CHAPTER – III

REVIEW OF RELATED LITERATURE

INTRODUCTION

Today, many businesses such as banks, insurance companies, and other service providers realise the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between Information Technology and marketing departments to provide a long-term retention of selected customers. Many studies have been made to analyse the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications.

CRM is a sound business strategy to identify the bank’s most profitable customers and prospects, and to devote time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service—all delivered through the various sales channels that the bank uses.

Customer relationship management (CRM) is a business strategy with outcomes that optimize profitability, revenue and customer satisfaction by organizing around customer segments, fostering customer-satisfying behaviours and implementing customer-centric processes. CRM technologies should enable greater customer insight, increased customer access, more-effective interactions, and integration throughout all customer channels and back-office enterprise functions.
The Eight Essential Building Blocks of CRM initiatives are vision, strategy, valued customer experience, organizational collaboration, processes, information, technology and metrics. CRM projects include traditional areas—such as sales force automation, campaign management and contact centers—as well as emerging areas—such as enterprise feedback management, marketing resource management, pricing, performance management and social media.

Customer relationship management (CRM) is a widely implemented model for managing a company’s interactions with customers, clients, and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients to return, and reduce the costs of marketing and client service. Customer relationship management describes a company-wide business strategy including customer-interface departments as well as other departments. Measuring and valuing customer relationships is critical to implementing this strategy.

**Benefits of Customer Relationship Management**

A Customer Relationship Management system may be chosen because it is thought to provide the following advantages:

- Quality and efficiency
- Decrease in overall costs
- Increase Profitability
- Challenges
Service Quality

Quality has come to be recognized as a strategic tool for attaining operational efficiency and improved business performance. This is true for both the goods and services sectors. However, the problem with management of service quality in service firms is that quality is not easily identifiable and measurable due to inherent characteristics of services which make them different from goods. Various definitions of the term ‘service quality’ have been proposed in the past and, based on different definitions, different scales for measuring service quality have been put forward. SERVQUAL and SERVPERF constitute two major service quality measurement scales.

Customer Perception

Customers’ perceptions are formed subsequent to their experience of the services received from an organization. Furthermore, the level of previous customer experience with certain services that serve by other firms can impact on customers’ perception of service quality. Researchers believe that perception and expectation are strong relative concepts Customers’ perceptions results from how customers recognize service quality; customers’ expectations however can be shaped through the influence of other people.

Service Quality Dimensions

One of the important factors that are most important to measure perceived service quality is service quality dimension. Researchers and marketers believe that to develop service, we need to design a valid measurement system for service quality. Therefore, determining customer satisfaction and its dimension in a unique form must be part of the effort made by any company or business especially a service provider such as a bank.
Parasuraman and his team’s theory highlight five dimensions: Reliability, Empathy, Tangible, Responsiveness and Assurance. They are providing 22-items instrument for measuring customers’ expectation and customers’ perception of the five dimensions. In the SERVQUAL model service quality is the gap between customer's expectations (E) and their perception of the service provider's performance (P). Hence the service quality can be measured by subtracting the customer's perception from the customer's expectations. These gaps illustrate five quality failure potential. By this model marketers can determine the level of service quality and therefore can design and perform the level of service needed to meet customers’ expectation and perception. These five dimensions can illustrate where these gaps in service exist and how they develop. This model has been widely used by marketers and researchers for measuring and improving service quality among companies but this model has some limitations and problems.

**Studies on customer relationship and service quality**

Amutha, Surulivel and Vijaya Banu (2012) said that the services sector have to prove that their services are customer-focused and that continuous process improvement is being delivered. Manual service for personal interaction between employees and customers is considered important for every service organisation. Competitive advantage is exhibited through “effectiveness of services ensured” by the banking organisation. The result showed that the customers accept that the bank’s standard is nearing the industry standard. They opined that their loyalty towards the bank has increased and the bank also deserves it because of its level of commitment towards customers.

Dr Gunal ÖNCE (2012) investigated the relationship marketing (RM) strategy of a retail bank and examined whether - after its implementation - customer relationships were strengthened through perceived improvements in the banking relationship and consequent
loyalty towards the bank. No significant differences were found between the segments on customers’ evaluations of the service relationship or their loyalty toward the bank. Furthermore regression analysis revealed that relationship satisfaction was less important as a determinant of loyalty in the more profitable segment.

