**Review paper**

# SERVICE QUALITY AS DETERMINANT OF CUSTOMER SATISFACTION .

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**Abstract**. *In contemporary business conditions characterized by extreme volatility, uncertainty and dynamism, the survival, growth and development of a company is conditioned by focus on providing high level of customer satisfaction. Customer satisfaction is the leading goal and measure of success of the modern company, and its measurement is one of the most important tasks of management. Lack of knowledge on the level of customer satisfaction/dissatisfaction is causing the failure of many companies. Customer satisfaction is the basis for creating customer loyalty, which in turn means their retention in the future. In the service market, a high rate of brands change is evident due to intense competition and demanding customers. Customer expectations regarding service quality and other components of the value (price, delivery, communication with customers), keep rising due to a higher level of customer knowledge, as well as superior offers of service companies. Achieving loyalty in such conditions requires the creation of unique value for customers, which incorporates the wanted elements/attributes package: superior service quality, the appropriate associated products, security, unity, personalized communication, benefits in payment. The aim of this paper is to investigate the relations between the qualities of delivered service as a key determinant of customer satisfaction, as well as to show the contribution of TQM to improvement of service quality and customer satisfaction.*

**Key Words**: *customer satisfaction, total customer satisfaction, service quality, value, TQM.*

## INTRODUCTION

Ensuring customer satisfaction and loyalty are the key issues of marketing theorists and practitioners. The intensive interest in the problems of long-term retention of customers in contemporary bussines conditions is related to the merciless battle between companies for the customer affection and loyalty in order to provide a stable source of profit. The ongoing problem of retaining customers is particularly pronounced in the service market, which is characterized by intensive competition and demanding customers, who, due to specificity of services, show greater loyalty to the company rather than to a specific service (Kancir, 2007, p. 156). The high rate of customers who are switching to the competing brands has caused a number of specific theoretical considerations and empirical research on the determinants of customer satisfaction and loyalty and their relation with business success. Many of them have shown that servicing of existing customers reduces costs and increases profits, and a high correlation between retention of existing customers and the total company value has also been confirmed. Numerous studies have shown that customers value for a company increases with extension of the period of their bonding, and that servicing the same customers increases the business efficiency because of better understanding and gained experience.

Dynamism of customers preferences and expectations and differentiation based on purchasing power, life style and value sistem creates many challenges and issues in ensuring customer satisfaction. Their selectivity and diversity of choices affect the constant increase of expectations level for future purchases. Global competition increases customer requirements, and imposes the need for continuous research of their preferences and purchasing process. The information about customer behaviour and different influences on their purchase decisions are the backbone of service quality management and development of the customer loyalty strategies. The aim of those activities is to ensure a strong customer attitude toward the service, and particularly to create the necessary level of differentiation of attitude to a competitor's service. Issues in realization of this goal require continuous research of satisfaction and loyalty determinants and an understanding of their relationship. Through analysis of different authors' attitudes, it can be concluded that the quality of a delivered service is the key determinant of the achieved level of customer satisfaction. Studies dealing with the relationship between satisfaction and a service quality have shown that a higher level of service quality leads to a higher level of customer satisfaction (Pollack, 2008, p. 537). On the other hand, some studies could not show a strong relationship between the service quality and the customer satisfaction (Lovreta et. al., 2010, p. 121).

Those results lead to the conclusion that the quality of a delivered service is not the only determinant of customer satisfaction, therefore activities of the service companies are focused on creating superior value for customers. It incorporates a package of wanted elements/attributes such as: superior service quality and additional products, personalized communication, benefits in payment, unique experience, safety, etc. The focus on creating superior value for customers increases the level of their expectation in future purchase, and mutual exchange of information between users (Lovelock, Wirtz, 2007, p. 358; Zeinthaml et. al., 2003, p. 527-528). Transmission of messages through social networks has intensified communication between customers and changed the way that customers accept and respond to some market information (Ramsev, 2006; Sing et. al., 2008, p. 281-

292). Creating customer satisfaction and loyalty in such conditions requires a company to develop confidence and affection, and treatment of customers as partners, not just as value users. The development and usage of customer competences, i.e. knowledge and skills in a process of shaping and delivering values, is not a question of choice for a company, but it is a question of its survival.

