THE ANTECEDENTS AND OUTCOMES OF CUSTOMER SATISFACTION IN BANKING INDUSTRY

Veena Kumari.C.M [*]

Dr.S.Ramesh [**]

Keywords:

Relationship Marketing Practices; Customer Value Creation;

Customer Satisfaction;

Customer Retention;

Banking Industry.

Abstract

Purpose - The purpose of the study is to find out if the customer satisfaction leads to customer retention and to analyze the factors that bring satisfaction to the customers in the banking industry.

Design/Methodology/Approach – The descriptive research design was used and Random sampling method was adopted in selecting 984 customers of 2586 branches of eight different banks in Karnataka.

Findings – it was found that Relationship Marketing Practices enhances value to the customers leading to customer satisfaction and that satisfied customers stay longer with the same service provider. A higher F value in the regression analysis supports the hypotheses with the p value=.000. Further the t value, Regression co-efficient, is statistically significant with the p value=.000.

Practical Implications – Based on the study the results implied that Relationship Marketing practices leads to customer retention in the banking industry by means of creating value to the customer and bringing in satisfaction to them.

[*] **Research Scholar, PPMAN0104C, Department of Management, Rayalaseema University, Kurnool, Andhra Pradesh**

[**]. **Dr.S.Ramesh, Research Supervisor, Dean Management Studies (PG) Mount Carmel College, (Autonomous), Bengaluru, Karnataka**

I Introduction

The Economic life of the nation depends upon the vital role played by the bankers. Banking help citizens save money and build credit while enabling business to start up, expand, increase efficiency and compete in local and international markets. An efficient banking system is considered as a necessary pre-condition for growth. Apart from the traditional functions of banking such as accepting deposits, lending of loans and secondary functions of providing safe custody lockers and carrying out, standing instructions of the customers the banks of today have developed the asset management capabilities and also entered into insurance and mutual funds. But at the same time the banking environment has undergone tremendous changes due to deregulation policies of the Government, technological advancements and increased competition. Customers find numerous choices for their banking needs. The Private and Foreign banks are able to provide innovative and variety of services in order to increase their market share. Customers find it easier to operate from more than one financial institution to satisfy their banking needs and with the technological advancements, approaching a new bank is just a click away. In this context Banks have to reconsider their marketing approach that would satisfy the customer needs as S.M.Jha , (2011) puts it Bank Marketing is related to product, price, promotion, place, process, physical evidence and people and also includes the behavioural profile of the customers and marketing information system. Customer satisfaction gains its importance as the banker has work upon towards retaining them to improve their profitability. To serve the customers effectively it is imperative to build a closer relationship with the customer. Better the relationship greater is the generation of revenue and greater chances of retention. In this background the study wants to find out the following queries.

- How to bring about customer satisfaction in the banking industry?
- What are the factors that contribute to the customer satisfaction?
- What are the benefits that arise by bringing out the customer satisfaction in the banks?

To find out the answers to these queries the following objectives have been framed.

1. To find out if the Relationship Marketing practices create value to the customers.
2. To analyse if the customer value creation leads to customer satisfaction
3. To find out if the satisfied customers stay longer with the service providers.

Customer Satisfaction

Customer satisfaction in banks is a factor of great importance as it serves to be the largest competitive advantage. With all the players in the industry offering almost same products without much room to compete on price the banks look for attributes that bring in satisfaction to the customers.

One of the features that contribute to satisfaction is interpersonal service. People like to be treated with importance and they want their bank to make an effort to get closer to them. Customers want consistent experience in all the services be it online or branch experience. An occasional problem is likely to occur in any services but quick fixing of the problem can really have a positive impact.

To survive in the existing economic turmoil optimal performance and modest financial returns are imperative, for which satisfied customers are pivotal. With better understanding of the customers' perceptions the firms can formulate actions that would satisfy the needs of the customers. The firms can improve their work practices by focusing on the customer outcomes for which knowledge of customer satisfaction is indispensable. Satisfaction with price and service results in Customer satisfaction since satisfaction is a function of perceived quality and price Roger Hallowell (1996).

