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The Cost of Customer Satisfaction: A Framework for Strategic Cost Management in Service Industries

Antonella Cugini ✉, Antonella Carù & Fabrizio Zerbini

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Abstract

Customer satisfaction has long been considered a milestone in the path towards company profitability. Although it is widely acknowledged that customer satisfaction leads to higher and more stable revenues, the relationship between customer satisfaction levels and the costs that the company incurs in producing and delivering

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sources of customer satisfaction and assessing their cost, thereby extending to service industries previous research on strategic cost management.

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Notes

1. The same logic does not apply to traditional cost accounting systems, which are based upon cost centres.
2. The identification of activities and processes began with an analysis of the work carried out, making use of individual and group interviews, activity diagrams, analysis of previous experiences, questionnaires and sampling.
3. All other expenses (e.g. passive rents, electricity), not directly attributable had been allocated to the different activities on the basis of percentage of allocation of the person's time.
4. Hints on opening hours have been derived from surveys in which satisfaction was evaluated with reference to the attributes underlying components.

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