

The Role of Service Quality in Developing Customer Loyalty in the Banking Sector: A Case study of the Kingdom of Saudi Arabia

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Abstract

Maintaining a strong and loyal customer base is the objective of every organisation. However, in reality this is difficult to achieve in the current competitive environment. When the widespread challenges of the business environment are taken into account, organisations cannot simply plan to *absorb new customers* but instead adopt the strategy of *preserving existing customers* and promoting their loyalty to the organisation. This study examined customer loyalty in the banking sector in the Kingdom of Saudi Arabia (KSA). A theoretical model was constructed through an extensive literature review and by extracting the most relevant and important variables for customer loyalty. A questionnaire was used to collect data from customers of different banks. Regression results showed that service quality significantly influences customer satisfaction and customer trust. Furthermore, customer satisfaction and trust significantly affect customer loyalty towards banks. In this respect, service quality is imperative to maintain customer loyalty through customer satisfaction and trust.

Keywords: Service quality, customer satisfaction, trust, customer loyalty, banking sector.

1. Introduction

Many companies currently outcompete their peers in various sectors, a status which they make considerable effort to uphold in order to maintain customer loyalty. As most markets are at a mature level, the intensity of competition is increasing and customers' expenses are rising daily (Kotler & Armstrong, 1999). As the bank industry is not an exception, banks must look for new managerial strategies in order to retain their costumers' loyalty (Ehigie, 2006). Bank managers must understand costumers' requirements and desires more than ever before in order to establish long-term business relationships with them and to prevent their costumers from becoming interested in other banks. Consequently, any approach that could achieve the goals of the organisation should be given full consideration.

Taking into account the widespread challenges in the business environment, organisations do not simply plan to "absorb new customers", but rather have adopted the strategy of "preserving the existing customers and promoting their loyalty to the organization". Customer satisfaction is no longer adequate and businesses must lead the way to the improvement and promotion of customers' loyalty in the field of customer-centredness. Loyalty originates from faith in service quality, psychological decisions (namely behavioral intentions), as well as desired positive attitudes, and is perceived as repetition and stability in purchasing behavior (Castro et al., 2004).

Before defining customer loyalty, it must first be determined whether loyalty is a behaviour standard or an attitude standard. Behavioural loyalty aims to describe brand loyalty based on actual observed purchases in a specified period of time, whereas attitude loyalty standards are based on certain priorities, commitments, or intention to purchase. Attitude commitment includes a desired fixed set of specific beliefs about the purchased brand. The strength of these attitudes is significant factor in purchasing and sustaining a brand (Larsson and Hjalte, 2004). Oliver (1999) defines customer loyalty as "deep dedication in re-purchasing and sustaining a selected product or service in future in spite of situational effects and marketing attempts to mold customer behavior" (Methlie and Nysveen, 1999). Beerliet al. (2004) argues that another dimension of loyalty is known as compulsory dimensions, stating that loyalty is usual and that staying with a specific trademark is preferable for customers, who may lack the energy to change brands. In addition, many researchers distinguish between effective and interactive loyalty. Interactive loyalty means that customers prefer to also use the bank in future, while effective loyalty describes to what extent a customer likes a bank and his or her attitude towards the bank.

2. Literature Review

2.1 Service Quality Concept

Gronroos (2000, p.46) defined service as, "A practice consisting of a chain of more or less insubstantial actions that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems." Service quality is one of the significant success factors that influence the competitiveness of

an organisation. A bank can distinguish itself from competitors by providing high quality service. Service quality has been one of the most highly researched areas over the last decade in the retail banking sector (Avkiran, 1994; Stafford, 1996; Johnston, 1997; Angurel et al., 1999; Lassaret al., 2000; Bahia and Nantel, 2000; Sureshchandaret al., 2002; Gounariset al., 2003; Choudhury, 2008). However, this study examines the factors that enable banks to attract and sustain their customers. Most studies have found service quality to be the antecedent of customer satisfaction (Bedi, 2010; Kassim and Abdullah, 2010; Kumaret al., 2010; Naeem and Saif 2009; Balaji, 2009; Lee and Hwan, 2005; Athanassopoulos and Iliakopoulos, 2003; Parasuramanet al., 1988). Yee et al. (2010) found that service quality has a positive influence on customer satisfaction. On the other hand, Bitner (1990) and Bolton and Drew (1991) note that customer satisfaction is a prerequisite for service quality. Beerliet al. (2004) supported this finding and mentioned that a possible explanation is that the satisfaction construct supposes an evaluative judgment of the value received by the customer.

