

CUSTOMER SATISFACTION AND LOYALTY IN SERVICE BRAND

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ABSTRACT

Combined with the identified uniqueness of services and the growing prominence of service marketing, brand equity is applicable in managing the brand associations (Settle, 1989). Strong brand equity allows company to enjoy high brand satisfaction and strong brand loyalty associations with customers (Schuler, 2002). Therefore, this study sets out to investigate the service brand relationship towards the customer satisfaction and loyalty in the context of banking services. This study employed a six scale questionnaire survey design based on the service brand equity concept introduced by (O'Cass, 2002) which focusing on consumer based perceptions of brand associations of a service brand. Data was then analyzed using means and correlation analysis. The finding about customer service satisfaction and service loyalty displayed significant relationships. The correlation indicated that service brand satisfaction is able to predict a particular outcome such as services loyalty and the mean explains 74.6 % (Pearson) and 72.1 % (Spearman) of the variance in the correlation. The survey was administered to 259 commercial bank users intercepted on a University Malaya Campus, Kuala Lumpur, Malaysia. Nevertheless the finding has important implications to management and academia. A practical application from this study would be the use of certain dimensions in service brand avenues may be more effective in enhancing positive customer outcomes.

Keywords: Service marketing, branding, customer perceptions, satisfaction, loyalty

INTRODUCTION

It is surprising to find a few empirical researches that model the brand nature and determinants of relationships towards the customer satisfaction and loyalty in the context of services, especially in the context of those high in credence such as banking, legal, medical and other services (Darby, 1973). It is a complex question when understanding brand in service because the services sector itself is quite broad and there is a lack of research in services markets (Hartline, 2001; O'Cass, 2005). Service is an activity which has some elements of intangibility associated with it. Due to the unique characteristics of services, customers have a difficult time evaluating the content and quality of the service (Darby, 1973); Michael K. Brady and Brian L. Bourdeau, 2005; Nelson, 1970), being provided with fewer cues, which makes their evaluation process more difficult (Zeithaml, 1996).

Brand is defined as the intangible assets made up of the basic features, attributes, customer benefits and the perceived quality of the products and the corporate (Haigh, 2004). The secret of successful brand is to influence how people perceive and judge their satisfaction level on the product or service and affect the mind of customers; than customers will continue to buy the products and services in the future and recommend it to family and friends (Assael, 1991). Research had shown that as long as a brand can offer customers superior perceived value (met the

customer satisfaction level), then good market performance will follow, which makes consistency a highly important feature of brand behaviour (Schuler, 2002)

However, surprisingly to find a few studies that enhance this brand equity concept on services sector and further discover its significant effect on customer reaction such as satisfaction and loyalty. There is a findings proven that strong product brand equity allows company to enjoy high brand satisfaction, brand loyalty, name awareness, perceived quality and strong brand associations with customers (Schuler, 2002) . Meanwhile, the impact of the service brand equity towards the customer satisfaction and loyalty is still not been exposed. In an effort to provide impetus to the service brand literature this study investigate the existent of relationship between service satisfaction and loyalty in regards to the service brand equity concept particularly on banking service in Malaysia.

LITERATURE REVIEW

The importance of branding across the tangibility spectrum seems to be a more complex issue than theory would suggest (Hartline, 2001; Holt, 2004). Services cannot be seen, felt, tasted or touched (experienced) in the same manner in which goods can be sensed (Berry, 1980). A key to success in services marketing is to “tangibilizing the intangible” (Berry, 2000 and Levitt, 1981). One way to increase the tangible nature of a service is to use an extrinsic cue like branding. Distinctiveness, relevance, memorability, and flexibility service brand characteristics (Berry, 1980) may help to reduce customers’ purchase risk and optimize their cognitive processing abilities (Onkvisit, 1989) towards service selection.

The brand strength depends on the extent to which customer perceptions are consistent, positive and shared by customers (Szmigin, 2005). In the case of services, this process can become more complex and problematic to brand management. Successful brand management requires both an understanding of how the brand strategy is implemented, communicated to customers and how customers respond to this. Tracing the processes that shape the future nature of brands and brand activities helps management better plan for brand growth.

Brand development is particularly crucial within services where it is difficult to differentiate the services and there is a lack of physical characteristics to evaluate competing service offerings (Onkvisit, 1989; Zeithaml, 1996). Branding a service can help customers by helping to assure them of a uniform level of service performance (Berry, 2000). Therefore, the execution of a services brand strategy needs more consideration (Segal-Horn, 2003).The bank services sector provides excellent examples of highly intangible, impalpable and complex service-based offerings, which vary enormously in context, use, consumption, delivery, duration and significance to the customer (Debling, 1995). Options for adding value in the bank services may be limited due to customer reliance on experience and credence qualities during the purchase decision (Nicholas J. Ashill, 2003; Szmigin, 2005), and extrinsic cues such as brand image and reputation (Martinez, 2004; Parasuraman, 1985) of the bank institutions.

