

THE EFFECT OF CUSTOMER SATISFACTION ON BEHAVIORAL INTENTIONS

A Study on Consumer Behavior of Car Insurance Consumers in Melbourne, Australia

Wahyuningsih

Tadulako University, Palu, Indonesia
ayu_wningsih@yahoo.com

Djayani Nurdin

Tadulako University, Palu, Indonesia
djayani_nurdin@yahoo.com

It has often been argued that customer satisfaction can contribute significantly to a company's success in a variety of ways. This research aims to investigate the effect of customer satisfaction on behavioural intentions. Two determinants of behavioral intentions examined in this study namely repurchase intentions and positive word-of-mouth communication. The model has been tested using surveyed data from 546 car insurance consumers in Melbourne, Australia. The empirical results of this study show that the higher the level of satisfaction, the higher the consumer's intentions to repurchase and inform positive information about the purchased product and company to other people. This means that the more satisfied the consumers the more likely they are to repurchase car insurance from the same company and more likely to do positive word-of-mouth communication. Thus, behavioral intentions expressed by consumers depend on their levels of satisfaction. Hence, the company might maintain their existing customers and attract new consumers to achieve better financial performance. Discussion and managerial implications are provided based on research results.

Banyak kalangan berargumen bahwa kepuasan pelanggan dapat memberikan kontribusi yang signifikan terhadap keberhasilan perusahaan dengan berbagai cara. Penelitian ini bertujuan untuk mengkaji pengaruh kepuasan pelanggan terhadap intensi dalam berperilaku di kemudian hari. Dua determinan dari intensi berperilaku yang dikaji dalam penelitian ini adalah intensi untuk melakukan pembelian ulang dan komunikasi dari mulut ke mulut (getok tular). Model studi ini telah diuji menggunakan data survei dari 546 pelanggan asuransi mobil di Melbourne, Australia. Hasil empiris dari penelitian ini menunjukkan bahwa semakin tinggi tingkat kepuasan konsumen, maka semakin tinggi juga keinginannya untuk melakukan pembelian ulang dan menginformasikan hal-hal yang positif kepada orang lain. Hal ini berarti bahwa semakin puas seorang konsumen, maka ia akan cenderung untuk melanjutkan membeli produk asuransi dari perusahaan yang sama dan melakukan getok tular yang positif. Sehingga dapat dikatakan bahwa intensi konsumen dalam berperilaku di kemudian hari akan sangat tergantung dari tingkat kepuasannya. Dengan demikian, perusahaan akan dapat menjaga pelanggan yang sudah ada saat ini dan dapat menarik konsumen baru untuk mencapai kinerja keuangan yang lebih baik. Pembahasan dan rekomendasi untuk para manajer akan diuraikan berdasarkan hasil penelitian.

Abstract



Keywords: customer satisfaction, behavioral intentions, repurchase intentions, word of mouth communication

There have been extensive researches in customer satisfaction for many years. Customer satisfaction has been considered by companies as a key strategic to company's success, long-term competitiveness (Law, Hui, and Zhao, 2004; Woodruff and Gardial, 1996) and a central construct in marketing research (Luo and Homburg, 2007). This increasing concern has mainly been due to intense competition, particularly in service industries, and the current focus on the relationship between consumers and organizations, which is the core of relational marketing approach (Bodet, 2008).

Many companies spend as much as half of their research budget on measuring customer satisfaction (Wilson, 2002), since customer satisfaction studies provides several advantages for companies. A satisfied consumer is more likely to stay with the same company (Turk and Avcilar, 2009; Anderson and Fornell, 1994) and involve in a positive word-of-mouth communication (Jones and Suh, 2000). In line with these premises, this study examines the relationship between customer satisfaction and two behavioral intentions: repurchase intention and intention to do word-of-mouth communication.

Customer Satisfaction

Customer satisfaction has been a popular topic in marketing for more than 30 years without the emergence of a consensual definition of the concept (Host and Knie-Andersen, 2004). Johnson, Anderson, and Fornell (1995) argue that customer satisfaction is a cumulative construct that is affected by market expectations and performance perceptions in any given period, and is also affected by past

satisfaction from period to period. This definition is supported by Fornell (1992) who defines customer satisfaction as a function of customer expectation and perceived performance. These definitions focus on expectations and performance as an instrumental construct of customer satisfaction.

