

THE MODERATING EFFECTS OF CULTURE IN CUSTOMER SATISFACTION AND SERVICE QUALITY RELATIONSHIP

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ABSTRACT

Service quality is crucial for all firms that operate in a global environment. Understanding the needs of the customer most of the time ensures repeat patronage. It is important for service providers operating in multi-cultural environments to understand the effect of the customer's culture on their level of service quality and customer satisfaction. I examined the moderating effects of culture on the relationship between customer satisfaction and service quality. The proposed data collection method is sample survey. Managerial implications and limitations of this research are then discussed.

Keywords: Customer satisfaction, service quality, power distance, individualist/ collectivist orientation, long term/ short term orientation.

INTRODUCTION

There has been tremendous growth of the service industry in the last four decades and services account for about 75% of the economies of the western countries. The globalization of firms and the markets have played a significant role in the growth of the service industry. Firms operating in a multicultural environment must develop both products and services that will satisfy the highly diverse customer base because of globalization (Donthu & Yoo, 1998). Service managers are therefore challenged with determining process and product attributes for a service design in order to solve the problem of tailoring a service to different customer segment (Pullman, Verma & Goodale 2001).

Service quality is referred to as the difference between perceived service performance and the expected service level (Donthu & Yoo, 1998) and it is high when the performance is perceived to be higher than the expectations of the delivered service. Zeithmal (1998) defines service quality as the "consumer's judgment of a product's overall excellence or superiority". Service quality plays a significant role in understanding customer satisfaction and repeated patronage because customers generally evaluate services based on the provider's service quality and their own expectations. Choosing the most appropriate measurement of service quality is very

important to the service provider and according to (Ueltschy & Krampf, 2001) it often indicates the consumer's level of satisfaction and the probability of returning to the same service provider.

Cultural values and dimensions are important to study because they influence customer's perceptions and also how customers behave now and in the future. Consumers generally view themselves in the context of their culture and react to their environment based on the cultural framework that they bring to that experience (Ueltschy & Krampf, 2001). If cultural expectations and perceptions of service exist, service providers must understand these differences in their service strategy to increase the profitability and also the performance of the firm. The objective of this paper is to evaluate the moderating effect of culture in the relationship between service quality and customer expectation in the service industry.

LITERATURE REVIEW

Customer satisfaction and Service Quality

Past literature has provided empirical evidence (Parasuraman et al, 1994, Cronin & Taylor, 1992, Rust & Oliver 1993, Patterson & Johnson, 1993) that customer satisfaction and service quality are two distinct constructs. Customer satisfaction is related to a specific transaction (Parasuraman, Zeithaml, & Berry 1988) and it is directly affected by the perceived service quality. Customer satisfaction is the consequence of service quality and it determines the overall success of the organization (Parasuraman, Zeithaml, & Berry 1988). The service provider can actually determine the loyalty and retention of its customers by the services it renders. Bitner, Booms & Tetreault (1990) defined satisfaction as the "the evaluation of the individual service transactions". The evaluation of the service transaction involves having service perceptions and expectations and comparing the service expectations with the actual service performance encountered.

Service quality influences the outcome of the customer experience in service delivery (Taylor & Baker, 1994). Parasuraman, Zeithaml, & Berry (1988) developed the perceived service quality model that measures service quality by identifying the gaps between customer service expectations and customer service perception. Reimann, Lunemann & Chase (2008) defined service expectations as the combination of a customer's prediction about what is likely to happen during a service transaction as well as the wants and desires of that customer while Parasuraman, Zeithaml, & Berry (1988) conceptualized that perceived service quality is "a global judgment or attitude, relating to the superiority of the service". Service quality was defined as the difference between perceived service performance and the expected service level by Donthu and Yoo (1998). Service quality is a comparison between expectations and performance. The customer's perception is dependent on the interpretation of the service encounter and the actual service performance (Davis & Heineke, 1993). A model was developed by Gronroos (1982) that contends that consumers compare the service they expect with the perceptions of the service they receive in evaluating service quality.

Parasuraman, Zeithaml, & Berry (1988) developed the five dimensions of service quality. The dimensions are tangibles (this refers to the appearance of physical facilities, personnel and communication materials), reliability (this refers to the way the service provider is performing

the promised service and quality), responsiveness (this refers to the willingness of the service provider in helping customers and providing prompt service), assurance (this refers to the ability of the service provider's employees to convey trust and confidence) and empathy (this refers to the degree of attention and care the service provider gives to each individual customer) (Cronin & Taylor, 1992; Parasuraman, Zeithaml, & Berry 1991a; Parasuraman, Zeithaml, & Berry 1991b). For this proposal I am interested in the empathy and reliability dimensions of the service quality.