Starting from the key tendencies in the service marketing, the authors of this paper have analyzed quality as a determinant of customer satisfaction. First, they analyzed specificity of ensuring customer satisfaction in service companies, and then a cause-effect relationship between the service quality and customer satisfaction, as well as the role and contribution of TQM implementation in the service sector.

## SPECIFICITY OF CUSTOMER SATISFACTION ASSURANCE IN SERVICE COMPANIES

Ensuring customer satisfaction and their long term retention is one of the most important tasks of the service company management. A high level of customer satisfaction is the main tool for creating a long-term loyalty, business stability, growth and development of the company. Customer satisfaction is a very important aim and instrument for managing a modern company that is faced with new challenges in contemporary environment. Numerous empirical studies have confirmed that a satisfied customer will buy more and more often in comparison to those who identify themselves as dissatisfied. To determine a customer behavior after purchase, and to become a determinant of loyalty, satisfaction must be cumulative, in other words satisfaction must exist in each transaction. "Customer loyalty is frequency of service purchase repetition in the same company, or the level of willingness to repeat service purchase in the same company when a need arises" (Kancir, 2007, p. 156). It is a deep-seated commitment to repurchase a previously preferred brand. Because of numerous dynamics factors, the relationship between satisfaction and loyalty is very complex and it is not proportional. In order to achieve customer loyalty, it is necessary to built customer behavior loyalty and attitude loyalty which shows tendency to future behavior (Kumar, Shah, 2004, p. 320-322). That kind of loyalty leads to the desired profit. Increasing the level of customer loyalty by 5% can increase profits as much as 100% if customers buy often and if they buy more (Rahman, 2004, p. 426).

The primat of retention of the existing customers to wining new customers is conditioned first of all by intensive competition pressures and by high costs of acquisitions of new customers. Competition in service market in the last two decades has become more intensive and larger. In addition to individual companies, a number of strategic alliances on a global scale has increased, as well as mergers and acquisitions. The resulting global competition significantly affects the creation of standards in service industry, and customers behavioral changes, since they are becoming more mobile, better educated, more IT literate, and with greater purchasing power. Companies that are able to create the desired benefit package for costumers: a high quality service, unique experiences and adventures, environmental requirements, safety, proper price, comfortable atmosphere and fair treatment of the employees, have greater opportunities in the pursuit of winning and retaining customers.

Providing market dominance in the turbulent and complex market is conditioned by the ability of service organizations to explore the needs, demands, customer attitudes and motivations, the causes of their satisfaction and dissatisfaction. The lack of knowledge of the

level of satisfaction/dissatisfaction of customers is a cause of failure of many companies. Numerous studies have shown that the established dynamics of needs and desires of customers, combining of different motives and changes in their behavior in the selection process will continue in the future. Changes in patterns and priorities of consumption of modern customers, their selectivity, and requirements hinder the identification and understanding of their drivers to purchase. Many organizations act proactively, create new customers needs, and gain an advantage in their satisfaction. This has resulted in the introduction of new services, and increased number of products whose value is supported with servicies.

Efforts to creation of superior value for customers and reducing defection do not represent an easy task for service organizations. Ensuring customer satisfaction and customer loyalty is a long and complex process for various reasons (Senić, Senić, 2008, p. 216). The process of deciding on a purchase, due to service specificity and in particular due to its intangibility and variability is very complex and customer satisfaction depends on numerous, specific factors. Information obtained in the process of measuring the satisfaction refer to a particular moment, while on the other hand emotional response of customers after the purchase changes over time under the influence of many factors (Stanković, Đukić, 2009, p. 302-304). In case of using many services, the feeling of satisfaction is variable and it depends on the cycle time of a certain service usage. This is especially true in situations where the use of the service takes place over a longer period (eg. the use of long-term loans, etc.), but also in cases of the purchase of new service or when the customer has no experience with the use of a particular service. In such situations, costumer expectations formed at the moment of initial purchase could be changed over time, which will affect the final response of customers in evaluation services. The following factors affect the provision of a high level of satisfaction of service users: the specificity of the process of purchasing services, the complexity of factors which influence a decision to purchase, mutual relationship of key service benefits, the emotional state of the customer at the time of evaluation of relevant choice, unexpected situations at the time of services performance evaluations (McDougall, Levesque, 2000, p. 392; Zeitaml, Bittner, 2003, p. 87-88).

