3P's influencing Customer Satisfaction in Retail Banking: An empirical study

Dr. Riyaz Ahmad Rainayee	Associate professor, Department of Business and Financial Studies, University of Kashmir
Rouf Ahmad Mir	Research scholar, Department of Business and Financial Studies, University of Kashmir.
Arfat Ahmad	Research scholar, Department of Business and Financial Studies, University of Kashmir.

ABSTRACT

Business success is the ultimate result of the customer satisfaction. Customer satisfaction is the outcome of various catalysts. Understanding the impact of these catalysts on customer satisfaction is critical in service sector, because the intangibility of services leads customers' satisfaction. In this study manageable number of customer satisfaction antecedents were identified - people, process, and physical evidence, labeled as 3P's of customer satisfaction. The results reveal that people, and physical evidence have a significant impact on Customer Satisfaction in retail banking sector.

INTRODUCTION:

Interest in the potential and quality of service industry has increased significantly both in industry itself and in the academic field over the past 20 years. As many countries shifted from a manufacturing base to a service based economy, both the industry as well as the academia started to pay close scrutiny to it (Fitzsimmons & Fitzsimmons, 2006). Banks have significant role to play in the economic system of any country. Various types of banks perform various functions according to their prescribed roles defined by their memorandums and articles of association. Commercial banks generally have a wider network of their branches and look after the financial requirements of the general public (Mian, 2008). The most important factor that matters a lot in today's modern and successful banking business is the quality of services. Therefore, banks have to provide service carefully because of the availability of banks. Banks have to improve the service level continuously. There is no guarantee that what is excellent service today is also applicable for tomorrow. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers.

LITERATURE REVIEW.

Many firms are focusing on their efforts on maintaining a loyal customer base. Customer satisfaction is one of the important outcomes of marketing activity (Oliver, 1980; Surprenant and Churchill, 1982; Spreng et al, 1996; Mick and Fournier, 1999). In the competitive banking industry, customer satisfaction is considered as the essence of success. Most of the retail banks set their strategies towards increasing satisfaction and loyalty of customers through the quality of service. Zaim *et al* (2010) find out that tangibility, reliability and empathy are important factor for customer satisfaction, whereas responsiveness and assurance are important factor, found by Mengi (2009). Kumar *et al.* (2010) and Lai (2004) found that assurance, empathy and tangibles are the important factor, and on the other hand, Baumann *et al.* (2007) found that tangibles are not related to customer satisfaction and Ahmed *et al.* (2010) find out that empathy is negatively related to customer satisfaction. Arasli *et al* (2005) pointed out that reliability dimension of SERVQUAL has the highest impact on customer satisfaction in Greek Cypriot banking industry, whereas reliability is not related to customer satisfaction, found by Chaniotakis and Lymperopoulos (2009) . According to Levesque and McDougall (1996), competitive interest rate is one of the important determinants of customer satisfaction in retail banking sector. They found that a good "employee-customer" relationship can increase the satisfaction level. They pointed out that problem recovery is important to maintain the customer satisfaction. However, the results did not confirm that satisfactory problem-recovery can increase satisfaction. At least, it can maintain the satisfaction level. Finally, they concluded that competitiveness and convenience of the banks are the two important determinants of customer satisfaction. On the other hand, Jamal and Naser (2003) found that convenience and competitiveness are not the critical factors for

all gender, age and income groups. Researchers have identified various determinants of customer satisfaction in retail banking sector.

RATIONALE:

Most of the reputed business houses have their slogans based on the theme of the statement i.e. whatever we do is for our customers. This approach is very much in line with the following common phrases used by the marketing people: "customer is king"; "customer is always right". In light of the above discussion, it becomes obvious that customer is the center of all business activities, thus customer satisfaction becomes the ultimate objective of any business venture. Researchers have identified various determinants of customer satisfaction, keeping all above literature review determinants into consideration, this study is going to develop a model known as "3P's model of customer satisfaction" which is supposed to influence customer satisfaction in retail banking sector to a large extent.

OBJECTIVES

· The main objective of this research is to identify the key driver of customer satisfaction in the retail banking sector.
· To assess the relationship among Customer satisfaction, People, Process and Physical evidence with reference to the Banking Sector.
· To identify the impact of 3P's (People, Process and Physical Evidence) on customer satisfaction.

HYPOTHESIS.

H^1: There is a positive relationship among people, process, physical evidence, and customer satisfaction.

H^2: People, process, and Physical evidence (3P's) have significant impact on the customer satisfaction.

METHODOLOGY:

Pearson Correlation Coefficient (r) was conducted to determine whether a relationship exists between the dependent variable Customer Satisfaction and Independent variables People, Process and Physical Evidence. In addition, a multiple regression analysis was conducted to evaluate the predictive values of People, Process and Physical Evidence on Customer Satisfaction. All analysis was conducted at the 0.001 and 0.005 significance level.