According to Oliver (1980) satisfaction outcomes are a function of perceived performance and perceived disconfirmation. This perceived disconfirmation depends on perceived performance and a standard for comparison (Oliver, 1980). Standards of comparison may include expectations, ideals, competitors, other service categories, marketer promises and industry norms. If perceived performance is significantly worse than the comparison standard, a customer will experience negative disconfirmation; in other words, products and services do not meet the comparison standard. This model has been further developed by Wirtz and Bateson (1999) by introducing uncertain performance expectations in satisfaction. It describes the impact of expected performance heterogeneity and level of disconfirmation on the satisfaction process. At higher levels of disconfirmation, uncertainty in expectations does not show any effect on disconfirmation levels; in contrast, at small level of actual disconfirmation, the presence of uncertainty in expectations improves the level of disconfirmation, shifting it towards 'better than expected', and improving overall satisfaction. From this model, it can be noticed that there are three elements that influence the degree of consumer satisfaction; expectations, performance, and disconfirmation. These constructs have been used by many researchers in studying

Table 1. Definitions of Customer Satisfaction

Sources	Definition of Customer Satisfaction in Mathematics Equation
Bendall-Lyon and Powers (2004)	CUSTOMER SATISFACTION = the customer's reaction to the perceived difference between performance appraisal and expectations
Churchill and Surprenant (1982); Woodruff, Cadotte, and Jenkins (1983); Wirtz and Bateson (1999), McQuitty, Finn, and Wiley (2000)	CUSTOMER SATISFACTION = f (expectation, performance, and disconfirmation)
Day (1984); Westbrook and Oliver (1991)	CUSTOMER SATISFACTION = A post-choice evaluative judgment concerning a specific purchase selection
Fornell (1992)	CUSTOMER SATISFACTION = f (expectation, performance)
Giese and Cote (2002)	CUSTOMER SATISFACTION = f (expectation, perceived quality)
Johnson, Anderson, and Fornell (1995)	CUSTOMER SATISFACTION = f (market expectations, performance perceptions in any given period, past satisfaction from period to period)
Nicholls, Gilbert, and Roslow (1998)	CUSTOMER SATISFACTION = f (consumers' experiences, reactions to a provider's behavior)
Oliver (1980)	CUSTOMER SATISFACTION = f (expectation, disconfirmation)
Shankar et al. (2003)	CUSTOMER SATISFACTION = the perception of pleasurable fulfillment of a service, and loyalty as deep commitment to the service provider
Ueltschy et al. (2004)	CUSTOMER SATISFACTION = f (expectations, performance, quality)
Yi (1990)	CUSTOMER SATISFACTION = An attitude like judgment following a purchase act or based on a series of consumer product interactions

customer satisfaction (e.g. Churchill and Surprenant, 1982; McQuitty, Finn, and Wiley, 2000). For summary, the definitions of customer satisfaction can be seen in Table 1.

From the definitions of customer satisfaction above, it can be noticed that the determinants of satisfaction mainly consist of four constructs. These are *performance*, *quality*, *expectation*, and *disconfirmation*. These four determinants will be discussed below.

Performance

Performance of product and service is what customers will look for to meet their requirements and deliver the outcomes they are seeking (Mittal and Sheth, 2001). Perceived performance often differs from objective or technical performance, especially when a product or service is complex, intangible, and when the consumer is unfamiliar with the product or service. Indeed, performance has a high degree of heterogeneity specifically

in services industry due to the real time production and consumption of services, which make quality control difficult and introduce time and place constraints on the service encounter (Wirtz and Bateson, 1999). Because of this heterogeneity, companies need to have a better understanding of the attributes customers use to judge their performance (Winsted, 2000).

Quality

Quality is the total composite product and service characteristics of marketing, engineering, manufacture, and maintenance through which the product and service in use will meet the expectations of the customer (Feigenbaum, 1991). From this definition, it implies that quality is determined by customers rather than organizations and the management of quality need to be based on expectations of the customers. To meet the expectations of customers means that organizations have to satisfy their needs and wants. From this explanation, it is clear that there is a link between quality and customer satisfaction.