Antecedents to customer Satisfaction

Customers find satisfaction when they find value in the services received by them at the bank. The value arises when personalized services are offered to them from the bank which enjoys a good reputation from the public at a price which is perceived to be reasonable. Value creation refers to identifying the needs of the customers and utilizing the core competencies, infrastructure and capabilities in delivering the products and services (Kotler 2006). Creating customer value requires paying close attention to customers' needs and expectations; developing a value proposition which is a collection of product, service and price benefits that constitute value for the customers and managing the resources that are reponsible for delivering customer value (Peter Duchessi (2002). In today's environment all the banks are competing with each other to provide quality services, with high technology and customer convenience. Technological

advancements have paved the way to offer innovative services to the customers. Relationship Marketing has been used as a tool to measure the value creation (Li &Peng 2011). Relationship Marketing focuses not on 'what services are offered' to the customers but the way in which it is delivered to them.

Outcomes of Customer Satisfaction

Satisfied customers tend to be loyal (Chrica 2013) to the bank by continuing to be the patrons. Customers gain expertise over a period of time and so the expenses of customer care decreases, as a result of which retaining a customer is cost effective. Focusing on service quality and improving upon the satisfaction ideally gives rise to positive word of mouth (Szymanski and Henard 2001). Retained customers indirectly help in gaining new customers. Having a solid customer base is highly essential for the bank as it gives rise to sustained profitability.

II Literature Review

Robert.B Woodruff (1997), has established the need to focus on Customer Value for a successful managing of organizations. Technology could be conveniently used to find out what exactly the customer needs and how his requirement could be met and value created. The factors involving the aspect of customer value may vary at different times and there is a need for finding out from what target customer requires in the beginning till what could be their future value, so that a complete satisfaction could be provided.

Haemoon Oh (1999) Haemoon Oh (1999) has examined the customer value with price, perceptions of performance, service quality, customer satisfaction and customer loyalty in terms of intentions to repurchase and recommend in the hotel industry. He opines that perceptions of performance, directly and indirectly affect service quality, customer satisfaction, intentions to repurchase and recommend. He reiterates that customer value is an antecedent to satisfaction and repurchases intention and it affects WOM through customer satisfaction and Repurchase intention. He has proposed a model wherein perceived price, perceived quality and perceptions affect customer value and customer satisfaction that stimulate repurchase intention which finally leads to word of Mouth.

Cong Li and MingjiaPeng (2011) researched into the need for creating value to the customers and the ways in which it could be created. The relationship between the company and the customers are measured by Relationship Marketing Practices in terms of trust, commitment and communication. These three factors affect the relationship performance and customer satisfaction. Customer loyalty and customer retention are the outcomes of such relationships.

Ronald L.Hess Jr et al (2003) have investigated on how customer relationships could be used as a buffer against service failures. Service variability and service inseparability baffle the service marketers in understanding the consequences of service failure. The authors prove that customers who expect the relationship to continue have lower service recovery expectations which result in greater satisfaction when there is service performance after recovery. The authors also opine that customers who have greater expectations of relationship continuity have higher tolerance and demand less immediate compensation of service failure..

Anders Gustaffsson et al (2006) examine the effect of customer satisfaction and Relationship Commitment on customer Retention in Telecommunication services. He says that effective strategies for customer retention rest on the factors that drive retention. If customer satisfaction is the primary driver for retention then the firm should focus on service quality and service delivery and the results of the study supports that satisfaction has effects on customer retention.

III Research Methodology

Questionnaire based survey method was used to elicit information from the respondents who are the customers of the commercial banks in Karnataka. Random sampling method was used for collection of data. The scale was developed to measure the antecedents and the outcomes of customer satisfaction with responses ranging from 1 to 5, where Strongly Agree=1; Agree=2; Neutral=3; Disagree=4; and Strongly Disagree=5. A sample size of 1000 was collected and after screening the responses from the respondents, some of the incomplete questionnaires were discarded and a final sample size of 984 is used for the study.

Based on the Research objectives the following hypotheses are formed.

