

# Customer Satisfaction and Loyalty in Higher Education

## *A Case Study over a Five-Year Academic Experience*

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**Abstract:** Customer satisfaction and customer loyalty are widely accepted as critical factors in the long-term success of any business that aims at positive word of mouth by customers and attracting them back for further business relationships. This paper deals with student satisfaction and student loyalty in higher education (HE). More specifically, this preliminary study aims at identifying the drivers which have the greatest influence not only on student attraction, but also on student retention and it also evaluates the relationships between satisfaction and loyalty in the course of time. Research data were obtained from 150 undergraduate business students from Prague's University of Economics' Faculty of Management, Czech Republic. The outcome of the further research will be a knowledge-based model describing the behaviour of students when changing the individual parameters adjustable by the HE institution's management. The study will help HE institutions' managers to better understand the wants and needs of their customers in order to meet their expectations.

## 1 INTRODUCTION

Universities put ever more emphasis on customer satisfaction as they realize that they belong to a service industry facing many competitive pressures. Customer satisfaction has been connected with increased profitability by generating repeated sales, a positive word of mouth feedback and customer loyalty. According to Martensen et al. (2000), customers in HE can be divided into the following groups; students, employees, the public sector and the government, and industry and the general public. In this paper, students are viewed as the main customers. However, in the context of a HE institution, defining the customer concept is not a trivial undertaking. Students are considered as primary customers – as without students to teach – there is no business for HE institutions or services to provide (Wallace, 1999).

Student satisfaction has been related to recruitment and retention of students and also to academic success, which has led HE institutions to focus on such factors that help them attract students more effectively and create a supportive learning environment for them (Athiyaman, 1997). HE

institutions have also realized that understanding the needs and wants of students as their customers and meeting their expectations are very important to develop environments in which students can study effectively (Seymour, 1993). Furthermore, according to psychologists, student satisfaction helps to build self-confidence, which helps students acquire knowledge, develop useful skills, and become more confident.

For HE institutions, student loyalty is also becoming an increasingly important strategic theme due to several factors, such as increased performance-based public funding, increased student mobility, and increased global competition (Helgesen and Nettet, 2007). This applies also in the countries, where the majority of local universities are financed from public resources as there still remains a reasonable space where HE institutions heavily compete against each other for their students (Svoboda et al., 2012). Retaining students is perceived as being as important as attracting and enrolling them. By developing insights into student loyalty, HE institutions can achieve great benefits (Kotler and Fox, 1995), as the most important consequence of loyalty is the positive connection to

business performance (Zeithaml, 2000).

Despite the growing importance of these strategic topics, there are not many books or papers related to knowledge-based research on student satisfaction and loyalty. On the other hand, the knowledge-based models of customer satisfaction and related constructs (e.g. quality drivers and loyalty) for a variety of goods and service sectors have been developed in recent years (Zeithaml et al., 2006).

The purpose of the research is to create a knowledge-based model, which will best reflect the reality of HE institution and its components. This will be reached by adopting the insights and experiences of the stakeholder groups, beginning with students – through the knowledge management approach. The main goal of the analysis is to identify processes and activities to increase student satisfaction, student loyalty and the performance of the HE institution. The purpose is not only of academic interest, but it should also have important practical interest for the management of institutions offering higher education.

The structure of the presented paper is as follows: the next section presents a review of the related literature. Subsequently, the context, data, and research methodology are briefly discussed, followed by a presentation of the acquired results. The last chapter is dedicated to the discussion of findings and their implications for managers. It also presents some limitations and recommendations for a further research, and winds up with a conclusion.

## 2 LITERATURE REVIEW

Student satisfaction and student loyalty are ideas that are very simple to grasp at first sight. However, concepts that are seemingly clear to everyone are suddenly more difficult to define. There is a lot of literature attempting to clarify these issues, to determine their impact on each other and to develop measures to quantify them.

### 2.1 Customer Satisfaction

Hunt (1977, p. 49) defines satisfaction as “the favourableness of the individual’s subjective evaluation of the various outcomes and experiences associated with buying or using the product”. Student satisfaction, in context of education, refers to the favourability of a student’s subjective evaluations of the education outcomes and experiences (Oliver and DeSarbo, 1989).

Satisfaction is constantly being influenced by overall experiences, since it is based on experience (Oliver, 1980).