Customer behavior in the process of service purchase: before, during, and after the purchase is complex and involves much decision making (Kotler et. al., 2007, p. 463; Jeng, Fesenmaier, 2002). People's behavior generally observed is very compex and hard to understand. This is especially true for their behavior in the purchasing process, because it is dynamic and involves a number of people and their interactions (Olson, 2002, str. 181). Customer behavior in the process of selecting, purchasing and consuming of services is a socio-psychological process that involves many individual influences and impacts of environment that researchers need to identify and elucidate. According to the general model of costumer behavior, the decision making process of a purchase consists of three phases: the phase before the purchase, the purchasing phase and the phase after the purchase (Lovelock, Wirtz, 2007, p. 39-40; Kotler et. al., 2007, p. 464).

Volatility of customer behavior is an important characteristic that reduces the reliability of their research. It is reflected in the heterogeneous influences in the decision-making on the purchase of services for which it is of great importance to identify and elucidate the factors that determine customer preferences in the evaluation of alternatives and selection of a particular offer. Customer behavior and the consumption system are determined by the action of a number of factors: geographic, economic, demographic, social, psychological, and so on. The complex processes of translation of stimulans in the customers

minds into certain reactions in the process of purchasing and using the product could only be understood in a simultaneous action of these factors. Essential changes in costumer behavior in the service market demand their anticipation and research. The predictions are based on opportuinities offered by new technologies and on the development of relationships with costumers through which it is possible to create and deliver new benefits. To understand the behavior of costumers in the services market, it is important to answer the following questions:

- What are the current needs and desires of costumers and their future priorities in the consumption?
- What service attributes are key sources of customer satisfaction and re-election?
- How to generate and use information about customers?
- How valuable and why are customers to the company?
- How important is fostering close relationships and friendly atmosphere in the purchasing process and service usage?

The evaluation of satisfaction occurs at the stage after purchases. Each customer pursues to realise satisfaction in a concrete purchase. The basis of assessment of the degree of satisfaction/dissatisfaction is the comparison of expected and obtained benefits (values). Costumer reactions are related in most cases with the primary benefit of services (quality, reliability, uniformity). The key issue in measuring customer satisfaction is identifying the key benefits that lead to satisfaction/dissatisfaction of customers. For each company, the challenge is to transform the unique, personal benefits of costumers into measurable attributes. For services such as, for example, hotels, the important features are: the quality of food and accommodation, as well as additional facilities such as sports fields, peace, fun, friendly staff, price, etc. The assessment of the relative importance of the identified factors and measuring customer expectation is also important in the study of satisfaction (for some costumers the costs are critical factors of choice, and for others, trustworthiness, entertainment, etc.). Assessing the performances of created value is based on the expected benefits. A customer can be satisfied with some elements of supply (value) and dissatisfied with others (Đukić, 2008). The ultimate feeling of satisfaction/dissatisfaction depends on the relative importance of particular characteristics of services for the customer, but also on the perception of their relationship (eg. price level - quality, or closeness of employeed – level of adjusted value). If the assessment of the total value arrives to unique, positive costumer response, it indicates his pleasure.

The emotional state of the costumer is a significant determinant of his satisfaction (Oliver, 1997, p.13). Positive emotions, such as happiness, excitement, warmth, increase overall satisfaction, while opposite reduce it significantly. Their intensity, stability, and time period can significantly affect the overall response of customers in evaluation process of the obtained value. They may arise in the process of service usage (happiness during the holidays, staying with certain people, economic status), which significantly affects the perception of its performance and overall experience. The emotional status of customers can be influenced by other people, surrounding people, and behavior of employees who are in direct contact with the customer.

Potential unexpected situations that arise at the stage of service usage can significantly determine the evaluation of the relationship between delivered and expected value (pleasure, delight, dissatisfaction). That sense can be a surprise by obtained value, whether it is

higher than expected, or vice versa. In both cases, customers may engage in the collection of additional information in order to identify the reasons for this situation (Zeithaml et. al., 2003, p. 87). There are often situations that customers take partial responsibility for their satisfaction (maintaining certain instructions, carry out the activities). Even when this is not the case, research shows that customer dissatisfaction will be less if he finds that the cause was out of the company's control or that such an error is rare and does not repeat often.

