International Journal of Applied Research

Pratap Chandra Mandal
VIT Business School, VIT
University, India

Dimensions affecting customer satisfaction in retail banking: A literature review

Pratap Chandra Mandal

Abstract
Customer satisfaction is important for all organizations because it determines their existence in the competition. Services sector form an important aspect of today's business scenario. Customer satisfaction is especially important for services sector. Banking constitutes an important aspect in the services sector. Banks will not be able to serve their customer unless they know what their customers really want and what satisfy them. Banks will be able to know about these requirements from the various dimensions of customer satisfaction in the retail banking. For this reason, it becomes important to understand the dimensions affecting customer satisfaction in retail banking. This paper reviews the literature with respect to finding the dimensions affecting customer satisfaction in retail banking and comes out with some suggestions which need to be followed in finding the dimensions.

Keywords: retail banking, customer satisfaction, literature review, qualitative research, dimensions

1. Introduction

Customer satisfaction is considered to be important for success in today's highly competitive banking industry. Prabhakaran and Satya (2003) [34] have mentioned that the customer is the most important person in any form of business. Profit and growth are outcomes of customer loyalty (Heskett *et al*., 1997) [17]. The cost of serving a loyal customer is five or six times less than that for a new customer (Gee *et al*., 2008; Ndubisi, 2005; Pfeifer, 2005) [13, 29, 32]. Several researchers including Tariq and Moussaoui (2009) [43], Han *et al*. (2008) [15] and Ehigie (2006) [8] found that loyalty is a direct outcome of customer satisfaction. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they will use the services again increases (East, 1997) [7]. Also, satisfied customers will most probably talk enthusiastically about their buying or the use of a particular service. This will lead to positive word of mouth (File and Prince, 1992; Richens, 1983) [10, 35]. On the other hand, dissatisfied customers will most probably switch to a different brand. This will lead to negative word of mouth (Nasserzadeh *et al*., 2008) [28]. The significance of satisfying and keeping a customer in establishing strategies for a market and customer-oriented organization cannot be ignored (Kohli and Jaworski, 1990) [21].

Banks are losing 8 percent of their clients every year globally (Storbacka, 2000) [41]. So, it is extremely important to address the issue of customer satisfaction in retail banking, its dimensions and its measurement. This would help retail banks in improving specific service parameters in order to increase overall customer satisfaction. This would also help banks to develop strategies and action plans to retain their present customers and to attract new customers for their banks. Banks need to know the present customer satisfaction levels to achieve this. For this banks require to measure customer satisfaction. Customer satisfaction cannot be measured unless the dimensions affecting customer satisfaction are determined.

1.1. Concept of Customer Satisfaction

Customer satisfaction is one of the important issues for the marketing function of an organization (Mick and Fournier, 1999; Spreng *et al*., 1996; Surprenant and Churchill, 1982; Oliver, 1980) [24, 40, 42, 31]. It links the processes resulting in purchase and consumption with post- purchase phenomena such as attitude change, repeat purchase, and brand loyalty (Surprenant and Churchill, 1982) [42]. This opinion has also been supported by Mishra

Correspondence
Pratap Chandra Mandal
VIT Business School, VIT
University, India

(2009) [25] and Ahmad and Naser (2003) [3]. Substantial research has been done in the field of customer satisfaction. Various researchers have defined customer satisfaction in different ways.

Customer satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to their expectations. (Oliver, 1980) [31]

Satisfaction is the consumer's response to and evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product as perceived after its consumption. (Tse and Wilton, 1988) [44]

Satisfaction can be broadly characterized as a post-purchase evaluation of product quality given pre-purchase expectations. (Anderson and Sullivan, 1993) [4]

As evident from the above definitions of customer satisfaction, in order to measure satisfaction, it is necessary to measure both expectations at the time of purchase and reactions at some time after purchase. If actual consequences equal or exceed expected consequences, the customer is satisfied, but if actual consequences fall short of expected consequences, the customer is dissatisfied. From the above discussions and the definitions, satisfaction seems to be attitude of the customers. For that it is necessary to measure the customer expectations and their consequences. It is important to understand the ranges of customer expectations and consequences which need to be assessed.

2. Dimensions affecting Customer Satisfaction in Retail Banking

Measurement of customer satisfaction cannot be done unless the dimensions affecting customer satisfaction are determined. This necessitates an in-depth study about the dimensions affecting customer satisfaction.

Different researchers have found the dimensions which might affect customer satisfaction with respect to retail banking. Critical reviews of the findings are presented below.

