The Impact of Customer Satisfaction to Company Performance: A Study of Beauty Salons

Prof. Dr. Pop Alexandra-Lucia

Phd, Faculty of Economics and Business Administration, Babeş-Bolyai University, Cluj-Napoca, Romania,

ABSTRACT: The current study aims to identify the factors that have a significant impact on the company's performance and may influence its future development. The data collection was done through a personalized questionnaire, which was applied to 216 clients of beauty salons in Cluj-Napoca. Through computed descriptive statistics, the most purchased beauty services were hairdressers, cosmetics, and manicure / pedicure. Clients who earn less money buy more beauty services compared to those who earn more.

I used multiple regression analysis to identify which factors (satisfaction, repurchase, recommendation) influence a company's performance and what is the long-term impact. Thus, only consumer satisfaction and repurchase influence the company's performance. The repurchase action has a greater impact than the level of customer satisfaction. In the long run, beauty salon managers must consider, on one hand, the increase in the level of customer satisfaction and, on the other hand, for loyal customers, the implementation of personalized sales strategies.

KEYWORDS: Customer satisfaction, Company performance, Beauty service, Beauty salon
JEL Classification: B54, I31, L25

1. INTRODUCTION

The biggest concern of managers is to carry out a profitable and efficient economic activity that is competitive on the market. Nowadays, with the increasing demands of consumers, one of the challenges of the entrepreneurial environment is the attraction and retention of customers. In most research papers, consumer satisfaction is defined as an important indicator in measuring the company's performance.

If the customers have a pleasant experience and they are satisfied with the choice they have made, they will continue to buy that product or service, becoming regular and loyal customers. They will also promote and attract new customers from friends and family, for the product or service they have been satisfied (Suvanmanee et al (2020).

Wu et al (2020) divides company performance into two categories: financial performance (monetary-profitability, liquidity, assets) and non-financial performance (non-monetary-attitude, satisfaction).

In the latest studies, repeated buying and recommending products and services is called loyalty. Yi (1990) defines loyalty from three points of view: repeated purchase, emphasizing the relationship between supplier and customer and the desire to recommend the purchased product or service.

This study brings important information to managers and helps them make the best decisions, with an impact on increasing the company's performance.

2. OBJECTIVES OF THE STUDY

This study aims to demonstrate the following hypotheses:

H_1: Customer satisfaction of beauty services has a significant and positive impact on the repurchase action.
H_2: Customer satisfaction has a significant and positive impact of recommendation of beauty services.
H_3: Customer satisfaction has a significant and positive impact of company performance.
H_4: The repurchase action is a decisive factor of company performance.
H_5: The recommendation of beauty services determines the company performance.

3. LITERATURE REVIEW

Since 1969 when the first definition of consumer satisfaction was offered and until now, researchers tried to provide the most complex definitions possible to present a transition between the concept of consumer satisfaction and the company's performance. Thus, in the following lines I tried to compile a synthesis of the most specific research that presents in a clear light the association

between the two variables and the implications that the level of consumer satisfaction has in the financial and economic results of the company.

3.1. Customer satisfaction

Conceptually, satisfaction is seen as a result of the comparison between cost and content use of a product or service, while operationally, satisfaction is a similar attitude evaluated as the sum of attributes of the purchased product or service (Churchill & Suprenant, 1982).

Satisfaction confirms or disproves consumer expectations (Parasuraman et al, 1985) by meeting behavioral and emotional (Oliver, 1980), cognitive, and affective aspects (Yu & Dean, 2001). In other words, satisfaction is a phenomenon that expresses the fact that the performance and benefits of products exceed consumer expectations, being often considered an important indicator within a company, taking into account consumer behavior and benefits to the company (Bitner, 1990; Anderson et al, 1997)

While Oliver (1980) mentions that satisfaction begins with examining all possible causes of dissatisfaction, Giese and Cote (2000) study the limits of satisfaction as a different level of intensity from one person to another, following a global emotional response.

