The Impact of Service Quality and Customer Satisfaction on Customer Retention in the Indian Banking Industry: An empirical analysis.

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Abstract

Previous banking studies on customer retention focused narrowly on service quality and customer satisfaction without attempting to link them in a model to further explore or explain customer retention. If retention strategy is not planned than customers will defect, irrespective of the efforts put in by banks. This study empirically examines the potential constructs in customer retention by investigating the effects of service quality and customer satisfaction. Customer's levels of satisfaction, perception about service quality and loyalty are constructs that influence the customer to retain with the present bank. It is assumed that when the customer is completely satisfied, then loyalty towards the bank is strengthened.

This study was designed to examine the relationship between service quality, customer satisfaction and customer's retention with a bank in the Indian Banking industry. The respondents were 398 banking customers who completed the self-administered questionnaire. Pearson Correlation analysis indicated that service quality and customer satisfaction had a direct positive effect on customer's retention intentions. Multiple Linear Regression highlighted customer satisfaction as a stronger predictor of customer retention intentions compared to service quality. Possible interpretations, limitations, and implications for marketing professionals are discussed.

Introduction

India's banking industry these days finds itself on a treadmill where it has to keep pace with the country's rapid growth by servicing a customer base with global options. A report by consulting firm McKinsey & Co. finds that while Indian banks fare well by global standards on a few counts, including increasing shareholder value, they will have to do much more to stay competitive.

To expedite the process of financial inclusion, public sector banks need to open at least 250 new accounts in each branch every year, as recommended by the Rangarajan Committee in its report. In its final report ,Finance minister P Chidambaram ,headed by the chairman of Prime Minister's Economic Advisory Council C Rangarajan, suggested that each branch PSU banks should open 250 new accounts every year. This implies that 12.5 million accounts would be opened each year, given the current strength of 50,000 branches in the country.

Regulatory, structural and technological factors are significantly changing the banking environment throughout the world. One factor that is spurring the growth of the service economy in India is the liberalisation that has been ushered in by the government in the banking sector. The financial sector reform in India was designed to infuse "greater competitive vitality in the system". In other words, financial liberalisation has led to intense competitive pressures and retail banks are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. Retail banks are pursuing this strategy, in part, because of the difficulty in differentiating based on the service offering.

Previous banking studies on customer retention focused narrowly on service quality and customer satisfaction without attempting to link them in a model to further explore or explain customer retention. If retention criteria are not well managed, customers may still leave their banks, regardless of how hard bankers try to retain them. This study empirically examines the potential constructs in customer retention by investigating the effects of service quality and customer satisfaction. Customers can be highly satisfied but still leave their current banks. It is assumed that when the customer is completely satisfied, then loyalty towards the bank is strengthened.

This study was designed to examine the relationship between service quality, customer satisfaction and customer's retention with a bank in the Indian Banking industry. The respondents were 398 banking customers who completed the self-administered questionnaire. Pearson Correlation analysis indicated that service quality and customer satisfaction had a direct positive effect on customer's retention intentions. Multiple Linear Regression highlighted customer satisfaction as a stronger predictor of customer retention intentions compared to service quality. Possible interpretations, limitations, and implications for marketing professionals are discussed.

Definition of Service Quality, Customer Satisfaction and Customer Retention

DEFINITION AND MEASUREMENT OF SERVICE QUALITY (SQ)

Service quality has been a challenging issue for many scholars, including the pioneers in the field such as W. Edwards Deming, Joseph M. Juran and Kaoru Ishikawa (Hofman, Worsfold, 1997). Early quality models have been concentrating on goods, but the (recent) development in the economy, i.e. shift from the manufacturing economy to service economy, increasingly drew the attention to services and their quality. Service quality is a concept that has raised considerable interest and debate in the research literature because of the difficulties in defining and measuring it whereby the consensus on both issues is still missing (Lewis and Mitchell, 1990, Dotchin and Oakland, 1994, Gaster, 1995, Asunbonteng et al 1996). It has been generally acknowledged that the service quality is more difficult to model than the quality of goods due to the intangible nature of services themselves (Bergman and Klefsjo, 1994). There is no universal definition on the service quality. In the broadest sense, service quality is defined as superiority or excellence as perceived by customer (Peters and Austin, 1985). Zeithamal and Bitner (1996) define the notion as the delivery of excellent or superior service relative to customer expectations. According to Harvey (1995) quality is behavior – an attitude – that says you will never settle for anything less that the best in service for your stakeholders, whether they are customers, the community, your stockholders or colleagues with whom you work every day. Boomsma (1991) says that when we want to be effective – delivering good quality to the customer – we must produce services that meet "as much as possible" the needs of the customer while Lewis (1989) considers quality as providing a better service than the customer expect (Lewis, 1989).