2.2 Customer Loyalty

Singh and Sirdeshmukh (2000) recommended customer loyalty as “the market place currency of the twenty-first century”. Ndubisi (2005) and Pfeifer (2005) note that the cost of serving a loyal customer is five or six times less than that of a new customer, which reflects the importance of customer loyalty. Walsh et al. (2005) note that it is better to deal with existing customers before acquiring new customers. Gee et al. (2008) describe the advantages of customer loyalty as follows:

- The cost of service of a loyal customer is lower than new customers;
- They will give higher costs for a combination of products;
- For a company, a loyal customer will act as a marketing agent and provide positive word of mouth for the company.

Foss and Stone (2001) note that customer loyalty relates to a customer’s thoughts and intended actions. Many customer loyalty experts agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs and desires. Loyalty is developed by approaches that highlight and build up a positive state of mind and the associated behaviours. The exchange of information is one of the keys of loyalty, and provides a critical bridge between state of mind and behaviour. Loyal customers are more likely to give feedback to the business as they trust it and expect it to use the information with good judgment and to their benefits. Managing loyalty is essential as it means not only managing behavior but also administering a state of mind.

Dick and Basu (1994) and Bloemeret al. (1998) stated that most research on customer loyalty has focused on brand loyalty. Conversely, a limited amount of research on customer loyalty has focused on service loyalty. Bloemeret al. (1998) argued that the findings from the field of brand loyalty could not be generalised to service loyalty for the following reasons:

- Service loyalty is dependent on the improvement of interpersonal relationships as opposed to loyalty with tangible products;

- In case of services, the pressure of apparent risk is greater;
- Intangible attributes such as confidence and reliability are the key factors to sustain customer loyalty in the service perspective (Dick and Basu, 1994).

Dick and Basu (1994) describe the two dimensions of loyalty (relative attitude and repeat patronage behaviour) and four categories of loyalty: loyalty (positive relative attitude, high repeat patronage), latent loyalty (positive relative attitude, but low repeat patronage), spurious loyalty (low relative attitude, high repeat patronage), and no loyalty (low on both dimensions). Salegna and Goodwin (2005) note that if a customer has a poor attitude within the industry, an organisation that scores just better than “poor” could extract a positive customer “relative attitude” score and high repeat patronage. Citing Reichheld (2003), Palmer et al. (2007) recommended that in addition to measuring repurchasing patterns, managers should also consider the possibility of a customer recommending an organisation’s product or service to another customer. The measure of the level of attitudinal customer loyalty is the readiness to recommend.

Levesque and McDougall (1996) note that by increasing loyalty, a retail bank:

- Can reduce its servicing costs (customers do not open or close their accounts);
- Customers’ needs are fulfilled and they gain an understanding of financial affairs;
- Will have an opportunity to sell on hand and new products and services.

2.3 Trust

Confidence in another party’s capability and its performance based on expected ethical principles determines the level of trust (Errol et al., 2005). For this reason, electronic trust is the measure of customers’ trust in online transactions (Reichheld et al., 2000). Stewart (1999) claims that the failure of electronic banking may be due to the fact that customers lack trust in electronic channels. Customers’ trust is therefore important if their loyalty is to be secured. Some researchers have argued that both habit and reputation could influence purchase repetition by customers and the consistency of their relationship with the organisation. The acquisition of the required skills in using a website by a customer in e-banking could lead to habit formation (Yee et al., 2010). Habit includes all kinds of phenomena and representation in terms of spiritual activities, as well as material and physical demonstrations. On the other hand, they all have something in common as all demonstrations first appear to be incidental, voluntary or involuntary and become habits due to repetition and various comparative fluctuations. Customers then have an active involuntary condition and are unaware of the origin of influence, physically or spiritually; habits are thus likely to be formed (Ordoubari, 1991).