Gupta and Dev (2012) [14] studied the dimensions affecting customer satisfaction in the Indian retail banking sector. A structured questionnaire was administered to faculty members teaching in various colleges and their family members. The questionnaire was sent online to various colleges in India. The satisfaction dimensions were identified using factor analysis. Principal Component Analysis (PCA) was used as the method of extraction and varimax was used as the rotation method. The dimensions leading to customer satisfaction were determined as service quality, ambience or hygiene in the bank premises, accessibility of the various services, client participation or involvement in the banking operations and the financial benefits received by the customer.

A review of the set of attributes which are capable of being incorporated in the measure of customer satisfaction for Islamic banks was performed by Estiri *et al*. (2011) [9]. Later, the possibility was posed of grouping these attributes into dimensions of quality, proceeding to value various alternative structures by means of confirmatory factor analysis methodology and testing their reliability and validity. The findings from this study reveal that customer satisfaction in Islamic retail banking depends on two major factors, value proposition quality and service delivery quality.

The dimensions that have an impact on customer satisfaction as regards the working of select Indian universal banks were determined by Singh and Kaur (2011) [39]. The study was conducted using the survey method. Data were collected through a structured questionnaire from a sample of respondents. The major findings of the study show that customer satisfaction is influenced by seven dimensions – employee responsiveness, appearance of tangibles, social responsibility, services innovation, positive word-of-mouth, competence, and reliability. The results of multiple regression showed that three variables: social responsibility, positive word-of-mouth, and reliability have major influences on the overall satisfaction of the customer.

The dimensions affecting customer satisfaction in the Indian retail banking sector were studied by Ganguli and Roy (2011) [12]. Online structured questionnaire developed to determine the dimensions for customer satisfaction was distributed among the respondents. The dimensions were identified using an Exploratory Factor Analysis (EFA). Next the reliability and the validity of the dimensions for customer satisfaction were established through Confirmatory Factor Analysis (CFA). The paper identified four generic dimensions in the technology-based banking services – customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. It was found that customer service and technology usage easiness and reliability have positive and significant impact on customer satisfaction.

A measurement model for customer satisfaction evaluation in e-banking service quality based on different service quality models and theories such as technology acceptance model, theory of reasoned action and theory of planned behavior was validated by Sadeghi and Hanzaee (2010) [36]. The paper provides a model of seven factors for customer satisfaction on the following dimensions – convenience, accessibility, accuracy, security, usefulness, bank image, and web site design.

The dimensions affecting customer satisfaction for e-retail banking in Australia were explored by Herington and Weaven (2009) [16]. Results were drawn from a self-completed survey of a convenience sample of Australian respondents who regularly used online banking facilities. Factor analysis and regression analysis were used to ascertain factor structure for customer satisfaction. A four-factor solution represented by personal needs of the customer, website organization, user-friendliness of the websites and efficiency were found, with all factors rated as important.

Abdulkarim and Alhemoud (2009) [1] attempted to identify the most salient attributes that influence customer satisfaction with retail banks in Kuwait and to determine the level of the overall satisfaction of the customers of these banks. A multiple-attribute approach proposed by Shin and Elliott (2001) [38] was employed. This approach was applied in the analysis of data collected from a convenient sample of customers of retail banks in Kuwait. The most crucial attributes for predicting customer satisfaction with retail banks in Kuwait were fast service, courtesy and helpfulness of employees and availability of self-banking services.

The predictors of customer satisfaction in the German retail banking sector were studied by Kanning and Bergmann (2009) [19]. Field study method was applied to find the dimensions affecting customer satisfaction. The major

dimensions identified were performance of banks and fulfillment of customer expectations.

The dimensions affecting customer satisfaction in the Spanish e-banking services were studied by Casaló *et al.* (2008) [5]. Structured questionnaire was used to collect the responses. Structural equation modeling was used to verify the dimensions. The major dimension which emerged affecting customer satisfaction in Spanish e-banking services was website usability.

Investigation of the impact of relational benefits on customer satisfaction in Spanish retail banking was conducted by Molina *et al.* (2007) [26]. Based on a theoretical framework regarding the relationship between relational benefits and customer satisfaction, an empirical study using a sample of customers was conducted, and the theoretical model was tested. Multi-item indicators from prior studies were employed to measure the constructs of interest, and the proposed relationships were tested using structural equations modeling methods. The results showed that confidence benefits have a direct and positive effect on the satisfaction of customers with their bank.