A questionnaire method was used for data collection using standardized measurement tools. Customer Satisfaction was measured by Kumar and Gangal (2011) 5 point agreement-disagreement instrument (α=.886). People, Process and Physical Evidence were measured by Gauba and Mehta (2012) instrument. The scale showed good reliability (α=.913). Responses were measured on a 5-point scale ranging from strongly disagree-Strongly agree.

FINDINGS

Data was analyzed by SPSS-20. Parametric tests such as Pearson correlation coefficient and step-wise regression were calculated to analyze the data and Table 1 shows the correlation among 3P's (People, Process, Physical Evidence) and Customer Satisfaction. People(r= .700, <.001), Process(r=.676, <.001) and Physical Tangibles(r=.785, <.001) has significant positive correlation with Customer Satisfaction. Therefore H[1] stand accepted.

Table-1

Correlations		People	Process	Physi-calevi-dence	Custom-ersatis-faction
People	Pearson Correlation	1	*	°	
	Sig. (2-tailed)				
	N	111			
Process	Pearson Correlation	.720**	1		
	Sig. (2-tailed)	.000			
	N	111	111		
Physical evidence	Pearson Correlation	.680**	.712**	1	
	Sig. (2-tailed)	.000	.000		
	N	111	111	111	
Customer satisfaction	Pearson Correlation	.700**	.676**	.785**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	111	111	111	111
**. Correlation is significant at the 0.01 level (2-tailed).					

Regression

The coefficient of determination (Table 2) R^2 is .673 implying thereby that 67% of the variation in Customer satisfaction (dependent variable) is collectively defined by the 3P's Viz., People, Process and Physical Evidence (Independent variable). Interestingly, it was found that among the three presumed antecedents, people and physical evidence were found to have significant effect on the dependent variable, that is, customer satisfaction unlike process dimension. Thus the findings of this study do not provide enough support to accept H2.

Table-2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.820	.673	.664	.54689
a. Predictors: (Constant), physical evidence, people, process				

The Model analysis includes the independent variable (3 P's) and dependent variable (Customer satisfaction). The linear combination of the independent variable was significantly related to the dependent variable, R=0.820, adjusted R square=0.664, F=73.372 (p=0.000) (Table-3). An estimated 67% of variance of the predictor, i.e., 3P's (People, Process and Physical Evidence) on the dependent variable Customer Satisfaction.

Table-3 ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65.834	3	21.945	73.372	.000
	Residual	32.002	107	.299		
	Total	97.836	110			
a. Predictors: (Constant), physical evidence, people, process (3 P's)						
b. Dependent Variable: customer satisfaction						

Regression equations for the standardized variables were as follows: Predictive 3P's score=.472 + .260 (People) + .113 (Pro-cess) + .528 (Physical Evidence) shown in Table 4. The equation reveals that Physical Evidence was found relatively highly influencing Customer Satisfaction than other predictive variables of Customer Satisfaction as reflected by their Beta coefficients.

Table -4 Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.472	.279		-1.692	.094
	people	.308	.100	.260	3.070	.003
	process	.143	.113	.113	1.271	.207
	Physical evidence	.771	.122	.528	6.300	.000
a. Dependent Variable: customer satisfaction						

3P'S OF CUSTOMER SATISFACTION MODEL
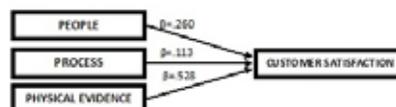
CONCLUSION

The findings of this study contribute to improve customer satisfaction with reference to the banking sector. This study concludes that employee behavior with their customers, effective ways of providing services and good infrastructure for better convenience to customer enhances customer satisfaction. However, the independent variables in multi regression analysis explained 67% of the variance (R square=0.673,) in the dependent variable of customer satisfaction. The 67% positive change in the level of customer satisfaction in the banking sector investigated could be interpreted as resulting from increased 3P's (people, process, and physical evidence). However, individually 'physical evidence' was found to be the most significantly influencing variable on customer satisfaction. 'People' was also found influencing significantly, but the 'process' influences the dependent variable (Customer satisfaction) insignificantly. Therefore retail banking businesses need to adapt their strategies to focus more on Physical tangibles and People in order to enhance customer satisfaction.

RECOMMENDATIONS FOR FUTURE RESEARCH

Certainly, the analysis has some limitations, such as the sample size, the variables and the area considered; future research will be focused especially on the variables other than 3P's, that was eliminated from the model probably which would influence the customer satisfaction in retail banking environment. Several issues, associated with the limitations inherent in this study, require further research considerations. Future research should concentrate on a bigger sample size and all types of retail banks [including Government banks].

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