The role of employees in shaping the attitudes and perceptions of customers or in generating their satisfaction and loyalty is crucial. It is pointed out that they are a critical factor in achieving customer satisfaction and business success due to the significant costs that cause and because of the roles that they have in the process of serving (Stanković, Đukić, 2009, p. 172). Employees in the service industry can be divided into two categories: supporting staff and personnel for contact with customers. The helpful staff at the first service line, have a role of bonding limit, because it operates on the border of the organization. The importance of employees in making a final decision on the purchase and management of customer behavior in the evaluation process of a relevant choice has increased their importance in the company. Success in carrying out marketing activities is conditioned by the degree of compliance to organizational goals and goals of employees. To achieve this agreement, it is necessary to develop the market culture and climate that favors good interpersonal relations and friendly atmosphere in the company. Traditionally low positioning staff that comes into direct contact with customers has been replaced in the hierarchical structure of the company by a new notion that employees are an important marketing tool and an integral part of the company bidding. A customer demands a fair relationship with the sales staff, that is why service companies reward their employees for fair and professional treatment of costumers, positively resolved complaints that reduce the costs of a client and a company.

Customer loyalty to a number of brands represents an additional problem in the management process of satisfaction and loyalty. The absence of true loyalty is the result of their desire to diversity in purchase and desire to experience different things. This behavior in the consumption of services is more pronounced in times of crisis especially due to the weakening of purchasing power of a significant number of customers. Therefore, service organizations devoted considerable attention to the creation of satisfaction to all points of service contact with customers. This is particularly important in situations of a group of services (e.g. organized trips) when there is an exchange of information and impressions.

RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION

Quality is an important element of value and it is a key strategic asset of companies for applying on the market regardless of whether it is a product or a service. Costumer perception of quality is an important determinant of their purchase choice and the achieved customer satisfaction. Quality can be defined in different ways and from different perspectives. From the customers perspective, quality is what a customer or a target segment considers to be, i.e. the ability of a product or a service to meet or to exceed his expectations (Veljković, 2009, p. 103). The final assessment of whether the required quality is delivered or not is given by customers by its acceptance or rejection in the

market. Therefore, quality is not viewed through the utility value and the costs of its creation, but through the achieved customer satisfaction and the profit that is created on this basis. Therefore, quality is most commonly defined as the totality of features/characteristics of the products or services that have the capacity to meet the expressed and implicit needs (Koter at. al., 2002, p. 55.).

Evaluating the quality by customers is the result of benefits that they gain by using a product (service), and its image. However, the main problem that arises in the management of service quality, in service companies, is that quality can not be easily identified and measured due to the specificity of services (Jain, Gupta, 2004, p. 25). In relation to the quality of a product, it is more difficult for customers to measure objectively the quality of service, due to the intangibility as one of the main characteristics. Therefore, the authors do not give consent regarding the definition of service quality. The dominant perception is that the quality of a service is its delivery that is in accordance with the expectations of customers, i.e. the result of customers comparisons between expectations related to a certain service and their perception on how services should be provided (Caruna, et. al., 2000, p. 1339). Highlighting that the complete quality assessment depends on evaluation of benefits that it provides, but also the processes of its delivery, shows the complexity and multidimensionality of the quality of service concept.

The authors' attitudes toward the number of service quality dimensions are also not identical. Service quality is observed as a multidimensional structure. There is a consensus in the opinion that service quality should have three basic elements (Pollack, 2008, p. 539): the quality of results, the quality of interaction and the quality of service environment. The quality of results is a real result of a service contact and it is an essential element of a quality service, given that the customer, through its decision to buy, assesses actual benefits that are expected from its use. A customer often measures this result in a fairly objective way. The quality of interaction refers to the assessment of the overall relationship between a customer and the service staff, which converts an input into an output. This element of quality is often perceived by a customer in a rather subjective way. The third dimension, which is the subject of a review by a customer, is the quality of the service environment, i.e. visible physical or information architecture that provides a visual stimulus about an organization, its functioning and services (service company facilities, design, equipment, interior). The importance of this dimension may vary depending on the nature of a service activity and the intensity of the interaction between the staff and service customers.

The following dimensions of service quality correspond to this understanding: technical quality of the service encounter actual result, functional quality of the interaction between service provider and the service customer and the company's image, which is the result of the previous two dimensions, but also the result of the cost of service, communication activities, company location, internet site accessibility, skills and behavior of employees (Ghobadian, et. al., 1994, p. 50-51).

