Customer Familiarity and its Effects on Expectations, Performance Perceptions, and Satisfaction: A Longitudinal Study

Elisabeth Lundberg[1]
Valérie Rzasnicki[2]
Magnus Söderlund[3]

Department of Business Administration
Center for Consumer Marketing
Stockholm School of Economics
P.O. Box 6501
S-113 83 Stockholm, Sweden

SSE/EFI Working Paper Series in Business Administration No. 2000:3
March 2000

Abstract:

This paper examines the effects of customer familiarity (i.e. the number of previous consumption-related experiences) on a) expectations prior to the consumption of a service, b) performance perceptions after the consumption, and c) satisfaction after the consumption. Data collected in a longitudinal study of a tour operator's customers who took part in a trip to the same destination shows that familiarity is unrelated to expectations, but negatively and significantly associated with performance perceptions and satisfaction.

Keywords: Customer familiarity, expectations, performance perceptions, customer satisfaction

JEL Code: M31

---

[1] Elisabeth Lundberg (e-mail: 17060@hhss.se) is student at the Stockholm School of Economics.
[2] Valérie Rzasnicki, M.Sc. (Economics and Business), Stockholm School of Economics.
[3] Magnus Söderlund, Associate Professor, is researcher at the Department of Business Administration, Center for Consumer Marketing, Stockholm School of Economics, P.O. Box 6501, SE-113 83 Stockholm, Sweden, e-mail: Magnus.Soderlund@hhs.se.

1. Introduction

A long-term supplier-customer relationship means that both parties accumulate experience with each other. From the customer's point of view, this means that familiarity increases over time. And familiarity affects the customer's information processing activities in several ways (Alba & Hutchinson 1987, Hoch & Deighton 1989). It can be assumed, then, that familiarity serves to create norms against which the customer evaluates future purchases/consumption.

However, norms of this type ("how has it been in the past to interact with the supplier?") have generally been absent in previous discussions of how norms may customer satisfaction. In contrast, typical norms in existing literature (cf. Clow et al 1998, Oliver 1996) are predictive expectations ("what will happen in the interaction with the supplier?"), ideal expectations ("what is the best interaction with the supplier I may imagine?"), and desires ("what do I want from the interaction with the supplier?").

The purpose of this paper is to explore effects of familiarity on (predictive) expectations, performance perceptions, and satisfaction. The data comes from a longitudinal study of travelers with one particular tour operator. Very few empirical studies have examined changes in expectations over time, and, to the best of our knowledge, the limited number of studies that have measured expectations both prior and after a purchase have not examined the effects of familiarity.

2. Theoretical framework

In this paper, we focus on predictive expectations, i.e. the customers beliefs about a product's attributes or performance at some time in the future (cf. Spreng et al 1996). It is generally assumed that past experience may influence such expectations (see e.g. Woodruff et al 1983). An effect of past experience on predictive expectations is also implied by the assumption that expectations are "very likely" to become adjusted – i.e. downgraded or elevated - over time (Oliver 1996, p 88). The question, then, is if expectations become downgraded *or* elevated as experience accumulates.

The answer seems to be contingent on the level of previous satisfaction with the provider (or similar providers). The perhaps most intuitive pattern is that the satisfied customer shifts expectations upwards, and that the dissatisfied customer shifts expectations downwards. This pattern is suggested by e.g. Anderson & Sullivan (1993). This view implies that the customer is subject to a cognitive process which emphasizes the avoidance of disequilibrium in the future. However, an alternative view is offered by Clow et al (1998). They suggest that customers generally want to justify why they were satisfied or dissatisfied with a particular service experience. Thus, with this view, it is implicitly assumed that the customer wants to obtain cognitive equilibrium with regard to what has already happened. Clow et al suggest that expectations are easier to reformulate ex post than performance perceptions. Because customers cannot easily modify their performance perception of the service they received, they are likely to modify what they expected prior to the purchase/consumption so that the expectations support the feeling of dissatisfaction or satisfaction. Given a dissatisfied customer who wishes to justify his/her dissatisfaction, the prior expectations have to be higher than the performance perceptions. Therefore, in the dissatisfied customer case, it is assumed by Clow et al (1998) that, in retrospect, the customer shifts the level of prior expectations upwards. In contrast, in order to justify his/her satisfaction, the satisfied customer needs to justify prior expectations downwards – since satisfaction is assumed to occur when expectations are lower than performance perceptions. When the service provider is about to be faced again, i.e. when a repurchase is to take place, this implies that the dissatisfied customer approaches the new encounter with elevated expectations, while the satisfied customer approaches the new encounter with downgraded expectations.