2.4 Customer Satisfaction

In the highly competitive business market, mostly firms concentrate on their efforts on maintain a loyal customer base. The strategies of most retail banks aim to enhance customer satisfaction and loyalty through quality service provision. Devlin (2001) noted that

“customers perceive very little difference in the services offered by retail banks and any new offering is quickly matched by competitors.” Zaimet al. (2010) explains that tangibility, reliability and understanding are key factor for customer satisfaction, whereas responsiveness and assurance are also important factors (Mengi 2009). Kumar et al. (2010) and Lai (2004) found that assurance, empathy and tangibility are also important factors. Researchers have identified various determinants of customer satisfaction in the retail banking sector. Levesque and McDougall (1996) argue that competitive interest rates are one of the important determinants of customer satisfaction in the retail banking sector. It was found that a good “employee-customer” relationship can increase satisfaction levels. Finally, it was concluded that the competitiveness and convenience of the banks are the two important determinants of customer satisfaction. On the other hand, Jamal and Naser (2003) found that convenience and competitiveness are not critical factors for all genders, ages and income groups.

2.5 Service quality

Most experienced and successful business units in the electronic trade have realised that their success or failure does not merely depend on their presence on the web or low prices, but also on the transfer of high-quality electronic services (Carnaet al., 2009). Electronic quality can be described as customers’ evaluation of the process and the result of interactions with online sellers. Ribinik (2004) argues that electronic quality includes five dimensions, including ease of usage, website design, ordering, responding and trust. Service quality is also defined as a customer’s belief or attitude concerning the rate of service superiority in the banking environment (Ward et al., 2009).

3. Research Model

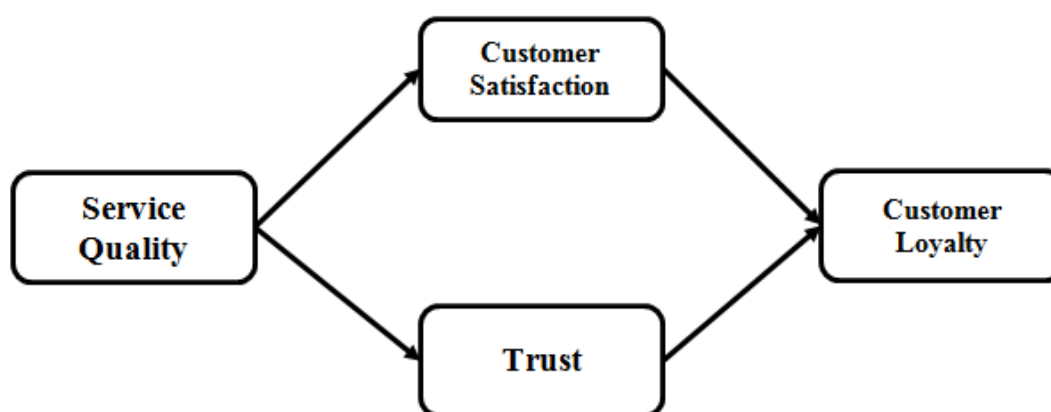


Figure 1. Proposed Model of the Research

Hypotheses

H1: There is a positive relationship between Service Quality and Trust.

H2: There is a positive relationship between Service Quality and Customer Satisfaction.

H3: There is a positive relationship between Customer Satisfaction and Customer Loyalty.

H4: There is a positive relationship between Trust and Customer Loyalty.

4. Methodology

4.1 Research Design

This research is descriptive in nature. Descriptive research describes a phenomenon or any particular situation. Descriptive research describes the existing situation rather than interpreting and making judgments (Creswell, 1994). The main objective of descriptive research is verification of the developed hypotheses that reflect the current situation. This type of research provides information about the current scenario and focuses on the past or present, such as quality of life in a community or customer attitudes towards any marketing activity (Kumar, 2005).

The primary objective of this research is to explore and understand the role of different variables in the process of developing customer loyalty in the banking sector. This study aims to understand the inter-relationships between these variables and their importance to customer loyalty in banking sector. A survey method was used to collect the data. The survey method is frequently applied in research methodology that collects data from a particular population or sample of that population and usually utilises a questionnaire as the survey instrument (Robson, 1993).

There are a number of advantages to using a questionnaire compared to an interview methodology (Leary, 1995). Personal interviews are more expensive, time-consuming and more difficult to administer than questionnaires. Questionnaires facilitate group administration and maintain the confidentiality of the respondents. Self-administered surveys are efficient in that they provide information in a short period of time and have a high response rate and a low cost to researchers (Robson, 1993).

