects of the relationship between customer and banks. He showed that customers loyalty and commitment is high whenever they are satisfied with service. Furthermore, he found personnel's role in perceiving customers needs and satisfying them to be key and vital. He finally concluded that a higher customer satisfaction would lead to customer retention (Petruzzellis. L., 2008).

Moutinho and Smith demonstrated that there is an obvious relation between the quality of service providing and customers satisfaction, in addition, finance institutions should look for effective and useful methods of obtaining and retaining customers satisfaction and banks should find alternative

strategic approaches to improve service provision. They also showed that customers attitude towards the quality of service supply affects their satisfaction level (Moutinho. L & Smith. A., 2000).

The concept of customer satisfaction has widely been discussed in the literature and numerous definitions can be found for it, but researchers still seek to suggest a definition which will be acceptable to everybody (Beerli & et al, 2004).

Customer satisfaction can be described as a result of a comparison between perceived real performance of product and the previous expectations of that product (Wangenheim, Florian & Bayon, 2009).

Kelly and Henning-threw (1997) in their study entitled "the effect of customer satisfaction on customer retention" specify that customers satisfaction with company's products and service is company's key to success and long-term competition. In marketing, customer satisfaction is one of the key factors in customer retention.

### **Methodology**

Professor Noriaki Kano, one of the globally-famous experts in quality, believes that today, quality is an impartible component of any business and one of the major factors in global competition. Furthermore, considering the increasing extension of global competition, it is hardly possible to eliminate customers needs just by means of existing products and innovative products should be produced to satisfy their expectations. To achieve this, it is required to have an accurate perception of customers' variable needs and demands (Shillito Larry M, 2001). Numerous researches on customers satisfaction and the factors affecting it have been carried out so far, but this study aims to specify these factors as well as classify them based on Kano's model.

1. Specification of attractive factors which make it possible for bank service to be distinct from that of rivals. The product and service which meets performance and obligatory qualities are considered by customers to be the same and can be simply replaced by their similar rivals (other brands). Hence do not bring customer loyalty.

2. Specification of the existing priorities among products and services as well as selection of the most effective factor in the case of any constraint imposed by technical, financial, and other reasons.

3. It is not useful to specify the methods of allotting resources to improve existing products and services, or in other words, paying attention to obligatory factors (basic requirement) which were acceptable in the past, while investment and paying attention to performance improvement would better result in customer satisfaction.

Noriaki Kano propounded a model which is used today by most of the customers satisfaction models.

In this model, he divided customers needs to three groups and illustrated them on a two-dimensional graph. The vertical axis denotes customers satisfaction and pleasure level, while the horizontal one denotes the responding to customers need (Walden D, 1993). In this model (figure 1), Kano shows three types of needs which affect customers satisfaction in different ways in the case of obviation. Indeed, customers satisfaction level depends on the satisfaction level of their latent and obvious needs. Because the effect of each need on customer satisfaction is different, it is quite essential to specify the needs which their obviation brings customers more satisfaction. Kano by determining three groups of needs, also defines the satisfaction level for each of the customers satisfaction factors. These needs are as follows:

- 1- Must-Be or Basic Needs: primary characteristics which should exist in any product or service. Customers find them commonplace and mandatory and do not mention them in need assessments since they assume they exist. Based on Kano's view, better responding to these needs do not bring further customers satisfaction, but neglecting them can result in intense dissatisfaction so that they get annoyed and complain about their needs (Walden D, 1993 and Furlan R, 2010 and Riviere.p & et al, 2006). Basic needs are often disregarded by customers and they expect these characteristics to exist in product or service (Shahin. A, 2004).
- 2- One-Dimensional or Performance Needs: these needs are in direct relation with customers satisfaction so that an increase in responding to them cause a linear increase in customers satisfaction and vice versa. Customers obviously underline these needs. In fact, Customers performance needs are a major part of need assessment information. Thus, the simplest way to enhance customers satisfaction is to improve the obviation level of these needs (Walden D, 1993 and Shen XX, 2000).
- 3- Attractive or Excitement Needs: these needs are not regarded by customers at the time of using products or services and are not stressed in need assessments. Thus, neglecting these needs do not displease customers, but their obviation results in a high level of customers excitement and

satisfaction. A little improvement in the obviation level of excitement needs can enhance customers satisfaction a lot. Indeed, the way of dominating rivals and market is to obviate and respond to excitement needs (Walden D, 1993 and Shen XX, 2000). In other words, these needs are the criteria which have the greatest effect on customers satisfaction with a product or service. Their properly obviation brings a great customer satisfaction while their neglect may result in dissatisfaction (Kurt Matzler & et al, 1998).