The overall objective of the service provider is a highly satisfied customer which should be achieved at the end of the service encounter. Increasing the overall customer satisfaction is attainable by either improving the service customer perceptions or lowering their expectations (Bitner, Booms & Tetreault, 1990). Shemwell et al. (1998) posited that delivering high quality service results in satisfied customers

Service Provider Empathy and Service Provider Reliability

Customer satisfaction is affected by the expectation of the service quality delivered to the customer before receiving service and after receiving service; empathetic service providers are sensitive to the level of satisfaction of its customers and reliable service providers provide error free service at the promised time. Both of these constructs are important in satisfying the needs of the customer. This leads to the following propositions:

P1a: The relationship between service provider empathy and customer satisfaction is positive.

P1b: The relationship between service provider reliability and customer satisfaction is positive.

Culture as a moderator

Culture can be defined as the set of attributes that distinguishes a composition of people from others. According to Hofstede (1997), culture is "the collective programming of the mind that distinguishes the members of one group or category of people from another". Countries differ in so many ways, including language, legal system, culture etc. Hence, culture should have an effect on the service quality expectations and service perceptions. As such when firms operate in a multicultural environment, it is imperative to understand the culture and way of life of their culturally diverse customers.

Hofstede (1980) categorized cultural dimensions into five dimensions: power distance, individualism/collectivism, uncertainty avoidance, long term/short term orientation and masculine/feminine dimensions. Although Hofstede's typology of cultural values involves understanding and applying cultural diversity at the country level in order to improve effectiveness when interacting with people of other countries, Yoo et al. (2011) however argued that the cultural value of the customer should be measured at the individual level. Factors such as socioeconomic status, occupation, educational level, age, personal experience, gender shapes an individual's view of the environment. Hence the variances in the customers' perceived service quality will be caused by differences in individual behavior. This is especially important because the objective of a service provider is to have a satisfied customer. The focus of this paper will be

power distance, individualism/collectivism orientation and long term/short term orientation dimensions of the Hofstede's culture.

Power Distance

This measures how much the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede, 1997). In cultures with low power distance, people expect and accept power relations that are more consultative or democratic (Hofstede, 1997) and the people relate to each one more as equals regardless of formal positions. Subordinates are more comfortable with and demand the right to contribute to and critique the decisions of those in power. According to Donthu & Yoo (1998), because of the familiarity of people with tolerance of inequalities in power, showing more power works well among high distance people and showing less power works less among low distance people. Also the service providers have some kind of power over the customers and this power usually comes from the expertise and professional knowledge of the service provider (Donthu & Yoo 1998). Customers with low power distance orientation expect the service provider to be emphatic and will place emphasis on this service quality dimension while customers with high power distance will be not be concerned about the about the empathy of the service provider and this leads to the following proposition:

P2: The positive relationship between service provider empathy and customer satisfaction is moderated by power distance such that the positive relationship is stronger when power distance is lower and weaker when power distance is higher.