There have been large proportions of researcher who point out the causal link between quality and satisfaction (e.g. Boulding *et al.*, 1993; Parasuraman *et al.*, 1988; Ueltschy *et al.*, 2004). In line with this argument, a more pragmatic view is that managers want to find out how to direct a quality improvement program with the aim of increasing customer satisfaction (Danaher and Gallagher, 1997). To implement a quality improvement program which is still within the organization's budget, managers need to identify the key factors which would benefit most from improvement.

Expectation

Customer expectations are pretrial beliefs about a product or service (Olson and Dover, 1979). This has become a central construct in customer satisfaction research (Fisk and Young, 1985). Initial research in expectation and satisfaction by Cardozo (1965) and Anderson (1973) point out that increasing expectation prior to product use results in increased negative perception about the product if the performance of the product does not measure up to the expectation. Alternatively, research by Olshavsky and Miller (1972), and Olson and Dover (1979) shows that raising expectation prior to use results in increased perception about the performance of the product even though the product actually performed poorly. The former stream has been referred in the literature as the contrast effect and the later has been referred as a dissonance or assimilation effect (Fisk and Young, 1985). The contrast effect is a tendency to exaggerate the discrepancy between one's own attitudes and (others') attitudes, meanwhile, assimilation theory assumes that consumers are reluctant to acknowledge discrepancies from previously held positions and therefore assimilate judgment toward their initial feelings for an object or event (Oliver and DeSarbo, 1988). However, direct comparison of the results of these effects is difficult (Fisk and Young, 1985) as one effect is a direct contradiction of the other. In response to the limitation of expectation model, Oliver (1980) has proposed a model of satisfaction as a function of expectation and disconfirmation.

Disconfirmation

Perceived disconfirmation is the evaluation of perceived performance according to one

or more comparison standards. Disconfirmation can have a positive effect (implying a satisfying result), a negative effect (implying a dissatisfying result), or a neutral effect (Oliver, 1980). The author describes disconfirmation as follows: consumers are believed to form expectations of product performance prior to purchase. Subsequent purchase and usage reveal the actual product performance levels compared to expectation levels using a better-than, worse-than heuristic. The judgment that results from this comparison is named negative disconfirmation if the product is worse than expected, positive disconfirmation if better than expected, and simple confirmation if as expected. From this view, it is perceived that expectation and disconfirmation is an interrelated concept. Therefore, there is a theory labeled as expectancy disconfirmation, which is described as two processes consisting of the formation of expectations and the disconfirmation of those expectations through performance comparison (Oliver and DeSarbo, 1988).

From the above determinants (performance, quality, expectation, and disconfirmation), researchers have used the combination of these constructs differently for measuring customer satisfaction. The combinations are: *expectation and disconfirmation* (e.g. Oliver, 1980), *expectation and performance* (e.g. Bendall-Lyon and Powers, 2004; Fornell, 1992; Johnson *et al.*, 1995), *quality and disconfirmation* (Anderson and Sullivan, 1993), *expectation, performance, and disconfirmation* (e.g. Churchill and Surprenant, 1982; McQuitty, Finn, and Wiley, 2000; Wirtz and Bateson, 1999; Woodruff, Cadotte, and Jenkins, 1983), *expectation and quality* (Giese and Cote, 2002), *expectation, performance, and quality* (Ueltschy *et al.*, 2004).

Having reviewed the definitions of customer satisfaction in the literature, it is noticed that satisfaction is basically a post-consumption evaluation (Bolton, Kannan, Bramlett, 2000), hence the definition of satisfaction used in this study is:

"An overall post-purchase evaluation" (Fornell, 1992:11). This definition focuses on post-purchase perceived product performance compared with pre-purchase expectations.

Behavioral Intentions

Two behavioral intentions investigated in this study include repurchase intentions and word-of-mouth communication. The discussion concerning the two concepts is presented as follows:

Repurchase Intentions

Since behavioral intentions are easier to measure than actual behavior, there are numerous studies of repurchase intentions (Bolton, Kannan, Bramlett, 2000). However, these studies must be interpreted with caution because behavioral intentions are subject to criticism since intentions do not always lead to actual behavior (e.g. Gabler and Jones, 2000; Morwitz and Schmittlein, 1992).

Repurchase intentions are defined as the individual's judgment about buying again a designated service from the same company, taking into account his or her current situation and likely circumstances. (Hellier, 2003: 1764). From this definition, it is clear that repurchase behavior occurs when customers purchase other products or services for the second or more times with the same company; and the reason for purchasing again is mainly triggered by customer experience towards the products or services.

