
CUSTOMER SATISFACTION AND ORGANIZATIONAL PROFITABILITY IN THE MILLENNIUM: AN OVERVIEW OF THE NIGERIAN PRIVATE SECTOR

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ABSTRACT

Organizational breakthroughs in the contemporary third world economies in general and in Nigeria in particular seem to be in a dire need of customer satisfaction strategies. Genuine breakthroughs in these companies cannot emanate from the blues, but must spring into being by a dint of relevant strategic formulation and implementation targeted at attaining an optimal level of customer satisfaction. Unequivocally too, long term corporate profitability must consistently be driven by high customer satisfaction tempo. The main thrust of the study was to investigate the relationship between customer satisfaction and corporate profitability in the millennium with a concentration on the present-day Nigerian economy. Specifically, the study was on some selected indigenously-owned and managed companies in Benue State of Nigeria with emphasis on Makurdi metropolis. Methodologically, the simple survey design was applied. Data analysis was based on non-parametric methods. Specifically, simple percentages and Kolmogorov-Smirnov test statistic were employed. The main findings were: (1) the companies were lagging in terms of customer satisfaction epitomised in low retention levels & decreasing degree of customer loyalty (2) the companies were not making breakthroughs in profitability and (3) the corporate efforts lacked relevant strategic orientations capable of transforming these organizations. The major recommendations are that: (a) these firms strategise in relevant ways to attain high levels of customer satisfaction (b) the firms adopt integrated marketing schemes with a view to wooing and retaining customers consistently and (c) the companies popularise their products via advertisements, research and development and the like.

INTRODUCTION

Customer satisfaction is an indispensable factor in the province of the management of scarce human and material resources. This is so because a successful effort in managing customer satisfaction can eventually translate to long run corporate profitability. In effect, nothing can take the place of customer satisfaction for organizations that aspire to attain laudable heights in terms of profitability. Thus it can be validly asserted that firms that consistently attract high levels of customer satisfaction are on their way to lasting breakthroughs in terms of achieving corporate profitability. Importantly, corporate entities in the third world economies including Nigeria must strive relentlessly to woo customer satisfaction which will propel them to attain long term corporate success in various ramifications. They must ensure that their offers tally with the buyers' expectations. The customer wants to derive the highest feeling of pleasure by purchasing a given product or service. Such a customer is most likely to exercise a repetitive purchase of the said product or service if he feels highly satisfied by the performance of the item. The road to lasting customer loyalty and/or retention is most apparently via customer satisfaction.

As the topic overtly pinpoints, the main preoccupation of this piece is an attempt to examine the impact of customer satisfaction on corporate profitability in the millennium with a definite focus on the contemporary Nigerian economy as a third world economy. Specifically, the study concentrates on selected indigenously owned and managed private-oriented ventures located in Makurdi metropolis, the headquarters of Benue State, Nigeria. Sequentially, the piece is divided into nine sections. Section one is an introduction while section two focuses on the notion of customer satisfaction. In sections three and four, the emphases are on who the customer is and the key to customer retention. Section five is a bird's eye view on modalities for attaining lasting customer satisfaction via integrated marketing strategy while in section six the premium is on customer satisfaction and corporate profitability in synopsis. Methodology and data analysis are the preoccupation of section seven. In sections eight and nine, hypothesis testing and discussion of findings take the pride of place. Finally, section ten is policy implications and recommendations.

THE NOTION OF CUSTOMER SATISFACTION

The term "customer satisfaction" according to Kotler (1999) implies the feeling of pleasure derived by the customer that the product or service produces the perceived performance in relation to his expectation. If the offer's performance tallies with the buyer's expectation, then there is satisfaction otherwise, it is dissatisfaction or lack of satisfaction. In the light of the foregoing, satisfaction is a function of perceived performance and expectations (Kotler, 1999; Kazmi, 2002 and Arora, 2008). The customer is dissatisfied if the performance falls short of expectations. If however, the performance matches the expectations, the customer is satisfied. "If the performance exceeds expectations, the customer is highly satisfied or delighted" (Kotler, 1999:36). Customers who are highly satisfied are much less ready to switch. High satisfaction (delight) creates an emotional bond with the brand, not just a rational preference. High satisfaction gives rise to high customer loyalty (Kotler, 1999; Kazmi, 2002).

