

## **Customer satisfaction in e- services in context of online banking: A review of literature**

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**Abstract:** The research paper provides a review of the extant literature in E-service and its related research areas. A detailed literature review on areas like services marketing, e-services, customer expectations, customer perceptions, customer satisfaction/dissatisfaction, service quality, customer repatronage intentions and customer word-of-mouth intentions, online banking have been done for better understanding of the research topic.

**Key Words:** customer satisfaction, services, e-services, online banking

### **1. Introduction**

Cardozo's classic article "An Experimental Study of Consumer Effort, Expectation and Satisfaction" is the pioneering work in the area of consumer satisfaction(Cardozo, 1965). Since then considerable work has been done in the area of consumer satisfaction. Consumer satisfaction is generally "conceptualized as an attitude like judgment following a purchase act or based on a series of product-consumer interactions"(Fournier & Mick, 1999). Consumer satisfaction research has focused on two distinct theoretical perspectives: expectation confirmation/disconfirmation (Anderson, 1973)(Day R. , 1977) and the attributional approach considering the psychological distance between the product/service and the individual's ideal product/service in a multidimensional space representing the salient product/service attributes.

Most satisfaction research has focused on the materialistic aspects of satisfaction, or the utilitarian benefits(Smith & Brown, 2008). Services are sometimes completely intangible and have no material attributes. Through this study an attempt is made to examine the concept of consumer satisfaction with service delivery.

## 2. Services' Marketing

Services' marketing has matured as a distinguished field of research since Regan (1963) focused on importance of service sector and emphasized that a "large and growing market for commodities lies in the development of services systems." (Regan, 1963). As per McDowell and Parker most of the early contributions in the service marketing were in the form of dissertations (as cited in Bitner, Fisk, & Brown, 1993). Judd (1964) redefined services and suggested a threefold division of services. Till late 70's there was a dearth of literature in services marketing area. (Bitner, Fisk, & Brown, 1993). Four services articles were published in Journal of Marketing during 1983-85 and it ignited the interest of scholars in this area. Lynn Shostack published a breakthrough article in the Journal of Marketing which focused on failure of marketing as a discipline in meeting the literary demands of services marketing. (Shostack, 1977). Journal of Marketing published four services articles during 1983-85 and ignited the concept among marketers (Bitner, Fisk, & Brown, 1993). Christopher Lovelock classified services in five different dimensions which further added value to the services marketing literature (Lovelock, 1983). A. Parasuraman, Valarie Zeithmal and Leonard Berry published research papers and discussed the unique characteristics of services. (Parasuraman, Berry, & Zeithmal, Problems and Strategies in Services Marketing, 1985). They also published research papers on service quality and developed Gaps model and this was a leading article which lead many scholars to explore service quality area. (Parasuraman, Berry, & Zeithmal, A Conceptual Model of Service Quality and its Implications for Future Research, 1985). They subsequently published an article in 1988 on service quality measurement. They developed a multiple item scale for measuring service quality and further developed the literature in services. (Parasuraman, Berry, & Zeithmal, 1988)

Since the mid-1980s, peer-reviewed journals such as The Service Industries Journal, Journal of Services Marketing, Journal of Service Research, International Journal of Service Industry Management, Managing Service Quality, Services Marketing Quarterly were introduced for dissemination of knowledge regarding the services marketing. Research articles focused on services marketing have also been published in mainstream journals such as Journal of Marketing, European Journal of Marketing, Journal of Marketing Research, Journal of the Academy of Marketing Science, Journal of Consumer Research, Journal of Retailing, and Journal of Business Research. To add to the growth of knowledge in services, emergence of industry-focused journals such as Journal

of Bank Marketing, Journal of Hospitality and Tourism Research, Journal of Leisure Research, Hospital and Health Services Administration have helped in expanding the scope of research in services to various industry specific issues. All these indicators suggest that services marketing as an area of inquiry and resulting services literature has emerged as well-established, mainstream academic sub-discipline.