A rather different concept of satisfaction is related to Herzberg’s two-factor theory of motivation (Herzberg et al., 1967). This theory is based on the assumption that factors influencing positive satisfaction (satisfiers or motivators) are different from other factors that cause dissatisfaction (dissatisfiers or hygiene factors). Satisfiers are generally considered as factors that are part of the job and under the control of self, while dissatisfiers are part of the environment and greatly under the control of someone else than the student.

### 2.2 Customer Loyalty

Customer loyalty is also defined in different ways by various researchers. Oliver (1997) sees customer loyalty as “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite the fact that situational influences and marketing efforts having the potential to cause switching behaviour” (p. 392). Lam et al., (2004) define customer loyalty in a different way, as “a buyer’s overall attachment or deep commitment to a product, service, brand, or organization” (p. 294).

The definition of students as loyal customers has a significant contextual aspect as HE institutions benefit from having loyal students, not only when students are formal attendees. HE institutions and their success also depend upon the loyalty of their former students. Therefore, as stated by Henning-Thurau et al. (2001), student loyalty relates to loyalty both during and after students’ academic period at a HE institution.

### 2.3 Measuring Student Satisfaction and Student Loyalty

A number of research papers on student satisfaction and student loyalty are based on specific instruments and models developed by the authors themselves. Additionally, many HE institutions prefer to develop their own instruments and models to evaluate student satisfaction and student loyalty. As it is generally known, customized instruments have a great advantage of framing many of the question items involving the mission of the institution and the particularities of their offerings and student populations. The disadvantage of this approach could be the fact that the data cannot be easily compared. On the other hand, this results in a variety

and richness of perspectives on student satisfaction and student loyalty.

Probably one of the most important models to measure customer satisfaction is the ServQual model, which has been proposed by Parasuraman et al., (1985). According to this model, customers are asked to evaluate their satisfaction with a number of factors using a scale measuring their expectations and then filling in another scale measuring perceived performance. The model has been extended to include another scale that inquires about the importance of each factor to the customer, in what is known as the weighted ServQual model. Commonly, however, only two scales are included: one with question items framed with a 5- or 7-point scale ranging usually from “much better than expected” to “much worse than expected” ratings, and another scale with ratings of the importance of each factor to the respondent.

Student satisfaction and student loyalty have been modelled in many ways to relate the factors with their antecedents as well as explain the impact of satisfaction and loyalty on other variable factors. In expert literature, models vary mainly in terms of methodologies used to quantify the significance and strength of the relationships among the variables, which also differ. Different underlying conceptions of the nature of customer satisfaction and customer loyalty have been revealed by different approaches to their modelling.

### 3 RESEARCH METHODOLOGY

The presented paper mainly evaluates the satisfaction and loyalty from the students' point of view. The research community at large does not agree on how to evaluate these concepts. A number of researchers recommend different approaches.

In this study, the chosen approach to measure student satisfaction with the HE institution is as recommended by Ryan et al., (1995). This approach is based on three questions related to (i) summary judgement, (ii) comparison with expectations and (iii) comparison with the optimal situation, respectively. These three questions can rather be categorized into a cumulative experience level than a transaction specific level. Such cumulative evaluations are likely to be better predictors of loyalty than evaluations at the transaction specific level (Olsen and Johnson, 2003).

Student loyalty is measured by asking questions about behavioural intentions, more specifically about the following three items: the probability of

recommending the faculty to acquaintances, the probability of attending the same faculty if starting anew, and the probability of attending further education at the faculty. The data analysis uses three items to measure student satisfaction and three items to measure student loyalty. All indicators use a five-point Likert scale where 1 = the most favourable response alternative and -1 = the least favourable response alternative. Arguably, this scale has the advantage of being more specific in the area of the HE sector. To better understand student concerns, the research questionnaire allowed textual answers in addition to ratings.

#### 3.1 Data Collection

A structured questionnaire survey was adopted for this study to evaluate the students' perception of the entire HE institution's environment. This design helped describe the nature of perception that students have in terms of the various factors affecting their perception of the HE institution. The questionnaire was distributed among students of Prague's University of Economics' Faculty of Management, based in a small South-Bohemian town of Jindrichuv Hradec. The University of Economics is the largest economic educational institution in the Czech Republic, even though the Faculty of Management is its smallest faculty with a total of 977 registered students in a three-year bachelor and a two-year master-study programmes. The faculty also has a doctoral study programme, but this one is not covered in the presented study.

To collect data from a sample, a survey method using self-completion questionnaires was used. The questionnaire was distributed among current undergraduate students of the faculty. The questionnaire was distributed among students from all five academic years to provide a spherical point-of-view about the particular HE institution and the opportunity to point out the differences among students of different years of their studies. Students' participation was voluntary and completely anonymous. The sample has been differentiated only by gender, the type of study and the year of study.