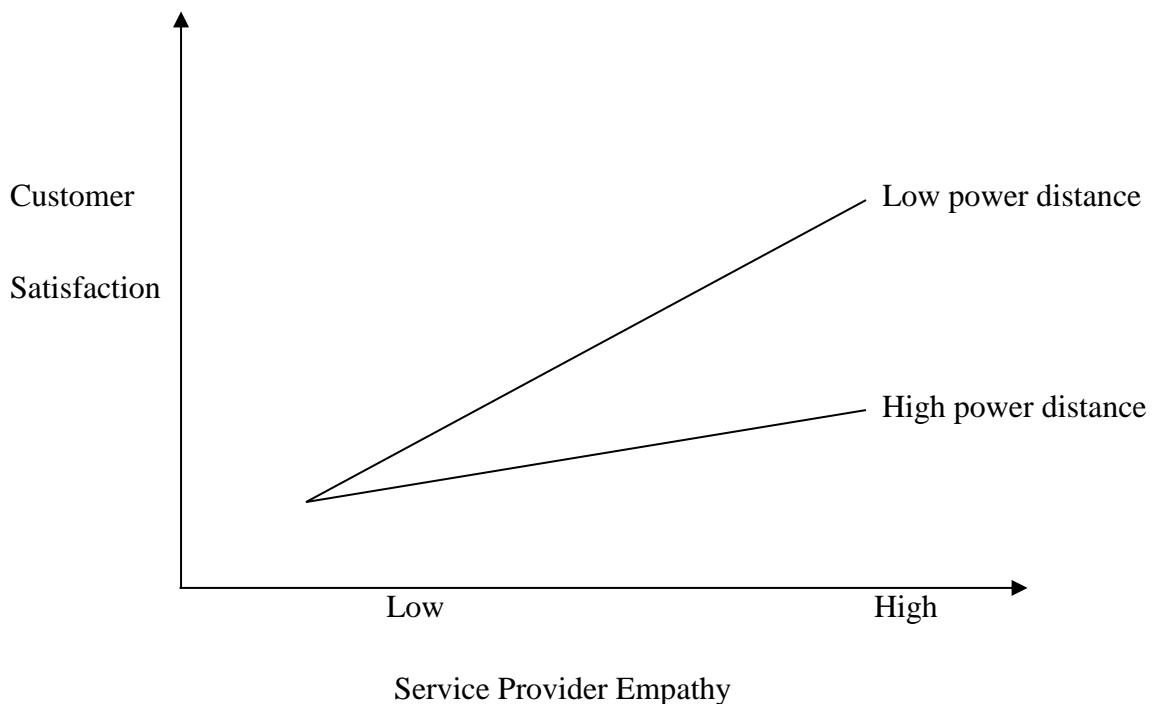


FIGURE 1: Shows the expected moderating effect of power distance on the relationship between service provider empathy and customer satisfaction

Individualism

This dimension of culture measures how much members of a particular culture define themselves apart from their group memberships; the opposite of individualism orientation is *collectivism*. Hofstede (1991) argued that individualism “pertains to societies in which the ties between individuals are loose where everyone is expected to look after himself or herself and the immediate family” while collectivism “pertains to societies that in which people from birth onwards are integrated into strong, cohesive groups”.

In Individualist cultures, people are expected to develop and display their individual personalities while in the collectivist cultures, people are defined and act mostly as a member of a long-term group such as the family, a religious group, an age group, a town, or a profession, among others. Furrer, Liu & Sudharshan (2000) argued that customers in individualist cultures demand efficient services and high level of service quality because of their drive and self-responsibility. Individualistic customers pursue their own interest and they want reliable services providers that offer error free services. They also do not accept poor service while the collectivist customer usually tolerate poor services and easily conform to whatever level of service provided by the service provider. This leads to the following proposition:

P3: The positive relationship between service provider reliability and customer satisfaction is moderated by individualism/ collectivism orientation such that the positive relationship is stronger when individualism is higher and weaker when collectivism is higher.