The determinants of online banking customer satisfaction in the Finnish retail banking context was conducted by Pikkarainen *et al.* (2006) [33]. A structured questionnaire survey was carried out using convenience sampling. An exploratory factor analysis followed by a confirmatory factor analysis was used to test the validity of the model in an online banking context. The survey results supported three dimensions – website content, ease of use of the websites, and accuracy.

The dimensions affecting customer satisfaction in the Malaysian retail banking sector was conducted by Ndubisi and Wah (2005) [30]. A field survey of banking customers in Malaysia was conducted using a structured questionnaire. The data were factor-analyzed to determine the key dimensions of customer satisfaction. The results showed that five key dimensions, namely competence, communication, conflict handling, trust, and relationship quality, were the major determinants of customer satisfaction.

The dimensions of customer satisfaction in the Chinese retail banking sector was studied by Zhou (2004) [45]. The existing model of SERVPERF was used to determine the dimensions contributing to customer satisfaction. The dimensions found were empathy or responsiveness of the employees, reliability or assurance from the bank, and tangibility of services.

The dimensions influencing customer satisfaction in the retail banking sector of Pakistan were investigated by Ahmad and Naser (2003) [3]. The analysis was done based on data collection of a structured questionnaire survey, which looked into determinants of customer satisfaction in the retail banking sector of Pakistan. Service quality was found to be an important determinant of customer satisfaction.

The dimensions influencing customer satisfaction in the retail banking sector of Abu Dhabi were also investigated by Ahmad and Naser (2002) [2]. Structured questionnaire was distributed among the respondents. The analysis of the responses indicated service quality provided by the banks and the customer expectations from the bank were the major determinants of customer satisfaction.

Levesque and McDougall (1996) [23] studied the dimensions affecting customer satisfaction in the retail banking sector of Canada. Primary data was collected based on structured questionnaire from members of a church congregation in Canada. The sample size was small and the sample was not representative of the total population of retail banking customers of Canada. Factor analysis was done to find the dimensions affecting customer satisfaction in retail banking of Canada. The findings were that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intentions to switch. Features such as convenience also contributed to customer satisfaction, as did competitive interest rates and skilled employees.

Research was also conducted by various other researchers to determine the dimensions affecting customer satisfaction in retail banking. Some of the notable investigations are by Lassar *et al.* (2000) [22], Johnston (1997) [18], and Moutinho and Brownlie (1989) [27].

Some of the above-mentioned studies (Estiri *et al.*, 2011; Sadeghi and Hanzaee, 2010; Abdulkarim and Alhemoud, 2009; Molina *et al.*, 2007) [9, 36, 1, 26] applied existing models to find the dimensions affecting customer satisfaction in retail banking. The existing models of customer satisfaction were either reviewed or validated to determine the dimensions affecting customer satisfaction. In some other cases (Ganguli and Roy, 2011; Singh and Kaur, 2011; Casalo *et al.*, 2008; Pikkarainen *et al.*, 2006; Ndubisi and Wah, 2005; Ahmad and Naser, 2003, 2002; Levesque and McDougall, 1996) [12, 39, 5, 33, 30, 3, 2, 23], research was done based on primary data collected through structured questionnaire. Researchers (Herington and Weaven, 2009) [16] also used convenience sampling to receive responses from the banking customers.

The approach required for generating dimensions for a construct like customer satisfaction need to be based on exploratory research and qualitative analysis (Churchill, 1979) [6]. The techniques that are typically productive in exploratory research, including literature searches, experience surveys, and insight-stimulating examples, are generally productive here (Selltiz *et al.*, 1976) [37]. The literature should indicate how the variable has been defined previously and how many dimensions or components it has. The experience survey would not be a probability sample but a judgment sample of persons who can offer some ideas and insights into the phenomenon.

Critical incidents and focus groups also need to be analyzed for the generation of dimensions. A large number of scenarios describing specific situations could be made up and a sample of experienced customers would be asked about the specific behaviors which would create customer satisfaction or dissatisfaction (Kerlinger, 1973; Flanagan, 1954) [20, 11]. This indicates that primary research based on the qualitative analysis of critical incidents, focus groups and depth interviews needs to be performed to generate the factors for customer satisfaction. So, *item generation only through literature review or responses through structured questionnaire would not suffice.* None of the previous studies which were performed to determine the dimensions leading to customer satisfaction in retail banking, have followed the approach of qualitative analysis in finding the dimensions for customer satisfaction. The phenomenon of customer satisfaction in retail banking, and finding the dimensions for customer satisfaction in retail banking, have not yet been studied with the application of qualitative analysis.