3.2. Repurchase

Johnson et al. (2000) define loyalty as a dependent variable whose value consists in retaining consumers and subsequently ensuring profitability, while Hu et al. (2010), Fang et al (2011) and Hsu & Chen (2014) argue that loyalty is a deep and constant commitment to repurchase a product or service. Both definitions are based on repetitive purchases of the same brand, with a significant impact on increasing the company's performance.

3.3. Recommendation

Verbal advertising is a communication intention (Oh, 1999) or a result of consumer satisfaction or dissatisfaction (Bagozzi et al., 1999; Armstrong & Kotler, 2009) perceived as a direct consequence of perceptions, values and intentions to buy back.

Oh (1999) discusses in addition to the intention to repurchase and the influence of verbal advertising, while Hu et al. (2010) and Temkin (2018) consider that consumer satisfaction is the factor that influences the most the satisfied customer behavior and repeated consumption.

Free and with a representative impact on the company's results (Anderson et al, 1997; Parasuraman et al, 1999), verbal advertising is present in the case of companies that (Sernovitz et al, 2015):

• are interesting or offer personalized, unique, special products and services.

• offer products and services that bring people pleasure, enthusiasm, happiness, well-being, and good mood.

• gain consumer appreciation, sympathy, and respect by receiving, presenting, marketing, delivering, and informing about products and services.

• offer ease in the process of buying and repurchasing the product or service desired by the consumer.

3.4. Company performance

The success or failure of a company is the result of a certain level of consumer satisfaction. A considerable percentage of customers are lost annually from a company's statistics without identifying the reasons for giving up purchases, but with a significant impact on declining profits. Fang et al (2011), Farooq (2019) and Suvanmanee et al (2020) mention that customer satisfaction is found in the financial performance of companies represented by revenues, sales, and profit volume.

At the organizational level, customer loyalty aims to maximize the profit generated by repeated and frequent purchase of products, tolerance and financial availability to a particular company or brand, recommendation of products and services of acquaintances, sharing their experience with others   (Gremler & Brown, 1999; Peyton et al, 2003).

4. METHODOLOGY OF RESEARCH

This study used primary data collected by an own questionnaire (Appendix) applied to 216 customers of Cluj-Napoca beauty salons, in May-June 2019. The purpose of the research is to find out how consumer satisfaction influences the performance of beauty salons. Performance of beauty salons is understanding by the evolution of the number of clients, the monthly revenues, the received recommendations.

Figure no. 1 present the research model from which we started this study and shows, for the company, inputs (beauty services, expectations, perceptions, repurchase, reference) and outputs (customer satisfaction, company performance). Following the results, the initial research model will be confirmed or will be updated with new links between variables.

Figure no. 1: Research Model
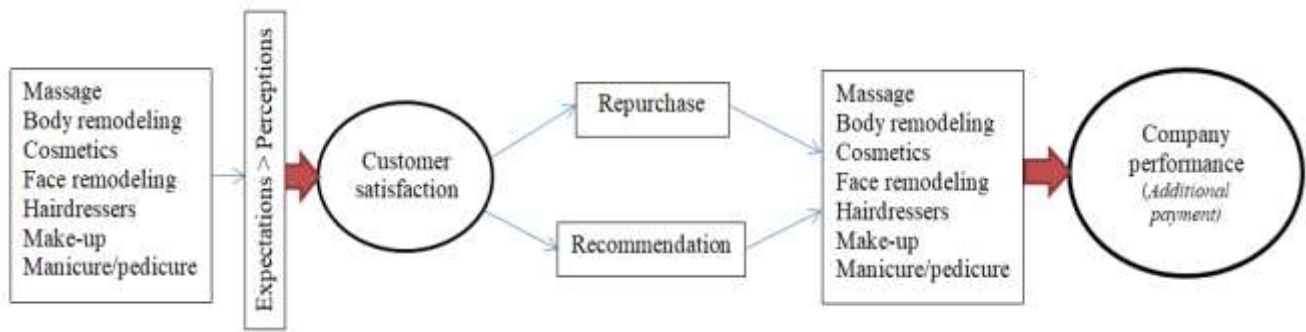
To collect data, analyze the responses and represent the results, it was used SPSS IBM version 20 statistical software. The results are presented in a logical way, from simple to complex, from descriptive analyzes (frequencies) to statistical tests and regression models.