Customer Perception of Service Quality

In India, the importance of customers' views has grown since the deregulation of the banking sector. Since then customer perceptions and preferences have had an increasingly greater impact on a bank's success (Sureshchandar, Rajendran & Anantharaman 2002). Today, customers are more educated than ever before, they expect more value for money and they want a good service and are willing to pay for it (Kim & Kleiner 1996). The level of courtesy and assistance required by bank customers has increased dramatically as customers have upgraded their service standards (Yavas, Bilgin & Shemwell 1997). It is important for banks to differentiate themselves on the basis of customer service in order to effectively compete in the modern competitive banking environment (Alexandris, Dimitriadis & Markata 2002).

Customer Satisfaction

Customer satisfaction has been an important theoretical and practical issue for most marketers and consumer researchers. Customer satisfaction has been considered a key to success in today's highly competitive business environment. The importance of customer satisfaction in strategy development for customer and market oriented firms can not be underestimated. Satisfaction has a significant impact on customer loyalty (Sharma and Patterson, 2000) and, as a direct antecedent, leads to commitment in business relationships (Burnham et al., 2003), thus greatly influencing customer repurchase intention (Morgan and Hunt, 1994). Indeed, the impact of satisfaction on commitment and retention varies in relation to the industry, product or service, environment, etc.

However, customer commitment cannot be dependent only on satisfaction (Burnham et al., 2003). Relational switching costs, which consist in personal relationship loss and brand

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relationship costs and involve psychological or emotional discomfort due to loss of identity and breaking of bonds (Burnham et al., 2003), have a moderating effect on the satisfaction commitment link (Sharma and Patterson, 2000). Since relational switching costs represent a barrier to exit from the relationship, they can be expected to increase the relationship commitment. High switching barriers may mean that customers have to stay (or perceive that they have to) with suppliers who do not care for the satisfaction created in the relationship. On the other hand, customer satisfaction is usually the key element in securing repeat patronage, this outcome may be dependent on switching barriers in the context of service provision (Jones et al., 2000). It has increasingly become a goal for organisations to seek to deliver satisfaction with their products and services. Danaher and Haddrell (1996) stated that there was an increase in conducting customer satisfaction surveys by many service industries. Increased research into customer satisfaction has been influenced dramatically by the variety of measurement scales used in customer satisfaction instruments tests (Devlin, Dong & Brown 1993). Customer satisfaction is defined generally as the feelings or judgments of the customer towards products or services after they have been used (Jamal & Nasar 2003). Customer satisfaction in service industries has been approached differently by equity theory, attribution theory, the confirmation and disconfirmation paradigm, and satisfaction as a function of perception (Parker & Mathews 2001)

Researchers in customer satisfaction have included it as an affective construct and not as a cognitive construct (Oliver, 1997; Olsen, 2002). Customer Satisfaction has been defined by Rust and Oliver (1994) as the "customer's fulfilment response," which is an assessment and an emotion based reaction to a service provided. Cronin et al. (2000) studied service satisfaction using the dimensions viz. interest, enjoyment, surprise, anger, wise choice, and doing the right thing.

Customer Retention

In today's competitive environment, banks need to keep up with current and potential customers if they are to survive, grow and continue to prosper (Mohebi and Hechter, 1993). This finding is supported by Holliday (1996) where the banking industry is vulnerable to a changing environment for example loyal customers can be stolen away through an aggressive marketing campaign. Thus, product and service differentiation and marketing campaigns are important factors to sustain com- petitive advantage in the industry. This is supported by Mylonakis et al.'s (1998) findings that showed that banks today are focusing most of their competitive efforts on physical presence (such as branch network development in very attractive locations) and promotion, as well as offering supplementary services to differentiate themselves from others (Mylonakis et al., 1998).