Theory suggests that increasing customer retention is a key act of the ability of a company to generate profits (Zeithaml, Berry, Parasuraman, 1996). This is because the longer consumers stay with a company, the more products or services they buy from the company and no excess marketing outlay to win new customers. To retain customers, a company needs to improve its service quality, which in turn leads to high service value (Cronin, Brady, Hult, 2000). Thus, it is noticed that consumers are more likely to purchase again from the same company if they think that what they have received was worth what they have given up.

Factors Influencing Consumer's Repurchase Intentions

Hellier *et al.* (2003) argue that customer repurchase intentions are influenced by seven important factors. Namely, *service quality, equity, value, customer satisfaction, past loyalty, expected switching cost, and brand preference*. The study by Petrick, Morais, and Norman (2001) suggests that consumers' intention to repurchase is influenced by three factors: past behavior, satisfaction, and perceived value. More specifically, Jones and Suh (2000) state the repurchase intention is determined by overall satisfaction. They suggest that when overall satisfaction is high, transaction-specific satisfaction (the consumer dissatisfaction with a discrete service encounter) has little impact on repurchase intentions, but when overall satisfaction is low, transaction-specific satisfaction has a positive influence on repurchase intentions. This is supported by Diaz and Ruiz (2002) who assert that customer satisfaction is a primary precursor of repeat purchase behavior. Meanwhile, Gross (1997) argues that repurchase intentions are directly

impacted from perceived value leaving aside the role of satisfaction. From these arguments, it can be noticed that customer value and/or customer satisfaction have a positive influence on repurchase intentions.

Word-of-Mouth Communication (WoM)

WoM communication is defined as "*informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers*" (Westbrook, 1987:261). The reasons for customers doing WoM communications are because they want to ease a tension that the positive or negative experience produced, to reassure themselves in front of others, to gain support from others who share their opinions, to gain attention or to share the benefits of things enjoyed (Wirtz and Chew, 2002).

WoM has been identified in previous research as an important behavior after consuming a product or service (e.g. Gremler, Gwinner, and Brown, 2001; Wirtz and Chew, 2002). This is primarily because WoM communication provides face-to-face, often vivid information that is highly credible (Spreng *et al.*, 1995). In addition, consumers frequently rely on informal and/or personal communications sources in making purchase decisions as opposed to more formal and/or organizational sources such as advertising campaigns (Bansal and Voyer, 2000). Furthermore, WoM has been widely acknowledged as an informal communication source between consumers that has great economic impact (Murray, 1991). Customers who show up on the strength of a personal recommendation tend to be more profitable and stay with the company longer than customers who respond to conquest advertising, sales

itches, or price promotions (Reichheld, 1996). From the previous studies, it is perceived that WoM plays a key role in shaping consumers attitudes and behaviors (Harrison-Walker, 2001). Thus, WoM serves as enforcement to consumers to remain loyal to a service provider.

WoM is more important and influential within a service context than strictly just product marketing scenarios, given their intangibility and higher associated risk (Mangold and Brockway, 1999). Compared to purchasers of goods, Murray (1991) found that service buyers have greater confidence in personal sources of information as well as a greater pre-purchase preference for personal information sources. In addition, Ennew *et al.* (2000) suggest that WoM may also be one of the most powerful form of communication within financial services, given they tend to be characterized by a predominance of experience and credence qualities. A consumer may not understand a service fully before its consumption; he or she might seek WoM information from an experienced source (Bansal and Voyer, 2000). Therefore, WoM becomes especially important within the services purchase decision context.

Factors Influencing Consumer's Word-of-Mouth Communication

Bone (1992) argues that WOM can be partially influenced by four factors. These are *social tie strength, the presence/absence of an individual taking a committed decision maker role, consumer satisfaction, and perceived novelty*. Social ties represent the strength of a consumers' relationship to the people accompanying them. The author suggests that the weaker the social ties that exist among group members,

the more WoM will occur. A second factor is whether one or more group members take on the role of a committed decision maker. It is suggested that whenever there is a committed decision maker in a group, WoM is likely to occur. Third, the author argues that the level of satisfaction and dissatisfaction affect an individual's mood and increase the amount of WoM. The last factor is perceived novelty that may be a function of the consumer's lifestyle and experiences, characteristics of the product/service, and/or the manner in which the product/service is presented. A situation that is perceived as novel will receive the consumer's attention, making WoM more likely. Specifically, previous studies indicate that WoM is often influenced by customer satisfaction or dissatisfaction with purchasing experiences.