Kano's model has a dynamic nature, that is, today's excitement needs are the tomorrow's performance needs and subsequently future's basic needs. In fact, the time-dependency of Kano's model is an indicative of customers needs and demands variation and their replacement by time and this intensifies the necessity for the specification of needs. Using this model, it gets possible to respond to the preponderant needs of each group of customers when responding to all of their needs is not applicable. Indeed, by responding to the attractive and performance needs of each customers group, not only a distinction is made between the organization and its rivals and also the capital waste, which is resulted from responding to unnecessary needs, is prevented as well (Walden D, 1993 and Shen XX, 2000).

Kano's model can also be used in Quality Function Development (QFD) matrix to ensure the existence of most vital customers needs in product or service development stages, because the specification and prioritization of these needs are prerequisites for QFD method which can properly be accomplished by Kano's model (Walden D, 1993 and Shen XX, 2000).

Kano's analysis is one of the quality measurement tools for prioritization of customers demands based on their effects on customer satisfaction and pleasure. Kano's analysis helps to determine the higher-priority requirements for different customers (Cheng & Chiu, 2008). At least three following factors should be considered to select satisfaction measurement scales (Lee, M.C. and Wirtz J., 1997):

- 1- Purpose of measurement
- 2- Characteristics of service or products
- 3- Characteristics of examinees

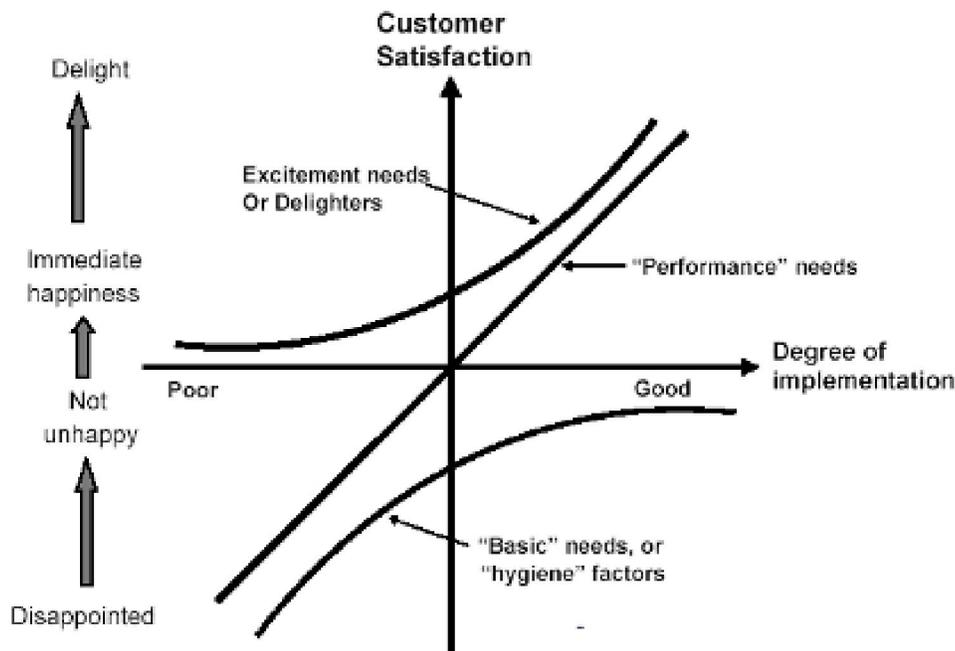


Figure 1. Kano's customer satisfaction model (Shillito Larry M, 2001)

**1- Study Method, Statistical Population and Statistical Sample**

This study is an applied and descriptive-survey research from the viewpoints of purpose and information collecting method, respectively. Its statistical population is the customers of a private bank in Tehran and the number of analyzed statistical samples is 302 persons who were selected using stratified sampling method.