For these reasons, this study used a descriptive research methodology and designed survey instruments using items from previously published scales to assess the perceptions, attitudes and intentions of banking customers towards customer loyalty in the banking sector in the KSA. For this purpose, a sample of banking users was selected, who completed a survey questionnaire to provide the necessary data. Different scales were used to measure the involved variables from previous research.

4.2 Sample/Data

In order to collect the data to understand the situation about customer loyalty in the banking sector, a sample of 300 respondents was asked to participate in a self-administered

questionnaire. The respondents were banking customers in KSA.

4.3 Sampling technique

Convenience sampling, a non-probability sampling technique, was used in this study. Convenience sampling obtains and collects conveniently available relevant information from the sample or the unit of the study (Zikmund, 1997). Convenience sampling is normally used for collecting a large number of completed surveys quickly and economically. The non-probability sampling method was used due to the lack of a sampling frame and time constraints. In non-probability sampling, convenience sampling is the best choice and most frequently used method due to its time and cost advantages (Lym et al., 2010). Bryman and Bell (2007) argue that this technique is preferable to probability sampling in the business and management field.

4.4 Sample Size

In order to develop confidence in the survey results and to ensure the results were representative, it is important to select a sufficiently large number of participants. To ensure a good sample size, a 95% confidence level is used to mean there is a 5% chance that the results of the study differ from the actual results. A confidence level of 95% is a good confidence interval or margin of error (Niles, 2006). A 5% margin of error is commonly used, and the current study used the same criteria. The response rate for the current study was 75% due to the self-administered survey method. Based on the above parameters, the sample size was calculated at 288 and was rounded up to 300 for the adjustment of any contingency. This proposed sample size compares favourably to several previous studies on a similar topic that had a sample size of less than 250.

4.5 Instruments and Measures

The survey instrument used in this study address two major purposes: firstly, to analyse the relationship between different variables for customer loyalty in the banking sector. Secondly, information was collected on the different characteristics of the respondents to understand the variations in different categories.

The survey instrument comprised two sections. Section 1 included different personal and demographic variables. This section obtained information about the gender, age, income, education and status of the respondents.

Section 2 includes the latent variables of importance to this study. These variables include Perceived Value, Service Quality, Customer Satisfaction, Trust and Customer Loyalty. This section of the study was based on previous literature and previously used questionnaires (Table 3.1).

The scales used in the study were adopted from previous literature and published studies. The first three variables used in the study were Perceived Value, Service Quality and Trust. These scales were taken from Selnes (1998). The next variable is Customer Satisfaction, which has three items taken from Mon and Kim (2001). Customer Loyalty has five items taken from the study by Ikhlq and Ahmed (2011). The complete questionnaire is shown in Appendix A.

Table 3.1 Scales of the Study

No.	Variable	Items	Reference
1	Service Quality	Bank staff are polite and friendly.	Selnes (1998)
		Bank staff provide services efficiently.	
		The service products satisfied my specific needs.	
		The bank's consulting service satisfied my specific needs.	
2	Customer Satisfaction	Overall I am satisfied with specific experience with the bank.	Mon and Kim (2001)
		I am satisfied with my decision to do business with this bank.	
		Overall I am happy with specific experience with the bank.	
3	Trust	I trust this bank.	Selnes (1998)
		I rely on this bank.	
		This is an honest bank.	
		This bank meets my expectations.	
4	Customer Loyalty	This bank would be my first choice.	Ikhlaq and Ahmed (2011)
		I consider myself to be loyal to this bank.	
		I recommend this bank to someone who seeks my advice.	
		I get good value for my money.	
		I say positive things about this bank to other people.	

4.6 Procedure

The questionnaire was distributed to 300 respondents in Jeddah, Taif, Madinah Almunwarah and Makkah. Respondents were selected based on the criteria described above. Before issuing the questionnaire, the purpose of the study and the questions were explained to the respondents to enable them to easily complete the questionnaire with relevant responses. A total of 250 questionnaires were selected and the remainder of the questionnaires were not included in the further analysis due to incomplete or invalid responses. After collecting the completed questionnaires, these questionnaires were coded and entered into SPSS for further analysis.

