Customer Satisfaction Theory Applied in the Housing Industry: An Empirical Study of Low-Priced Housing in Beijing[*]

YANG Song (杨 松)，ZHU Yan (朱 嬿)[**]

Department of Construction Management, Tsinghua University, Beijing 100084, China

Abstract: A household satisfaction index (HSI) model based on the American customer satisfaction index (ACSI) model was fit to the housing industry in China and used with the software LISREL to measure the HSI in Beijing. Specifically, the empirical study analyzes the HSI of low-priced housing in Beijing. The results show that the HSI model is valid and the customer satisfaction theory can effectively analyze the housing industry. The results can help illustrate the factors which most affect customer satisfaction, and can be used to not only enhance the quality of homes and promote the housing market, but also to improve the standard of living for lower income people and provide suggestions to policy makers.

Key words: customer satisfaction; household satisfaction; housing product; housing market; housing industry

Introduction

With the housing reform which began in the 1990s in China, the housing industry has grown rapidly in recent years, but the quality of housing, especially the quality of low-priced housing, has been recognized to be a problem by government and customers[1]. Real estate development corporations are also concerned about housing quality and customer satisfaction and loyalty. Therefore, these corporations need to embrace new methods and philosophies that would enable them to be more customer-focused.

The housing industry customer satisfaction studies can help companies determine the key factors which influence customer satisfaction, so as to develop effective measures to meet customers' needs, thereby enhancing customer satisfaction and customer loyalty. Customer satisfaction studies can help corporations identify customers' attitudes and existing problems so that they can be corrected as soon as possible, resulting in more satisfactory housing for customers. Also, studies can help corporations see housing future trends, analyze housing market conditions, and give suggestions to policy makers. Roy and Cochrane[2], in their study of speculative house building, argued that changes were needed in most aspects of the business organization to develop and implement a customer-focused strategy. Generally speaking, the desire for customer satisfaction pushes real estate development corporations to provide more satisfactory houses to customers, which will result in more loyal customers and increase corporate profits and activate the housing market, and to improve living standards[3].

1 Customer Satisfaction Theory

1.1 Definition

Cardozo[4] first did the experimental study of customer satisfaction in 1965. From then on, researchers have done many studies on customer satisfaction[5-7]. But there are few studies in the housing industry because of

the special attributes of houses[8].

There are two main viewpoints for customer satisfaction. One viewpoint defines customer satisfaction from the state angle, which considers customer satisfaction after the behavior that leads to the purchase. Howard and Sheth[9] defined satisfaction as "the buyer's cognitive state of being adequately or inadequately rewarded for their sacrifices". Oliver and Gerald[10] suggested that the most epistemologically efficient explanation derives from Howard and Helson's[11] adaptation level theory, which suggests that judgments of newly perceived stimuli are affected by prior experience with the general class of objects and the discrepancy perceived between the new stimulus and previously determined stimulus levels. The other viewpoint defines customer satisfaction from the process angle, that is, researchers define what customers do to become satisfied[12]. Hunt[13] suggested that satisfaction is "an evaluation rendered that the experience was at least as good as it was supposed to be." Engel and Blackwell[14] conceived satisfaction as "an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative." Tse and Wilton[15] suggested that satisfaction is a general psychological phenomenon, describing the emotional state resulting from an evaluation of the perceived discrepancy between prior expectations and the actual performance of the product.

The second definition about customer satisfaction includes the buyer's experience and shows the development of the satisfaction, so it is more useful than the first definition. Therefore, this paper uses the second definition. Generally, customer satisfaction is defined as a comprehensive evaluation based on all the experience relating to a certain product or service. For the housing product, we define customer satisfaction based on a specific trade because most people only purchase houses once or twice in their entire lives. Most homebuyers have little experience in housing purchases, so customer satisfaction defined here is always in relation to a specific house at a specified time.

1.2 Customer satisfaction and loyalty

Customarily, loyalty means customers always buy the products from the same brand or corporation, which usually results from customer satisfaction and customers' experiences. Loyalty is a kind of trust, which is related to behavioral and emotional responses, so true loyalty means not only repeated purchases, but also an approving attitude to the brand or corporation[16]. Table 1 shows the difference between false and true loyalties.

Table 1 False and true loyalties

Loyalty	Behavior	Emotion	Result
False	Repeated purchases	Neutral	Short-term
True	Repeated purchases	Positive	Long-term

The generally accepted findings about loyalty by Jones and Sasser[17] show that the link between customer satisfaction and customer loyalty is affected by the degree of competition in a market. In Fig. 1, the region above the broken line represents not very competitive markets, while the region below the broken line represents highly competitive markets. Curve 1 shows the customer satisfaction-loyalty link in a highly competitive market and Curve 2 shows the customer satisfaction-loyalty link in a not very competitive market.
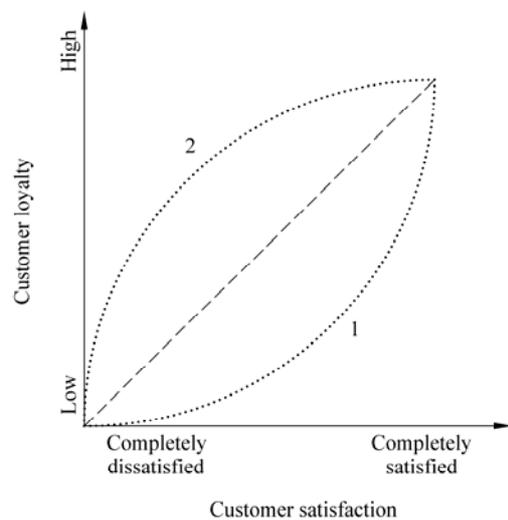

Fig. 1 Relationship between customer satisfaction and loyalty

According to conventional wisdom, the link between satisfaction and loyalty in markets where customers have choices is a simple, linear relationship with loyalty increasing along with satisfaction. However, Jones and Sasser[17] discovered that the relationship was neither linear nor simple. To a much greater extent than most people think, completely satisfied customers are more loyal than merely satisfied customers. In a market where competition is intense, there is a tremendous