Hypotheses:

1.   Higher the effectiveness of Relationship Marketing Practices greater will be the customer value creation.

2.   Higher the customer value created by the banker greater will be the level of customer satisfaction.

3.   Higher the customer satisfaction levels longer will be the retention term of the customer.

IV Analysis and Findings

The factors considered for Relationship Marketing Practices are Empathy, trust, commitment, Bonding, Reliability, Ethics, Service Quality, Knowledgeability and competence. Following Table provides the Mean and Standard deviation of Relationship Marketing Practices.

Table: 1

Relationship Marketing Practices in Banks

RMP	Empathy	trust	Commit ment	Bonding	Reliability	Ethics	Service Quality	Knowled geability	competence
Mean	3.38	3.50	3.44	3.46	3.36	3.47	3.37	3.46	3.37
SD	0.993	1.130	1.148	1.250	1.250	1.129	1.190	1.149	1.171

Source: Primary data

Table 1 shows that all the Relationship Marketing Practices exhibit a mean value of more than 3 which indicate that the respondents have shown higher agreement to all the statements. Relationship marketing practices create value to the customers in the form of creating reputation for the bank, paying individual attention to the customers and giving proper investment guidance to the customers. The following Regression Model shows the influence of Relationship Marketing Practices on Customer Value creation.

Table: 2

Influence of Relationship Marketing Practices on Customer value creation

Model		Sum of squares	Df	Mean Square	F	Sig
1	Regression	534.169	1	534.169	1203.615	.000[b]
	Residual	435.815	982	.444		
	Total	969.984	983			
a.	Dependent Variable: customer value creation					
b.	Predictor: Relationship Marketing Practices					

Table 2 exhibits the Regression Model of customer value creation and Relationship Marketing Practices. The F value of the model is 1203.615 with 1 and 982 degrees of freedom is statistically significant sine its p value is 0.00.

Table: 3

Regression Coefficient of Relationship Marketing Practices

Model		Unstandardized Coefficients		Standardized coefficients		
		B	Std error	Beta	t	Sig
1	(Constant)	1.717	.056		30.826	.000
	RMP	.541	.016	.742	34.693	.000
a.	Dependent Variable: customer value creation					

In the Table 3, un-standardized regression coefficient of RMP is 0.541 and its t value is 34.693 which is statistically significant and it can be inferred that the Relationship Marketing Practices has positive outcomes on Customer Value Creation, therefore, the hypothesis of *'higher the effectiveness of relationship marketing practices greater will be the customer value creation'* can be accepted.

When customers find value in the relationship they feel satisfied with the services. They are satisfied with the way the complaints are handled in a friendly manner, the competency of the employees and confidence over the bankers' advice on banking services. The following Regression Model shows the influence of Customer Value creation on customer satisfaction.

Table: 4

Influence of Customer value creation on Customer Satisfaction

Model		Sum of squares	Df	Mean Square	F	Sig
1	Regression	645.259	1	645.259	1613.811	.000[b]
	Residual	392.639	982	.400		
	Total	1037.898	983			

c.	Dependent Variable: Satisfaction to customer	
d.	Predictor: Customer value creation (CVC)	

Table 4 exhibits the Regression Model of Customer Satisfaction and customer value creation. The F value of the model is 1613.811with 1 and 982 degrees of freedom is statistically significant sine its p value is 0.00.

Table: 5

Regression Coefficient of Satisfaction to customer

Model		Unstandardized Coefficients		Standardized coefficients		
		B	Std error	Beta	t	Sig
1	(Constant)	.855	.069		12.377	.000
	CVC	.763	.019	.788	40.172	.000
a.	Dependent Variable: Satisfaction to customer (STC)					

The un-standardized regression coefficient of CVC is 0.763 and its t value is 40.172. Since the t value of CVC is statically significant, it can be inferred that the CVC has positive outcomes on Satisfaction to customer; therefore, the hypothesis *'higher the customer value created by the banker greater will be the level of customer satisfaction'* can be accepted.

The outcome of customer satisfaction is the loyal behaviour of the customer. Friendly and caring bankers, the recognition of the customers when they visit the bank and seeking their opinion on service quality are the factors that influence the customers to stay longer with the banker. The following Regression Model shows the influence of customer satisfaction on customer Retention.