To review the characteristics of the respondents and collected data, descriptive statistics were used and regression analysis was used to test the hypotheses. This study employed descriptive statistics, reliability and validity analysis and regression analysis.

4.7 Reliability Analysis

Reliability is the internal consistency of different items measuring a common variable (Hair et al., 1998). Reliability shows the consistency of the findings of the research. The internal consistency of the scales is the most widely and accepted measure of reliability. Reliability can be measured with the help of coefficient alpha, which is also regarded as Cronbach's Alpha. Cronbach's alpha reliability coefficient normally varies between 0 and 1. The acceptable value of Cronbach's value can vary between 0.5 and 0.95 as noted by Peterson (1994).

Overall, the Cronbach's alpha of the customer loyalty questionnaire items was 0.751, which is more than the acceptable recommended value of 0.50 by Nunnally (1970) and 0.60 by Moss et al. (1998). This shows that all 19 items were reliable and valid for use in measuring consumers' opinions of loyalty.

Table 3.1 Reliability of Measurement Instruments

Scales	Items	Cronbach Alpha
Perceived Value	3	0.719
Service Quality	4	0.797
Trust	3	0.820
Customer Satisfaction	4	0.746
Customer Loyalty	5	0.817

4.8 Descriptive Statistics

The impact of different variables on the loyalty of customers in the banking sector was measured. The results of different variables and their relationship with customer loyalty were analysed with the help of descriptive statistics. All the variables were measured using the Likert scale in which 1 = Strongly Agree and 5 = Strongly Disagree. These scales therefore measure the favorable response of customers towards banking loyalty. The results are summarised in Table 3.2.

Table 3.2 Descriptive Analysis (n=250)

Items	N	Mean	St. Deviation
Bank staff are polite and friendly	250	3.81	0.973
Bank staff provide services efficiently	250	2.93	0.893
The service products satisfied my specific needs	250	3.04	0.857
The bank's consulting service satisfied my specific needs	250	2.95	0.872
Overall I am satisfied with specific experience with the bank	250	2.76	1.089
I am satisfied with my decision to do business with this bank	250	2.76	1.048
Overall I am happy with specific experience with the bank.	250	2.72	0.978
I trust this bank	250	1.92	0.774
I rely on this bank	250	2.03	0.757
This is an honest bank	250	1.94	0.814
This bank meets my expectations	250	1.88	0.779
This bank would be my first choice	250	2.02	0.811
I consider myself to be loyal to this bank	250	1.95	0.787
I would recommend this bank to someone who seeks my advice	250	1.97	0.770
I get good value for money	250	3.84	0.888

I say positive things about this bank to other people	250	2.92	1.034
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5. Results and Analysis

5.1 Profile of the Respondents

Personal and demographic information, such as gender, age, income, education level, status and current bank used are shown in the following table.

Table 4.1 Profile of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	187	74.8
	Female	63	25.2
Age	20-25 Years	95	38
	25-30 Years	88	35.2
	30-35 Years	41	16.4
	35-40 Years	21	8.4
	Above 40 Years	5	2
Income (SAR)	Below 15000	75	30
	15000-25000	37	14.8
	25000-35000	60	24
	35000-45000	29	11.6
	45000-55000	27	10.8

	Above 55000	22	8.8
Education	Bachelors	150	60
	Masters	50	20
	MS / M. Phil	26	10
	PhD	24	10
Status	Student	74	29.6
	Employed	124	49.6
	Businessman/woman	52	20.8
Current Bank	Al-Rajhi	37	14.8
	Al Bilad	83	33.2
	Riyad	89	35.6
	Alinma	27	10.8
	HSBC KSA	7	2.8
	Arab National Bank	7	2.8

5.2 Structural Equation Modeling and Hypothesis Testing

This section of the study tested the model after satisfying the requirements of reliability and validity.

5.2.1 Evaluation of the measurement model

AMOS 18.0 was used to check the goodness of fit of the online shopping model. This method was used to obtain a value of chi square statistics (χ^2) to compare the actual results with the statistically generated expected results to confirm that there is a statistically significant difference between both results (Cohen, Manion, & Morrison, 2007). The maximum likelihood parameter computes the associated degree of freedom and a probability value. This study yielded a high significance level ($\chi^2 = 9.350$; degree of freedom = 9; probability level = 0.406). The appropriate distributional assumptions were met and the model was found to be correct. The departure of the data from the model was significant at the $p > 0.05$ level.

