CHAPTER 2
LITERATURE REVIEW

This chapter reviews some of the major studies on consumer satisfaction and dissatisfaction (CS/D) and other related concepts such as marketing, expectation, disconfirmation, performance, and product quality. A brief discussion on several CS/D model will be made based on previous studies done towards understanding CS/D and justification on the model chosen by the researcher. The study will also discuss factors influencing CS/D.

2.1 Theories and concepts
2.1.1 Marketing concept
The study of consumer satisfaction brings us back to the understanding of marketing concept. Marketing guru, Philip Kotler says that marketing concept is a business philosophy (Kotler, 1991). The marketing concept holds that the key to achieving organizational goals consist of determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors (Kotler 1991).

Giving the consumers what they want and need seems so obvious that it may be hard to see why the marketing concept requires special attention. However, organizations don’t always do the logical and obvious – especially when it means changing what they have done in the past.

2.1.2 Consumer behavior
Once it was understood that an organization could exist only as it fulfills its customers' needs and wants, the study of consumer behavior became an
essential part of doing business (Kotler 1991). Consumer behavior is defined as
the study of the buying units and the exchange processes involves in acquiring,
consuming, and disposing of goods, services, experiences, and ideas (Mowen
and Minor 1998).

Understanding consumer behavior and the consumption process brings a
number of benefits, among them the ability to assist managers in their decision
making, provide marketing researchers with a knowledge base from which to
analyze consumers, help legislators and regulators create laws and regulations
concerning the purchase and sale of goods and services, and assist the average
consumer in making better purchase decisions. Moreover, studying consumer
behavior will enhance our understanding of the psychological, sociological, and
economic factors that influence all human behavior (Mowen and Minor, 1998).

For the purpose of this study, the researcher is more concerned during the
postpurchase evaluation stage behavior where consumers generally express
their satisfaction or dissatisfaction with the purchase.

2.1.3 The concept of satisfaction
In order to understand consumer satisfaction, we will first look at human
satisfaction in general. After all, consumer satisfaction is simply the human
satisfaction gained in the consumer role.

In the field of psychiatry the concept of satisfaction is often embraced in the term
"adjustment". "A well adjusted person is a satisfied person" summarizes the
psychiatrist's view of satisfaction (McNeal, 1982). Translated into consumer
satisfaction, the psychiatrist's view of satisfaction seems to suggest that the
consumer should adjust to the offerings of marketers, an idea contrary to the
consumer-business relationship, which assumes " Customers is King" (Business
Week, 1990)
Sociology focuses on human interaction and suggests that people are satisfied when they have harmony in their interpersonal relationships. Consumer satisfaction in this context would result from a harmonious relationship between the buyer and seller (McNeal, 1982).

Human ecologists are interested in the relationships between people and their environments. People are satisfied, according to the ecologist, when they are acclimated or adjusted to all elements of their environments (McNeal, 1982).

The discipline of psychology is composed of several schools of thought. Learning psychologists, for example employ the term 'reward' for satisfaction. Reward is a reduction of a drive of removing a tension state brought about by a need. Physiological psychologist on the other hand is concerned with maintaining homeostasis, the physical and chemical balance of the body. Satisfaction, then, in the eyes of the psychologist, is something a person seeks in order to feel mentally comfortable. The consumer seeks this internal comfort from the marketplace (McNeal, 1982).

These comments from the psychiatrists, sociologists, ecologists and psychologists indicate that they do not agree completely about the nature of human satisfaction. Almost the only generalization that can be derived from their viewpoints is that satisfaction is a state of contentment resulting from the balancing of various internal and external relationships. Thus, the notion of balance put forward by the ecologists and the psychologists will underlies the consumer satisfaction model in this study.

With the above ideas as background, consumer satisfaction is defined as the extent to which a purchase meets certain needs and resolves a bothersome mental state, allowing the consumer to return to a position of being ready to deal with other life matters (McNeal, 1982).
2.1.4 Effects of consumer satisfaction and dissatisfaction
Marketers strive to have satisfied customers because this makes the daily business more pleasant, provides a good base for repeat purchases and sets the stage for favorable word of mouth to potential customers. On the other side of the transaction, consumers enjoy being satisfied. Not only does this indicate that they are obtaining the benefits they seek, but satisfaction also provides a pleasant feeling in itself (Hepworth, 1997).

On the other hand, dissatisfaction is unpleasant for consumers and indicates problems. It is also bad for the marketer, who risks the loss of future business, negative word of mouth, and the prospect of some unpleasant encounters with dissatisfied patrons. A study has shown that 8.5% of a firm's revenue is at risk from customer dissatisfaction (Hepworth, 1997).