3. Discussions and Conclusions
The above discussions clearly indicate that the generation of items and subsequently, dimensions affecting customer satisfaction in retail banking need to be done starting from

the definitions of customer satisfaction. Also, qualitative research needs to be performed for finding the dimensions affecting customer satisfaction. This will ensure that all the aspects affecting customer satisfaction in retail banking are considered while finding the dimensions.

Finding dimensions based on existing models or through structured questionnaires might ignore many of the dimensions. The existing models of customer satisfaction based on which the dimensions are determined might have been proposed long back. Many dimensions might not have been considered while constructing the models.

Customer satisfaction in retail banking is a dynamic issue. So, existing models might ignore some of the present dimensions. Also, the models might have been proposed based on a specific geographical location. The models might fail when applied to other geographical locations. This is because the requirements of retail banking customers may vary in different countries. It might also vary based on other demographic variables like age, income, style of living etc.

Structured questionnaires will focus on certain pre-determined aspects of customer satisfaction. A structured questionnaire might be based on certain dimensions which might not be necessarily true for all retail banking customers. Also, since a structured questionnaire is developed based on pre-determined dimensions, a respondent might not be able to provide views on certain dimensions which might be applicable to him or her.

Future researchers need to be aware of the above issues while exploring the dimensions affecting customer satisfaction in retail banking. It seems better to determine the dimensions affecting customer satisfaction in retail banking starting from the basic definitions of customer satisfaction. It might also seem reasonable for future researchers to conduct exploratory research for finding the dimensions.

4. References

1. Abdulkarim SA, Alhemoud AM. Using a multiple-attribute approach for measuring customer satisfaction with retail banking services in Kuwait, International Journal of Bank Marketing. 2009; 27(4):294-314.
2. Ahmad J, Naser K. Customer satisfaction and retail banking: an assessment of some of the key antecedents of customer satisfaction in retail banking, International Journal of Bank Marketing. 2002; 20(4):146-160.
3. Ahmad J, Naser K. Factors Influencing Customer Satisfaction in the Retail Banking Sector in Pakistan, International Journal of Commerce and Management. 2003; 13(2):29-53.
4. Anderson E, Sullivan M. The antecedents and consequences of customer's satisfaction for firms, Marketing Science, 1993; 12(2):125-143.
5. Casaló LV, Flavián C, Guinalíu M. The role of satisfaction and website usability in developing customer loyalty and positive word-of-mouth in the e-banking services, International Journal of Bank Marketing. 2008; 26(6):399-417.
6. Churchill GA. A paradigm for developing better measures of marketing constructs, Journal of Marketing Research, 1979; 16(1):64-73.
7. East R. Consumer Behavior: Advances and Applications in Marketing. London: Prentice Hall, 1997.
8. Ehigie BO. Correlates of customer loyalty to their banks: a case study in Nigeria, International Journal of Bank Marketing. 2006; 24(7):494-508.
9. Estiri M, Hosseini F, Yazdani H, Nejad HJ. Determinants of customer satisfaction in Islamic banking: evidence from Iran, International Journal of Islamic and Middle Eastern Finance and Management, 2011; 4(4):295-307.
10. File KM, Prince RA. Positive word-of-mouth: customer satisfaction and buyer behavior, International Journal of Bank Marketing. 1992; 15(1):25-39.
11. Flanagan J. The critical incident technique, Psychological Bulletin 1954; 51(1):327-358.
12. Ganguli S, Roy SK. Generic technology-based service quality dimensions in banking: Impact on customer satisfaction and loyalty, International Journal of Bank Marketing. 2011; 29(2):168-189.
13. Gee R, Coates G, Nicholson M. Understanding and profitably managing customer loyalty, Marketing Intelligence and Planning 2008; 26(4):359-374.
14. Gupta A, Dev S. Client Satisfaction in Indian Banks: An Empirical Study, Management Research Review, 2012, 35(7) (pre-print).
15. Han X, Kwortnik R, Wang C. Service Loyalty: An integrated model and examination across service contexts, Journal of Service Research. 2008; 11(1):22-42.
16. Herington C, Weaven S. E-retailing by banks: e-service quality and its importance to customer satisfaction, European Journal of Marketing, 2009; 43(9):1220-1231.
17. Heskett JL, Sasser WE, Schlesinger LA. The Service Profit Chain. Free Press, New York, NY, 1997.
18. Johnston R. Identifying the critical determinants of service quality in retail banking: Importance and effect, International Journal of Bank Marketing. 1997; 15(4):111-116.
19. Kanning UP, Bergmann N. Predictors of customer satisfaction: testing the classical paradigms, Managing Service Quality 2009; 19(4):377-390.
20. Kerlinger FN. Foundations of behavioral research (2nd ed.). New York, NY: Holt, Rinehart, Winston Inc., 1973.
21. Kohli AK, Jaworski BJ. Market orientation: the construct, research propositions, and managerial implications, Journal of Marketing. 1990; 54(1):20-35.
22. Lassar WM, Manolis C, Winsor RD. Service quality perspectives and satisfaction in private banking, Journal of Services Marketing. 2000; 14(3):244-271.
23. Levesque T, McDougall GHG. Determinants of customer satisfaction in retail banking, International Journal of Bank Marketing, 1996; 14(7):12-20.
24. Mick D, Fournier S. Rediscovering Satisfaction, Journal of Marketing. 1999; 63(4):5-23.
25. Mishra AA. A study on customer satisfaction in Indian retail banking, IUP Journal of Management Research. 2009; 8(11):45-61.
26. Molina A, Martín-Consuegra D, Esteban A. Relational benefits and customer satisfaction in retail banking, International Journal of Bank Marketing. 2007; 25(4):253-271.
27. Moutinho L, Brownlie DT. Customer Satisfaction with Bank Services: A Multidimensional Space Analysis, International Journal of Bank Marketing. 1989; 7(5):23-27.
28. Nasserzadeh SMR, Jafarzadeh MH, Mansouri T, Sohrabi B. Customer Satisfaction Fuzzy Cognitive Map in Banking Industry, Communications of the IBIMA 2008; 2(1):151-162.