### **3. e-services**

With technological advancements in the last few decades internet has evolved as an important tool of communication and service delivery. E-service as a concept has evolved after revolutionary development of internet or other computer networks. E-service has become important in determining the success or failure of electronic commerce (Yang, Peterson, & Huang, Taking the pulse of Internet pharmacies, 2001). E-service provides consumers with a superior experience with respect to the interactive flow of information. (Santos, 2003)

E-service is deeds, efforts or performances whose delivery is mediated by information technology (including the web, information kiosks and mobile devices). Such e-service includes the service element of e-tailing, customer support and service, and service delivery. (Rowley, 2006). E-service is web based service. (Reynolds, 2000). E-services are acts performed for someone else through the use of computer network, including the provisions of resources that someone else will use through a computer network. (Alter, 2010). Table 2-2 summarizes the different definitions of e- services given by various scholars:

### **4. Consumer Expectations**

Consumer expectations are pretrial beliefs about a product that serve as standards or reference points against which product performance is judged (Olson & Dover, 1979, as cited in Zeithaml, Berry, & Parasuraman, 1993). Oliver (1980) details that these beliefs perform two functions that of providing a foundation for attitude formation and serving as an adaptation level for subsequent satisfaction decisions. Expectations generally serve as a benchmark against which subsequent experiences are compared. As per Oliver (1981) "It is generally agreed that expectations are consumer defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior". In the context of services, consumer expectations are the standards or reference points for performance against which service experiences are compared (Zeithaml &

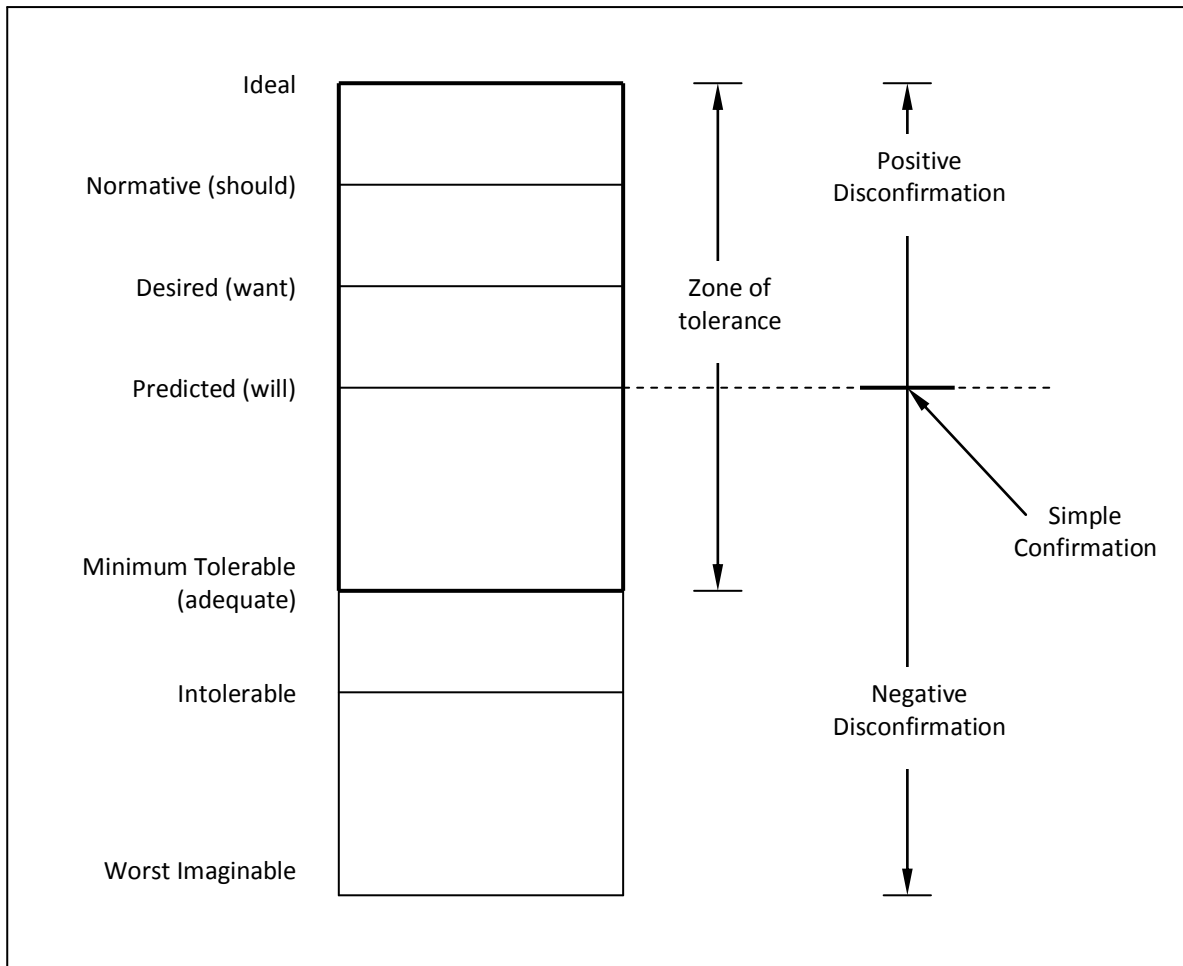
Bitner, 2003). For the purpose of the current study, consumer expectations are defined as “consumers’ pre-consumption predictions about the performance of a service offering.”