Thus, two opposing sets of predictions are at hand, but they share an assumption that the upward or downward shift in expectations between two points in time is contingent on the level of satisfaction in the past. Furthermore, satisfaction seems to be a much more common outcome than dissatisfaction. In other words, most customers appear to be closer to the high end of a satisfaction continuum than to the low end. This is a common finding in many empirical studies (cf. Fornell 1992, Peterson & Wilson 1992). Within a relationship, then, this implies that the high familiarity customer enters into the (re)interaction with the service provider with a history of a larger number of satisfying experiences than the low familiarity customer. Given Anderson & Sullivan's (1993) prediction, we expect that the high familiarity customer has a *higher* level of expectations than the low familiarity customer. However, in contrast, given Clow et al's (1998) reasoning, it can be assumed that the high familiarity customer has a *lower* level of expectations than the low familiarity customer. The first hypothesis will therefore be framed as follows:

H1: Familiarity is associated with the level of predictive expectations

Turning to performance perceptions after the purchase/consumption point in time, we assume that the high familiarity customer will be adopt a more critical view of the service provider's performance than the low familiarity customer. As familiarity increases, the customer's cognitive structure is expected to become more refined, more complete and more veridical (Alba & Hutchinson 1987). The high familiarity customer is also expected to require more information (Raju et al 1995). In other words, we assume that it is more difficult to impress the high familiarity customer, since the service provider's performance is likely to be viewed as less novel, less exiciting and less surprising as experience accumulates.

H2: High familiarity customers perceive a lower level of performance than low familiarity customers.

With regard to satisfaction, it is often viewed – in conceptual terms - as a function of expectations (E) prior to a purchase and performance perceptions (P) after the purchase/consumption. That is to say, the greater the P-E gap, the higher the level of satisfaction. Empirical studies, however, have repeatedly shown that P seems to account for much more variation in satisfaction than P-E (cf. e.g. Cronin & Taylor 1992). Given that P is likely to be lower for high familiarity customers (Hypothesis 2), then, we expect that high familiarity customers are less satisfied than low familiarity customers. Moreover, if satisfaction is understood as an evaluation of the surprise inherent in consumption, as suggested by Oliver (1981), it follows (logically) that familiarity is negatively associated with satisfaction. In empirical terms, a (weak) negative association between usage experience and satisfaction is indicated in Raju et al's (1995) data. Hence:

H3: High familiarity customers are less satisfied than low familiarity customers.

3. Research method

3.1. Sample and data collection

The study comprises customers who have traveled with one particular tour operator from Sweden to Spain during the winter 1999. The procedure was as follows. First, from the tour operator's records, we selected a set of customers who were booked on the same trip (same departure time and same destination). A questionnaire was distributed to them prior to departure. In the next step, when these customers had returned, a second questionnaire was distributed to them. Thus, the analysis is based on respondents who participated in both waves of the data collection. The number of respondents to both questionnaires is 728. A more detailed report of the research method can be found in Lundberg & Rzasnicki (1999).

3.2. Measurements

Customer familiarity was measured with the following item: "How many times in the past have you been on vacation with a tour operator?". Presumably, this is a question that invites vagueness. In order to deal with this, the item appeared in both questionnaires. The zero-order correlation between the responses to the first item and the second item (minus one trip, i.e. the trip that the respondents had completed after the second questionnaire) is .67 ($p < 0.001$). The test-retest reliability, then, appears to be acceptable. We used the item in the second questionnaire as a measure of familiarity.

With regard to *predictive expectations* and *performance perceptions*, it was decided to focus on one main attribute of the service provider: it's personnel. The reason is that the characteristics of the service provider's personnel has been shown to be particularly important as a determinant of satisfaction (cf. e.g. Bitner et al 1990). Five adjectives related to the tour operator's personnel at the destination were used as indicators of both expectations and performance perceptions: professional, knowledgeable, nice, helpful, and accommodating. In order to measure predictive expectations, the respondent was asked to assess the extent to which s/he expected the personnel to be characterized by each of the adjectives (1 = not very likely, 7 = very likely). These items were included in the questionnaire to be completed by the respondent *before* departure. Cronbach's alpha for this scale is .97. With respect to performance perceptions, the respondent assessed the five adjectives in the second questionnaire, i.e. *after* the tour was completed. The respondent was asked to rate the performance of the personnel in terms of the five adjectives on a 7-point scale. Cronbach's alpha for this scale is .97.