CUSTOMER SATISFACTION: WHO IS A CUSTOMER?

The individual who in the light of this discussion is to be satisfied is the customer. But the question now is who is the "customer"? According to Kotler (1999:49), "customer is the most important person ever in this office (company)". He goes further to assert that the customer is not dependent on the firm but that the reverse is the case, that is, that the company is dependent on the customer. The customer is the "purpose" or reason for the organizational tasks, activities, operations or work (Porter, 1985; Wehrich and Koontz, 1994). Companies that aspire to attain heights in customer satisfaction should be careful not to antagonise or anger the customer. They must not match words with customers. "A customer is the one who brings us his wants. It is our job to handle them profitably to him and to ourselves" (Kotler, 1999:49).

CUSTOMER SATISFACTION: KEY TO CUSTOMER RETENTION

Kotler (1999) has asserted that customer satisfaction is key to customer retention. Once the customer is satisfied with the product or service of the company, the chances of

repetitive purchase becomes very high. A highly satisfied customer, according to Kotler (1999):

- (1) stays loyal longer
- (2) buys more as the company introduces and upgrades existing products
- (3) talks favourably about the company and its products
- (4) pays less attention to competing brands and advertising and is less sensitive to price
- (5) offers product or service ideas to the company
- (6) costs less to serve the new customers because transactions are routinised.

Wisdom demands that a firm or company regularly measure customer satisfaction. Failure to do so would be counterproductive and be highly prejudicial to corporate longevity or futurity eventually. The company could measure customer satisfaction by phoning recent buyers to inquire how many are very satisfied, satisfied, indifferent, dissatisfied and very dissatisfied. Such would help the firm to know what fraction of the entire customers fall under any given response category e.g. 50% may come under very satisfied, 30% under satisfied and so on. Unequivocally, customer satisfaction is instrumental to customer retention. Organizations that strive to win in the marketplace must stress on the need for attaining high degree of customer retention. Make no mistake, customer retention is not equivalent to attracting new customers as most marketing theory inclined to propound. Companies that are preoccupied with the all-important concern of customer retention must endeavour to build relationships rather than the orthodox practice of placing premium on making sales. They should emphasize on caring for the customer instead of focusing on preselling and mere selling. And once customers are sufficiently loyal and show high retention tendencies in favour of the company, breakthroughs flowing to the benefit of that company will be tremendous. Eventually, such would translate to significant degrees or levels of profitability (Stewart, 1997). High customer retention is, without mincing words, the road to organizational success. In effect, retention can translate to quantifiable rewards or breakthroughs in trillion of naira to the benefit of the company.

ATTAINING LASTING CUSTOMER SATISFACTION: INTEGRATED MARKETING STRATEGY

The adage that unity is strength is indubitably realistic and fruitful in strategizing to attain laudable heights via customer satisfaction efforts of a firm. When all the company's departments work together to serve the customer's interest, the result is integrated marketing (Kotler, 1999; Kazmi, 2002). This is the secret that many profit-oriented organizations do not seem to appreciate. Many a firm fail to train and motivate their employees to attract customer satisfaction. Each department or unit of the firm tends to be on his own without a coordinated or collegiate approach which has an immense potential and capacity towards profitability. As Kotler (1999), Ogunbameru (2005) and Arora (2008) have observed, integrated marketing takes place on two levels: at the various marketing functions (sales force, advertising, customer service and product management) and at the various departments of the firm. The important thing is that all must work together to woo and maintain customer satisfaction consistently (Hanan, 1969; Bayus, 1985 and Arora, 2008). In effect, marketing should be seen as much as possible as

a companywide orientation and not just as a department affair. Significantly, to foster teamwork among all departments the company should carryout internal marketing as well as external marketing, with the latter directed at people outside the company while the former is focused on the task of hiring, training and motivating able employees who want to serve customers well. Internal marketing must precede external marketing (Kotler, 1999; Knox and Maklan 1998; and Kazmi, 2002). Unequivocally, companies which believe that the customer is the only true "profit-centre" put customer topmost followed by the front-line people while top management is placed at the base (Kotler, 1999 and Hammer & Champy, 2001). Precisely, the customer is king. The ultimate success of the firm is largely traceable to the customer.