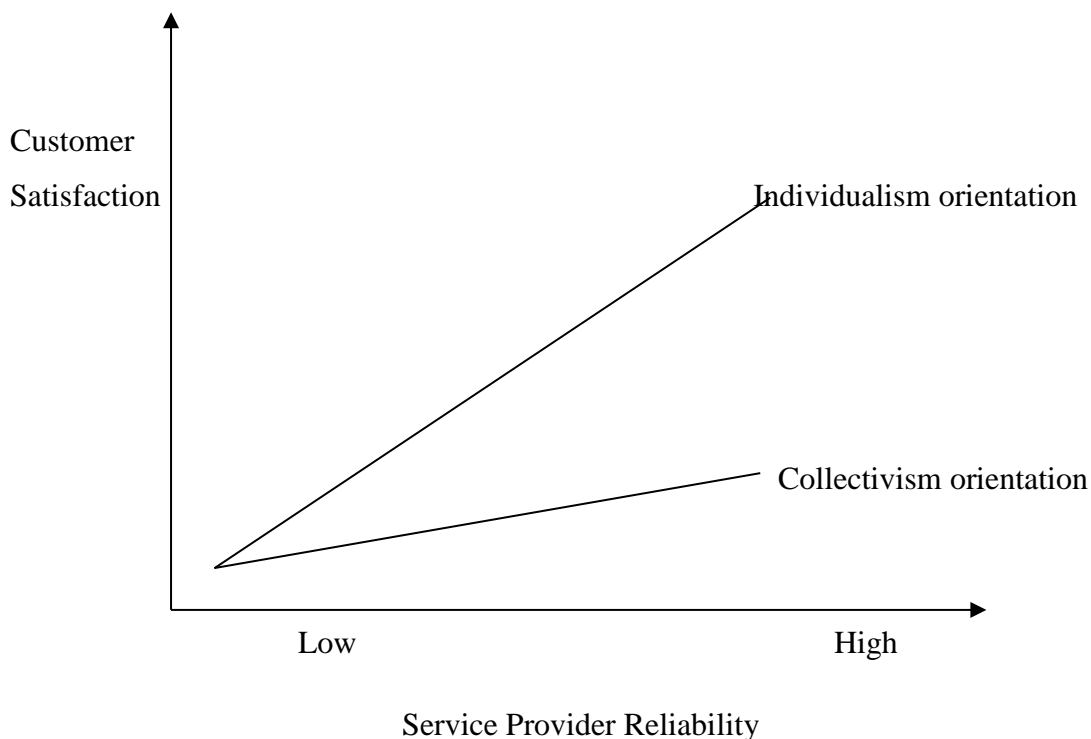


FIGURE 2: Shows the expected moderating effect of individualism/ collectivism orientation on the relationship between service provider reliability and customer satisfaction

Long term vs. short term orientation

This dimension measures the time horizon of a society whether it is futuristic or immediate. Hofstede (1991) defined long term orientation as “the extent to which a society exhibits a pragmatic future-oriented perspective rather than a conventional historic”. In long term oriented societies, the society value actions and attitudes that affect the future while in short term oriented societies, the society value actions and attitudes that are affected by the past or the present. Furrer, Liu & Sudharshan (2000) argued that long term relationships with the service providers are expected in cultures with long term orientation while the opposite happens for the short term oriented cultures.

Long term oriented customers usually long for a better future by sacrificing today and this usually leads to the acceptance of low quality service. They usually believe that there is need to give the service provider time to improve and accept poor services. Short term oriented customers usually don't tolerate or accept low quality service form the service providers because they are focused on immediate and quick results. This leads to the following proposition:

P4: The positive relationship between service provider reliability and customer satisfaction is moderated by long term orientation such that the positive relationship is weaker when long term orientation is higher and stronger when short term orientation is higher

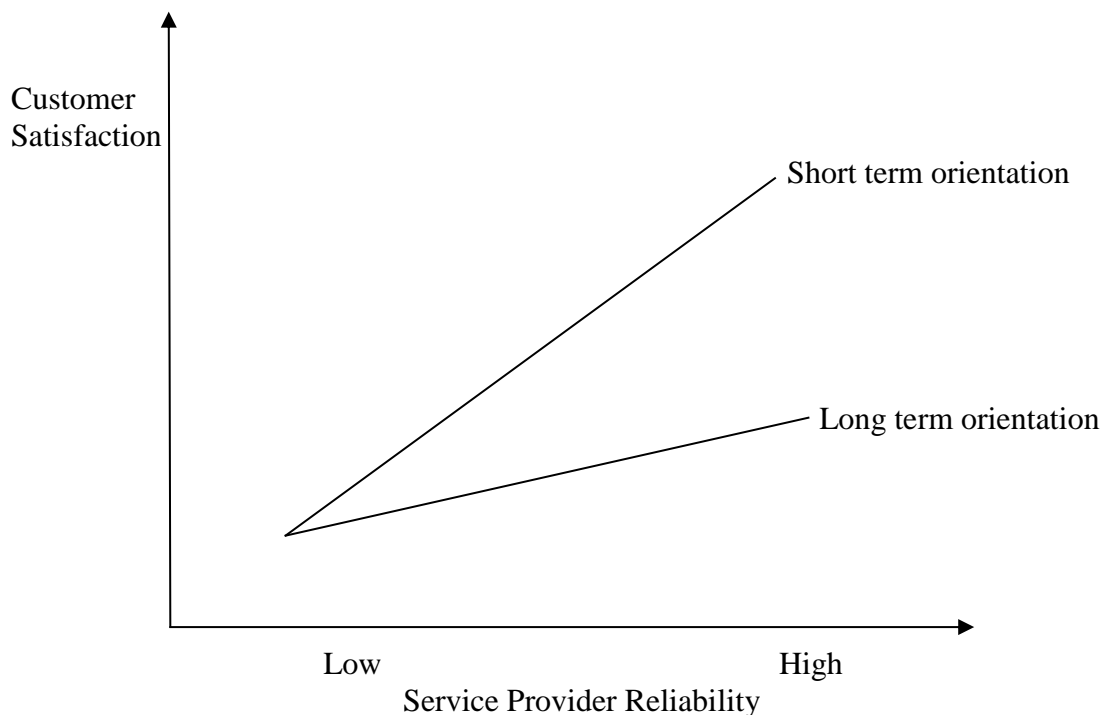


FIGURE 3: Shows the expected moderation effect of short term/ long term orientation on the relationship between service provider reliability and customer satisfaction