Customer Satisfaction

There is no doubt about the importance of achieving high customer satisfaction as the ultimate goal of service companies. Customer satisfaction is considered as a necessary condition for customer retention and loyalty and therefore helps in realizing economic goals like sales turnover and profit revenue (Shaun McQuitty, 2000). In most client evaluations of retail banking services, the focus has been on the experience of comparative judgments in the service expectations versus perceived service performance (Kathryn, 2000). It is argued that service experience effects the customer's overall satisfaction with the service brand. Defined as an emotive response to service attributes and service information, satisfaction is the customer's immediate reaction to both tangible and intangible brand stimuli. The intangible brand stimuli such as core service, employees, environment and feelings aroused during service consumption to have a direct effect on satisfaction (Babin, 1999).

It is argued that service experience effects the customer's overall satisfaction with the service brand (Chen, 2001). Defined as an emotive response to service attributes and service information, satisfaction is the immediate reaction to the service experience. Satisfaction is claimed as being generally associated with a particular transaction at a particular time as opposed to brand attitudes that take a more global perspective (Cote, 2000). In terms of service brand stimuli such as brand equity, literature reveals that a number of brand dimensions are strongly associated with satisfaction (D. a. O. C. Grace, A., 2001). Several brand equity dimensions such as SERVICESCAPE (Berry, 2000); core service, employee service and feelings aroused during service consumption, are also argued to have a direct effect on satisfaction and service quality in various service setting (Babin, 1999).

Customer Loyalty

There is evidence to support the argument that it will cost a company four to six times to obtain customers than to retain new ones (John C. Mowen and Michael Minor, 1998). Therefore, the maintenance and development of brand loyalty is considered by many companies as one of the keys to long term profitability. Once brand loyalty has been established, customers will continue to buy the products and services in the future, recommend it to family and friends and choose the product over those with better features or lower prices (Assael, 1991). Indirectly, brand loyalty becomes the natural barrier to entry to the new competitors, additionally, during the Asian economic crisis in 1997, it was found that companies with powerful brands and high brand loyalty were less affected by the downturn (Paul Temporal, 2000). Customers are now generally more educated, possess higher spending power and access to more information which provides them with greater knowledge and greater freedom of choice. The impact of this change in customers is more likely to switch their purchasing from ordinary to powerful brand companies. In general, there are three distinctive approaches to measure loyalty (John C. Mowen and Michael Minor, 1998).

Relationship between customer satisfaction and loyalty

Researches on customer loyalty have focused primarily on product-related or brand loyalty, whereas loyalty to service organizations has remained under-exposed (Gremler and Brown,

1996). Frequently, a positive correlation between the constructs of satisfaction and quality and product loyalty is reported. Likewise, with regards to service loyalty, perceived service quality as well as satisfaction have been identified as key antecedents in banking as well as in other service industries (Dick and Basu, 1994; Lewis, 1993). However, satisfaction and loyalty are not surrogates for each other (Bloemer and Kasper 1995; Oliver 1999). It is impossible for a customer to be loyal without being highly satisfied and vice versa. Collectively, studies by Bolton 1998; Crosby and Stephens 1987; Gronholdt, Martensen and Kristensen 2000; Reicheld 1996; Rust and Zahorik 1993; have found qualified support for the positive impact of satisfaction on customer loyalty. Firms need to gain a better understanding of the relationship between satisfaction and loyalty in the service environment to allocate their service marketing efforts between satisfaction and loyalty.

METHODOLOGY

Basically, this personally administered questionnaire structure involves offering respondents a number of defined response choice (6 scale from strongly disagree to strongly agree) objectively towards the consistency of the respondent's answers. To ensure the questionnaire is relevant and is related to an indication of the response expected, face validity approach has been used. The completed questionnaire was subjected to a pre-test survey conducted. The questionnaire has five sections. Section 1 consists of screening and describing the respondent's bank profile and their usage pattern of the bank service. Section 2 has been designed to describe brand awareness meant to explore the respondent knowledge of the bank brand in memory and the ability to recall it, while; section 3 focuses more on brand meaning that used to gauge customer perception about the bank brand held in respondents' minds. Section 4 of the questionnaire focuses on respondents' service satisfaction by evaluating respondents' responses regarding their perceived discrepancy between prior expectation and the actual performance of the bank service as perceived after its consumption. While, section 5 means to investigate brand loyalty as consistency preference and their purchase pattern of the preferred bank by the respondents.