#### 4.1 Types of Consumer Expectations

In one of the study on the effects of expectations on consumer satisfaction, it has been determined that there are three types of expectations, viz. predictive, normative, and comparative.(Prakash & Lounsbury, 1984)

Predictive expectations refer to a consumer’s beliefs about how a product is likely to perform on certain attributes. These beliefs are influenced by past experiences, marketing communications, and opinions or other people. Normative expectations, also known as desired expectations, imply that a certain norm or standard must be met to generate satisfaction. This type of satisfaction involves consideration of equity, personal values, cultural norms, socio-economic and political philosophy, and quality of life. Comparative expectations refer to expectations about a brand as compared to similar brands. Should the performance of the brand purchased exceed the expectations about similar brands, then satisfaction results.

Figure 1 shows the simple hierarchy of expectations developed by Santos and Boote (2003) with expectations ranging from the “ideal standard” to the “worst imaginable.” The Zone of tolerance can be viewed as a subset of this hierarchy, ranging from the ideal standard to the minimum tolerable level of service. The figure helps us understand the positive and negative disconfirmation of consumers’ following a service encounter.



**Figure 1 Hierarchy of Consumer Expectations**

Source: Santos, Jessica and Jonathan Boote (2003), "A Theoretical Exploration and Model of Consumer Expectations, Post-Purchase Affective States and Affective Behavior," *Journal of Consumer Behavior*, 3(2), 142-156.

## 5. Consumer perception

Consumer perceptions are subjective assessments of actual service experiences (Zeithaml and Bitner 2003). Thus, performance perceptions reflect the consumers' opinions about the services as actually received by them. The role of performance is that it is the point of comparison by which disconfirmation may be assessed (Churchil & Surpernant, 1982).

According to Yi (1990), we can distinguish between the objective performance and perceived performance. The objective performance is the actual level of performance delivered to the

consumers and assumed to be constant across product deliveries. Thus, only one level of objective performance exists for a product. On the other hand, due to idiosyncratic and dynamic expectations, the perceptions of product performance may vary across consumers and individual consumers may experience different levels of perceived performance for a product.

The current study focuses on e- services, and not products. It has been discussed earlier that it is difficult to standardize a service and that service deliveries themselves cannot be constant over time, across service providers, and for service consumers. It is hence asserted that in the context of services, an objective performance level of a service will be difficult to establish, for the service provider and to comprehend, for the service consumer. Thus, for the purpose of current study, the term 'performance' shall be used to refer to the consumers' perceptions of the service performance.

## 6. Consumer Satisfaction/Dissatisfaction

Modern marketing thought emphasizes upon satisfaction being its central concept (Yi, 1990). Over years, significant contributions have been made to develop our understanding of this important concept (e.g., Anderson 1973; Churchill and Surprenant 1982; Day 1977; Oliver 1980, 1981; Tse & Wilton, 1988; Yi 1990). However, even after 60 years of extensive research work in psychology, marketing and related domains, the academic community has not been able to unanimously agree upon a single definition of satisfaction. Howard and Sheth (1969) provide the first definition of satisfaction as "the buyer's cognitive state of being adequately or inadequately rewarded for the sacrifices he has undergone" (p. 145). Oliver (1981) defines satisfaction as "the summary psychological state resulting when the emotion surrounding disconfirmed expectation is coupled with the consumer's prior feelings about the consumption experience" (p. 27)

As per Giese & Cote( 2002), most of the consumer satisfaction definitions have overlapping components. They have identified three general components in extant definitions i.e., Consumer satisfaction is a response(emotional/cognitive), the response pertains to a particular focus

(expectations, product, consumption experience, etc.) and all the responses occurs at a particular time (after consumption, after choice, based on accumulated experience, etc).

## 7. Service Quality

Service quality has been the major focus of researchers during the past few decades as it has a everlasting impact on customer satisfaction and customer loyalty (Cronin & Taylor, 1992).

Service quality is academically thought to be an abstract and elusive construct because of three features that are unique to services: intangibility, heterogeneity, and inseparability of production and consumption (Parasuraman, Berry, & Zeithaml, 1985). Many researchers have defined service quality through different studies.

Many researchers have studied service quality and its importance for gaining competitive advantage has been recognized (Ennew, Reed, & Binks, 1993) (Zeithaml, Berry, & Parasuraman, 1996). "Early scholarly writing on service quality suggested that service quality stems from a comparison of what customers feel a company should offer (their expectations) with the company's actual service performance" (Zeithaml, Parasuraman, & Malhotra, 2000). Gummesson (1979) was the one of the first researcher to relate trust and perceptions to service quality. Grönroos (2000) introduced the concept of "Total Perceived Service Quality" which explains how a customer perceives the difference between the expected service and the experienced service.