Vibhor Jain (2012) in their study if the perception of service quality has an effect on the banks, . It has been observed that in the banking sector it is the HDFC bank which is perceived to be offering better quality of services followed by the other private banks. With the increasing competition amongst banks, the findings can act as a strategic tool to achieve competitive advantage and customer satisfaction. It is also an eye-opener for the banks to see the gap between customer expectation and perception regarding the quality of services rendered which should further act as a motivation which results, increases reputation and to achieve customer loyalty.

Abed Abedniya, Majid Nokhbeh Zaeimin and Bardia Yousef Hakimi (2011) in his study investigated the direct impact of perceived service quality on customer satisfaction in the context of Islamic banking system in Malaysia. In this study CARTER instrument for measuring perceive service quality and customer Satisfaction was used. The study indicated the gap between customer expectation and perception concerning service quality dimension based on CARTER instrument. By measuring this gap the level of customers’ perceive service quality and customer satisfaction level are compared.

Relationship marketing develops marketing productivity (Anahita et.al, 2011) and builds up mutual values for customers and sellers by creating effective and long-lasting relationships. Their study evaluated the impact of customer’s perceived service quality on relationship commitment, relationship satisfaction and trusts as relationship marketing orientations and
then examines the influence of these dimensions on customers’ buying behaviour in results showed significant relationships between customers’ perceived service quality as independent variable and relationship satisfaction and trust as dependent variables.

Anber Abraheem Shlash Mohammad, Shireen Yaseen Mohammad Alhamadani (2011), examined the level of service quality as perceived by customers of commercial bank working in Jordan and its effect customer satisfaction, The results of this study indicated that service quality is an important antecedent of customer satisfaction and suggested that managers and decision makers in Jordanian commercial banks should seek and improve the elements of service quality that make the most significant contributions on customer satisfaction.

A. Ananth and A. Arulraj (2011) revealed that Customer has become more and more aware of their requirements and demand higher standard of service. Their perception and expectations are continually evolving, making it difficult for the service providers to measure and manage service effectively. The key lies in improving the service selectively, paying attention to more critical service attributes/ dimensions as a part of customer service management. The study identified ten dimensions for measuring service quality and found that the Credit scheme and Interest rate is the mediating factor to service quality.

Chantal Rootman (2011) said that despite extensive research undertaken in the subject area of services marketing, much is still unknown to service providers of specific services in terms of firm-client relationships and how customer retention rates can be increased. The study revolved around the relationship marketing and customer retention of banks in South Africa, Canada and the United Kingdom (UK). The empirical investigation conducted among banking clients revealed that significant positive relationships exist between six of the seven identified independent variables, namely communication, personalisation, empowerment, ethics, fees and technology, and banks’ relationship marketing. These relationships imply
that, according to banking clients, if each of these aspects in banks improves, bank-client relationships would improve. The empirical investigation conducted among bank managers showed that managers only regard communication and fees as influencers of relationship marketing in banks. This result clearly indicated a difference in the viewpoints of banking clients and bank managers. In addition, the empirical investigation revealed that relationship marketing positively influences the customer retention of banks. This relationship implies that if a bank successfully maintains relationships with its clients, the bank’s customer retention rates will increase. Additionally, the empirical investigation revealed that the population group, education level and country of residence of banking client respondents exerted an influence on the perceptions clients have regarding banks’ relationship marketing and customer retention levels.

Gilbert, D. and Choi, K.C. (2011) found that different ownership of a bank may exert a different emphasis on RM practices and alerted that RM practices are not yet fully implemented in the banking industry and it is important to develop a comprehensive approach to maintain a bank’s competitive average.

Mohammad Mizenur Rahaman, Md. Abdullah and Dr. Ataur Rahman (2011) found that Service firms in the developing country like other organizations now realizing the significance of customer oriented philosophies and turning to quality management approaches to facilitate managing their businesses. SERVQUAL as an effective approach to measure the quality of provided services provided and also analyses the gaps between customer expectations and perceptions of the service organization. It has also highlighted important service quality gaps associated with external customer services in the banking services of the Bangladesh especially in PCBs. Another aim of this paper is to point out how management of service improvement can become more logical and integrated with respect to
the prioritized service quality dimensions and their affections on increasing or decreasing service quality gaps.