2.2 Factors that influenced consumer satisfaction and dissatisfaction
2.2.1 Consumption of performance
The consumption experience that consumer and marketer went through could be considered as though they were participating in a performance (Goffman, 1959). This consumption of performance concept is one of the factors that influence CS/D. In this case, the product concerned is a high-involvement product, which influence the consumer to engage in a more extensive search for information about the product and its alternatives and consequently form a large number of beliefs about the product and its alternatives. In short, the consumer has a clear stake of his position in the success of the exchange process.

2.2.2 Equity theory and consumer satisfaction
Another factor that influence consumer satisfaction is through equity theory. Equity theory holds that people will analyze the ratio of their outcomes and inputs to the outcomes and inputs of their partner in an exchange, and if they perceive
that their ratio is higher, they will experience feelings of inequity. The following equation shows these ratios:

\[
\frac{\text{Outcomes A}}{\text{Inputs A}} = \frac{\text{Outcomes B}}{\text{Inputs B}}
\]

According to equity theory, the norm is that each party in an exchange should be treated fairly or equitably. Thus satisfaction occurs when the ratios of outcomes and inputs for each party to the exchange are approximately equal. When the buyer believes that his ratio of inputs to outcomes is worse than the seller's, he experiences inequity, and this feeling of inequity leads to dissatisfaction (Mowen and Minor 1998).

2.2.3 Attribution theory and consumer satisfaction
Attribution theory is concerned with how people identify the causes for action. The attributions, consumers make can strongly influence their post-purchase satisfaction with a product or service. If a product fails, i.e. performance is below expectations, consumers will attempt to determine the cause of the failure. If they attribute the failure to the product or service itself, they are likely to feel dissatisfied, but if they attribute the failure to chance factors or to their own actions, they are not as likely to be dissatisfied (Mowen and Minor, 1998).

2.2.4 Actual product performance
Researchers have found strong evidence that actual product performance influences consumer satisfaction independently of expectations, equity, and attributions. La Tour and Peat (1979), support this evidence through their study on consumers, who are forced to buy inferior brand, may not necessarily experienced disconfirmation, but many, nonetheless, are dissatisfied because of the product's inferior quality.
2.2.5 Mood states and the consumption experience

Moods are temporary positive or negative affective states. Mood states may be influenced by what happens during the consumption of a product, and the mood states that is created during the consumption process may, in turn, affect the consumer’s overall evaluation of the product (Mowen and Minor, 1998). In short, consumers’ feelings about the consumption experience will affect their evaluations of the product independently of the actual quality of the product.

On the other hand, Westbrook, investigating the level of satisfaction with automobiles and cable television services after their purchase found that there were two dimensions of affective responses: a set of positive feelings and a set of negative feelings (Westbrook, 1987). Interestingly, these feelings were independent of each other. That is, consumers could simultaneously feel both positively and negatively toward a purchase. Thus, after purchasing an auto a consumer may feel excited and proud about the car itself, while feeling simultaneously irritated and unhappy with the salesperson.

Another recent finding is that as consumers’ involvement level in the purchase situation increases, their satisfaction and dissatisfaction with the purchase tends to be magnified (Babin, Griffin and Babin, 1994). So if outcomes exceed expectations, consumers will have higher levels of satisfaction when they are highly involved in the purchase.

2.3 Consumer satisfaction/dissatisfaction model

Since 1971, hundreds of academic articles have been written trying to explain satisfaction and its related nomological network (Perkins, 1993). In practice the era of relationship marketing has emphasized customer satisfaction as a key measuring stick indicating overall marketing performance.

The importance of post-purchase reactions to marketing practice and theory makes clear the need for precise measurement. Yet, satisfaction’s diagnostic
and explanatory power is restricted by problems with measurement (Peterson and Wilson, 1992).

Thus, based on the knowledge of factors that influence consumer satisfaction and dissatisfaction (CS/D) as discussed above, the researcher will now discuss on some of the CS/D models.

2.3.1 Customer Value

A study to measure consumer satisfaction based on equity theory was promoted by Naumann and Jackson (1999). When value meets or exceeds expectations, customers are satisfied. If their expectations of value are not met, there is no chance of satisfying them. At the basic level, value from a customer's perspective is the ratio of benefits to outlays. However, because customers can seldom determine objectively either the benefits or the outlays, it is their expectations and perceptions of these factors that are most important. (Refer to Figure 2.1 below):

Figure 2.1: Components of Customer Value

<table>
<thead>
<tr>
<th>Perceptions of product and service quality</th>
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<tbody>
<tr>
<td>Expected benefits = Customer Value</td>
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<tr>
<td>Expected outlays</td>
</tr>
<tr>
<td>Perceptions of transaction</td>
</tr>
<tr>
<td>Price, life cycle costs, and risk</td>
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</tbody>
</table>

This simple model however will be the basis for the consumer Expectancy Disconfirmation Model that will be discussed later.