Delivery of a higher service quality compared to a competition is a goal of every service company. It is a requirement for getting a competitive advantage and achieving a stable profit. Profit is the result of exceeding the benefits in relation to the costs of creating quality. Greater benefits are a result of higher customer satisfaction, which leads to an increase in demand, repurchase, and retaining of customers. The main objective of a

company is to exceed customer expectations about service quality (Kotler, et. al., 2007, p. 640). The delivery of such services includes:

1. The focus on the market and customers. Problems related to service quality are higher in organizations that are not focused enough on the identification and action in order to meet the identified needs and expectations of customers.
2. Competencies of the first service line, given that a service quality is estimated based on the total interaction with service customers, because of which they bind to the service and the organization.
3. Shaping the behavior of employees and their direction to meeting needs and demands of customers. Empowerment of employees is a sign of confidence in their abilities to perform responsible tasks, which has been recently perceived as an important factor that reduces the tension between employees and managers.
4. A clear vision of the service quality. One result of the interactive nature of services is the need to have a clear vision of the service quality at the organizational level. Without adequate vision, employees will be inclined to create their own interpretation of the service quality (Ghobadian et. al., 1994, p. 47-48).

Realization of competitive advantage through quality requires an understanding of what customers consider quality, i.e. defining the determinants of quality and commitment of an organization to achieve it. (Hansen, Bush, 1999, p. 119). Attempts of operationalization of service quality and its dimensions have resulted in different models. The highest level of agreement was reached with the quality perceptions of GAP model SERVQUAL model (Parasureman et. al., 1991, p. 41-50) and Technical/Functional Quality Framework which was created on the basis of the last models reviews (Ooi et. al., 2011, p. 411). All these above-mentioned models are based upon the customer belief in defining service quality and they enable identification of disparity in quality at different levels. The GAP model emphasizes five gaps that lead to a failure in the provision of services: the gap between a customer's expectation and perceptions of a company's management of the customer expectations, the gap between the perceptions of the company's management and the service quality specifications, the gap between service quality specifications and the ways of providing services, the gap between the delivered service and services that were promised to the customer via external communication – Customer expectations are affected by the statements of a company's representative and its advertising, the gap between a perceived service and an expected service – a gap exists when a customer misunderstands the service quality.

According to the Gap model, the above-mentioned researchers have identified five determinants of service quality that are generally accepted in the theory and practice of marketing services. There are the following dimensions: tangibility (appearance of premises, equipment, personnel and communication materials), reliability (ability to provide the promised services), responsibility (willingness of employees to provide a service without delay), security (knowledge, courtesy of employees and their ability to provide clients with a sense of trust and confidence), and empathy (expressions of care and attention to each client) (Parasuraman et. al., 1994, p. 207; Kotler, Keller, 2008, p. 413). The main advantage of SERVQUAL model is that it can be successfully applied in a variety of service industries, due to its possible modification and adaptation to the specific requirements of each company. It is also of great importance for the evaluation of the relation-

ship marketing output, as it shows the relevance of service quality and customer expectations. SERVQUAL model can be used for complex analysis, as it provides the basis for control of the so-called non-financial variables such as customer satisfaction, it enables monitoring of a service quality over time, identification of a service components that are particularly good or bad, benchmarking of results with competitors and the measurement of the overall customer satisfaction with a particular service.

According to the opinion of its critics, SERVQUAL model is focused more on the process of a service delivery rather than on the process of interaction with employees and other users of the company, such as social responsibility. In addition, it is believed that this model does not include measurement of technical quality dimensions. In order to conceptualize the service quality (taking into account all aspects of service quality including those that are already in place and those that are left out in the reference books on the quality of service), some authors have identified the following dimensions of service quality, that are, in their opinion, critical from a customer aspect (Sureshchandar et. al., 2002, p. 365):

1. A service product or an essential service is basically designed in the same way as the essence of the product. It indicates the actual benefit that is derived from the use of a certain service. Customer desires are intangible, and a bid must be created and developed in accordance with the objective of meeting the needs of customers, with value creation for the company.
2. The human factor in the process of service delivery is related to all dimensions of service quality, in relation to trust, empathy, communication, reliability of employees;
3. Service processes, because customers expect them to be simple and standardized;
4. Tangibility of services related to the physical capacity available in a service company, such as facilities, equipment, employees, namely everything that creates service atmosphere;
5. Social responsibility is very important for an organization that wants to become a leader in the ethical behavior in the market in everything it does.