The homogeneity of services offered and competition within the banking industry have put added pressure on banks to achieve competitive differentiation, which has led to an emphasis on service quality. Banks use service quality as a means of gaining competitive advantage. This practice is perceived to be a prerequisite for achieving high quality customer service, which is seen as the only mechanism for achieving differentiation and retaining customers in a highly competitive and homogenous industry (Ioanna, 2002).

Chang et al. (1997) further identified a need for bank managers to look into the quality aspects of their products and to establish quality control systems for providing services that are consistent and at levels exceeding customers' expectations. Most of the research in

customer retention and customer exit investigates the processes separately without linking the two processes together (Colgate and Norris, 2001). Based on the previous lit- erature, this study developed a customer retention model linking the two major constructs that are proposed to impact a customer's decision to stay with, or leave, his or her current bank (Figure 1).

Chong et al. (1997) found that both customer satisfaction and customer perceptions of service quality were important predictors of attitudinal loyalty, but that satisfaction had the strongest rela- tionship with the loyalty construct. Thus, satisfaction is only of value to firms if it elicits some kind of positive financial outcome. Furthermore, Colgate and Danaher (2000) examined the ef- fects that implementation of a relationship strategy can have on overall customer satisfaction and loyalty. Indeed, it was found that service organisation employees form particularly close relation- ships with customers because employees and customers often work together in the creation of many services, where services are produced by employees and consumed by customers simultane- ously (Lovelock, 1981; Berry, 1980). In addition, because of the intangibility of services, custom- ers often rely on employees' behaviour in forming opinions about the service offering (Gronroos, 1984; Shostack, 1977). Because of these functions, employees actually become part of the service in the customer's eyes (Lovelock, 1981).

The literature suggests that there is a positive relationship between consumers' behavioural intentions and customer loyalty and customer retention in banks. Furthermore, there is a positive relationship between customer satisfaction and service quality and customer retention. Repurchase intentions, word of mouth publicity; loyalty, price sensitivity and complaining behavior are major components of Repatronage Intentions (RI) (Zeithaml, Berry, Parasuraman, (1996)). Zeithaml, Berry and Parasuraman also reiterate that high service quality leads to positive behavioural intentions and vice-versa. They also point out to the intention to stay with a brand or to defect as one the barometric indicators of Behavioural Intentions. Burton et al. (2003) support the view that customers' experience dictates Behavioural Intentions and that a positive experience would prompt a satisfied customer to reuse the brand.

Relating Service Quality, Customer Satisfaction and Customer Retention

Service quality has remained one of the important issues in both the marketing literature generally, and the service marketing literature specifically (Jamal & Naser 2003). It has been considered to be a critical measure of organisational performance. Practitioners and academics often tried to develop a measure of service quality in order to better understand its essential antecedents and consequences and to achieve a competitive advantage and build customer loyalty (Alexandris, Dimitriadis & Markata 2002). Excellent service quality has been considered an important prerequisite for establishing and having a satisfying relationship with customers (Lassar, Manolis & Winsor 2000). Achieving customer satisfaction has also been considered a vital target for most service firms today.

Increasing the level of customer satisfaction has been found to lead to improved profits, word-of-mouth recommendation and less marketing expenditure (Beerli, Martin & Quintana 2004). As a result, the relationship between service quality and satisfaction was therefore considered an important topic and strategic concern in this research (Lee, Lee & Yoo 2000). In general, the research in this area suggested that service quality should be considered an

important indicator of customer satisfaction. Therefore, it is expected that all service quality factors have a positive influence on customer satisfaction.

Similarly, Anderson and Sullivan (1993) found that repurchase intentions were positively influ- enced by satisfaction across product categories, and that customers were more likely to be retained as satisfaction increased. The positive effect of customer satisfaction on brand loyalty is also noted by LaBarbera and Mazursky (1983) and Kasper (1988). Oliver (1999) found that when satisfaction with services went above a critical point, customer loyalty also increased.