**2- Data Collection and Statistical Analysis Methods**

Library and field research methods were used to collect data in the field of theoretical fundamentals, codification of study literature and their related definitions. The data collection tool in this study was questionnaire which included 38 questions based on extracted components and had been designed using Kano's model. Its validity was

investigated by surveying management professors and experts, while its reliability was calculated by Cronbach's Alpha method ( $r= 0.832$ ). SPSS software was used to analyze the data collected by questionnaire. Kano's model is used in this study to evaluate the satisfaction level of a private bank customers. To prepare Kano's questionnaire, each of basic, performance, and excitement needs can be classified in questionnaire along with the needs to which customers are indifferent. A pair of questions is designed for each of needs so that one of 5 choices can be selected. First question illustrates customer reaction in the case of considering a characteristic of product (Operational form of question) while second question shows customers reaction in the case of lack of that characteristic (Nonoperational form of question).

		(Negative)Nonoperational form of question				
		1- I like it	2- It must exist	3- I am indifferent	4-I bear it	5- I don't like it
Operational form of the question (Positive)	1- I like it	Q	A	A	A	O
	2- It must exist	R	I	I	I	M
	3- I am indifferent	R	I	I	I	M
	4- I bear it	R	I	I	I	M
	5- I don't like it	R	R	R	R	Q

Illuminations: Attractive: A, Basic: M, Reverse: R, Operational: O, Questionable :Q, Indifferent: I

The results for customers needs evaluation

**3- Analysis of Findings****Classification of needs from customers' viewpoint**

1	Cheque payment from the credit available at short-term account	Attractive 57.94
2	Withdrawal of money from current account by ATM card	Attractive 89.40
3	bank statement to you at the end of each month Sending	Attractive 57.61
4	Possibility of cheque payment from an account into another one via internet	Attractive 78.14
5	Payment of loan installments via internet	Attractive 83.44
6	Demand and receipt of various currency and cash facilities via internet	Indifference 86.42
7	Demand and receipt of various surety bonds via internet	Indifference 68.5
8	Receipt of bank statement via internet	Basic 86.09
9	Checking credit balance via internet	Basic 86.75
10	Cheque payment by bank up to a certain limitation	Attractive 83.77
11	Interest payment to current account	Attractive 84.10
12	Use of a certain amount of currency and cash facilities with lower interest	Performance 79.13
13	Payment of surety bond interest until a month after issuance	Indifference 81.45
14	Payment of facilities interest until a month after endowment	Attractive 74.50
15	Reduction in paid interest amount by increasing the amount of currency and cash facilities use	Indifference 84.76
16	Return of a part of received facilities interest in the case of settlement within a month	Attractive 69.53
17	Receipt of documents in envelope after service providing	Indifference 80.13
18	Provision of all services needed by customers in international exhibitions	Performance 60.26
19	Good and spruce looking of bank employees	Performance 73.17
20	Secrecy of bank employees	Performance 76.15
21	Friendly and intimate attitude of bank employees	Performance 81.12
22	Employees can remember customers' names	Attractive 87.08
23	Duration of waiting in line (waiting for turn)	Performance 88.74
24	Cleanliness of branch's internal environment	Basic 61.92
25	Beauty of branch's decoration	Performance 65.56
26	Provision of financial consultancy	Attractive 91.05
27	Sufficient and cheerful environment of branch	Basic 69.53
28	Provision of attractive and expensive awards for deposits	Attractive 81.12
29	Provision of small and ordinary awards for deposits	Indifference 79.47
30	Watching advertisements on the television	Indifference 77.48
31	Hearing bank advertisements on the radio	Indifference 86.75
32	Writing advertisements in public places, subways, on boards and walls	Indifference 87.08
33	Reading advertisements in the newspaper	Indifference 87.41
34	Broadcast of bank advertisement in media	Indifference 90.39
35	Attractiveness and beauty of bank advertisements	Indifference 84.10
36	Quality and content of bank advertisement	Indifference 60.59
37	Friends' judgment about service quality	Attractive 87.74
38	Provision of few cars for deposit accounts lottery	Attractive 62.91