5. RESULTS AND DISCUSSIONS

Of the 216 respondents, most of them 212 (98.1%) are women and 4 (1.9%) are men. All the customers are from urban areas, residents of Cluj-Napoca. The average age of the respondents is 32.59 years, the youngest respondent is 18 and the oldest respondent is 60 years. For a beauty service the customers spend on average 380.88 lei, the lowest price paid is 200 lei, and the highest 750 lei. The average time spent in beauty salon is 176.11 minutes and they stay generally between 10 minutes and 600 minutes.

More than half, 110 (51%) of clients, earn maximum 3000 lei, 95 (44%) receive a monthly amount between 3000 and 7000 lei, and 11 (5%) have over 7000 lei per month.

Table no. 1: Beauty services required by customers

	Responses		Percent of Cases
	N	Percent	
Massage	62	11.3%	30.4%
Body remodeling	10	1.8%	4.9%
Cosmetics	130	23.6%	63.7%
Face remodeling	3	0.5%	1.5%
Hairdressers	163	29.6%	79.9%
Make-up	66	12.0%	32.4%
Manicure/pedicure	116	21.1%	56.9%
Total	550	100.0%	269.6%

Source: Author

The most requested beauty service by consumers is hairdressers (163/29.6%) followed by cosmetics (130/23.6%) and manicure/pedicure (116/21.1%). The least required beauty service is body remodeling (10/1.8%) and face remodeling (3/0.5%), these two services are not very known and there are only few beauty salons which offer them. It is noticed that a large part of the clients opted for at least two beauty services in the beauty salon where they went (296.6%).

If customers use more beauty services, the paid amount will be higher and monthly income of the salon will increase. In other words, it is preferable for beauty salon businesses that current customers buy many services in one session / visit (Table no.1).

Further, is important to know if the monthly amount earned by customers determines the type of purchased beauty service.

Table no. 2: Beauty services required depending on income

	<3000	3000-7000	>7000	Total
Massage	20	37	5	62
Body remodeling	4	6	0	10
Cosmetics	60	63	7	130
Face remodeling	2	1	0	3
Hairdressers	80	74	9	163
Make-up	40	20	6	66
Manicure/pedicure	54	55	7	116
Total	102	91	11	204

Source: Author

In Table no. 2, the consumers who earn less than 3000 lei (102) buy more beauty services compared to those who monthly receive 7000 lei (11). The consumers who earn less than 3000 lei buy the most hairdressers (80), make-up (40) and do remodeling (2), the clients with an income between 3000 and 7000 lei buy cosmetics services (63), massage services (37) and manicure/pedicure services (54), while clients with the income over 7000 lei purchase hairdressers (9), cosmetics (7) and manicure/pedicure services (7). I assume that if consumers incomes increase, the interest in beauty services decreases, and the main reason for this is limited time available to themselves.

In Table no. 3 I want to identify which services involved a higher level of customer satisfaction, repurchase, references or company performance.

Table no. 3: The impact of beauty services in company results

Beauty services	Customer satisfaction	Repurchase	Recommendation	Company performance (additional payment)
Massage	62	62	62	62
Body remodeling	10	10	10	10
Cosmetics	130	130	130	130
Face remodeling	3	3	3	3
Hairdressers	161	161	161	161
Make-up	66	66	66	66
Manicure/pedicure	116	116	116	116

Source: Author

According to the results, I observed that all the clients who were satisfied with the received beauty services recommended them to other people, repurchased the same services and also extra paid by purchasing the same service and possibly another service. Hairdresser (161), cosmetics (130) and manicure/pedicure (116) are the most purchased beauty services by customers and they repurchase, recommend, and pay more for the same beauty services. If consumers are satisfied with the received beauty services, there are great chances to buy them, to recommend them to acquaintances. Any acquisition means for the company an extra income that builds on its performance. Most of the time, customers buy multiple services from one salon.