Culture and Service Strategies

Although individual members of a culture may vary from the typical pattern of their culture, the Hofstede's value dimensions have an impact on different aspects of behavior and how the environment is viewed. The growth and spread of multicultural service industry on a global scale puts emphasis on the integrating cultural elements in international service delivery (Donthu & Yoo, 1998; Mattila 1999) and the culture of the customer can be used to predict the customer's behavior.

The theory of the existence of different cultural expectations and perception of services involves service managers knowing the implications of these differences (Pullman, Verma & Goodale 2001). Services and quality standards have been argued by Mathe & Perras (1994) to depend on cultural differences of a particular location. The consumer overall service quality expectations and expectations of each of the service quality dimension will be influenced by the customers' cultural orientation (Donthu & Yoo, 1998).

As services expand globally, it is very important to understand the way service quality affects the customer and the customer's satisfaction in different countries especially when the culture of the customer is considered. Therefore, when designing the service process, the service provider should take into account that services of one country may not be generalizable to the services of others. It is important to understand that customers in different cultures or countries may have different levels of service expectation because cultures differ in their pattern of behavior and attitudes (Donthu & Yoo 1998). The model for this proposal is show in figure 4 on the next page.

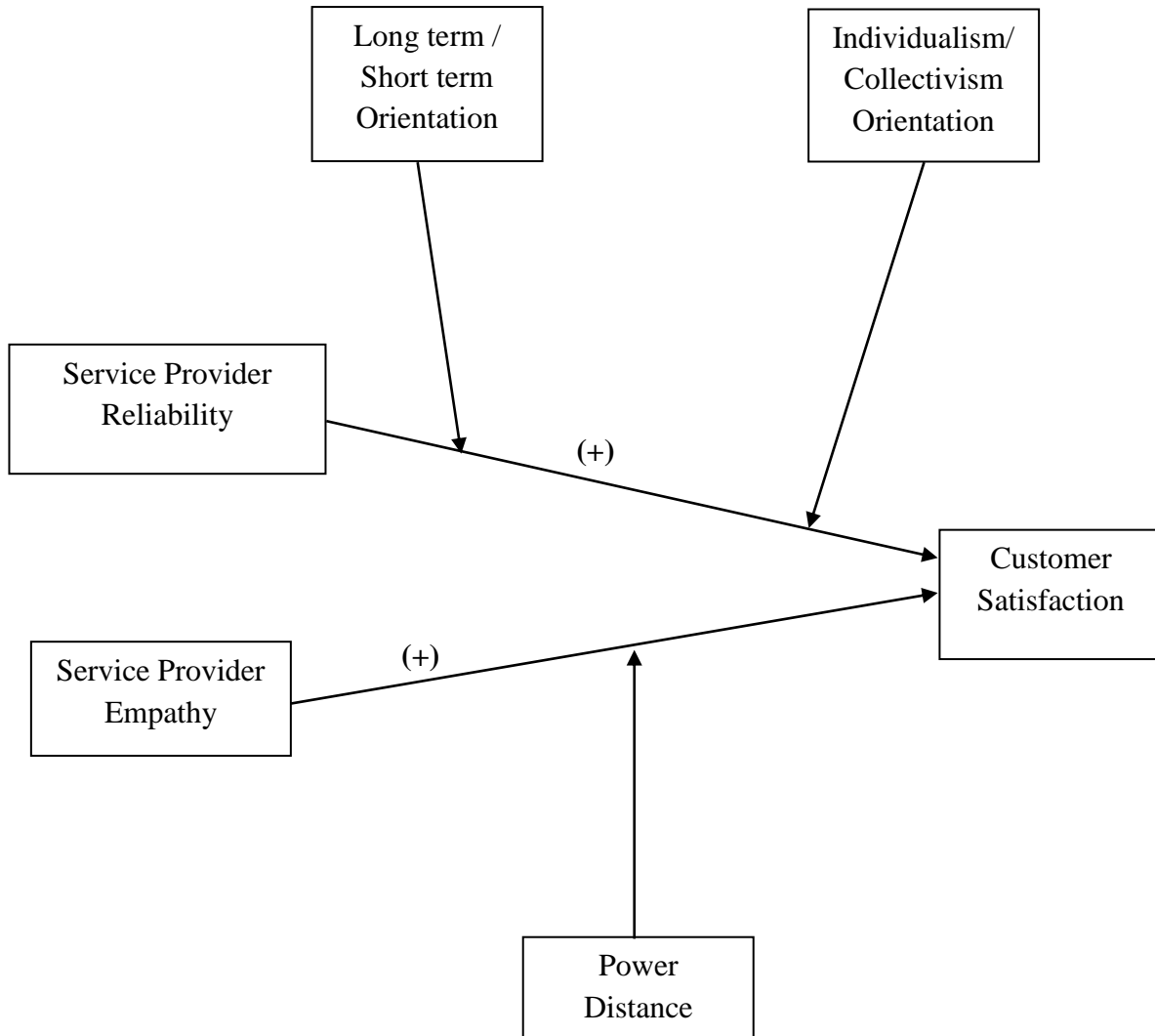


FIGURE 4: Shows the overall model for this proposal

METHODS

Research Design

For this proposal, I will be using the survey research strategy design and the survey will be administered to telecommunication (mobile phone and internet) and transportation (airline) service customers in two different countries. The rationale for selecting two different services is that they will differ on a number of factors that may influence the determinants of customer satisfaction and service quality (Baker & Taylor, 1994).

DISCUSSION AND MANAGERIAL IMPLICATIONS

The interest of this proposal is to find out if cultural dimensions affect the relationship of the service quality and customer satisfaction in service operations. Based on past literature, service quality determines the level of satisfaction of the customer but I have argued that the moderating effect of culture (power distance, individualist/ collectivist orientation and long term/ short term orientation) affects the positive relationship between these two constructs. If the propositions are supported, this study will help service organizations operating in multi-cultural environment formulate their service delivery strategy.