C. Rootman, M. Tait & G. Sharp (2011) stated that banking industries are very competitive, and banks are facing service delivery challenges. Relationship marketing is a strategy for building and maintaining relationships with clients, and customer retention is important for banks as it refers to the maintaining of profitable banking clients. Therefore, this study addressed the need for further understanding of relationship marketing and customer retention of banks, and related lessons that can be learned from banks in Canada and the United Kingdom (UK). Fee structures and the ethical behaviour of banks are regarded as the most important focus areas for banks. Canada was identified as the country with the most highly regarded banks in terms of relationship marketing, customer retention, empowerment of bank employees and personalisation of banking services. UK banks were highlighted as superior in setting fee structures, communication strategies and ethical behaviour. The study also resulted in the development of a conceptual model that could be used in future relationship marketing research.

Shahram Gilaninia (2011), investigated the relationship of foundations relationship marketing in the private banks and public bank. According to the results of this study, merit, communication, trust and conflict management have significant effect on customer satisfaction, but commitment has no significant relationship with customer satisfaction and it can be due to standard services offered by banks which do not make any commitment to customer to maintain the relationship. It also found close relationship between bank employee and customer and also the market conditions are the most important indexes of bank in providing services to customers.
Semih Onut Ibrahim Erdem, Bora Hosver (2011) suggested extension of promotions to a larger customer population by having sales people in the branches contacting progressively and targeted campaigns through Internet and the call center for customers actively using one or both of these innovative channels for their banking operations. It is also found that the analytical and strategic CRM cycle is being completed by developing an application analyzing customers' attrition and deploying strategies to reduce it.

Surabi Singh and Renu Arora (2011) in their study analysed the customers perception of quality of services both transaction based and IT enabled in terms of its constituent factors in public sector, private sector and foreign banks. Also through the study, they analysed the extent of IT adoption in public sector, private sector and foreign banks in this e-age. The study showed that the customers of nationalized banks were not satisfied with the employee behavior and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility and communication.

Vasumathi & V.Giridharan (2011) assessed the satisfaction of customers of banks through the assessment of service quality perceptions and this study on customer service in Indian Banks was done at VIT, Vellore to analyse response of the students to the efficient service offered. Since the bank is located near the college premises, the study reveals the students find it convenient to transact with the bank with the bank.

Ayopo O. Olotu, Darego W. Maclayton and Bright C. Opara (2010) revealed the practice of Relationship Marketing Orientation (RMO) in Nigerian banks with a conceptual model and measurement scales of RMO in the Nigerian business environment. The six multi-item scales of RMO were tested for reliability and validity using the Confirmatory Factor Analysis through the SPSS statistical tool. The results showed a strong evidence of validity, uni-
dimensionality and reliability using samples from 123 bank branches in Port Harcourt, Nigeria. The result further revealed the practice of RMO in the Nigerian Banks and that the RMO dimensions positively correlate with the Business Performance measures used in the study.

Nalin Abeysekera, Buddhika Hewawasam (2010), in their study examined the commitment-trust dimension of the relationship marketing paradigm in Sri Lanka’s corporate banking sector. The findings showed that the marketing strategy and a long-term marketing orientation were positively correlated with customer commitment and trust. It also found out that in order to continue to be successful in the corporate sector, banks must invest in the long-term relationship marketing activities.

G. S. Popli, D. N. Rao (2010) studied the service quality in Public sector banks and the major findings of the study is that Modernization and Communication affect the services to a large extent and there is a need of training to the staff for improvement of service to the SMEs customers; The service quality of private banks is superior to that of Public sector banks; the credit flow to SMEs sector is not sufficient and the Government will have to initiate necessary steps for making the required funds available easily on convenient terms; the policies for SME Sector of other countries are far better from the policies of India; Delay in loan application processing due to unhelpful nature of the staff members. The banks usually provide finance against security and as high as 86% of the respondents are of the view that the banks ask for collateral security/guarantee from a third party even where the project has been assessed as viable and primary security is adequate.

Sunayna Khurana (2010), in her study said that in an increasingly competitive global financial system, banks seek competitive advantage through better service quality. This
research paper investigated the level of customer satisfaction with the service quality of private banks. A descriptive statistics analysis (mean and paired t-test) was used to evaluate the level of service quality of India's private sector banks from the customers' perspective. This study examined the service quality gap by comparing customers' expectations and actual perceptions. This study also focused on customers' satisfactions towards the various service provided by private sector banks. The results of the study indicated that the overall service quality provided by the private banks was below customers' expectations.