The Link between Customer Satisfaction and Behavioral Intentions

A direct positive relationship between customer satisfaction and behavioral intentions has been well documented in the literature. For example Athanassopoulos *et al.* (2001) examine the direct effects of customer satisfaction on customers' behavioral responses. They argue that satisfied customers decide to stay with the existing service provider, engage in a positive word-of-mouth communication, and are unlikely to switch service providers. This argument is in line with Teo and Lim's (2001) study that customer satisfaction was positively correlated with re-patronage intentions and negatively correlated with negative word-of-mouth intentions. Many empirical studies confirm that overall customer satisfaction with a product or service is strongly associated with the behavioral intention to return to the same service provider (e.g.

Bendall-Lyon and Powers, 2004, Hellier *et al.*, 2003), Moreover, Shankar *et al.* (2003) argue that when customers assess customer satisfaction to be high, they not only engage in repeat purchase but also reflect strong loyalty. Recently, Host and Knie-Anderson (2004) has examined that customer satisfaction has a direct positive effect on loyalty and willingness to recommend. Hence, repatronage behavior depends on prior satisfaction.

The rationale behind the link between customer satisfaction and behavioral intentions may be stated as follows. Based on the definition of behavioral intentions, there are two ways in which satisfaction may affect behavioral intentions. First, given that the customer satisfied, satisfaction serves to narrow the variance of expectations. This, in turn, is likely to reduce uncertainty and provide cognitive economy in future choices, which may be important objectives. This is in agreement with the theory of consideration sets stated that a decrease in uncertainty might lower consumers' evaluative cost, which in turn increase perceived utility (Hauser and Wernerfelt, 1990). Second, given again the customer is satisfied, the result is positive evaluations (Soderlund, 2003). Hence, a positive association between customer satisfaction and repurchase intentions is assumed.

In contrast, there are some scholars who argue that customer satisfaction is not related to behavioral intentions. For example, Westbrook (1987) found a negative relationship between satisfaction and word-of-mouth communication (WoM), with dissatisfied customers engaging in more WoM than satisfied ones.

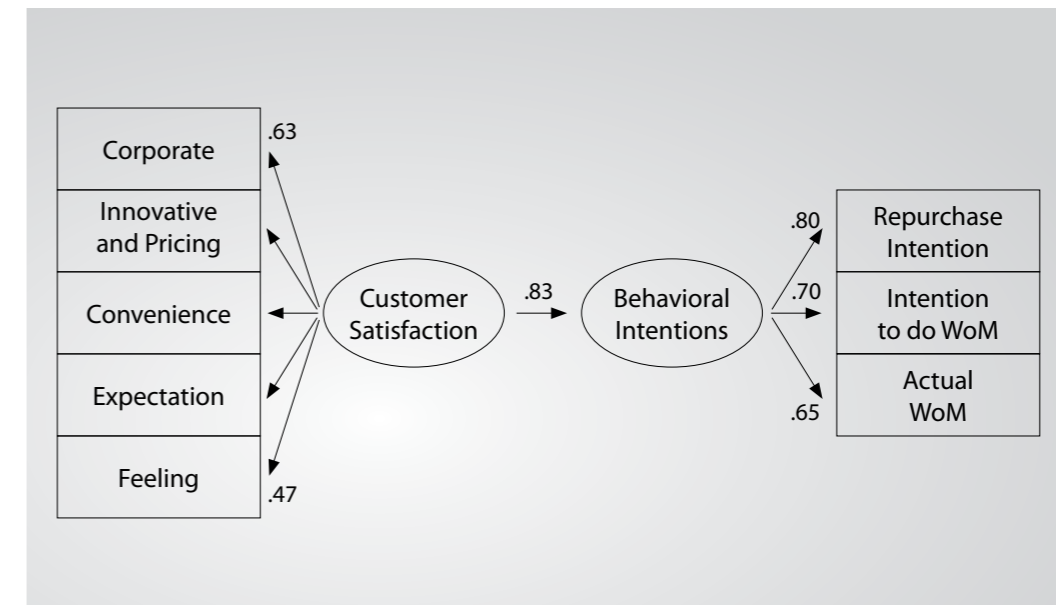
This is in line with the findings of Wirtz and Chew's (2002) study that satisfaction does not necessarily increase the likelihood of WoM being generated. They point out that incentives (for example by providing contact details of potentially interested family members) are found to be an effective catalyst to increase the likelihood of WoM. This argument is also supported by Van Looy *et al.* (1998): the link between satisfaction and behavioral intentions is not necessarily that straightforward; many studies suggest only a weak correlation between satisfaction scores and loyalty. For example, Jones and Sasser (1995) argue that many customers say they are satisfied but buy elsewhere. Satisfaction is a necessary prerequisite for loyalty but it is not sufficient on its own to automatically lead to repeat purchase or brand loyalty (Bloemer and Kasper, 1995). Commitment to and involvement with the service and the specific brand will also play a role (Wilson, 2002). In addition, Anderson and Sullivan (1993) found the elasticity of repurchase intentions with respect to satisfaction to be lower for firms that provide high satisfaction. Reichheld and Aspinal (1993) also argue that satisfaction does not necessarily lead to repurchase or retention. From these two contradicting arguments, there is a strong reason to test again whether satisfaction has a positive or negative effect on behavioral intentions. Accordingly, this study attempts to test the following hypothesis: there is a positive significant relationship between customer satisfaction and behavioral intentions.