CUSTOMER SATISFACTION AND CORPORATE PROFITABILITY IN SYNOPSIS

Customer satisfaction is critical to corporate profitability (Stewart, 1997; Lanning, 1998; Knox and Maklan, 1998). Companies that consistently satisfy their customers stand excellent chances of attracting huge profits to themselves even in a hot competitive market situation. Companies seeking to grow their profits and sales have to spend a considerable time and resources searching for new customers and ensure they satisfy them optimally. To private firms the major objective is profit. As Kotler has advised, "private firms should not aim for profits as such but to achieve profits as a consequence of creating superior customer value" (Kotler, 1999:23). Customer satisfaction is highly significant in the sense that it can enable the firm to make money better than its competitors that do not satisfy their customers. By focusing on customer satisfaction, the firm can attain a level in which its margins are substantially above the industry average. Such a firm's market share tends to be higher than that of the industry (Knox and Maklan, 1998 & Kotler, 1999). Far from exaggeration, the customer should be supreme in mapping corporate marketing strategies targeted at lasting profitability domain. Let the customer be the "profit-centre"! In this way the overall organizational success will loom large for the best over time.

METHODOLOGY AND DATA ANALYSIS

The simple empirical survey method is adopted for this study in order to attain the necessary level of reliability and consistency in research. The sample size is 25 managers from the distributive companies located in Makurdi metropolis. This sample size was determined via simple random sampling technique. The sampling frame consisted of 30 managers grouped for analytical purpose into "top level", "middle level" and "low level" managers, based on their salary or wage levels. The main instrument was the questionnaire structured along the five-Likert scale. In effect, 30 questionnaires were distributed among the target subjects. Out of this, only 25 respondents (representing 83%) returned the duly completed questionnaires. Details as per the data presentation and analysis are as can be seen below.

N/B: SA = Strongly Agree; **A** = Agree; **N** = Neutral; **D** = Disagree; **SD** = Strongly Disagree; **T** = Total.

Table 7.1 Respondents Perception of the Relationship Between Customer Satisfaction and Corporate Profitability in this Company.

Statement: *The relationship between customer satisfaction and corporate profitability is very high.*

Category	Degree of Response					
	SA	A	N	D	SD	T
Top Level Managers	1	1	0	2	4	8
Middle Level Managers	1	1	1	2	4	9
Low Level Managers	0	1	1	1	5	8
Total	2	3	2	5	13	25

Source: Field Data, 2012.

From the data of Table 7.1, most of the respondents were of the view that the relationship between customer satisfaction and corporate profitability was not very high. Out of a total of 25 respondents only five (or 20%) felt that the relationship between the two variables under reference was very high. Those who either disagreed or strongly disagreed with the notion or view were 18 (representing 72%). The three categories of the managers were in a better position to observe the relationship between customer satisfaction and corporate profitability given that they have been insiders in the decision making affecting the firm. They have interacted over time with customers and could see their (customers') pattern of purchases of the firm's products over time.

Table 7.2 Respondents Opinion Concerning Customer Satisfaction and Integrated Marketing Strategy

Statement: *Companies that strategise along Integrated Marketing Approach are most likely to clock breakthroughs as a result of high customer satisfaction that ensues thereto.*

Category	Degree of Response					
	SA	A	N	D	SD	T
Top Level Managers	5	2	0	1	0	8
Middle Level Managers	5	2	1	0	1	9
Low Level Managers	4	3	0	1	0	8
Total	14	7	1	2	1	25

Source: Field Data, 2012.

From the data in Table 7.2, integrated marketing strategies are considered very critical and germane to customer satisfaction. Out of a total of 25 respondents, 21 (representing 84%) were of the feeling that integrated marketing was very important and relevant to the attainment of customer satisfaction. Only three subjects or 12% of the respondents had a contrary view in this regard. An integrated marketing strategy should be emphasized in a bid to totally address the customer need or satisfaction from the varied dimensions.