### 2.3.2 Hygiene factors and satisfiers

In 1968, Frederick Herzberg put forth his "two-factor theory of motivation". He identifies two categories of factors, one he called "hygiene factors" and the other he called "motivators". The hygiene factors contributed primarily to job dissatisfaction and very little to job satisfaction while the motivators contributed primarily to satisfaction and very little to dissatisfaction.

A similar type of two-factor theory can be applied to customer satisfaction (Naumann and Jackson, 1999). The hygiene factors are those attributes that customers expect to be part of the product or service. The absence of hygiene factors results in customer dissatisfaction, but their presence would not necessarily contribute to customer satisfaction.

More broadly, a company should ensure that hygiene factors meet customers' expectations. Anything beyond that probably will not increase the expected benefits to customers. However, more resources should be devoted to the satisfiers, because these are the attributes that go beyond customers' basic expectations and enable a firm to create a unique competitive advantage with customers.

Basically the researcher admit that this model is dynamic. However, today's satisfiers may be tomorrow's hygiene factors. Customer expectations continually move upward as competition intensifies.

Thus, this model is limited by a certain time frame and not suitable for this study.
2.3.3 Product performance and quality model

Another approach to understand the concept of consumer satisfaction and dissatisfaction (CS/D) is through the Product Performance and Quality Model (Deming, 1982; Juran, 1989). This concept is based on the Total Quality Management approach. An essential element in the implementation of TQM programs is the concept that quality is consumer driven and that companies must therefore assess consumer perceptions of quality. Thus, it is justified the concept of quality evaluation and product performance being the focal point of this model as shown by Figure 2.2:

FIGURE 2.2: A CS/D Model Based on Total Quality Management Philosophy


2.3.4 Expectancy Disconfirmation Model

In this model the process through which CS/D is formed begins with the use of other brands in the product class as well as with the use of the brand in question. Through this usage behavior, and through communication from firms and other
people, as pointed out by the various theories the researcher has discussed above, consumers develop expectations of how the brand should perform (Refer Figure 2.3 below)

**FIGURE 2.3: The Expectancy Disconfirmation Model of CS/D**

![Flowchart showing the Expectancy Disconfirmation Model of CS/D](image)


In the next stage consumers compare their performance expectations to actual product performance. If quality falls below their expectations, they experience emotional dissatisfaction. If it is above their expectations, they feel emotional satisfaction. If performance is perceived as equal to expectations, consumer experience expectancy confirmation

Thus the basic process of CS/D is reasonably straightforward: consumer satisfaction is likely to result when actual performance levels either meet or exceed expected levels. Notice that satisfaction thus occurs with both
confirmation and positive disconfirmation outcomes. Dissatisfaction occurs when a negative disconfirmation is present which is when actual outcomes fall below the expected levels of performance (Mowen & Minor, 1998).

2.4 Discussion on the consumer satisfaction and dissatisfaction model

It is generally agreed that post-consumption consequences of CS/D can be defined as the consumer's response to the evaluation of the perceived discrepancy between prior expectation and the actual performance of the product as perceived after its consumption (Day, 1984). However, Churchill and Surprenant (1982) argue that perceived performance is a determinant of CS/D, but most CS/D models have not incorporated a direct link from this construct to CS/D. They further claim expectation combined with performance do affect disconfirmation but not satisfaction.

Findings of Churchill and Surprenant are further supported by other studies. La Tour and Peat (1979) say that under certain conditions the disconfirmation construct alone may fail to explain CS/D adequately. Their studies shows that consumer who is forced to buy inferior brand, may not necessarily experienced disconfirmation, but may nonetheless be dissatisfied because of its inferior product.

Festinger's (1957) and Holloway's (1967) studies on cognitive dissonance proof that product performance perception will dominate in the post-consumption evaluation and hence the construct is important in CS/D.

Cohen and Houston (1972) believes that if learning from experience is an important consumption motive, then whenever a product performs well a consumer is likely to be satisfied, regardless of the levels of the pre-experience comparison standard and disconfirmation. Clearly to capture a diversity of consumption experience, a comprehensive CS/D model should incorporate perceived performance.
Tse and Wilton (1988) adjust the limitations of Churchill and Surprenant (1982) model. Their study shows that perceived performance can explained 65% of variation in satisfaction when they adjusted the basic Churchill and Surprenant model with incorporation of expectation, perceived performance and disconfirmation as the determinants of consumer satisfaction. The new CS/D model outperform other models with improvements in $R^2$. Which show that the new model explains satisfaction level better than other models that do not incorporate all three determinants.