If customers who buy the same service or different services several times represent loyal customers, customers who buy a service for the first time become potential loyal customers. Regardless of the number or value of the purchase, customers must be treated in the best way.

Further, I will analyze whether or not the obtained monthly income determines the clients to request and pay extra for the desired beauty services.

Table no. 4: The revenue in company performance

	Company performance (additional payment)			Total
	Neutral	Probably yes	Definitely yes	
<3000	2	29	79	110
3000-7000	0	27	68	95
>7000	0	2	9	11
Total	2	58	156	216

Source: Author

In Table no. 4 the presented results confirm that regardless of the obtained monthly income, customers are willing to pay extra for the requested service or for a new service. Of course, the behavior of consumers is identical both for customers with monthly income below 3000 lei and for clients with monthly income over 7000 lei.

The Impact of Customer Satisfaction to Company Performance: A Study of Beauty Salons

The association between customer satisfaction, repurchase, recommendation and company's performance mentioned in theory is also confirmed in this article (Table no.5).

Table no. 5: Results of correlations

	Repurchase	Recommendation	Company performance (additional payment)
Customer satisfaction	0.567[**]	0.565[**]	0.680[**]
Repurchase		0.585[**]	0.863[**]
Recommendation			0.569[**]
** Correlation is significant at the 0.01 level (2-tailed).			

Source: Author

Given the results of the Spearman statistical test, statistically significant relationships are identified between the mentioned variables, at a 99% confidence level.

Thus, a satisfied customer will purchase in the future (rho = 0.567) the same service, will recommend (rho = 0.565) to friends and family members the service he received and he will contribute to increasing the company's performance (rho = 0.680) through the paid price for the requested service and for those purchased or recommended in the future.

It is also observed that people who will purchase (rho = 0.863) a beauty service in the future will have a greater impact on the company's performance than people who will only recommend (rho = 0.569) to friends the beauty service they benefited.

To determine the evolution of the company's performance, I will apply the regression analysis, identifying a valid mathematical formula that can generate an approximate future prediction.

Based on the confirmation of the existence of statistically significant correlations between various variables, I estimated simple and multiple linear regression models. A significance level of 5% (Sig. value <0.05) is used for model validation tests.

Table no. 6: Model Summary

R	0.891
R Square	0.794
Adjusted R Square	0.791
F	272.487

Source: Author

The estimated model explains the variation of the scores given to the personalization of the services in proportion of 79.10% (value of Adjusted R Square), the estimation errors are correlated with each other, the Durbin-Watson statistic having a value below the reference value, so the equation cannot be used to generate forecasts. The null hypothesis H0 "The estimated regression model is not statistically significant" is rejected at the significance threshold of 0.1% (Sig. Value <0.001).

The mathematical form of the regression equation will have the following form:

$$Cp = Ct + \beta_1 Cs + \beta_2 Rp + \beta_3 Re + \varepsilon$$

Where,

Cp = Company performance (additional payment)

Ct = intercept (constant term)

Cs = Customer satisfaction

Rp = Repurchase

Re = Recommendation

$\beta_1 - \beta_3$ = Coefficents for the variables.

ε = Error

Table no. 7: Results of Regression model

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.217	0.177		1.228	0.032
	Customer satisfaction	0.131	0.027	0.191	4.899	0.000
	Repurchase	0.769	0.044	0.739	17.305	0.000
	Recommendation	0.052	0.045	0.047	1.138	0.257
a. Dependent Variable: Company performance (Additional Payment)						

Source: Author

The Impact of Customer Satisfaction to Company Performance: A Study of Beauty Salons

The coefficients of the independent variables of customer satisfaction and repurchase are statistically significant at a significance level of 1% (Sig value <0.01), and the coefficient of the constant is also statistically significant.