Table 7.3 Opinion Regarding the Influence of Customer Satisfaction and Customer Retention in this Company

Statement: *There has been a low customer retention due to poor customer satisfaction in this firm.*

Category	Degree of Response					
	SA	A	N	D	SD	T
Top Level Managers	3	1	1	2	1	8
Middle Level Managers	4	2	0	1	2	9
Low Level Managers	3	2	1	1	1	8
Total	10	5	2	4	4	25

Source: *Field Data, 2012.*

As indicated by the data of Table 7.3, a total of 15 out of 25 respondents (representing 60%) agreed or strongly agreed that there has been low customer retention as a consequence of insufficient customer satisfaction in this company. Firms that aspire to attain laudable heights in profitability over time must endeavour most relentlessly to ensure that they achieve high customer retention in the first place. Various schemes or strategies including product price reduction, improved product quality and the like can be instrumental in attaining high retention via increased customer satisfaction.

Table 7.4 Subjects Feeling Regarding the Extent to which the Product Perceived Performance is related to Customer Satisfaction

Statement: *In this firm product perceived performance is optimally related to customer satisfaction.*

Category	Degree of Response					
	SA	A	N	D	SD	T
Top Level Managers	0	0	1	1	6	8
Middle Level Managers	0	1	1	1	6	9
Low Level Managers	1	1	0	2	4	8
Total	1	2	2	4	16	25

Source: *Field Data, 2012.*

Going by the data of Table 7.4 most of the respondents were of the opinion that product perceived performance was not optimally related to customer satisfaction. Out of 25 respondents on the whole, 20 (or 80%) felt that product perceived performance was not up to the standard expected. Firms must strive to attain optimality to remain competitive & profitable by consistently trying to ensure that product perceived performance and customer satisfaction move upward equiproportionally overtime. Performance should not be estranged from customer satisfaction.

Table 7.5 Opinion that Customer Retention is Dependent on Customer Satisfaction**Statement:** *Customer retention is contingent on customer satisfaction.*

Category	Degree of Response					
	SA	A	N	D	SD	T
Top Level Managers	5	2	0	1	0	8
Middle Level Managers	6	2	0	0	1	9
Low Level Managers	4	3	1	0	0	8
Total	15	7	1	1	1	25

Source: *Field Data, 2012.*

The data as per Table 7.5 indicate that there was an overwhelming consensus of opinion to the assertion that customer retention was dependent on customer satisfaction. A total of 22 respondents out of 25 (representing 88%) felt that customer retention was contingent on customer satisfaction. Firms that woo or attract customer satisfaction have high probabilities of retaining such customers. Such customers are likely to purchase the firm's products in repetitive manner overtime.

Table 7.6 View Relating to the Impact of Customer Satisfaction and Corporate Success**Statement:** *Customer satisfaction heralds corporate success eventually.*

Category	Degree of Response					
	SA	A	N	D	SD	T
Top Level Managers	5	3	0	0	0	8
Middle Level Managers	6	2	1	0	0	9
Low Level Managers	6	2	0	0	0	8
Total	17	7	1	0	0	25

Source: *Field Data, 2012.*

From the data of Table 7.6, an overwhelming proportion of the respondents were of the view that customer satisfaction leads to corporate success. Thus out of a total of 25 subjects, 24 (representing 96%) felt so. Corporate success cannot emanate from nothing. Success in terms of reaping high profits and maintaining high market shares tend to be a function of customer satisfaction in the first place. In a related manner, corporate survival can be said to be largely premised on customer satisfaction.

HYPOTHESIS TESTING

Three main null hypothesis were formulated and tested as can be seen below. The Kolmogorov-Smirnov test statistic (KS) was applied given that it is suitable for grouped data and/or individual observations (Plane and Oppermanne, 1981). Throughout the analysis, null hypothesis is symbolised "H₀".

H₀₁: Customer satisfaction has no significant impact on corporate profitability in these firms.

Decision Criterion: Reject the null hypothesis if the computed value of the test statistic is greater than the critical value. Otherwise, accept the null hypothesis.

To compute the KS Statistic, we use the following symbols: **OV** = Observed Value; **EV** = Expected Value; **COV** = Cumulative Observed Data; **CEV** = Cumulative Expected Value; **D** = Difference between **COV** and **CEV**; and **D*** = Highest Absolute Difference. **N/B:** n = 25.

