



## CUSTOMER SATISFACTION TOWARDS SERVICE QUALITY OF BANKING SECTOR

### KEYWORDS

Customer satisfaction · service encounters · intermediaries quality of service · waiting time and customer complaints.

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### ABSTRACT

Service process performance of an organization should be measured continuously to achieve competitive advantage and this is possible through providing excellent service by any organization. The quality of the products or the quality of customer service determines the degree of customer satisfaction. The customer satisfaction not only means, satisfying the customers but also customer retention in case of service failure. The organization should solve the complaints through various service recovery strategies. It is mandatory to identify the impact of service failure and customer feedback for the survival, success and prosperity of an organization. The real victory of an organization is based on the degree of loyalty of the customers. This paper attempts to summarize the results of customer satisfaction towards the services of a bank from five different perspectives namely, service encounters, waiting time of the customer to get the service, role of intermediaries, quality of service provided and customer complaints towards the bank. Attraction, retention and enhancement of the customer relationship are essential to maintain, delighted and committed customers, who form the basis for the sustainable competitive position of the bank. This study can also be extended to tourism and hospitality, insurance companies, transport corporations, railways, airlines, telecommunications, libraries and other service sectors to assess the degree of quality of service offered by them.

### Introduction

In the present scenario, successful corporations gain competitive advantage through increased efficiency, high quality of service and improved customer relationship. Customers get information about the organization through customer advocacy. Creating and maintaining customer loyalty have become important in current service markets. In financial service industry, maintaining superior service quality is considered critical in achieving customer satisfaction, value creation and growth. The ability to understand the needs of the consumer with respect to the product or service is vital for measuring the level of consumer satisfaction.

Every business organization aims to satisfy its customers to a great extent, as the customer satisfaction lays foundation for the success of the business. The measurement of customer satisfaction has become mandatory in any organization. The quality of the products or the quality of customer service determines the degree of customer satisfaction. The customer satisfaction not only means, satisfying the customers but also customer retention in case of service failure. The organization should solve the complaints through various service recovery strategies. It is mandatory to identify the impact of service failure and customer feedback for the survival, success and prosperity of an organization. The real victory of an organization is based on the degree of loyalty of the customers. The measurement of customer satisfaction is intricate because most of the customers do not believe in the act of complaining as they feel it to be a waste of time and effort. Some of the customers may indulge in negative word-of-mouth, which will have a severe impact on the turnover of the organization. To avoid the negative impact on the revenue, every organization must collect feedback from its own customers. They should study and analyze the existing system of customer service and implement continuous improvement strategies by enhancing the quality of the service.

### Service encounters

A service encounter is the time taken by the customer to interact with the service. It includes face-to-face, telephone communications, automated systems, e-mail and the like. This is the first stage where the customers judge the quality of service provided to them. Service encounters are otherwise called as services capes which means a physical environment in which the service is delivered and where the interaction between the customer and provider takes place.

Every encounter is a chance for the firm to satisfy the customer, to strengthen the value of its products, and to sell the customer on the benefits of a long-term relationship. Gummesson describes service encounter as an interaction between a company's contact personnel and customers. Surprenant & Solomon describe it as the time-frame during which a customer directly interacts with the service provider. Czepiel considered service encounter as a critical determinant of the customer's satisfaction with the service. In a business-to-business context the personal contacts are considered especially important for the relationships with customers. There is also a need to know all about the individual episodes that occur between companies in order to understand completely what happens between them. Service environment is a silent salesman and it communicates service quality attributes, creates the service experience and forms customer expectations. P. A. Spirou explored the determinants of service encounter satisfaction within a co-orientation framework that captures the interdependence of provider and client perceptions. The relationship between the set of variables consisting of client risk perception, service complexity, task communication, congruency and satisfaction were tested using responses from client-provider interactions in service business settings. A. C. Soteriou states that delivering high quality service during the service encounter is considered as central to competitive advantage for any service organization. However, controlling the costs is a major challenge for service managers while achieving high quality.

Because of the intangibility, inseparability and heterogeneity of services, the service encounter is critical to customer satisfaction and evaluation. Fisk say that service encounters or experiences can be considered as moments of truth. M. J. Bitner states that service environments, otherwise called as servicescapes relate to the style and appearance of the physical surroundings and other experiential elements encountered by customers at service delivery sites.