The final mathematical form of this regression equation is:

$$Cp = 0.217 + 0.131*Cs + 0.769*Rp + \varepsilon$$

Based on the mathematical formula, we can say that only consumer satisfaction and repurchase will positively influence the company's performance. Thus, a one-unit increase in the score generated by consumer satisfaction will lead to an increase in performance by 0.131 points on average, and an additional acquisition of a beauty service will increase the company's performance by 0.769 points on average. Thus, in the future, a purchase has a greater impact on the company's performance than increasing the degree of satisfaction of the consumer. In other words, in the future, beauty companies should increase the level of customer satisfaction and encourage customers to purchase more beauty services. One solution could be to sell to customers packages of several services or offer bonuses for future purchases.

The initial research model underwent changes and the final research model is being presented in Figure no.2.

Figure no. 2: The final model of research
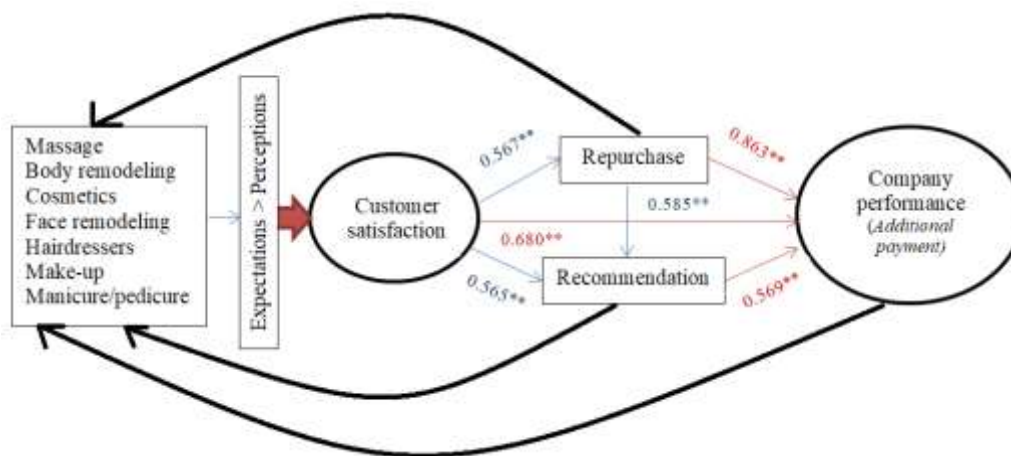
So, the greater difference between expectations and perceptions result the greater degree of consumer satisfaction, maximizing the chances of repurchasing and recommending services, leading to an increase of company performance. In this case, the company's performance is measured by the number of new customers coming from recommendations and by the future revenues collected from the sale of services to the same customers.

CONCLUSION AND FUTURE RESEARCH

Lately, the increase of the company's performance on the market is an increasingly attractive topic for managers, regardless of the field in which the company operates.

The main purpose of the article is to determine those factors that have a significant impact on the company's performance. It is good to know this aspect by the beauty salon managers because, in the future, they can adopt the decision to retain customers as much as possible and to establish and implement marketing strategies which could bring them new customers. Finally, the success or failure of a company is closely linked to its performance on the market.

In future research it would be interesting to study how employee satisfaction influences the level of customer satisfaction, and the main factors that increase the level of employee satisfaction.

REFERENCES
1) Anderson, E.W., Fornell, C., Rust, R.T. (1997) „Customer satisfaction, Productivity, and Profitability: Differences between goods and services", School of Business Administration, The University of Michigan, Ann Arbor, Michigan, Marketing Science, Volume 16, pp.129-145;
2) Armstrong, G.M., Kotler, P. (2009) „Marketing: An Introduction", Pearson Prentice Hall;
3) Bagozzi, R.P., Gopinath, M., Nyer, P.U. (1999) „The role of emotions", Journal of the Academy of Marketing Science, Volume 27, No. 2, pp.184-206;
4) Bitner, M. (1990) „Evaluating service encounters: the effects of physical surroundings and employee responses", Journal of Marketing, Volume 54, pp.69-82;

5) Churchill, G.A., Surprenant, C. (1982) „An investigation into the determinants of customer satisfaction", Journal of Marketing Research, Volume 19, pp. 491;

6) Fang, Y. H., Chiu, C. M., & Wang, E. T. (2011) „Understanding customers' satisfaction and repurchase intentions", Internet Research-Westport Then Bradford, Volume 21, Issue 4, pp. 479-500;