5.2.2 Model Fit Indices

To obtain CMIN/DF, Chi-square was divided by the degree of freedom. CMIN/DF is the minimum sample discrepancy divided by degrees of freedom. This model yielded $\chi^2 = 9.350$ and the degree of freedom = 9. Hence CMIN/DF ($9.350/9 = 1.039$) ($p > 0.05$), which indicates a favourable value (Cheung and Rensvold, 2002). With reference to model fit, numerous indicators of goodness-of-fit were used. Some common fit indexes are the Incremental Fit Index (IFI), Comparative Fit Index (CFI), Normed Fit Index (NFI), Non-Normed Fit Index (NNFI, also known as TLI) and root mean square error of approximation (RMSEA). In general, if the vast majority of the indices indicate a good fit, this is probably the case.

Traditionally, the value of the Incremental Fit Index (IFI) should be equal or greater than 0.9 to accept the model (McDonald and Ho, 2002). The IFI of this model was equal to 0.998. Comparative Fit Index (CFI) indicates the proportionate improvement of the overall fit of the study model as related to a null model (Bentler, 1983). The null model is an independence model in which the observed variables are assumed to be uncorrelated. The critical value for CFI is 0.9 or above in evaluating model fit (Bentler, 1990; Thompson, 2000). The CFI of this model is equal to 0.998, making the relative overall fit of the study model 99% better than that of the null model estimated with the same sample data. The Goodness Fit Index (GFI) of the model was 0.990. The Adjusted Goodness of Fit (AGFI) was 0.968, meaning a good model fit. The Comparative Fit Index (CFI) was 0.998 and the Tucker-Lewis coefficient (TLI) 0.996. CFI and TLI scores are close to 1.0, in which a value of 1.0, as suggested by Bentler (1992) and Bentler and Bonett (1987), represents a perfect fit. RMSEA is based on the non-centrality parameter and is provided for fit index precision within the construct of confidence intervals. The suggested value is 0.05 or below equals a good fit, whilst below 0.08 is a fair fit. This study had a RMSEA of 0.013, which indicates a good fit.

Table 4.2 shows the results of both the indices for the current model and suggested guidelines for evaluating model fit (Arbuckle, 2006; McDonald and Ho, 2002; Bentler, 1992). Modification indices do not provide any indication of misfit of the structural model, suggesting that there is no need to modify the model or to include any new path between the constructs of the model.

Table 4.2 Results of Model Fit indices for the Measurement model

Model Fit Indices	Values	Suggested Guidelines
<i>Absolute Fit Measures</i>		
CMIN (χ^2)	8.630	
Df	8	
CMIN (χ^2)/df	1.0787	Less than 3.0
GFI	0.975	Equals/greater than 0.9
RMSEA	0.023	0.05 or below = good fit; below 0.08 = fair fit
<i>Incremental Fit Measures</i>		
CFI	0.980	Equals/greater than 0.9
AGFI	0.948	Equals/greater than 0.9
IFI	0.974	Equals/greater than 0.9
NFI	0.951	Equals/greater than 0.9
RFI	0.928	Equals/greater than 0.9
TLI	0.960	Equals/greater than 0.9

Source: Arbuckle (2006), Mc Donald and Ho (2002), Bentler (1992)

5.3 Hypothesis Testing

5.3.1 Service Quality, Trust and Customer Satisfaction

The regression analysis of the study and consideration of the significance of the relationship between Service Quality and Trust found a significant relationship between these two variables ($\beta=0.156$) and ($p < 0.05$).

The results showed that there is a significant relationship between Service Quality and Customer Satisfaction ($\beta=0.123$) and ($p < 0.05$). Based on these results, H1 and H2 were

accepted and it was concluded that there was a significant relationship between Service Quality and Trust and Customer Satisfaction.

5.3.2 Customer Satisfaction, Trust and Customer Loyalty

The results of the study show that both the variables of Customer Satisfaction and Trust have a significant positive relationship with Customer Loyalty. Specifically, Customer Satisfaction has a significant positive relationship with customer loyalty ($\beta=0.305$) and ($p < 0.01$). Customer Satisfaction thus contributes more than 30% to Customer Loyalty. The regression results of Trust with Customer Loyalty were also significant with ($\beta=0.249$) and ($p < 0.01$). Results of the current study validate H3 and H4.