FINDINGS

The KMO's measure of sampling adequacy or reliability for the sample data set is high at 0.877 which is greater than 0.7 for a satisfactory factor analysis to be proceeds (Sureshchandar, 2001). The result indicates that the correlations between pairs of variables can be explained by others variables and the result concluded that the strength of the relationship among variables is strong, and supported by the associated significance level of 0.000 ($p < 0.05$) (Pallant, 2001).

In total 265 completed surveys were obtained out of 300 distributed which is 6 cases were deleted due to the omission and incomplete information, resulting in a total of 259 responses (86.3% response rate) being used for the data analysis. An analysis of the demographics of the respondents participated in the survey (Table 1) revealed that 54 per cent were female and the highest age group distributed of the respondents fell under age group of 26 to 30 years old (37.1%). In terms of ethnicity composition of the respondents, 51.7% were Malays, 30.9 were Chinese, 13.9% were Indians and 3.5% were other race group. With regards to the highest educational level of respondents, the majority of the respondents (78.8%) possessed a university degree and (41.7%) are having executive positions in the organizations.

Table 1: Demographic Profile of the Respondents

| Demographic | Details | No. | Percent |
|--------------------|----------------|------------|----------------|
| Gender | male | 118 | 45.6 |
| | female | 141 | 54.4 |
| | Total | 259 | 100.0 |
| Age | 21-25 | 78 | 30.1 |
| | 26-30 | 96 | 37.1 |
| | 31-35 | 55 | 21.2 |
| | 36-40 | 26 | 10.0 |
| | above 41 | 4 | 1.5 |
| | Total | 259 | 100.0 |
| Education | high school | 5 | 1.9 |
| | diploma | 19 | 7.3 |
| | degree | 204 | 78.8 |
| | postgraduate | 24 | 9.3 |
| | professional | 7 | 2.7 |
| | Total | 259 | 100.0 |
| Occupation | professional | 30 | 11.6 |
| | executive | 108 | 41.7 |
| | academician | 16 | 6.2 |
| | senior manager | 8 | 3.1 |
| | clerk | 13 | 5.0 |
| | student | 59 | 22.8 |
| | manager | 14 | 5.4 |
| | Self-employed | 11 | 4.2 |
| | Total | 259 | 100.0 |
| Income | 0-1500 | 16 | 6.2 |
| | 1500-1999 | 82 | 31.7 |
| | 2000-2999 | 76 | 29.3 |
| | 3000-3999 | 35 | 13.5 |
| | 4000-4999 | 19 | 7.3 |
| | 5000-5999 | 6 | 2.3 |
| | above 6000 | 25 | 9.7 |
| | Total | 259 | 100.0 |

There were 15 banks has been highlighted by the respondents consists of local and international bank that operates in Malaysia. However, the 3 most rated preferred bank selections in this study by the respondents were Maybank, Bumiputra Commerce and Public Bank. This rating exercise also take consideration of the number of years that they have been used and majority of the respondents had experienced for more that 3 years with the bank. Additionally, 37.8% of the

respondents had done for 5 to 7 transaction per month respectively whether approaching the counter, ATM or online banking.

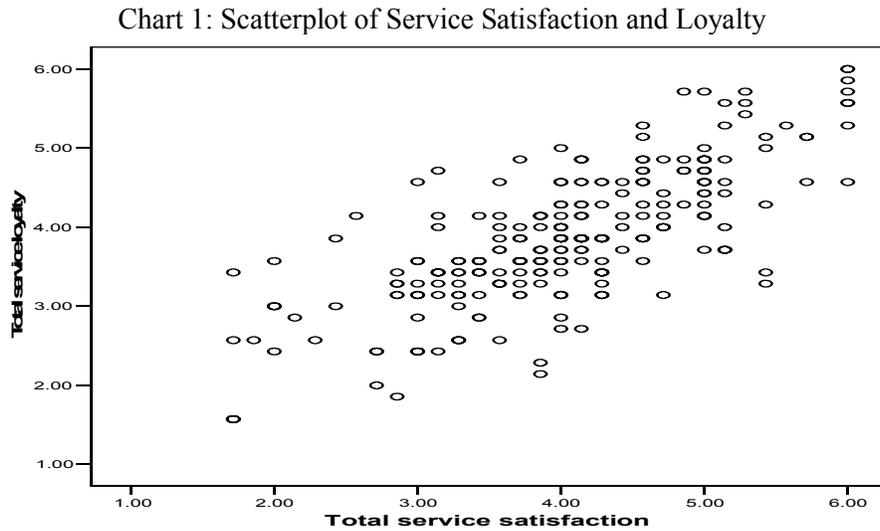
Table 2: Probability Mean of Service Brand, Satisfaction and Loyalty