Table: 6

Influence of Satisfaction to customer on Customer Retention

Model		Sum of squares	Df	Mean Square	F	Sig
1	Regression	677.226	1	677.226	2109.169	.000[b]
	Residual	315.307	982	.321		
	Total	992.533	983			
a.	Dependent Variable: Customer Retention					
b.	Predictor: Satisfaction to customers					

Table: 6 exhibit the regression model of Customer retention and customer satisfaction. It is statistically significant since the F value of the model is 2109.169 with 1 and 982 degrees of freedom and its p value 0.00

Table: 7

Regression Coefficient of Satisfaction to customer

Model		Unstandardized Coefficients		Standardized coefficients		
		B	Std error	Beta	t	Sig
1	(Constant)	.626	.064		9.731	.000
	STC	.808	.018	.826	45.926	.000
a.	Dependent Variable: Customer Retention (CR)					

The un-standardized regression coefficient of STC is 0.808 and its t value is 45.926. Since the t value of STC is statically significant it can be inferred that the STC has positive outcomes on CR, therefore, the hypothesis *'higher the customer satisfaction by the banker greater will be the level of customer retention'* can be accepted.

Findings

• The customers agree that Relationship Marketing Practices are followed by the banks and that the truthfulness of the bankers is the factor which is most appreciated by them.

• The respondents concur to the fact that their banks enjoy a good reputation with the public and that they are able to get good attention when they visit the bank which adds value to the relationship.

• However they disagree that the deposit rate of their bank is comparatively higher than other banks.

• The customers of the banks are satisfied with the kind of communication established by the banker through mobile and internet facilities.

• The customers are also content with the friendly complaint handling behaviour of the bankers that helps in augmenting the customers to stay longer with the banker.

V Conclusions and Discussions

The current research study aims to find out if customer satisfaction aids in retaining the customer and whether Relationship Marketing Practices help in bringing satisfaction to the customers by creating value in the relationship. Customers who want the relationship to continue have low expectations which result in greater satisfaction (Ronald L.Hess 2003). Being empathetic with the customers contribute value to them, handling the complaints well and recognizing the customers during their visits to the bank make them feel important and persuade them to stay longer with the service provider.

Based on the numerous previous research studies like the present one it can be concluded that Customer satisfaction is very important to maintain the profitability of the banks. In the present day scenario where there are numerous financial players and switching over to a competitor is just a click away, customer satisfaction attained through value creation by means of establishing relationship with the customers is highly important along with the superior service performance. New products and services can be replicated but creating value to the customers based on their requirements remains to be a unique proposition.

References:

[1] Catalina Chirica 2013 *"Relationship Marketing - Best Practice in the Banking Sector"* Amfiteatru EconomicVol. XV • No. 33 • February 2013 P288-300 *Academy of Economic Studies, Bucharest, Romania*

[2] Cong Li, MingjiaPeng(2011) *"Creating value for customers"*a case study of small investment service firm in China, Halmstad University

[3] Gustaffsson, A., Johnson, M. J., &Roos, I. (2006).The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention [Electronic version].*Journal of Marketing*, 69(4), 210-218.

[4] Haemoon Oh (1999), "service quality, customer satisfaction and customer value: A holistic perspective", International Journal of Hospitality Management 18(1999) 67-82.

[5] Peter Duchessi (2002) *Crafting customer value: The Art and Science,* Indiana, Purdue University Press

[6] Robert.B Woodruff (1997). Customer Value: The next source for Competitive Advantage, Journal of the Academy of Marketing Science,Vol.25,No.2,pages 139-153

[7] Roger Hallowell (1996). The Relationships of customer Satisfaction, customer Loyalty, and profitability: an empirical study. *International Journal of Service Industry Management*. Vol.7, No.4, pp 27-42

[8] Ronald L.Hess Jr., Shankar Ganesan and Noreen.M.Klein, (2003). Service Failure and Recovery: The Impact of Relationship Factors on Customer Satisfaction.*Journal of the Academy of Marketing Science.*Vol. 31, No.2.pp 127-145.

[9] S.M.Jha. (2011). *Bank Marketing.* Himalaya Publishing House.

[10] Szymanski D.M., &Henard D.H., (2001), Customer Satisfaction: A Meta – Analysis of the Empirical Evidence, *Journal of the Academy of Marketing Science,* Vol.29, No.1, p 16-35