Uma Shankar Mishra (2010) and others analysed Service quality, customer satisfaction, customer retention, customer loyalty and delight which are the major challenges in the banking sector. According to them service quality plays a major role in getting customer satisfaction and creating brand loyalty in banking sector. Human element acts an important role in perceived service quality as well as satisfaction. Public sector banks need to redefine the customer service parameter in order to compete with the nationalized private sector banks both in profitability and corporate image. Their study extracted few dimensions of service quality as perceived by bank customers and compared it with five major dimensions already extracted in past literature.

According to Hermen Jan Van Ree (2009) Quality is critical to corporate success as it plays a vital role in improving organisational productivity. It can be defined as ‘the totality of inherent characteristics of a product or service that bear on its ability to increase the demand for that product or service at a fixed price’ and can best be measured by capturing customer perceptions of the performance of those characteristics.

Mohammed Sadique Khan, Siba Sankar Mahapatra, Sreekumar (2009) made a study aims at evaluating the service quality of internet banking (i-banking) services in India from
customer’s perspective. A structured questionnaire containing 44 quality items is administered to various target groups. Seven quality dimensions, viz. reliability, accessibility, user friendliness, privacy/security, efficiency, responsiveness and fulfillment, are identified based on principal component factor analysis. Demographic analysis of data reveals that gender is hardly a bias for use and evaluation of service quality of i-banking in most of the cases across various categories of customers. A valid mathematical model is proposed to assess the overall service quality using regression analysis. The results show that customers are satisfied with quality of service on four dimensions such as reliability, accessibility, privacy/security, responsiveness and fulfilment, but least satisfied with the ‘user-friendliness’ dimension. The empirical findings not only prioritise different parameters but also provide guidelines to bankers to focus on the parameters on which they need to improve.

Uppal R. K. (2009) made a study on customer service and inferred that there is a significant difference among three bank groups with regard to the time customers have to spend to transact a business and found that e banks are more efficient with regard to time factor.

Usha Lenka, Damodar Suar, Pratap K.J. Mohapatra (2009) suggest that better human, technical and tangible aspects of service quality of the bank branches increase customer satisfaction. Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspects. Customer satisfaction furthers customer loyalty. Increase in service quality of the banks can satisfy and retain customers. In the Indian banking sector, human aspects are more important than technical and tangible aspects of service quality that influence customer satisfaction and promote and enhance customer loyalty.
Vahid Pezeshki (2009) in his thesis aimed to propose a model that explains the relationship between customer satisfaction, retention and loyalty based on service quality attributes. The three elements of satisfaction, retention and loyalty towards products represent ongoing challenges for the corporate financial performance.

Victor Danciu (2009) suggested some opportunities the marketing could offer for the improvement of the performances of the banking institutions. Their research pointed out that the banks should practice relationship marketing rather than transaction marketing. They have worked out and implemented a model which shows the particularities of the operations in every stage of the lifecycle of the relationship between the bank and the customer. By means of this theoretical model they identified the current situation of the relationship between the local banks and their customers.

Bargal and Sharma (2008) analysed the role of service marketing in banking sector. They identified the important service factors in the banking sector are diversified services, flexible business transaction hours, accessibility of banking location, installation of web system, profession training to then employees, customers’ complaint system and performance based appraisal system to enrich their services to their customers.

Vimi and Mohd (2008) undertook a study of the determinants of performance in the Indian retail banking industry based on perception of customer satisfaction. The finding of the study reinforces that customer satisfaction is linked with performance of the banks. The customer satisfaction is studied with the variable intermediaries’ behaviour, quality of service, waiting line strategy, handling of customer complaints and service encounters.

Koushiki Choudhury (2007) explored the dimensions of customer perceived service quality in the context of the Indian retail banking industry. A set of service quality parameters,
drawn from customers’ perceptions about service quality as well as the bank marketing and service quality literature were devised and used in the context of four of the largest banks in India to identify the underlying dimensions of service quality, using factor analysis. The study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers can take to enhance their employees' skills and attitudes and instil a customer-service culture.

Nelson Oly Ndubisi (2007) observed the impact of relationship marketing strategy on customer loyalty and with multiple regressions analysis assessed the impact on customer loyalty of four key constructs of relationship marketing (trust, commitment, communication and conflict handling). It is found that the four variables have a significant effect and predict a good proportion of the variance in customer loyalty. Moreover, they are significantly related to one another and concluded that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently.