The major approach to predict customer loyalty draws from the evaluative judgement of variables, especially the satisfaction-loyalty model (Loveman, 1998). This standard approach posits that in- creased loyalty results from higher levels of customer satisfaction. While some authors claim that customer satisfaction is not enough to drive customer loyalty, other scholars argue that the solution is to add value to the transaction (Stum and Thiry, 1991). Customer loyalty is earned by consistently delivering superior value (Reichheld, 1993). Few studies have been conducted that link value for money with service outcomes. However, in a retail service, Sweeney et al. (1997) found that value for money had a significant and positive effect on the customer's willingness to buy an electrical appliance.

Butcher et al. (2001) support the efficacy of customer satisfaction as the major predictor of service loyalty. Loyal clients are believed to be less price-sensitive (Clark et al., 1995) but this conflicts with Abratt and Russell (1999) findings where the authors found that reasonable prices are rated as an important requirement for consumers to stay loyal. This is also supported by Fisher (2001), who identified that a key factor in loyalty to any brand is price. As consumers are given more choices, they appear to be more willing to try new brands, especially if they do not feel 'rewarded' for re- maining loyal, and they perceive many brands to be equal in terms of quality and value received (Schriver, 1997). More importantly, their study shows that satisfaction with a single service encounter is critical to loyalty formation. However, friendship between customers and particular service em- ployees also has a major influence on the development of loyalty. It also appears that value for relationship and service quality are the major variables in forming customer loyalty.

One school of researchers believes that Customer satisfaction is antecedent to Service quality. Whereas the other group of researchers argued that Service quality is antecedent to Customer satisfaction and that a positive Service quality perception can lead to customer satisfaction which then results in positive Repatronage Intentions (Brady and Robertson, 2001). Interestingly there is a third perspective forwarded by Taylor and Cronin, 1994, who opine that neither of the above two constructs is an antecedent of the other. However, Dabholkar (1995) reiterates that the antecedent role of each construct is consumer specific.

Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Gronroos, 1991; Coviello et al., 2002). While the precise "meaning and measurement of customer retention can vary between industries and. There has been a strong advocacy for the adoption of customer retention as one of the key performance indicators (e.g. Kaplan and Norton, 2001). For instance, a study by Reichheld and Sasser (1990) reported a high correlation between customer retention and profitability in a range of industries.

Aspinall et al. (2001) investigated the issue of definition and measurement of customer retention. They found that customer retention was particularly an issue in larger companies, and those serving business-to-business markets, but that "relatively few respondents [whatever their served markets] claimed to have an agreed definition of customer retention" (Aspinall et al., 2001, p. 83). Nonetheless, more than half the respondents in their survey stated that they measured customer retention. Clearly the absence of measurable indicators makes it harder to gauge the impact of strategy implementation. Buttle (2004) found that companies can employ one or more of several types of retention-related KPIs - raw, salesadjusted, or profit-adjusted customer retention metrics. Companies that adopt raw customer retention metrics focus on the retention of a given percentage or number of customers, regardless of value. Companies that use sales- or profit-adjusted retention metrics will focus their efforts on customers that generate higher levels of sales or profit. Coyles and Gorkey's (2002) research also notes the significance of focusing on the retention of profitable customers, rather than all customers. They suggest that it may be more important for companies to focus on managing the overall downward migration of customer spending than customer retention in its own right. They note that "many more customers change their behavior than defect, so the former typically account for larger changes in value" (Coyles and Gorkey, 2002, p. 80). They report the case of one bank that lost 3 per cent of its total balances when 5 per cent of checking account customers defected in a year, but lost 24 per cent of its total balances when 35 per cent of customers reduced the amounts deposited in their checking accounts. The need to manage migration rather than defection is particularly true when customers engage in portfolio purchasing by transacting with more than one supplier.