The reference books on marketing services often have discrepancies in the understanding of the concept of service quality and the customer satisfaction concept. It is not a rare situation to use them as synonyms. The efforts of researchers have therefore long been aimed at identifying their meaning and mutual relationship. There is an agreement that they are different concepts speaking about their causes and results, which are mutually connected. The connection between service quality and customer satisfaction lies in the fact that the perception of a customer about the quality is a determinant of his choice and satisfaction. The connection between them is mostly linear, which means that a higher level of service quality leads to a higher level of satisfaction. The reference books emphasize that there are two ways that suggest a nonlinear relationship, especially when it comes to some aspects of service quality. One direction is based on the theory of zone of tolerance and the so-called two-factor theory (Pollack, 2008, p. 539-541). It is believed that achieving the desired customer satisfaction requires a strategic approach to managing the quality of service that is based on the following elements:

1. Characteristics of services. Delivery of reliable, safe, and timely service, along with courtesy and attention of the service personnel.
2. The system of continuous quality improvement. The main question that must be answered is in what way the quality of service can be reduced. This question can

be answered from the aspect of costs, time, and influences. Together they form the basis for understanding and implementing the system that is responsible for optimization of customer satisfaction with other organizations goals.

3. Feedback system with an aim of obtaining market information, which is necessary in taking corrective activities.
4. The process of implementation of the defined quality policy. In this sense, the management must define the desired level of service quality by customers and the quality level that the organization can deliver. Management of an established gap aims to reduce it or to eliminate it. (Stamatis, 2003, p. 1-5).

Researching the connection between service quality and customer satisfaction is necessary for understanding the ways in which assessment is carried out, if the selected choice (service) has met expectations and to what degree. The assessment is subjective and depends on the particular customer (individual). It may be based on rational and emotional motives and is subject to changes. The analysis of satisfaction should include customer expectations and experience in the use of the services in a given time or in a shorter period of time. Customer expectations are formed on the basis of personal experience and information from other sources. Since customer expectations change over time, even while using the service, some vendors tend to underestimate the performance of services, so that customers could be delighted. Customer expectations are their beliefs about the level of services to be provided by a service company and they serve as the standard with which a service company compares its services. In order to understand customer satisfaction better, it is necessary to identify three levels of customer expectations in terms of service quality:

Level 1: This is the lowest level of customer expectations that are in the form of assumptions, i.e. something that is included by a specific service. For example, a tourist assumes that he will arrive safely at a certain destination, or a client of a bank expects that his transactions will be secure.

Level 2: Customer expectations in relation to the requested benefits are slightly higher in comparison to the previous level. For example, in addition to security, a tourist expects personnel on board to be friendly and intimate; a bank client expects that the seller will be focused on solving his problems.

Level 3: This level of expectations includes fulfillment of requirements, such as excitement and enjoyment when using a service. For example, obtaining additional values such as: prizes, discounts, unique experiences, amenities in repayment of loans.

Fulfillment of the third level of expectations means that a total customer satisfaction is provided (TCS – *Total Consumer/Customer Satisfaction*), i.e. the wishes and needs are fully met. By continuous providing these elements, high exit barriers are created and the safest way to ensure long-term loyalty. Creation and delivery of greater value to customers is the best way to achieve total customer satisfaction. The mission of the modern company has to be the creation and delivery of the value-added services to a customer.

## TQM CONTRIBUTION TO CUSTOMER SATISFACTION AND SERVICE QUALITY IMPROVEMENT

Methods of providing high quality as a key value for customers have been changing with the change of market requirements. Efforts to generate high quality in the conditions

of intense competition and technological development have resulted in the development of the concept and philosophy of total quality management (TQM - *Total Quality Management*). It is of internal character, since a company management develops it and since it involves continuous improvement in the performance of all processes and activities that create quality. Creating products of superior quality has provided greater customer satisfaction and increased overall company performance. That is why it is emphasized that the focus on the needs and desires of customers is a common feature of both concepts – TQM and TSC (Veljković, 2009, p. 102), i.e. that the customer satisfaction, identifying customer needs and continuous quality improvement are widely accepted as the central issues that TQM should address (Ooi et. Al., 2011, p. 411; Talib et. al., 2010, p. 111; Ueno, 2007, p. 74).