A lot number of researchers has recently criticized the process of measuring service by comparing customers' expectations and perceptions of a given service. Opponents of this approach argue that measurement of customers' expectation is unreliable only customers' perceptions is more reliable. Cronin and Taylor, who developed the SERVPERF instrument in 1992 criticised SERVQUAL and suggested that measuring customers' perception gives a more reliable data. Their instrument is similar to the SERVQUAL instrument, but it measures service quality only on the basis of customers' perceptions of a given service. Dabholkar, Shepherd and Thorpe (2000) have suggested that measuring only the perception of customers can better evaluate their intention and evaluation. Furthermore, Dabholkar et Al. (2000) state that in this way, detailed service quality studies can be performed with the use of more efficient, simpler and cross-sectional designs. These studies have related service quality to the overall evaluation of service performance.

Seth, Deshmukh, & Vrat (2005) have discussed 19 service quality models which have contributed to the growth of service quality research

## 8. E-service quality

Growth of internet-based services has created a pragmatic shift in the process through which firms and consumers interact. E-service is playing an important role in determining the success or failure of e-commerce, and is also responsible for interactive flow of information between consumers and companies (Yang et al.,2001; Santos, 2003).

Online service delivery is not same as traditional service delivery. Information provided by or collected from customers can be gathered and analyzed by the e-service provider and used as the basis for the customization of the service that the organization offers to the customer (Rowley, 2006).

E-service has been defined as a web-based service or an interactive service that is delivered on the internet. Ghosh et al. (2004) conceptualized e-service as an interactive information service. Zeithaml et al. (2000) stated that e-services are web services that are delivered through the internet. In e-service, the customer's interaction or contact with the service providers is via technology, such as their web sites. In an e-service encounter, customers have to rely entirely on information technology. E-services can be defined as deeds, efforts, or performances whose delivery is mediated by information technology (Rowley, 2006).

E-service can be defined as an interactive, content-centered, and internet-based customer service that is driven by customers and integrated with the support of technologies and systems offered by service providers, which aim at strengthening the customer-provider relationship(de Ruyter, Wetzels, & Kleijnen, 2001).

Since, it is much easier to compare the technical features and prices of products online than through traditional channels, e-service quality becomes a key factor for customers (Santos, 2003).

E-service quality can be defined as the overall evaluations and judgments of customers regarding the excellence and quality of e-service delivery in the virtual marketplace (Santos, 2003). One of the definitions of e-service quality has been conceptualized by Zeithaml et al. (2000). They state that internet service quality is the extent to which a web site facilitates efficient and effective shopping, purchasing, and delivery of products or services.

E-service quality cannot only offer online commercial companies with competitive advantages in the market place, but also involve customers in the product development process through quick feedback and enhanced customer relationship. e-Service quality has been regarded as possessing the



potential to not only deliver strategic benefits but also to enhance operational efficiency and profitability(Cronin J. J., 2003).

A number of models have been given by various researchers on e-service quality. Some of them are:

- Attribute and overall affect model (Dabholkar P. , 1996)
- Internet banking model (Broderick & Vachirapornpuk, 2002)
- IT-based model (Zhu, Wymer, & Chen, 2002)
- Model of e-service quality (Santos, 2003)

## 9. Service quality in internet banking

Internet banking is becoming increasingly popular, and competing banks have limited avenues to exploit in terms of establishing a differentiation (Jayawardhena and Foley,2000). Delivering a superior quality of service as compared to that of competitors offers an opportunity to banks to achieve competitive differentiation (Ranganathan and Ganapathy, 2002). Given the lack of geographical or other physical constraints associated with internet banking, attracting, and retaining customers may be largely determined by the quality of service delivered (Liao and Cheung, 2002). Improvements in the quality of service delivered can only be made if it can be measured in the first place.

The fact that effective measurement of service quality can be very useful in the allocation of resources and in the segmentation of customers is well documented (Parasuraman et al.,1988). All these reasons combined have led to service quality measurement in internet banking becoming an area of growing interest to researchers and managers.

## 10. Conclusion

The research paper provides a review of the extant literature in E-service and its related research areas. A detailed literature review on areas like services marketing, e-services, customer expectations, customer perceptions, customer satisfaction/dissatisfaction, service quality, customer repatronage intentions and customer word-of-mouth intentions, online banking have been done for better understanding of the research topic.

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