Another question that researchers have attempted to answer concerns the focus of companies' customer retention efforts (Koch, 1998; Ganesh et al., 2000). Should retention of every customer be the goal, or should retention efforts be focused on subsets or even individuals? A report by PricewaterhouseCoopers (2002) observes that poor management of customer churn is a major value destroyer and that the key to prevention is to predict and avert attrition of the "right customers". The "right customers" are those that contribute most significantly to the achievement of the company's objectives. The implication of there being "right" and "wrong" customers to retain is that companies are advised to segment their customer base for retention efforts in much the same way that they would segment the market for acquisition efforts (Weinstein, 2002). Evans (2002) suggests that the right customers are those with the highest residual lifetime value.

Notably, the quality and satisfaction concepts have been linked to customer behavioural intentions like purchase and loyalty intention, willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002; Kang, Nobuyuki and Herbert, 2004; Söderlund and Öhman, 2005). The most commonly found studies were related to the 'antecedents, moderating, mediating and behavioral consequences' relationships among these variables - customer satisfaction, service quality, perceived value and behavioral intentions. However, there have been mixed results produced.

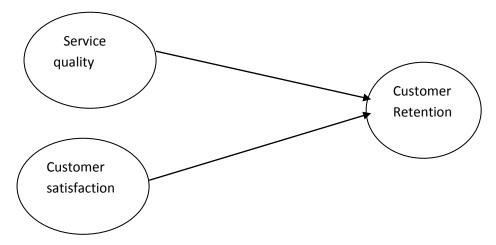
In India, the banking industry is undergoing a dramatic transformation and experiencing heightened competition. Moreover, the quality of the service that customers encounter may be different each time they re-visit that particular restaurant, thus influencing the level of satisfaction and eventually affecting their re-patronage intentions. Given these important issues that need to be addressed, the main purpose of this study was to examine the factors that affect customers' repatronage intentions in the restaurant context.

Specifically, this paper aims to examine the nature and strength of relationships between customer satisfaction, service quality and customer's repatronage intentions. The predictive ability of satisfaction and service quality on repatronage intention will also be analyzed.

CONCEPTUAL FRAMEWORK

The present paper developed a conceptual framework (Figure 1), which aims to examine the predictive ability as well as the nature and strength of relationship between service quality, customer satisfaction and Customer Retention. All constructs were conceptualised to fit better into the current study setting. Based on the original view of Parasuraman, Zeithaml and Berry (1985), service quality was conceptualised as a function for the differences between expectation and performance.Next, customer satisfaction has been conceptualized in this study as the patrons' cumulative post-purchase affective evaluation based on the most recent services consumption experience at the bank. Lastly, the repatronage intention construct has been conceptualized as a customer's likelihood of revisiting the bank during the coming month by adopting the definition of Hellier *et al.* (2003).

Figure 1. The Conceptual Framework



Source: Cronin, J. J., Brady, M. K., and Hult, G. (2000). Assessing the Effects of Quality, Value, and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments. Journal of Retailing, 76(2), 193-218.

The Direct Effect of Service Quality on Customer Retention

Substantial empirical and theoretical evidence in the literature suggests that there is a direct link between service quality and behavioural intentions (Bitner, 1990; Bolton and Drew, 1991a). mong the various behavioural intentions, considerable emphasis has been placed on the impact of service quality in determining repeat purchase and customer loyalty (Jones and Farquhar, 2003). As pointed out by Bolton (1998), service quality influences a customer's subsequent behaviour, intentions and preferences. When a customer chooses a provider that provides service quality that meets or exceeds his or her expectations, he or she is more likely

to choose the same provider again. Besides, Cronin and Taylor (1994) also found that service quality has a significant effect on repurchase intentions. Other studies which support that repurchase intentions are positively influenced by service quality include Zeithaml, Berry and Parasuraman (1996), Cronin and Taylor (1992, 1994), Cronin, Brady and Hult (2000), and Choi *et al.* (2004). Hence, it was hypothesized that:

H1: Service quality is positively related to Customer Retention

The Direct Effect of Customer Satisfaction on Customer Retention

A wide variety of studies has been done to support the link between customer satisfaction and behavioural intentions (Fornell, 1992; Rust and Zahorik, 1993; Taylor and Baker, 1994; Patterson and Spreng, 1997). Bearden and Teel (1983, p. 21) argue that 'customer satisfaction is important to the marketer because it is generally assumed to be a significant determinant of repeat sales, positive word of mouth, and customer loyalty'. Similarly, Anderson and Sullivan (1993) have also argued that the more satisfied the customers are, the greater is their retention. This view is also supported by Ranaweera and Prabhu (2003) study that the effects of customer satisfaction on customer retention are found to be significant and positive. Specifically, the levels of customer satisfaction will influence the level of repurchase intentions and this is supported by past research in a wide variety of studies (Rust and Zahorik, 1993; Taylor and Baker, 1994; Patterson and Spreng, 1997; Bolton, 1998; Hellier *et al.*, 2003). On the basis of the above, it was then hypothesized that:

H2: Customer satisfaction is positively related to Customer Retention.

The Relative Importance of Service Quality and Customer Satisfaction for the Prediction of Customer Retention

Both service quality and customer satisfaction have been widely recognised as antecedents of repurchase intentions. By far, the most commonly used customer perceptual metric by managers is satisfaction (Gupta and Zeithaml, 2007). Zeithaml et al., 2006 (p. 170) observe that this is "because it is generic and can be universally gauged for all products and services . Even without a precise definition of the term, customer satisfaction is clearly understood by respondents, and its meaning is easy to communicate to managers." With regard to satisfaction's relationship to customer behavior, research has shown a link been satisfaction and customer retention (Anderson and Sullivan, 1993; Bolton, 1998; Jones and Earl Sasser, 1995; LaBarbera and Mazursky, 1983; Loveman, 1998; Mittal and Kamakura, 2001; Newman and Werbel, 1973; Rust and Zahorik, 1993; Sambandam and Lord, 1995) and customers' share of category spending (i.e. share-of-wallet) (Keiningham et al., 2005; Keiningham et al., 2003; Perkins-Munn et al., 2005).

Researchers have long used repurchase intentions to help predict future purchasing behavior. hile the correlation between intentions and repurchase is not perfect, a number of researchers have examined various factors influencing this relationship (Bemmaor, 1995; Chandon et al., 2005; Jamieson and Bass, 1989; Morrison, 1979; Morwitz et al., 1993; Morwitz et al., 1997). A recent study reveals that customer satisfaction is a better predictor of intentions to repurchase than service quality (Ravald and Gronroos, 1996). Evidence is provided by Cronin and Taylor (1992) who found a much stronger relationship between customer satisfaction and repurchase intentions than the relationship between service quality and repurchase intentions. Academically, from a practitioner's point of view, customer satisfaction is deemed to be

more influential on repurchase intentions (Dabholkar, 1995). Parasuraman, Zeithaml and Berry (1994) also revealed in their analyses that customer satisfaction is likely to achieve a greater level of statistical significance when both service quality and customer satisfaction have a significant effect on repurchase intentions.

Thus the hypothesis proposed is

H3: Customer satisfaction will be a stronger predictor of customer's retention than service quality.

Methodology

This study was conducted in two stages. Stage one involved a pilot study which was conducted to refine the test instrument. Thirty five respondents were interviewed in the pilot testing phase. Stage two involved the distribution of 451questionnaires to a random sample of people from the banking customers, a total of 398 useable surveys were collected, rest were ignored due to missing data. A bank intercept method was used to administer the survey which was collected via face-to-face interviews. Respondents were asked to give their perception of the quality level of service as well as satisfaction level towards their banks, on a seven point likert scale ranging from 1, indicating the lowest, to 7 indicating the highest. A total of 398 useable surveys were collected. The surveys encompassed evaluations from two major public and two major private banks in the city of Bhubaneswar and Cuttack, which is the eastern part of the country.

The multiple-items used to measure service quality were taken from Parasuraman, Zeithaml and Berry (1985) and Kivela, Reece and Inbakaran (1999b). Single-item approach was used for the satisfaction and customer retention construct. Typically, assessment of reliability in terms of internal consistency cannot be computed for single-item measurement (Soderlund and Ohman, 2003). Rossiter (2002) has strongly argued that intentions should not be captured with multiple-item scales, as they invite the possibility of a confounded measurement. Though Churchill (1979) argued that single items are unreliable, Rossiter (2002) opposed this by demonstrating that the main issue is the validity problem rather than reliability problem. This is further supported by Westbrook and Oliver (1981) who indicated that single item rating scales were common among researchers in testing customer satisfaction.