Using the data of **Table 7.1**

	SA	A	N	D	SD
OV:	0.08	0.12	0.08	0.20	0.52
EV:	0.20	0.20	0.20	0.20	0.20
COE:	0.08	0.20	0.28	0.48	1.00
CEV:	0.20	0.40	0.60	0.80	1.00
D:	0.04	0.20	0.32	0.32	0.00

D* = 0.32

Since the computed value of the test statistic is greater than the critical value i.e. since $0.32 > 0.009$, we reject the null hypothesis and accept alternative hypothesis and conclude that customer satisfaction has a significant impact on corporate profitability in these firms.

H₀₂: Customer satisfaction has no significant influence on customer retention in these firms.

Decision Criterion: Reject the null hypothesis if the computed value is greater than the critical value of the test statistic, otherwise, accept the null hypothesis.

From the data of **Table 7.3**

	SA	A	N	D	SD
OV:	0.40	0.20	0.08	0.16	0.16
EV:	0.20	0.20	0.20	0.20	0.20
COE:	0.40	0.60	0.68	0.84	1.00
CEV:	0.20	0.40	0.60	0.80	1.00
D:	0.20	0.20	0.08	0.04	0.00

D* = 0.20

Reject the null hypothesis since the computed value is greater than the critical value (i.e. $0.20 > 0.00$). We accept the alternative hypothesis & conclude that customer satisfaction has a significant influence on corporate profitability in these firms.

H₀₃: Customer satisfaction has no significant effect on corporate success in these firms.

Decision Criterion: Reject the null hypothesis if the computed value is greater than the critical value of the test statistic, otherwise, accept the null hypothesis.

From the data of **Table 7.6**

	SA	A	N	D	SD
OV:	0.68	0.28	0.04	0.00	0.00
EV:	0.20	0.20	0.20	0.20	0.20
COV:	0.68	0.96	1.00	1.00	1.00
CEV:	0.20	0.40	0.60	0.80	1.00
D:	0.48	0.56	0.40	0.20	0.00

D* = 0.56

Given that the computed value is larger than the critical value of the test statistic, we reject the null hypothesis and accept the alternative hypothesis that customer satisfaction has a significant effect on corporate profitability in these firms.

DISCUSSION OF FINDINGS

Against the background of the data analysis above, the following findings have been observed: Firstly, the study showed that customer satisfaction and corporate profitability in these companies were not optimally related. In fact, most of the respondents felt that there was an urgent need to help relate the two variables in these firms. Secondly, the research discovered the need for a positive, dynamic integrated marketing strategy in the place. Such would be instrumental in stimulating customer satisfaction. Thirdly, the investigation revealed a gross lack of customer retention. Repetitive purchases were scanty on the aggregate. Furthermore, the study showed that product perceived performance was ineffectively related to customer satisfaction in these indigenous companies. Finally, it was discovered that customer success was in dire need of customer satisfaction.

POLICY IMPLICATION AND RECOMMENDATIONS

Indigenously owned and managed firms in this part of the Nigerian economy stand the high risk of poor performance due largely to the dwindling trends in customer satisfaction. Instead of strategising in dynamic, effectively relevant and rewarding way, these firms seem to be regressing in terms of customer satisfaction efforts. With falling trends in customer retention coupled with inadequate integrated marketing efforts, things seem to be in virtual shambles, a development that jeopardises the long run success of the companies in the area. At this juncture, the poser may be: what is the way out of this rather unfortunate proclivity besieging these firms? Precisely, the question is what can be done most urgently to break the rather perennial hindrances to corporate profitability and/or success in this part of the nation's economy? First and foremost, perhaps, the way out of the quagmire can be contemplated in terms of the injecting radical, if costly, strategies aimed at gingering up customer satisfaction. Closer mutual interactions between the firms and customers should be maintained. Secondly, strategies such as advertisements and promotion strategies should be adopted in a bid to stimulate customer satisfaction. Perhaps, it might be proper to reduce the purchase price(s) of the product(s) or service of the firm(s) concerned in order to increase value in the eye of the customer. Finally, let there be adequate research and development efforts in these firms on a sustainable basis so as to maintain customer satisfaction in a competitive business or corporate terrain.

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