Cadotte, Woodruff, Jenkins (1983) supported Tse and Wilton (1988) through their findings that the process by which consumer develop feelings of satisfaction or dissatisfaction is widely held to be the confirmation/disconfirmation paradigm. When the purchased brand is used, the result is an evaluation by comparison of actual (perceived) performance with a standard (expectation). When performance matches the standard, confirmation occurs, accompanied by a neutral feeling. Positive disconfirmation occurs when performance is better than expected and causes feelings of satisfaction. Negative disconfirmation occurs when performance is less than expected and results in dissatisfaction.

2.5 Consumer satisfaction and dissatisfaction model chosen for this study
Based on the support of many researchers, this study has adequate theoretical justification to choose the Expectancy Disconfirmation Model with a special emphasis on product quality instead of service quality. The researcher did not include any dimensions of service quality, reason being:

- This study is undertaken for its Quality Policy under the ISO 9002
- Quality has always been the major concern of great companies like Ford in their Improvement Campaign and Levi-Strauss whose denim apparel product have always stress quality and value.
- PKNS as a state development agency has first and foremost, always concerned of their product quality.
2.6 Previous Studies

Housing is an important basic need in any human civilization. Three aspects of housing became clear from the outset. Firstly, housing is an extremely complex phenomenon. Secondly, not any one profession has an overview of the nature of housing. And thirdly, housing belongs to the people, who in most cases cannot afford to have their house “professionalised”. Thus, many foreign and local studies have been done in order to enhance knowledge in this sector. The followings are some of the relevant studies.

a) Lee and Ng (1996) undertook a study to examine the relationship between customer orientation and buyers satisfaction for high-involvement product, namely house. They used seven dimensions of consumer orientation in determining their satisfaction. The seven dimensions are ability to fulfill buyers needs, responsiveness, assistance to buyers on purchase, industry knowledge, environmental factor, after sales service, product quality and product design. Purchase satisfaction is measured based on pre-purchase, during purchasing, post-purchase, and overall satisfaction. Results show that post-purchase satisfaction has the highest correlation with overall purchase satisfaction.

b) Krishnan (1996) in a case study to analyze the satisfaction level of low cost house owners in Bagan Datoh, Perak has used eighteen variables as a measurement towards satisfaction. The variables are; number of bedrooms, size of bedrooms, size of kitchen, house design, size of living room, construction quality, parking facilities, garbage collection system, water and electricity supply, children playground, environment for children development, safety features, drainage system, neighborly relationship, facilities for religious and social activities, shopping facilities, level of noise pollution and house ventilation.

c) Nurizan, Juliana and Nurfaizura (1998) have done a comparative study to measure the satisfaction level of public housing dwellers in the capital city of
Kuala Lumpur. Basically, they have an objective and subjective approach. The objective approach involves the physical characteristics of the house, facilities available as well as housing area environment. While the subjective approach dwell with psychosocial aspect such as life style and dwellers experiences. Dimensions of measurement include household profile, satisfaction towards house quality features and social aspects such as neighborly relationships, transport facilities, basic amenity facilities, cleanliness of housing area, emotional stress and education facilities.

d) Treloar, Western and Yeh (1970) have done a survey in eleven housing estates in Singapore. Findings of the survey reveals that satisfaction level of residents was very much influenced by factors such as neighborly relationship, floor area, floor level of the unit and family size.

e) Yeh (1972) amongst the variables used in his survey to measure the satisfaction of public housing residents are number of bedrooms, flat location, household employment, ethnic group, social relationship with neighbors and household income.

f) Yeh (1975) provide an analysis of living conditions in the public housing estates in Singapore as viewed by the resident population. Data from the analysis came from two sample household surveys undertaken by Housing Development Board (HDB) of Singapore. Items covered by the two surveys are more or less identical. Besides socio-economic characteristics of the resident population, emphasis in the two surveys was placed on living conditions and the associated level of satisfaction, opinions on the change of environment, residential mobility, and neighborliness. The results especially items related to the flat shows that major alterations have been made to the house units with strong preference for separate bath and toilet in their flats. Also indicated was preference for a bigger kitchen at the expense of other rooms in the flat.

g) Lansing and Marans (1969) in one study involving ten communities in United State of America, in which the extend of planning ranged from low to high, were selected for comparison. The findings, many factors influence people's
evaluations of their residential environments. This may help to explain why, although there is a tendency for higher levels of satisfaction to be associated with a higher degree of residential planning, no clear patterns of liked or disliked attributes are associated with different levels of planning. Moreover, studies of the quality of life indicate residential satisfaction is partially based on assessments of such nonsite attributes as public schools, police-community relations, and local taxes.