Descriptive Findings

Among the respondents 93% were males rest were females. About 39.45% were salaried and mostly lie in the middle-income category. Based on mean analysis, the respondent's general perception towards service quality, customer satisfaction and retention was computed. Further analysis of the perceived performance and expectation level revealed that banks need to work harder on many dimensions like responsiveness, assurance and empathy majorly.

The Statistical Package for the Social Sciences, Windows Version 13.0 (SPSS 13.0) was used to analyse the data collected.

The Direct Effects of Service Quality and Satisfaction on Repatronage Intention Table 2 provides a matrix of the correlation coefficient for the main measures.

Table 2. Intercorrelations between Main Measures

	Retention	Service	Customer
variables	Intention	quality	satisafaction
Repatronage Intention Pearson Correlation	1	.581**	.892**
(2-tailed)		.000	.000
N	398	.361	398
Service quality Pearson Correlation	.578**	1	.467**
(2-tailed)	.000		.000
N	398	398	398
Customer satisafaction Pearson Correlation	.812**	.475**	1
(2-tailed)	.000	.000	
N	398	.398	398

Note: ** Correlation is significant at the 0.01 level (2-tailed).

The results for direct effect of service quality on retention intention revealed an r-value of .581 and the correlation is significant at p<.01. Based on this result, H1 was supported. Therefore, service quality has a positive relationship to retention intention. The strength of this relationship is considered moderate at 0.289 as measured by r-square value. As for the effect of customer satisfaction on retention intentions, it was found the satisfaction also has a positive influence on repatronage intention (r = 0.892, p <.01). Therefore, H2 was also supported and the strength of the relationship between satisfaction and repatronage intention was relatively higher ($r^2 = .68$). It was also found that service quality is positively correlated with satisfaction (r = .475, p <.01). While the overall findings of the present study were similar to those in the services management literature, the results were somewhat different from Cronin and Taylor's (1992) findings that service quality was not able to influence repurchase intention directly. The results of this paper also differs from Hellier et al.'s (2003) study which found that customer satisfaction did not influence repurchase intentions directly. These differences could be due to different context and research methodology applied.

Predicting Customer Retention

A Multiple Linear Regression (MLR) analysis was conducted to investigate the influence of service quality and satisfaction on Customer Retention. The test of MLR assumption found expected patterns for non-violation of the assumptions and this result supports the use of MLR as an appropriate statistical analysis for this study.

Tables 3 and 4 provide the results of the MLR analysis. Based on the results in Table 3, it seems that all three models have worked well in explaining the variation in retention intention Overall, Model 2 was better fitted compared to Models 1 and 3 as indicated by Fvalue. The proportion of explained variance as measured by R-square for Model 2 was among the highest $(R^2 = 0.702)$ compared to Models 1 $(R^2 = 0.289)$ and 3 $(R^2 = 0.684)$.

In other words, about 70% of the variation in customer retention is explained by service quality and satisfaction in Model 2. As indicated by the unstandardized coefficients (Table 4), both service quality (t = 5.733, p = .0001, b = 0.365) and satisfaction (t = 23.154, p = .0001, b

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= 0.981) were found to exert a significant positive influence on retention intention. Lastly, the beta values for Model 2 given in Table 4 seems to indicate customer satisfaction (beta = 0.752) as a more important predictor of retention intention than service quality (beta =0.181). This supported H3 that customer satisfaction was a stronger predictor of customer's retention than service quality. Hence, the result supports Allen, Machleit and Schultz Kleine's (1992) argument that emotions act as a better predictor of behaviour than cognition does. Parasuraman, Zeithaml and Berry (1994) also mentioned that customer satisfaction is frequently more statistically significant, and tends to achieve a greater level of statistical significance compared to service quality. However, the result differs from Choi *et al.*'s (2004) study in health-care context, in which they found that service quality emerged as a more important determinant of behavioural intentions. However, a review by Dabholkar (1995) suggests that the relationship is situation-specific and therefore depends on the context of the service encountered.