Striving to provide total customer satisfaction has resulted in the implementation of total quality management in services marketing. Due to the specificity of services and the service sector, there had to be some modification and adaptation of TQM concept so that it could be used successfully in this field (Juneja et. al., 2011, p. 94). TQM involves two aspects "hard" and "soft". The so-called hard aspect of TQM includes quantitative techniques and tools and it is more characteristic for economic activities, while the so-called soft aspect is characteristic for the service sector and includes intangible elements which are difficult to measure, such as: contacts of a management with employees, employees with customers, customers care, and internal marketing (Ueno, 2007, p. 74-76). Customizing the concept of TQM to a services sector has resulted in the development of total quality satisfaction (TQS - *Total Quality Satisfaction*) concept. Its focus is on the continuous improvement of all service processes that are oriented to customers (the process of development and delivering services). The most important elements which the concept of total quality satisfaction is based on are organizational culture, strategically focused management team and the full commitment of employees to delivering superior quality (Figure 1).
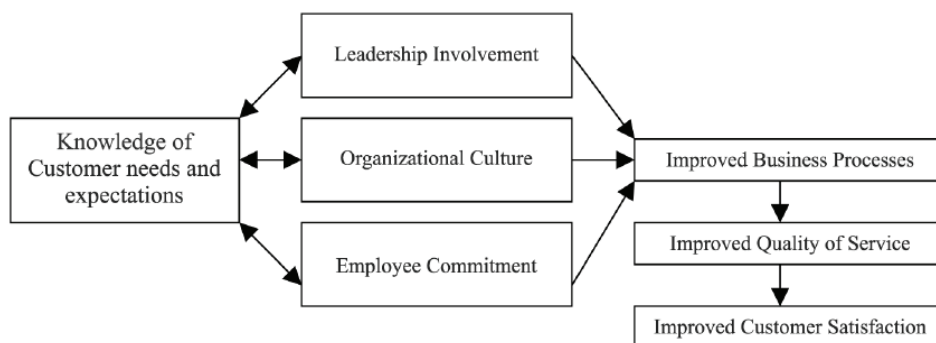


**Fig. 1.** Model of total quality service
Source: Gupta A., McDaniel J. C., Herath K. S., 2005, p. 394

Organizational culture is a significant element of modern organization and one of the key factors in achieving total customer satisfaction. Research has shown that organizational culture is the most important prerequisite for a successful implementation of a quality management (Maull et. al., 2001, p. 303). Pervading and determining the behavior and activities of an organization as a system and its employees, the organizational culture

enables employees to identify with the organization and it increases their commitment to achieving the organization's objectives. Changes in their attitudes and behavior and alignment with the mission, goals and strategy are achieved through the implementation of the process. They are often complex and long, given that the established values are difficult to change and need some time. The active participation of employees in innovative activities of a service company is the key to providing superior value for customers, business efficiency, and effectiveness.

Attitudes of management are the key for establishing a culture that supports the philosophy of total quality. Managers are agents of change, but also individuals with leadership qualities that are ready to initiate and execute change. The role of a top management is essential in these processes. It is reflected in the adequate positioning of customer satisfaction and service quality in the hierarchy of one company's goals. The implementation of TQM in the service sector includes the following activities (Sureshchandar et. al. 2002, p. 363-379):

- Defining the strategy of a service quality,
- Establishment of a service quality dimensions
- Research of the service processes in order to identify opportunities for improvement.
- Continuous quality improvement of the research process (Juneja et. al., 2011, p. 93-98).

Researching the current state in a service organization is a key activity in the process of implementation of TQM principles because it allows the identification of specific needs of the organization, actual quality of service and competence of employees. Creating the conditions for its successful implementation is not easy, because it requires the investment in establishing the adequate climate and the quality culture in the organization, the involvement of all employees focus on customers, understanding of their needs and requests. The willingness of a management and of employees to change is very important. That is why it is emphasized that a successful implementation of total quality management involves the use of the following activities: selection of employees, commitment, involvement and participation; training and education of employees; team work; ensuring employees motivation; meaningful communication with employees, changing the culture and style of management; commitment of a leader; focus on customers, continuous improvement of business processes (Ueno, 2007, p. 74-76).