Finally, *customer satisfaction* was measured with the following item: "I am satisfied with my tour" (1 = do not agree at all, 7 = agree completely). This satisfaction measure is positively and significantly related to one word-of-mouth item ($r = .74$, $p < .001$) and to one repurchase intentions item ($r = .73$, $p < .001$) included in the second questionnaire. Furthermore, in a regression analysis with satisfaction as the dependent variable and performance as the independent variable, the R^2 (.17, $p < .001$) is higher than the R^2 (.07) in a regression with a gap score (performance – expectations) as the independent variable. This pattern is consonant with a large number of previous empirical studies (e.g. Cronin & Taylor 1992). Thus, a certain level of nomological validity is at hand in the satisfaction measure.

4. Analysis and results

The hypotheses were assessed with correlational analysis. The zero-order correlations between the variables in the hypotheses are presented in Table 1.

Table 1: Means, standard deviations, and zero-order correlations

	Mean	S.D.	1.	2.	3.
1. Familiarity	12	14	1.00		
2. Expectations	5.91	0.99	-0.05	1.00	
3. Performance	5.46	1.46	-0.20*	0.36*	1.00
4. Satisfaction	5.58	1.60	-0.19*	0.23*	0.42*

* $p < 0.001$

Table 1 reveals that familiarity is not associated with predictive expectations. Presumably, both theoretical predictions (Anderson & Sullivan 1993 vs. Clow et al 1998) may be right. That is to say, the weak association between familiarity and expectations may be the result of two opposing processes: a strive for cognitive equilibrium with regard to what has already taken place *and* future events. In any case, Hypothesis 1 cannot be supported. However, familiarity is negatively - and significantly - associated with performance perceptions, thus providing support for Hypothesis 2. And familiarity is negatively and significantly associated with customer satisfaction. It means that Hypothesis 3 cannot be rejected.

5. Discussion

This study suggests that customer familiarity affects post-purchase assessments in terms of performance perceptions and satisfaction. The main finding is that familiarity is negatively associated with performance perceptions and satisfaction. We believe that this finding have several managerial implications, particularly in the sense that familiarity should be relatively easy to use as a segmentation variable. However, further research is needed to examine the effects of familiarity on expectations. Care should be taken to include satisfaction in the past (an unmeasured variable in this study).

References

Alba JW & Hutchinson JW, 1987, Dimensions of Consumer Expertise, *Journal of Consumer Research*, Vol. 13, March, 411-454

Anderson EW & Sulliwan MW, 1993, The Antecedents and Consequences of Customer Satisfaction for Firms, *Marketing Science*, Vol. 12, No. 2, Spring, 125-143

Bitner MJ, Booms BH & Tetreault MS, 1990, The Service Encounter: Diagnosing Favorable and Unfavorable Incidents, *Journal of Marketing*, Vol. 54, January, 71-84

Clow KE, Kurtz DL & Ozment J, 1998, A Longitudinal Study of the Stability of Consumer Expectations of Services, *Journal of Business Research*, Vol. 42, 63-73

Cronin JJ & Taylor JR, 1992, Measuring Service Quality: A Reexamination and Extension, *Journal of Marketing*, Vol. 56, July, 55-68

Fornell C, 1992, A National Customer Satisfaction Barometer: The Swedish Experience, *Journal of Marketing*, Vol. 56, January, 6-21

Hoch SJ & Deighton J, 1989, Managing What Customers Learn from Experience, *Journal of Marketing*, Vol. 53, April, 1-20

Lundberg E & Rzasnicki V, 1999, *To measure or not to measure: A study of the effects of measuring prepurchase expectations prior to consumption on perceived service quality and customer satisfaction*, Marketing Thesis in 5501, Stockholm School of Economics, Sweden

Oliver RL, 1981, Measurement and Evaluation of Satisfaction Processes in Retail Settings, *Journal of Retailing*, Vol. 57, No. 3, 25-48

Oliver RL, 1996, *Satisfaction: A Behavioral Perspective on the Consumer*, McGraw-Hill, New York

Peterson RA & Wilson WR, 1992, Measuring Satisfaction: Fact and Artifact, *Journal of The Academy of Marketing Science*, Vol. 20, No. 1, 61-71

Raju PS, Lonial SC & Mangold WG, Differential Effects of Subjective Knowledge, Objective Knowledge, and Usage Experience on Decision Making: An Exploratory Investigation, *Journal of Consumer Psychology*, Vol. 4, No. 2, 153-180

Spreng RA, Mackenzie SB & Olshavsky RW, 1996, A Reexamination of the Determinants of Consumer Satisfaction, *Journal of Marketing*, Vol. 60, No. 3, July, 15-32

Woodruff RB, Cadotte ER & Jenkins RL, 1983, Modeling Consumer Satisfaction Processes Using Experience-Based Norms, *Journal of Marketing Research*, Vol. XX, August, 296-304