The instrument of the survey was a self-explanatory questionnaire that could be filled in by respondents themselves. The questions asked were short, clear and easy to understand. The questionnaire contained brief written instructions to assist students in answering the questions and a statement of the study's purpose. A pre-testing of the questionnaire was performed with several students of the faculty, which helped check for any

perceived ambiguities, errors or omissions.

### 3.2 Data Sample

The data have been collected in a survey (Spring 2013) among bachelor and master-level students of Prague's University of Economics' Faculty of Management. The sample consisted of 150 respondents, representing about 15% of the population of the faculty's students. 51% of the respondents are at the bachelor-level, the rest at the master-level. 79% of the respondents are full-time students and 30% of them are male. The year distribution is 13% first-year, 19% second-year, 19% third-year, 17% fourth-year, and 32% fifth-year students. A comparison of this sample to the number of students in each field of studies suggests that the sample is not non-representative. The data were collected by means of a questionnaire.

## 4 RESEARCH RESULTS

The partial research results concerning student loyalty are very interesting. While student satisfaction over the five years is relatively at the same level (Figure 1), student loyalty is increasing year by year. This can be seen in Figure 3, which represents the responses to the question whether students would recommend the faculty to their friends. This result could be supported by Figure 2, where bachelor students' responses to the question of their study continuation in the faculty's master study programme can be seen. However, the results are from different student bodies and further examination on the same student body would be needed. Although both loyalty questions are quite different, the results are indicating a strengthening positive bond of students to the particular faculty. In the next paragraphs, the reasons and possible explanations will be discussed in more detail.

In the first academic year, some students already praise the friendly milieu of the town and especially the family atmosphere of the small faculty and related helpfulness of both the academic and the administrative staffs. On the other hand, relatively high percentage of students is dissatisfied with the faculty location and the necessity of commuting. This corresponds to relatively balanced answers about the loyalty (Figures 2, 3). Student satisfaction at this stage of studies is already relatively high (Figure 1), which is a positive finding, while there are only few signs of student loyalty. It has to be noted that the study was conducted during the end of

the academic year. If the survey were done in the first half of the academic year, the results would probably be different, especially in this category.

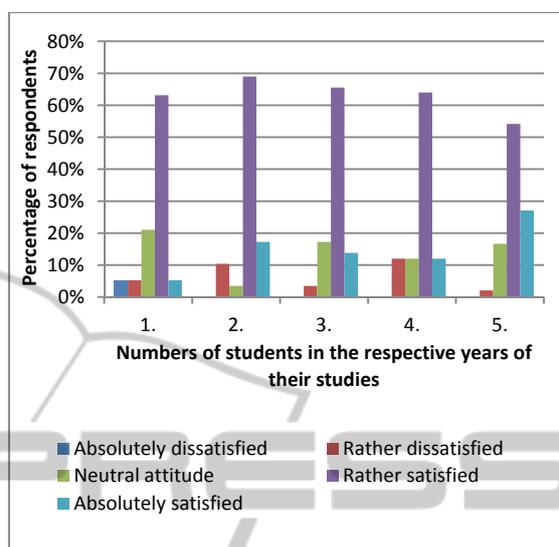


Figure 1: Student satisfaction by the respective years of studies.

In the second academic year, students seem to be much less confused. Student satisfaction is nearly at the same level as in the first academic year (Figure 1), while student loyalty has increased (Figures 2, 3). Besides the staff helpfulness and family atmosphere of the faculty, students of the second academic year emphasize the quality of particular facilities, such as Student Affairs' Department or comfortable study and reading rooms, and also the quality of the whole institution and its staff. With the rising experience and the possibility of comparison of the second-year students, also many more negative features have occurred. Most students are complaining mainly about the European modularization system, which was introduced at the university one year ago. This new modular system implies significant changes in the education system, which results in an information chaos.

The last academic year of the bachelor study programme also brings about certain specific features. Almost all students are highlighting the previously mentioned advantages. On the contrary, students' complains quite vary. Some students complain about the insufficient dotation of the particular subjects, others about the lack of practice or poor information flows between the management of the Faculty and them. Nevertheless, the positive influences prevail and results in the growth of student loyalty, which is represented by Figures 2

and 3.