Customer satisfaction towards service encounter is transaction-specific. Shankar say that service encounter satisfaction is related to overall customer satisfaction and overall satisfaction is driven by satisfaction from a series of service encounters. It is important, however, to recognize them as distinct constructs because of the factors influencing them may be different. Overall customer satisfaction is relationship-specific. Bitner and Hubbert and Oliver reveal that the cumulative effect of a set of discrete service encounters or transactions with the service provider over a period of

time influences customer satisfaction.

Designing a service environment is an art that takes considerable time and effort and can be expensive to execute. Once designed and built, service environments are not always easy to change. Schijns suggests that customer satisfaction is necessary, but insufficient condition for customer loyalty. Service encounter immediately has an impact on customer satisfaction and also shape longer-term factors like intention to return, likelihood of communicating positively about the service and customer loyalty. Morgan and Hunt say that trust exists "when one party has confidence in an exchange partner's reliability and integrity". Dwyer; Morgan and Hunt; Odekerken-Schroder; Schijns suggested that trust positively affects commitment and Berry says that trust is the basis for loyalty. Based on a company's reputation one could decide to do business and start a relationship with that company. The reputation of a potential new partner reduces the perceived risk of making the wrong decision and facilitates the change to the new partner. From this perspective, the reputation of a company lowers the entrance barriers for potential customers.

#### Waiting time

Waiting is frustrating because one has to do many things during that time. In a business, a customer hates waiting. To try to overcome this, an organization must properly design the service to minimize the waiting time which is practically difficult. The waiting time of the customers at the time of obtaining service has a major impact on their behaviour. Every company must implement a waiting line strategy to satisfy their customers.

N. Kallo and T. Koltai studied the express lines generally used in supermarkets where many service facilities are located and each has its own separate waiting line. They have analysed with the help of two analytical models, one consisting many service facilities with one common waiting line and another containing many independent queuing systems in which is one service facility with its own separate queue. They also state that in time-based competition environment, one of the main objectives of service managers is reducing customers' wait and the number of waiting customers can have significant effect on customer decisions. Increasing the capacity by adding more tellers is one of the strategies used to reduce the wait times in a bank. But, this can be done only when the customer satisfaction is balanced with cost considerations. The bank managers should also consider the redesigning of queuing system, redesign the process to shorten the time of each transaction and manage the consumer's behaviour and their perceptions of wait. Queue configurations refer to the number of queues, their locations, their spatial requirement and their effect on customer behaviour. Therefore, when queues become necessary, the service provider should decide how to configure the queue. R.C. Larson states that queuing environment and feedback regarding the likely magnitude of the delay can also influence customer attitudes and ultimately, in many instances, a firm's market share. B. G. C. Dellaert and B. E. Kahn state that waiting for websites to load endangers negative affect among customers, but provided there is no uncertainty; consumers are able to separate the waiting experience from their retrospective evaluation of the site.

#### Role of intermediaries

Every bank should position its intermediaries in such a way to meet the needs of the customers in a more responsive manner. This customer-intermediary relationship determines the quality of service provided which ultimately relates to customer satisfaction. Each customer should be personally attended; queries should be answered, as he is the valuable asset to the bank and future investment. When he is satisfied with the behaviour of the intermediaries, he will pass a positive word-of-mouth to his friends and relatives. S. Toelle states that both employee performance and reliability have indirect effect on loyalty, mediated by customer value and satisfaction. S. W. Kelley examined the effect of the level of

organizational socialization achieved by service employees and customers upon customer perceptions of service quality. They indicated that employee and customer organizational socialization are positively related to service quality. Customer measures of organizational climate, customer orientation, motivational direction, organizational commitment, and satisfaction were positively related to service quality. Employee job satisfaction is directly related to customer perceptions of service quality. Finally, employee and customer organizational commitment is positively associated with satisfaction.

Schneider is the first author to develop a framework for the study of people's basic overall perceptions about organizations and he has analyzed the perception of the organizational climate from the customer's viewpoint. The climate is defined as the added perception of customers about the firm they do business with. Later on, Parkington & Schneider Schneider & Bowen have shown that when employees in their view have a different service orientation from the orientation adopted by the management, the former suffer from low levels of satisfaction, a strong intention to leave their jobs, high levels of frustration and the sensation that customers have a poor opinion of the service quality provided by the firm. In turn, Schneider suggested that customers, attitudes towards service quality are strongly related to the employees' view about the service received by customers.