METHOD

Data Collection

To collect the data, closed-ended questions in a structured questionnaire was used. 654

Figure 1. The Model of Relationship between Customer Satisfaction and Behavioral Intentions



questionnaires were distributed directly to respondents in a convenience sample. Out of 654 questionnaires, 559 were returned. Out of 559 questionnaires 546 were usable and 13 questionnaires were incomplete. Thus, effective response rate in this survey was 84%. A nine point Likert scale has been used to capture the behavioral attitude and perceptions of consumers toward the products. The unit of analysis of this study is individuals, specifically, consumers who have purchased car insurance.

Data Analysis

Data analysis techniques used in this research is Structural Equation Modeling (SEM) using AMOS 5. The assumptions to apply these techniques including absence of multicollinearity, outliers, and heteroscedasticity, as well as the presence of homogeneity, linearity, and normality have been met. SEM was employed to test the model as depicted in Figure 1. The model performed well as indicated by the summary of model fit ($\chi^2=10.647, df=4, P \text{ value}=.031, \chi^2/df=2.662, GFI=.992,$

AGFI=.970, NFI=.976, IFI=.985, TLI=.961, CFI=.984, and RMSEA=.055)

RESULT AND DISCUSSION

A link between customer satisfaction and behavioral intentions was found to be positively significant (see Figure 1). This means that the more satisfied the consumers the more likely they are to repurchase car insurance from the same company and more likely to do positive word-of-mouth communication. This is in line with Crosby and Stephens' (1987) study who found that whether customers had replaced their insurance policies or allowed them to lapse depended on their prior overall satisfaction with their whole life coverage. Thus, behavioral intentions expressed by consumers depend on their levels of satisfaction.

This study confirms the previous studies (e.g. Choi *et al.*, 2004; Fornell *et al.*, 1996; Hellier *et al.*, 2003) which suggest a positive relationship between satisfaction and behavioral intentions. This means that

satisfied customers are more likely to stay with the existing service provider, engage in a positive word-of-mouth communication, and are unlikely to switch service providers. This argument is in line with Teo and Lim's (2001) study that customer satisfaction was positively correlated with re-patronage intentions and negatively correlated with negative word-of-mouth intentions. This is also in agreement with the study by Hansenmark and Albinsson (2004) who confirm that overall customer satisfaction with a product or service is strongly associated with the behavioral intention to return to the same service provider, and that customers are less likely to switch to other service providers (Keaveney, 1995). In addition, Omar (2009) suggests that loyal customers are among the greatest revenue producer and are more likely to occur in a form of word-of-mouth.