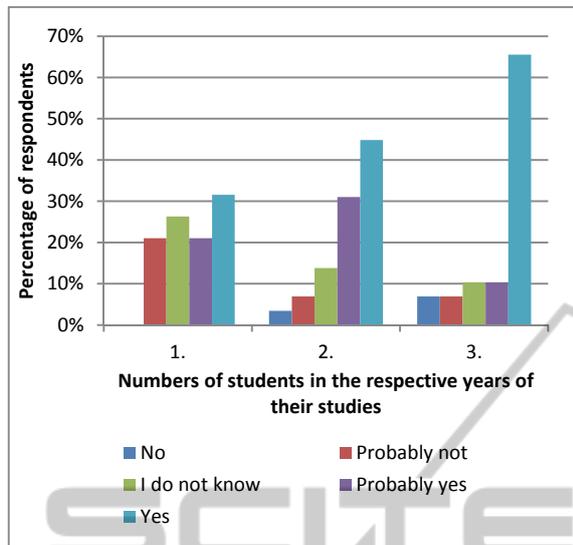


Figure 2: Students were given the following question to answer: “Do you plan to attend further education (master-study programme) at the faculty you are studying at?”

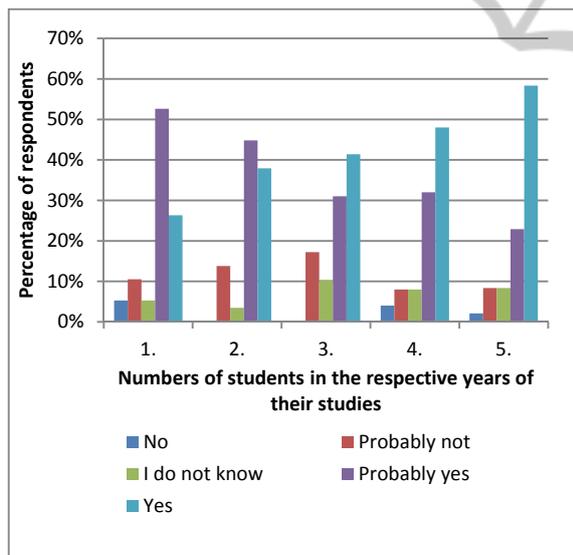


Figure 3: Students were given the following question to answer: “Would you recommend the faculty you are studying at to your acquaintances?”

As to the master-study programme, trends of both student satisfaction and student loyalty from the bachelor-study programme have continued. Students appreciate mainly the kindness of both the academic and the administrative staffs together with a family approach. In addition, students’ perception of the teachers’ practical knowledge and experience has also increased. They are pleased with the

involvement of experts from practice in the teaching process and are calling for a closer interconnection of education with practice. Another interesting topic is students’ perception of the university’s image. Some students appreciate the excellent image of the institution’s brand, other students criticize the decreasing demands and easier passibility through their studies. Students of the master-study programme also appreciate positive relationships among themselves. On the contrary, many of them are strongly dissatisfied with a low hour dotation in foreign language education at the above-mentioned institution. However, their willingness to recommend the institution to their friends is still growing year by year (Figure 3).

## 5 CONCLUSIONS

Following the detailed analysis of the conducted survey, recommendations can be made based on the students’ perceptions. These could be taken into consideration by HE institutions’ managers in order to improve their knowledge management systems. During the research, many significant connections between student satisfaction, student loyalty and other factors have been found. Student satisfaction is positively correlated with student loyalty (correlation coefficient is 0.7). Student satisfaction does not change over the years, while student loyalty is increasing year by year from the beginning to the end of the five-year studies (both bachelor and master-study programmes). The quality of the HE institution seems to be a clear antecedent of both student satisfaction and student loyalty. The quality of education appears to be the most important, but the quality of facilities could also have a strong impact on these factors. It may also be very interesting to further investigate the influence of the quality of information and communication channels, frequently mentioned by the students, on these factors.

HE institutions have begun to be much more interested in student satisfaction and student loyalty due to the increasingly performance-based nature of public funding. The performance-based funding will most probably become even more important in the future. Consequently, managers of HE institutions are very interested in knowing the drivers which have the greatest influence not only on student attraction, but also on student retention. Such knowledge and insight can help managers make decisions concerning the allocation of scarce resources. Additionally, managers can identify

processes and activities that will increase student satisfaction and student loyalty. This could be done by conducting and thoroughly analysing student surveys. In this way, HE institution can enhance the quality of education offered to students, thus increasing both student satisfaction and student loyalty. These steps will finally be reflected in the increased financial performance of a HE institution. This study deals with a small faculty located in a relatively small town, therefore, more studies from a higher education sector are highly recommended.

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