#### Quality of service

Attaining sustainable competitive advantage is practically difficult because the services cannot be easily copied and patented. Perceived service quality is the judgment of the customers of their overall experience of the service environment of an organization. The success in delivering quality service lays on understanding how customers arrive at this judgment. When an organization fails to study and understand the process of customer's judgment, it will lose a customer. Exactly, the competitive companies will target the lost customer. This will threaten the competitive position of the company in the market.

H. Emari, S. Iranzadeh and S. Bakhshayesh, determined the dimensions of service quality in the banking industry of Iran and examined the European perspective (i.e., Gronroos's model) suggesting that service quality consists of three dimensions, technical, functional and image. The results from a banking service sample revealed that the overall service quality is influenced more by a consumer's perception of technical quality than functional quality. J. R. Salifu stated that both customers and bankers in small part perceived a positive correlation between the antecedents of service performance gaps and service quality dimensions. M. Hossain, S. Leo, have stated that in order to achieve higher levels of quality service in retail banking, banks should deliver higher levels of service quality and in the present context customers' perceptions are highest in the level of infrastructure facilities of the bank, followed by timing of the bank, and return on deposit. Owing to the increasing competition in retail banking, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality.

#### Customer complaints

Customers are more knowledgeable, sophisticated, informed and assertive. They demand higher levels of customer service and more inclined to switch to a competitor. If a customer expects a certain level of service, and perceives the service reviewed to be higher, he is a satisfied client. If he perceives the same level as before, but expected higher, he is a disappointed and, accordingly, a dissatisfied client.

L. Makedessian, states that angry customers were also more likely to complain and engage in third-party action, and were less likely to spread positive word-of-mouth and repurchase from the service firm. Gender of the customer and the service employee played only a minimum role in influencing the evaluative and behavioral

outcomes. M.D. Richards and D.Hicks state that the response chosen by the retailer, as well as the time and effort exerted by the consumer can influence consumer satisfaction / dissatisfaction (S/D) with the complaint resolution process. Results suggest that consumer S/D with the complaint resolution process has four critical dimensions. The two consumer input dimensions are consumer time and consumer effort expended in an attempt to resolve the problem. The two outcome dimensions are compensation received and attributed of the retailer's representative.

A service failure in an organization leads to complaint system. Any complaint from the customers will be taken care under service recovery system. This recovery system may or may not meet the expectations of the customers. If they are met, it results in customer satisfaction which increases the loyalty of the customers. If the expectations are not met, it will result in customer dissatisfaction which in turn forms as a service failure. T. D. Jones says that Service Provider failures lead to reductions in service company commitment, service provider commitment, and some loyalty-related outcomes. This effect is reduced under conditions of high interpersonal commitment. Personal betrayals lead to reductions in all three targets of commitment which, in turn leads to reductions in loyalty-related outcomes. It is also proved that the outcomes of service failures are not necessarily most evident on loyalty-related outcomes; reduction in commitment levels after failed encounters is the likely consequence of these failures. E. Ph. Simpson analysed the relationships between three variables namely, employee satisfaction, customer service quality, and customer satisfaction in a mid-sized retail bank.

### Conclusion

In the present consumer economy, attracting and crucially keeping customers for long-term is a key challenge for any organization. The customer is at the center of all business activities and particularly, the banks have organized by positioning the staff to meet the needs of the customers in a highly customized and responsive manner. The ultimate, in customer satisfaction, is giving customers exactly what they want. The customers are the most valuable asset of any organization. An organization's success depends on how many customers it has, how much they buy, and how often they buy. Customers that are satisfied will increase in number, buy more, and contact the bank frequently for various reasons. Attraction, retention and enhancement of the customer relationship are essential to maintain, delighted and committed customers, who form the basis for the sustainable competitive position of the bank. Impact of service encounters, role of intermediaries, quality of service, waiting time and customer complaints are considered essential for an organization to find out the gaps in the perceptions and expectations of the customers. The organizations should continuously monitor and evaluate the services offered by them to the customers and they should keep themselves ahead of their own competitors. This study can also be extended to tourism and hospitality, insurance companies, hospitals, transport corporations, railways, airlines, telecommunications libraries and other service sectors to assess the degree of quality of service offered by them. The results obtained from the study will help the organizations to take necessary actions to improve the service quality and achieve the customer satisfaction.

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