Table 4.3 summarises the regression results of the study and Figure 4.1 shows the graphical presentation of the structural model.

Table 4.3 Regression Results

Hypothesis	Model Variables	Estimate	S.E.	C.R.	P	Results
H1	Cus-Sat ← S-Qty	0.123	0.066	7.465	***	Supported
H2	Trust ← S-Qty	0.156	0.069	3.846	***	
H3	Cus-Lt ← Cus-Sat	0.305	0.055	0	0.014	Supported
H4	Cus-Lt ← Trust	0.249	0.058	5	0.025	

Note: $\chi^2/df=1.039$, CFI=0.998, TLI=0.996, IFI=0.998, GFI=0.990, AGFI=0.968, RMR=0.019, RMSEA=0.013

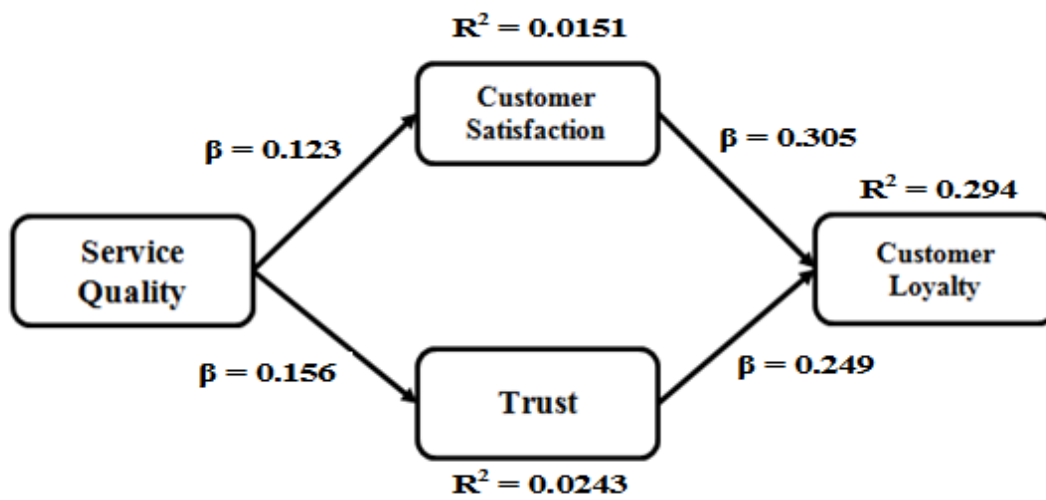


Figure 2: Structural Model Results

6. Discussion

The main objective of this study was to determine the interrelationships between trust, service quality, customer satisfaction and customer loyalty in the banking sector of KSA. The study aimed to identify the most important attributes in bank settings, which may be used to review characteristics of the banks as experienced by customers.

As discussed in this study, the KSA banking market has been experiencing difficulties and the market situation has changed accordingly. Gulaugsson (2009) found that since the financial crisis started, KSA banks have been perceived to have a much more negative image than was previously the case. This situation, in which the banks have all been significantly affected by the crisis, has led some researchers to believe that it is acceptable to investigate the banks as a whole in order to determine which factors affect customer trust and behavioural loyalty in the market. The strategic recommendations suggested in this chapter are thus not separately examined for each bank, but can rather be generalised to KSA banks in this particular market situation. As service quality and customer satisfaction were found to have the most influence on trust and behavioural loyalty, the banks need to focus on these two areas. However, customers' trust and behavioural loyalty differ depending on groups (length of time with the bank, gender and customer's current retail bank). Applied strategies might therefore need to be adjusted to different groups.

In the current market situation, bank managers should recognise the reasons why customers may be disappointed or angry and aim find approaches to improve the relationships with them other than financial compensation. Price strategies, such as lower interest rates, higher loans or any kind of better financial deals, might not be a suitable option for banks to offer to all of their customers; nor are they necessarily the most effective forms of strategies. The kinds of strategies used to increase trust, commitment and loyalty are also considered to be short-term solutions and have been described as "cold" loyalty rather than "true" loyalty (Thurau and Hansen, 2000). More long-term and effective communication and commitment strategies are therefore appropriate for adoption by the banks.