## CONCLUSION

Service organizations operate in uncertain and turbulent conditions. Competition is becoming global, which increases its intensity, and technological changes affect customers by making them more mobile, more demanding, more educated. In such conditions, organizations which want to survive in the market, grow and develop must be able to recognize the needs and desires of customers and to realize them appropriately. Focusing exclusively on acquiring new customers is risky, since the acquisition of new customers costs more than retaining the existing ones. Only a customer who is satisfied with the quality of a received service will repeat purchase and will be loyal to the company. Customer satisfaction is the foundation for building loyalty, trust, and long term relationships with customers. Loyal customers are on the other side the foundation for the successful

operation of the company. By increasing the repeated purchases and by turning them into a routine, the stability in relationship with customers is ensured, which means a greater fault-tolerance and resistance to the competition activities. Intensive feedback from loyal customers and frequent contacts motivate customers to buy more and more, and what is even more important, to engage actively in communication with other customers on the service value. Customers perceive communication based on personal and individualized offers, as a key one for building trust and commitment to the company.

Quality of service is an important determinant of customer satisfaction. However, there are studies that have confirmed the linear relationship between the level of quality of service and the actual level of customer satisfaction. This suggests that a customer satisfaction is influenced not only by service quality, but by other factors such as the specificity of the process of buying services (primarily caused by its intangibility), different influences on the decision to purchase, perceptions of key service benefits and their mutual relationship by users, their emotional state at the time of evaluation of the relevant choice, unexpected situations at the time of assessment of sensations (pleasure-displeasure). Problems in establishing the connection between service quality and customer satisfaction levels may also be caused by the quality of obtained information on satisfaction. Namely, they refer to a particular moment, while on the other hand, the customer's emotional response changes some time after a purchase under the influence of many factors. A time cycle of using a particular service can significantly change the feeling of satisfaction or dissatisfaction, as in cases where the customer has no experience in using the particular services.

In creating the image provided by high-quality services, organizations focus on the application of the principles of total quality management with some adjustments. Customization is embodied in the implementation of total quality satisfaction, which means continuous improvement of service processes that are oriented to customers. The most important element, which the concept of total quality satisfaction is based on, are organizational culture, strategically focused management team and the full commitment of employees to delivering superior quality. Common to all above-mentioned concepts is that they have customers as their focus and the fulfillment of their wants and needs in a way that achieves satisfaction, and eventually acquire and maintain loyalty and long-term relationships with customers. These are the goals of all companies that want to provide a lasting competitive advantage in the market.

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# KVALITET USLUGE KAO DETERMINANTA SATISFAKCIJE POTROŠAČA

## Suzana Đukić, Velida Kijevčanin

*U savremenim uslovima poslovanja koje karakteriše izuzetna turbulentnost, neizvesnost, dinamičnost, opstanak, rast i razvoj preduzeća preduzeća uslovljen je usredsredjivanjem na obezbedjenje visokog nivoa satisfakcije potrošača. Satisfakcija potrošača je vodeći cilj i merilo uspeha savremenog preduzeća, a njeno merenje jedan od najvažnijih zadataka menadžmenta. Nepoznavanje stepena zadovoljstva/nezadovoljstva potrošača uzrok je neuspeha mnogih preduzeća. Satisfakcija potrošača je osnov stvaranja lojalnosti potrošača, što s druge strane znači njihovo zadržavanje u budućnosti. Visoka stopa promene marke je posebno izražena na tržištu usluga zbog intenzivne konkurencije i zahtevnih potrošača. Očekivanja potrošača u pogledu kvaliteta usluge i ostalih komponenti vrednost (cena, isporuka, komunikacija sa potrošačima) postaju sve veća i to zahvaljujući većem nivou njihovog znanja, ali i superiornim ponudama od strane uslužnih preduzeća. Obezbedjenje lojalnosti u takvim uslovima zahteva stvaranje jedinstvene vrednosti za potrošače koja inkorporira paket traženih elemenata/atributa - superiorni kvalitet usluge, odgovarajuće prateće proizvode, bezbednost, jedinstvenost, personalizovanu komunikaciju, povlastice u plaćanju. Cilj ovog rada je da se istraži istraži vezu izmedju kvaliteta isporučene usluge kao ključne determinante satisfakcije potrošača, kao i da se ukaže na doprinos TQM-a unapređenju kvaliteta usluga i satisfakcije potrošača.*

Ključne reči: *satisfakcija potrošača, totalna satisfakcija potrošača, kvalitet usluga, vrednost, TQM*