Table 3. Model Summary of Multiple Regression

Mode	R	R ²	Adju	Std. Error					Durbin	
1			sted	of the						-
			R ²	Estimate						Watson
					R ²	F	df	df2	Sig. F	
					Chan	Change	1		Chang	
					ge				e	
1	.546(a)	.289	.281	.988	.281	156.41	1	<i>39 6</i>	.000	
2	.842(b)	.702	.700	.643	.413	514.98	1	39	.000	
						6		5		
3	.827(c)	.684	.682	.643	027	31.854	1	39 5	.000	1.784

Notes:

a Predictors: (Constant), Service Quality

b Predictors: (Constant), Service Quality, Customer Satisfaction

c Predictors: (Constant), Customer Satisfaction d Dependent Variable: Re-patronage Intentions

Table 4. Coefficients Analysis

Model	Variable	Unstandardized Coefficients		Standardized Coefficients	t	sig
		В	Std.Error	Beta		
1	(Constant)	3.412	.051	.578	65.876	.000
	Service Quality		,075		14.354	.000
2	(Constant) Service	075	.173		512	.650
	Quality Customer	.365	.061	.181	5.733	.00
	Satisfaction	.981	.048	.752	23.154	.000
3	(Constant) Customer	496	.141	.843	-3.687	.000
	Satisfaction	1.095	.045		28.013	.000

Note: Dependent Variable: Re-patronage Intentions

DISCUSSION AND CONCLUSION

In summary, all the hypotheses were strongly supported and the proposed framework of the present study was able to demonstrate strong explanatory power. Notably, this study provides evidence for the direct effect of service quality and satisfaction on retention intention as suggested by the literature and satisfaction emerged as a stronger predictor of retention intentions in the bank settings. A number of marketing implications can be drawn from this study.

Furthermore, our findings demonstrate that customers' loyalty-based behaviors are multidimensional. In particular, no one metric best predicts all behaviors associated with customer loyalty. This implies that firms must balance and manage different aspects of the customer experience simultaneously if they are to optimize the loyalty behaviors they desire from their customers. For researchers, this implies that holistic models of loyalty will need to be developed to model the impact of these various dimensions of customers' loyalty behavior on firm financial outcomes. The impact of these dimensions is likely to vary by industry and customer characteristics. Furthermore, our research implies that each dimension is likely to be affected by differing aspects of the customer experience. While loyalty is a concept that all managers want, we have found that it is not straightforward to translate customers' loyalty attitudes into customers' loyalty behaviors. As a result, there are no simple solutions for turning loyalty into profits. If it were easy, however, everyone would already be doing it. The descriptive result reveals that customers perception towards service quality level provided was consistently lower than their expectation. This implies that more effort is needed to improve the service quality level of the restaurant. The frontline staff may well be trained to be more responsive and sensitive to customer needs, thus providing services that are more efficient and effective. Customer satisfaction is also very crucial for marketing planning since satisfaction does influence customers' intention to repatronage the bank in future. Hence, marketers should look into the factors that would affect customer satisfaction level. In addition, as customer expectations are changing over time, practitioners are advised to measure their customer expectation and satisfaction regularly and handle complaints timely and effectively. The present study has a number of limitations. Firstly, the nature of sampling unit under study cannot be generalized to a larger population as only banks in one region was examined and the use of single-item measurement for satisfaction construct has low reliability (Churchill, 1979). The use of cross-sectional data in a single industry also limits some of the conclusions obtained.

In view of the limitations, future study should use different sampling units which are more generalizable and conduct the study nationwide. The proposed model can also be extended to other service industries or other types of service settings. In terms of measurement issues, future research may use multiple items to strengthen the reliability of satisfaction construct. Also, the structural relationships among the three constructs should be examined. Additional constructs may also be added into this model, based on the literature, and be tested empirically.

In many service environments there is face-to-face interaction between service providers and customers from which social bonds may develop. A relational perspective fits well within these contexts, where there is an opportunity for companies to promote longer customer tenure, and gain the associated economic benefits can be further probed.

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