Service quality has traditionally been defined as one of the major determinants of consumer satisfaction (Cronin and Taylor, 1992; Oliver, 1993; Rust and Oliver, 1994; Anderson and Fornell, 1994; Bloemer et al., 1998; Coruana, 2000). A number of other studies have also argued that is closely related to service quality (Bolton and Drew, 1991; Cronin and Taylor, 1992; Taylor and Baker, 1994). There is also evidence that this relationship is valid in the context of banking. For example, Floh and Treinblmaier (2006) found that overall satisfaction was positively affected by Service Quality.

The results of this study show that there is a very high correlation between the perceived quality and customer satisfaction. Dabholcar (1995) argues that these two constructs may overlap in the customer's mind when a long-term relationship exists. The results of this study suggest that the quality of the bank services have a direct impact on trust. The decision-makers of the companies appear to be particularly concerned with issues such as the trustworthiness of the online bank and the accuracy of its performance. It is thus important that the online bank ensures its company's records are free of errors.

The bank must therefore build a strong brand in order to signal competence to its business customers to ensure that they can rely completely upon its capability and trustworthiness (Floh and Treiblmaier, 2006; Yousafzai et al., 2005). This study also that trust has a significant impact on loyalty, which is consistent with the findings of previous studies.

A considerable number of researchers have claimed that perceived trust is an important and critical factor in creating customer loyalty (Morgan and Hunt, 1994; Moorman et al., 1993). The same findings and the significance of trust in developing customer loyalty is also reported by many other authors, such as Sirdeshmukh et al. (2002), Singh and Sirdeshmukh (2000), Lim and Razzaque (1997), Chaudhuri and Holbrook (2001) and Garbarino and Johnson (1999). On the other hand, in a competitive market with available alternative and sources, the absence of trust may lead to negative loyalty. Under these conditions, the banks should consider both the present and future timeframe when deciding on suitable tools to win customers' trust. The variable of trust describes the faith of the customer in the bank, which gives them assurance about not only the present time frame but also the coming future. In this way, customers should have positive and strong beliefs that the bank will not act to work only for its own benefit and ignore the importance and benefits of its customers. A lack of this belief will lead to bank switching by the customer (Akbar and Parvez, 2009).

A small change in the level of customer satisfaction will cause a bigger change in customer loyalty (Bowen and Chen, 2001). The results of this study also confirm that customer satisfaction has a significant and strong correlation with customer loyalty in the banking sector of KSA. Many other studies, such as Kandampully and Suhartanto (2000), also support this relationship. The significant influence of customer satisfaction on customer loyalty means that these customers would also recommend their bank to people around them. As a result, these banks are able to increase their customer base and engage more customers by creating loyal customers who can influence others, which represents the cheapest way of attracting new customers. These loyal customers are less sensitive to price changes and require less time from the bank to perform their banking transactions (Cohen et al., 2007). Companies with stronger customer loyalty can increase their revenues faster than their competitors can (Reichheld, 2006). The banks thus benefit by understanding the configuration of the current research model and its implications.

The results of this study show that trust has a significant impact on customer loyalty. In other words, at any level at which the confidence-building is growing, customers' loyalty is increasing at the same level.

The results of the second hypothesis show that there is a significant relationship between the level of service quality and customer satisfaction. These results stress the importance of service quality in maintaining the level of customer satisfaction. A higher level of service quality results in a better level of customer satisfaction that ultimately leads to customer loyalty. The results of the last hypothesis of the study clearly amplify the importance of customer satisfaction by showing the strongest and most significant link between customer satisfaction and customer loyalty.

7. Limitations and Future Research

This research has some limitations that could be helpful for other researchers who may wish to extend it. These limitations are described below:

The sample size of the study was low, with only 250 respondents, which should be increased to obtain more generalisable results. A bigger sample size would help produce more findings on the interrelationships between these variables, namely service quality, customer satisfaction, trust and customer loyalty, in the banking sector of KSA. Some other variables may have an impact on the consumer decision-making process in the banking industry, such as perceived price, corporate image, convenience and bank interest rates.

Furthermore, this study did not analyse or measure the influence of some other critical and vital factors, such as customer demography, geography, income and culture, which could influence customer loyalty. Future research should therefore analyse the impact of these variables on customer loyalty.

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