However, it is also aware that there are some counterarguments which claim that higher customer satisfaction does not necessarily result in higher repurchase. These scholars argue that satisfaction is a poor predictor of loyalty and customer retention (e.g. Jones and Sasser, 1995; Van Looy *et al.*, 1998; Westbrook, 1987), hence it has a negative relationship with profitability. Consequently, the link between customer satisfaction and behavioral intentions seems to be more complex than expected (Hennig-Thurau and Klee, 1997 in Soderlund, 2003). According to Anderson *et al.* (1997), the negative relationship between customer satisfaction, productivity, and profitability occurs when: (1) customer satisfaction is relatively more dependent on customisation (the degree to which the company's offering is customised to meet heterogeneous customers' needs) as opposed to standardization (the degree

to which the company's offering is reliable, standardized, and free from deficiencies); and (2) when it is difficult (costly) to provide high levels of both customization and standardization simultaneously. The implication here is that, companies need to manage their strategies in terms of customisation and standardization. As a consequence, the positive relationship between satisfaction and future intentions, and hence profitability, may well be achieved.

Finally, this study maintains that if the consumers perceive high levels of satisfaction, they are likely to purchase car insurance from the same company again and recommend the car insurance they are using to anyone else. Moreover, this study investigates the relationship between satisfaction and subsequent behavior not only for behavioral intentions but also for actual behavior.

More precisely, this study investigates the relationship between customer satisfaction and actual word-of-mouth communication. The results indicate that satisfaction has a positive significant relationship with actual word-of-mouth communication. This means that consumers who perceived high level of satisfaction, they have recommended the product they are using to other people. Therefore, this study responds to previous studies which challenge the positive link between satisfaction and behavioral intentions (e.g. Jones and Sasser, 1995; Soderlund, 2003). This study reveals the positive link between satisfaction and actual behavior, in term of actual word-of-mouth communication. Thus, it can be noted that satisfaction is positively related to behavioral intentions

and actual behavior. This suggests that if the consumers perceive high levels of satisfaction, they perform stronger in their repurchase intentions and actual behavior. In other words, they will do the actual word-of-mouth communication which leads to acquiring new customers, hence increasing the company's profit.

MANAGERIAL IMPLICATION

To retain their customers, managers need to develop their customer satisfaction by improving corporate image, creating excellent innovation, and determining affordable price. Apart from those three determinants (corporate, innovation, price), there are two other determinants of satisfaction investigated in this research (see Figure 1), namely expectation and feeling. It means managers have to fulfil the customers expectation and understand their feeling. In other words, managers might implement variety of techniques and strategies to meet the customer's needs in order to make them satisfied.

The changes of consumers' levels of satisfaction will have a different and significant effect on the changes of their levels of behavioral intentions, including intentions to repurchase and to do word-of-mouth communication. It means, in their future behavior, consumers might perform differently based on their level of satisfaction. By understanding and applying these findings, managers may well predict the behavioral intentions of their consumer; hence they can also predict and anticipate company's performance.

To satisfy their customers, managers need to actively manage its product or service differentiation. To do so, managers of

service providers need to prioritize which determinants of satisfaction should be improved. When satisfaction is the basis of competitive advantage, managers may seek to affect it by altering determinants. For example, car insurance providers need to be very careful in deciding premium cost and finding alternative strategies to reduce document complexity. Ultimately, the cost of improving the benefits offered to consumers must be weighed against the additional income generated by the improvement of its program in order to find the correct premium cost level.

CONCLUSION

The finding of this study suggests that high customer satisfaction might lead companies to achieve higher profits. The reasons behind this argument may be stated as follows: when the customers perceive high level of satisfaction, the result is positive evaluations. In this context, customers are assumed to continue doing business with the service provider, willing to engage in positive word-of-mouth communication, and less likely to switch service providers. Consequently, the companies can retain their customers and obtain new customers resulting from word-of-mouth communications by the existing customers. From these advantages (greater probability to obtain new customers and retain the existing customers), the companies will achieve higher profits.

This study has some limitations that should be addressed by future research. *First*, the unit of analysis of the study is students, which may be limited to specific characteristics of respondents. *Secondly*, this study has employed car insurance as its context, which might require consumers

to search for information before purchasing the product. Hence, the conceptual model of this study might well be applied in consumer search in complex or intangible products, which may not be so well applied in fast-moving consumer goods (FMCG).

For future research, it might be useful to replicate this study in other service industries using mass market consumers as the respondents to examine whether the findings are consistent. ■

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