29. Ndubisi N. Customer loyalty and antecedents: a relational marketing approach, Proceedings of the Allied Academies International Conference Academy of Marketing Studies. 2005; 10(2):49-54.

30. Ndubisi NO, Wah CK. Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction, International Journal of Bank Marketing. 2005; 23(7):542-557.

31. Oliver RL. A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions, Journal of Marketing Research. 1980; 17(1):460-469.

32. Pfeifer P. The optimal ratio of acquisition and retention costs, Journal of Targeting, Measurement and Analysis for Marketing. 2005; 13(2):179-188.

33. Pikkarainen K, Pikkarainen T, Karjaluoto H, Pahnila S. The measurement of end-user computing satisfaction of online banking services: empirical evidence from Finland, International Journal of Bank Marketing. 2006; 24(3):158-172.

34. Prabhakaran S, Satya S. An insight into Service Attributes in Banking Sector, Journal of Services Research. 2003; 3(1):157-169.

35. Richens ML. Negative word-of-mouth by dissatisfied consumers: a pilot study, Journal of Marketing. 1983, 69.

36. Sadeghi T, Hanzaee KH. Customer satisfaction factors (CSFs) with online banking services in an Islamic country: I.R. Iran, Journal of Islamic Marketing. 2010; 1(3):249-267.

37. Selltiz C, Wrightsman LS, Cook SW. Research methods in social relations (3rd ed.). New York, NY: Holt, Rinehart and Winston, 1976.

38. Shin D, Elliott KM. Measuring customers' overall satisfaction: A multi-attributes assessment services, Marketing Quarterly 2001; 22(1):3-19.

39. Singh J, Kaur G. Customer satisfaction and universal banks: an empirical study, International Journal of Commerce and Management. 2011; 21(4):327-348.

40. Spreng RA, Mackenzie SB, Olshavsky RW. A re-examination of the determinants of consumer satisfaction, Journal of Marketing. 1996; 60(3):15-32.

41. Storbacka K. Customer profitability. Analysis and design issues, in Sheth, J., Parvatiyar, A. (Eds), Handbook of Relationship Marketing, Sage Publications, Thousand Oaks, CA., 2000.

42. Surprenant C, Churchill G. An investigation into the determinants of customer satisfaction, Journal of Marketing Research. 1982; 19(4):491.

43. Tariq AN, Moussaoui N. The main antecedents of customer loyalty in Moroccan banking industry, International Journal of Business and Management Science. 2009; 2(2):101-115.

44. Tse DK, Wilton PC. Models of Customer Satisfaction Formation: An Extension, Journal of Marketing Research. 1988; 25(2):204-212.

45. Zhou L. A dimension-specific analysis of performance-only measurement of service quality and satisfaction in China's retail banking, Journal of Services Marketing. 2004; 18(7):534-546.