Customer Familiarity and its Effects on Satisfaction and Dissatisfaction

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Abstract:

The main finding in this paper is that customer familiarity (i.e. the number of product-related experiences accumulated by the customer) affects customer satisfaction in an asymmetric way. Data from customers in the airline industry suggest that it is more difficult to obtain a high level of satisfaction among high familiarity customers compared to low familiarity customers, given a high performance level. On the other hand, given a low performance level, high familiarity and low familiarity customers do not seem to be subject to different levels of dissatisfaction.

Keywords: Customer satisfaction, Customer familiarity

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1. Introduction

Today, many suppliers strive for long-term relationships with customers. One aspect of such relationships, particularly for frequently purchased products, is that the customer accumulates experience with the supplier over time. That is to say, the customer's familiarity – the number of product-related experiences accumulated by the customer (Alba & Hutchinson 1987, Hoch & Deighton 1989) - increases by definition as the customer keeps coming back repeatedly.

Theory suggests that familiarity affects customers' information processing activities in several ways (ibid.). More generally, several cognition-related differences are likely to be at hand between experts and novices (Pressley & McCormick 1995). However, an assessment of such effects have not been made frequently within a customer satisfaction framework. In contrast, the number of product-related experiences is usually viewed as a *consequence* of satisfaction. For example, many studies have examined the effect of customer satisfaction on future repurchases, whereas few studies have examined the effects of the number of purchases in the past on customer satisfaction.

The purpose of this paper, then, is to explore effects of familiarity on satisfaction. We are particularly interested in this relationship in a service context, and it is examined with data from the airline industry.

2. Theoretical framework

Satisfaction is usually conceived of as a function of the customer's a) expectations prior to a purchase and b) perceptions of performance after a purchase (cf. Oliver 1996). Arguments about the effects of familiarity on satisfaction should therefore be anchored in expectations and performance perceptions.

As a point of departure, it is assumed that services are subject to a certain amount of variability (cf. e.g. Rust et al 1996). That is to say, a service provider does not produce at a constant performance level. This will be observed by the repeat purchase customer, who finds him/herself subject to performance levels which are sometimes better than normal and sometimes worse than normal. Furthermore, the experienced customer is likely to have been subject to a) more high performance events and b) more low performance events than the less experienced customer. Given this larger "sample" of events for the high familiarity customer, we also expect that s/he has been confronted with a larger number of extreme events, i.e. more really high and really low performance events. Given that expectations are adjusted as they are faced with empirical evidence (Oliver 1996, p. 88), and that extreme events are given a particularly high weight in cognition, it seems likely that the high familiarity customer interacts with the service provider with different expectations than the less familiar customer.

More specifically, in the case of *high performance*, we expect that high familiarity customers have a higher level of expectations regarding what a "high" level of performance is (cf. Anderson & Sullivan 1993, p. 132). Therefore, given a high level of performance, high familiarity customers will be less easily satisfied compared to low familiarity customers. That is, the following is hypothesized:

H1: High familiarity customers have a lower level of satisfaction than low familiarity customers, given a high level of performance.

In the case of *low performance*, however, we assume that high familiarity customers' levels of expectations is not substantially different compared to low familiarity customers. The main reason is that low performance levels, i.e. negative events, are more likely than positive events to affect judgements (cf. Anderson & Sullivan 1993, Mittal et al 1998, Taylor 1991). That is to say, we assume that familiarity does not act as a buffer with regard to the unpleasantness of negative events. It means that high familiarity customers are not likely to be less dissatisfied than low familiarity customers when a low level of performance occurs. Hence, the following is hypothesized:

H2: High familiarity customers do not have a lower level of dissatisfaction than low familiarity customers, given a low level of performance.

3. Research method

3.1. Sample and data collection

The study comprises customers who have traveled with one particular airline at least once during the past 12 months before the point of data collection. This airline will be referred to as "Airline X" below. A questionnaire was distributed to a random sample of its customers. The total number of respondents included in the analysis is 1,115.