| Service Brand Dimensions | Mean | Std. Deviation |
|---------------------------------|-------------|-----------------------|
| Bank advertisement | 3.539 | 0.79 |
| Bank brand name | 3.669 | 1.061 |
| Bank Country of Origin | 3.646 | 0.862 |
| Word of Mouth | 4.258 | 0.956 |
| Public Relations | 4.103 | 0.898 |
| Core Service Operation | 4.266 | 0.905 |
| Employees | 4.024 | 0.866 |
| Service Environment | 4.300 | 0.736 |
| Bank Features | 4.657 | 0.800 |
| Perceived value | 3.836 | 0.684 |
| Self brand image | 3.659 | 0.992 |
| Brand aroused feelings | 4.067 | 0.846 |
| Service bank personality | 3.947 | 0.786 |
| Service Satisfaction | 4.030 | 0.911 |
| Service Loyalty | 3.871 | 0.833 |

Table 2 above depicts the mean for the service brand dimensions that respondents believe will probably be carried by Malaysia bank services. In terms of probability mean of service brand dimensions, bank features dimension, core service operation and word of mouth exhibited the strongest mean effect on service brand dimensions. Unfortunately, bank advertisement and bank country of origin showed the lowest probability mean of service brand dimensions.

There is a correlation exist between customer satisfaction and loyalty with regards of service brand?

An analysis of the service satisfaction and loyalty with regards to the service brand equity of the bank was then analyzed. Before performing a correlation analysis, it is a good idea to generate a scatterplot first. This enables to check for violation of the assumption of linearity effects. Inspection of the scatterplots also gives a better idea of the nature of the relationship between variables.



The distribution of the data points spread nearly arranged in a positive narrow shape and this suggests quite a strong correlation (Pallant, 2001). The scatterplot (Chart 1) can tell us the upward trend indicates a positive relationship which a high scores on service satisfaction will lead high scores on service loyalty. Once this study have explored the distribution of scores on the scatterplot, the relationship establishment between the variables is roughly linear, it is appropriate to proceed with calculating the Correlation Coefficients.

Table 3: Service Satisfaction and Loyalty Correlations Analysis

| Correlation Analysis | Service Satisfaction and Loyalty | Sig. |
|----------------------|----------------------------------|-------|
| Pearson | 0.746 | 0.000 |
| Spearman's | 0.721 | 0.000 |

To get an idea of how much variance of service satisfaction and loyalty share can be calculated what is referred to as the coefficient of determination. Pertaining from the correlation analysis (Table 3), the r indicated the service satisfaction helps to explain nearly 74.5% (Pearson) and 72.1% (Spearman's) of the variance in respondents' scores on the service loyalty scale. The number of the cases in this statistical test ($N=259$) is consistent and there is no missing data for both variables tested. The direction of the relationship between the variables is positive because there is positive sign in front of the r value. Referring to the Table 3, service satisfaction has a mean of large positive correlations with service loyalty that counted as 0.746 for Pearson Correlation and 0.721 for Spearman Correlation statistical test which is more than 0.5 of r value as per Cohen (1988) guidelines.

DISCUSSION AND CONCLUSION

Successful brand management requires both an understanding of how the brand strategy is implemented, communicated to customers and how customers respond to this. Tracing the processes that shape the future nature of brands and brand activities helps management better plan for brand growth. Research had shown that as long as service provider can offer customers superior perceived value and high satisfaction level, then good market performance will follow such as customer loyalty, which makes consistency a highly important feature of brand behaviour (Schuler, 2002). The usage of intrinsic cues such as service satisfaction can direct the service provider on the development of the customer positive service experience and strong service brand value such as customer loyalty (Chen, 2001; Cote, 2000; de Chernatony, 1999).

Service industry such as banking services is facing increasing competition, so they try to establish strong brands not only in the market, but also in the head of customers (Mackay, 2001; Martin Wetzels, 1998; Onkvisit, 1989). A company's marketing strategy will not successfully build a brand and customer loyalty unless there consistently excellent in managing their customers satisfaction experiences. However, the interpretation of satisfaction and service brand stimuli is highly subjective and is based on what the customer expects to see in light of previous experience, on the number of plausible explanations they can envision, on motives and interest at the time of perception (O'Cass, 2005). Therefore, the perceived image and interpretation of services brand positioned resulted from bank operation, employees and brand aroused feeling are important for its customer satisfaction experience towards reaching customer loyalty with regards in the banking service sector.

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