**4- Conclusion**

Kano defines three groups of needs which are effective on individual's satisfaction: Basic Needs, Performance Needs, and Excitement Needs. Surely, each of these needs is important and is required to be dealt in order to raise individual's

satisfaction level. This study revealed that banks are dependent on customers satisfaction and confidence in order to achieve their objectives. This can be done by pursuing customer-based policies which take customers expectations and demands into account. Therefore, banking service requirements from the

viewpoint of customers can be classified under following requirement groups based on Kano's model.

Excitement requirements (in sequence):

1. Provision of financial consultancy
2. withdrawal of money from current account by ATM card
3. Friends' judgment about service quality
4. Employees can remember customers' names
5. Interest payment to current account
6. Cheque payment by bank up to a certain limitation
7. Payment of loan installments via internet
8. Provision of attractive and expensive awards for deposits
9. Possibility of cheque payment from an account into another one via internet
10. Payment of facilities interest until a month after endowment
11. Return of a part of received facilities interest in the case of settlement within a month
12. Provision of few cars for deposit accounts lottery
13. Cheque payment from the credit available at short-term account
14. Sending bank statement to you at the end of each month

Performance requirements (in sequence)

1. Duration of waiting in line (waiting for turn)
2. Friendly and intimate attitude of bank employees
3. Use of a certain amount of currency and cash facilities with lower interest
4. Secrecy of bank employees
5. Good and spruce looking of bank employees
6. Beauty of branch's decoration
7. Provision of all services needed by customers in international exhibitions

Basic requirements (in sequence)

1. Checking credit balance via internet
2. Receipt of bank statement via internet
3. Sufficient and cheerful environment of branch
4. Cleanliness of branch's internal environment

Indifference requirements (in sequence)

1. Broadcast of bank advertisement in media
2. Reading advertisements in the newspaper
3. Writing advertisements in public places, subways, on boards and walls
4. Hearing bank advertisements on the radio
5. Demand and receipt of various currency and cash facilities via internet
6. Reduction in paid interest amount by increasing the amount of currency and cash facilities use
7. Attractiveness and beauty of bank advertisements

8. Payment of surety bond interest until a month after issuance
9. Receipt of documents in envelope after service providing
10. Provision of small and ordinary awards for deposits
11. Watching advertisements on the television
12. Demand and receipt of various surety bonds via internet
13. Quality and content of bank advertisement

Excitement Suggestions:

Among excitement needs, following four factors certainly have the highest priorities. Bank's attention to these factors and informing employees about them can earn loyal customers:

1. Provision of financial consultancy
2. withdrawal of money from current account by ATM card
3. Friends' judgment about service quality
4. Employees can remember customers' names

Performance Suggestions

Considering following four needs in priority sequence, customers transfer from indifference to using bank services to the case of satisfaction with a private bank's services and through next steps they finally become loyal to the trade name of a private bank in Tehran:

1. Duration of waiting in line (waiting for turn)
2. Friendly and intimate attitude of bank employees
3. Use of a certain amount of currency and cash facilities with lower interest
4. Secrecy of bank employees

Indifference Suggestions

Paying moderate attention to the following needs ensures customers satisfaction, while excessive and non-standard focus on them not only has no further effect on customers satisfaction increment, but also wastes the financial resources of bank and may lead to reverse results:

1. Broadcast of bank advertisement in media
2. Reading advertisements in the newspaper
3. Writing advertisements in public places, subways, on boards and walls
4. Hearing bank advertisements on the radio

Basic Suggestions

Excessive focus on the following needs has no positive effect on customers satisfaction and only prevents their dissatisfaction. The existence of these needs in bank services is considered by customers as mandatory:

1. Checking credit balance via internet
2. Receipt of bank statement via internet
3. Sufficient and cheerful environment of branch
4. Cleanliness of branch's internal environment

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