3.2. Measurements

Customer familiarity was measured as the sum of two open-ended questions: "How many times during the past 12 months have you made trips with Airline X to domestic destinations?", and "How many times during the past 12 month have you made trips with Airline X to international destinations?".

Three items, to be assessed by the respondent on a 10-point scale, were used to capture customer satisfaction: "How satisfied or dissatisfied are you with Airline X? (1 = very dissatisfied, 10 = very satisfied), "To what extent does Airline X meet your expectations? (1 = not at all, 10 = totally), and "Imagine an airline that is perfect in every respect. How near or far from this ideal do you find Airline X?" (1 = very far from, 10 = cannot get any closer). These items were used to create a measure of a) satisfaction (positive confirmation) and b) dissatisfaction (negative confirmation). The procedure was similar to Mittal et al's (1998) approach.

With regard to *satisfaction*, three new items were created in which the 7-10 scores on the original scales were converted to a scales with 1 and 4 as endpoints (7 became 1, 8 became 2, etc). The internal consistency, in terms of Cronbach alpha, of the scores on these new variables is 0.86. The unweighted mean of the three rescaled items were computed as a measure of satisfaction. Similarly, three additional items were created in which the original scores in the 1-4 range were converted to scales with –4 and –1 as endpoints (4 became –1, 3 became –2, etc). The internal consistency of these items is 0.88, and the unweighted mean of the responses to the three new variables was used as a *dissatisfaction* measure. Thus, respondents who occupied the two midpoint positions (i.e. 5-6) on the three original satisfaction scale items were not included in the further analysis.

Turning to to *performance*, it is evident that an airline's offer can be decomposed into a large number of attributes. Here, we selected one particular attribute for the assessment of performance: the perceived performance level of the cabin staff. This attribute was selected since it can be considered to be highly related to the core service of an airline. Moreover, the performance of the personnel has been shown to be a particularly important product attribute in terms of its effects on customer satisfaction (cf. e.g. Bitner et al 1990). Four items related to the performance of the cabin staff were used, and they were to be assessed on a 10-point scale (1 = very poor, 10 = very good). For example, one of the items was phrased as follows: "Please rate the cabin staff for personal attention". The internal consistency of this scale, in terms of Cronbach alpha, is .92. The unweighted mean of the responses to these four items was used as a measure of performance. This performance measure is positively and significantly related to the original three-item satisfaction scale ($r = 0.7$, $p < 0.001$), thus indicating that this measure has a certain (nomological) validity as an indicator of performance.

4. Analysis and results

The first step in the analysis was to divide the sample into two groups: one group who considered cabin staff performance as "low" (PERFORMANCE < 5) and one group who considered performance as "high" (PERFORMANCE > 6). In the next step, the sample was divided into two groups with regard to the total number of trips that they had made with Airline X during the past 12 months. The median number of trips (i.e. 9 trips) was used as the point of demarcation, thus resulting in one low familiarity group and one high familiarity group. Then, we tested if the level of SATISFACTION is different between the two familiarity groups – given a high level of perceived performance. Similarly, we tested if the level of DISSATISFACTION is different between the two familiarity groups – given a low level of perceived performance. The outcome of a t-test analysis is presented in Table 1.

Table 1:
Dissatisfaction and satisfaction given different levels of familiarity and performance

Low performance condition	High performance condition
Low Familiarity Dissatisfaction -2.13	Low Familiarity Satisfaction 2.20
High Familiarity Dissatisfaction -1.93	High Familiarity Satisfaction 1.87
t = -0.617, p = 0.54	t = 6.31, p > 0.001

It can be seen that in the high performance condition, high familiarity customers perceive a significantly lower level of satisfaction compared to low familiarity customers. On the other hand, in the low performance condition, the level of dissatisfaction among high familiarity customers is lower compared to low familiarity customers, but this difference is not significant. Given that familiarity is positively associated with expertise, which in turn is positively associated with complexity in cognitive structures, the pattern in Table 1 appears to be consonant with Linville's (1982) predictions. She has argued that individuals with a low level of cognitive complexity tend to have more polarized evaluative attitudes than individuals with a high level of cognitive complexity.