The growth and spread of multicultural service industry on a global scale puts emphasis on the integrating cultural elements in international service delivery (Donthu & Yoo, 1998; Mattila 1999). The attainment of a highly satisfied customer should be the objective of a service provider when delivering services to the customer. The expectation of the customer ultimately affects the satisfaction of the customer and should influence the service delivery system. Hence determining and matching the needs and preferences of the target market must be designed by service managers (Pullman, Verma, & Goodale, 2001).

The different culture, ideas and ways of life of different societies must be taken into account when designing services and the service delivery system. It is important to understand that some services can be standardized while others have to be are customized and all these also depend to a large degree on the culture of the customer. In formulating its service strategy, the service provider must keep in perspective the level of interaction with the customer, the needs and also the culture of the customers. Therefore to attract and retain valuable customers, the customer experience must be defined and understood within the cultural context. It is therefore imperative for service activities to be adapted to the customer cultural context in which these services occur.

LIMITATIONS

There are some limitations to this study. First, the study only considered two out of the five dimensions of service quality developed by Parasuraman, Zeithaml, & Berry (1985) and also considered three out of the five dimensions of culture developed by Hofstede (1980). Future research will examine all the service quality dimensions and all the culture dimensions.

A second limitation is the use non-experimental research design for this proposal. There is no control of extraneous variables and the independent variables cannot be manipulated. Also the respondents are categorized into different individual cultural dimension based on their responses. Ethnographic studies can be done to determine the real cultural dimensions of the respondents.

The third limitation is the use of samples from two different countries. There is a chance of the study being influenced by local history threat but being aware of the local happenings of the countries involved and collecting data when there is no. Future research will use more countries (China and India) to find out if the cultural values at the individual level affect the relationship between service provider empathy, reliability and customer satisfaction.

FUTURE RESEARCH

This proposal was written to investigate the relationship between the moderating effect of culture in service quality and customer satisfaction relationship. Although a lot of studies have been done on customer service, quality expectations and quality service, there is no study on these constructs that uses data from two different continents in a single study. It will be interesting to find out the effect of culture on the customer's view service quality. Also globalization has had a great impact on service industry; service providers must understand their customers in order to satisfy and get their loyalty.

In the next phase of this research, I hope to design the questionnaire, collect data and also analyze the data. Also examining the three remaining service quality dimensions and the two remaining the cultural dimensions will also be done.

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