7) Farooq, M. (2019) „Impact of Over-the-Top (OTT) services on the Telecom Companies in the era of transformative marketing",Global Journal of Flexible Systems Management, Volume 20, Issue 2, pp.177–188;

8) Giese, J., Cote, J.(2000) „Defining Consumer Satisfaction", Academy of Marketing Science Review, Volume 2000, No. 1, [ONLINE] http://www.amsreview.org/articles/giese01-2000.pdf;

9) Gremler, D., Brown, S. (1999) „The loyalty ripple effect Appreciating the full value of customers", International Journal of Service Industry Management, Volume 10, No. 3, pp. 271-291;

10) Hsu, Y., Chen, G.Y. (2014) „The Influence of Customer Participation and Service Involvement on Customer Satisfaction", International Journal of Business, Humanities and Technology,Volume 4, No. 3;

11) Hu, H. Y., Chiu, S.I., Cheng, C.C., Hsieh, Y.F.(2010) „A study on investigating patient satisfaction of medical centers using Taiwan customer satisfaction index in Taiwan", African Journal of Business Management, Volume 4, Issue 14, pp.3207-3216;

12) Johnson, M.D., Anders Gustafsson, A., Andreassen, T. W., Lervik, L., Cha, J. (2000) „The Evolution and Future of National Customer Satisfaction Index Models", Journal of Economic Psyhology, [ONLINE] http://deepblue.lib.umich.edu/bitstream/handle/2027.42/35761/b203508x.0001.001.pdf?sequence=2;

13) Oh, H. (1999) „Service quality, customer satisfaction, and customer value: A holistic perspective", International Journal of Hospitality Management, MacKay Hall, Ames, USA, pp.67—82;

14) Oliver, R.L. (1980) „A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions", American Marketing Association, Journal of Marketing Research, Volume 17, No. 4 , pp. 460-469;

15) Parasuraman, A., Zeithaml, V.A., Berry, L. (1985) „A conceptual Model of Service Quality and Its Implications for future research", Journal of Marketing, Volume 49, No. 4, pp. 41-50;

16) Parasuraman, A., Zeithaml, V., Berry, L. (1999) „Perceived service quality as a customer-based performance measure: An empirical examination of organizational barriers using an extended service quality model", Human Resource Management, Volume 30, pp.335-364;

17) Peyton, R., Pitts, S., Kamery, R. (2003) „Consumer satisfaction/dissatisfaction (cs/d): a review of the literature prior to the 1990s", Allied Academies International Conference, Proceedings of the Academy of Organizational Culture, Communications and Conflict, Volume 7, pp.41-45;

18) Sernovitz, A., Kawasaki,G., Godin,S. (2015) „Word of Mouth Marketing: How Smart Companies Get People Talking", Pressbox Publishing, USA;

19) Suvanmanee, W., Kee,D.M.H., Lee, Z.W., Low,C.M., Zakwan,M.A., Gupta, A., Pandey, R., Alfahad,F.F., Quttainah, M.A. (2020) „The Relationship Between Customer Satisfaction and Organizational Success: A Study of Panasonic", Journal of The Community Development in Asia, pp.48-57;

20) Temkin, B. (2018) „ROI of Customer Experience" [online] https://experiencematters.blog/category/roi-of-customerexperience/, access at 20.08.2020;

21) Wu,Q., Pan, Y., Zhou, P., Li, C. (2020) „The Relationship Between Nonfinancial Measurements and Company Performance - Based on the Level of Customer Satisfaction", Advances in Social Science, Education and Humanities Research, volume 466, Proceedings of the 2020 4th International Seminar on Education, Management and Social Sciences (ISEMSS 2020), pp.70-75;

22) Yi, Y. (1990) „A critical review of consumer satisfaction", Review of marketing, Volume 4, Issue 1, pp. 68-123;

23) Yu,Y.T., Dean, A. (2001) „The contribution of emotional satisfaction to consumer loyalty", International Journal of Service Industry Management, Volume 12, No.3, pp.234-250;