In addition, in order to capitalize on the fact that performance was measured on a continuos scale, PERFORMANCE (P) was used to create two new variables, NEGATIVE PERFORMANCE (NP) and POSITIVE PERFORMANCE (PP) analogous with the procedure discussed above when the original satisfaction measure was rescaled into a dissatisfaction and a satisfaction measure. That is to say, NP = -4 if P = 1, NP = -3 if P = 2, etc). Then, regression coefficients were estimated in four regressions in which performance was the independent variable and satisfaction was the dependent variable, given conditions of low and high familiarity. The outcome is presented in Table 2 below.

Table 2:
The impact of performance on (dis)satisfaction given low and high familiarity

Familiarity	Independent variable	Dependent variable	b	R^2
Low	POSITIVE PERFORMANCE	SATISFACTION	0.44*	0.32*
High	POSITIVE PERFORMANCE	SATISFACTION	0.34*	0.24*
Low	NEGATIVE PERFORMANCE	DISSATISFACTION	0.29	0.10
High	NEGATIVE PERFORMANCE	DISSATISFACTION	0.29*	0.18*

* $p < 0.001$

Table 2 shows that the impact of positive performance on satisfaction is larger in the low familiarity group compared to the high familiarity group. On the other hand, negative performance does not appear to impact dissatisfaction differently in the two familiarity groups.

It can be contended, then, given a high level of performance, that satisfaction appears to be lower among high familiarity customers compared to low familiarity customers (Hypothesis 1). Moreover, the level of dissatisfaction in these two groups, given a low level of performance, does not seem to be different (Hypothesis 2).

5. Discussion

One managerial implication of the results in this study should be seen in light of the frequent assumption that long-term relationships with customers have positive effects on the supplier's profitability. However, given one main finding in this study - it seems to be harder to satisfy long-term customers - the view of long-term relationships as a steady generator of profits may need to be moderated. That is to say, it seems clear that further increases in satisfaction among long-term customers is associated with costs. This is consonant with the argument that there are diminishing returns to expenditures on quality (Rust et al 1995, p. 58).

Another implication is related to the asymmetry of the effects of low and high performance levels of satisfaction. This asymmetry has been interpreted as follows: "for a given attribute it is more important to eliminate negative performance first and then focus on increasing performance in the positive direction" (Mittal et al 1998). Given the other main finding in this study – it is equally easy to dissatisfy long-term and short term customers under conditions of low performance – it should not be taken for granted that familiarity serves to insulate the customer from the effects of poor performance. This should be seen in contrast to Anderson & Sullivan (1993, p. 133) who suggest that experienced customers are more forgivable.

It should be noted that familiarity, the variable used here to capture the customer's experience, is a somewhat crude indicator of experience. In fact, familiarity is only one among several (and interrelated) variables that may be used to assess experience. Two alternative candidates are subjective knowledge and objective knowledge (cf. Flynn & Goldsmith 1999). Given that familiarity is not perfectly associated with these two variables, it would be fruitful in future studies to explore their impact on satisfaction and dissatisfaction.

Another limitation refers to the way in which "low" and "high" performance has been conceptualized in this study, i.e. in an absolute sense. It has been claimed, particularly in prospect theory, that the individual's perception of *gain or loss* affects the individual's evaluation in terms of value of a particular act. Basically, it is asserted that individuals are more attuned to differences, relative to a reference point, or norm, than absolute amounts (Tversky & Kahneman 1986). This suggests that performance outcomes might be conceptualized in terms of perceived improvement, a variable that can take on values ranging from "much worse than before"(negative improvement) to "much better than before" (positive improvement). This variable, we assume, is an indicator of the extent to which perceived performance at one particular point deviates from norms established prior to the performance evaluation. Future research should examine the extent to which perceived improvement is related to the level of familiarity – and to performance evaluations made at the most recent service encounter.

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