Vanniarajan T. (2007) applied two measures SERVQUAL and SERVPERF in the measurement of service quality in Indian banking and the results indicate that the SERVQUAL scale provides more diagnostic information rather than the SERVPERF scale. The five-factor conceptualization of SERVQUAL does not seem to be totally applicable. The higher discriminant validity of SERVPERF indicates supremacy of the scale for the
measurement of overall service quality whereas there is no significant difference between these two scales regarding their convergent validity. By the predictive ability of the scales, the SERVPERF scale on various services quality factors explained more than the SERVQUAL scale. The significant differences among the customer in Public and private sector banks are more clearly identified by the SERVPERF scale than the SERVQUAL scale. The four scales generated in the present study are significantly different to explain the service quality in Indian banking. The study concludes that the SERVPERF Scale is better than the SERVQUAL scale to measure the service quality in Indian banking.

Chiung-Ju Liang, Wen-Hung Wang, (2006) aims to test the relationship between perceived service quality satisfaction and relationship intentions, or, in other words, whether or not consumers will consider building long-term relationships with service providers on the basis of a single instance of perceived service quality. They suggest that financial products with different product attributes need different kinds and levels of service and relationship investment and also suggest that there does exists a positive relationship between service quality satisfaction and perceived relationship investment. The results of the survey analysis showed that only one driver--the financial driver--is significant to the advisors in keeping their clients satisfied.

Andreas Leverin and and Veronica Liljander (2005), in their study investigated the relationship marketing (RM) strategy of a retail bank and examined whether after its implementation customer relationships were strengthened through perceived improvements in the banking relationship and consequent loyalty towards the bank.

Mohammed Al- Hawari et.al (2005) recognised automated service quality as the factor which determines the success or failure of electronic commerce. Those models currently available to
measure automated service quality are limited in their focus, encompassing only one electronic channel – the internet – thereby ignoring attributes of the other automated service channels. In relation to the banking sector, research has identified that bank customers tend to use a combination of automated service channels. As such, this research strived to develop a comprehensive model of banking automated service quality taking into consideration the unique attributes of each delivery channel and other dimensions that have a potential influence on quality issues. The proposed model (ATM, Tele-banking, internet banking, core product and price) has been empirically tested for unidimensionality, reliability, and validity using confirmatory factor analysis. The study was to establish the critical determinants of automated service quality by including those attributes of each main banking delivery channel that were currently assessed by existing service quality instruments and those attributes that were currently overlooked in the automated service quality literature.

Schneider and White (2004), define service quality as customers’ assessment on the overall excellence or superiority of the services provided. Customers evaluate the service grounding on their expectation that they already have about the service of the company (Parasuraman, Fornell, and Lehmann 1994). SERVQUAL theory uses this evaluation model for measuring service quality. This is one of the important theories for assessing service quality.

Kong Shin Yee (2003) in his study suggested that customer satisfaction towards service provider can be improved by focusing on their perceived quality on both service and product. Consequently, customer loyalty and relationship quality can be enhanced by increasing customer satisfaction. Furthermore, this study reinforced the belief that relationship satisfaction has an important role to play in the manufacturing environment. It puts forward one possible causal explanation of the elusive link between satisfaction and relationship. The study concluded with theoretical and managerial implications of the findings.
William E Jackson III, Purushottaman Nandakumar and Aleda V Roth, (2003) suggested that the optional level of a bank's service quality depends critically on the competitive structure of the market in which the bank operates, the degree of demand interaction between banks, and the ease of imitation of competitors' service quality innovations.

Parasuraman, A (2002) proposed a framework for understanding the inter-linkages among service quality and the various components of the company-customer perspective of productivity.

Valarie A Zeithaml, A Parasuraman and Arvind Malhotra, (2002) stated that to deliver superior service quality, managers of companies with Web presences must first understand how customers perceive and evaluate online customer service.

According to Mittal & Kamakura in 2001, satisfaction is a main indicator for customer retention in future. They believe that customers don’t change their services or products provider if they are satisfied with their purchase. In addition, this concept is prerequisite for customer loyalty. Some researchers believe that the ultimate goal of customer satisfaction is customer loyalty, which refers to the tendency of a customer to choose one service or product over another for a particular need (Heskett 1997). This factor can drive a company to more profit growth and performance (Reichheld 1993). There are very different definitions of customer satisfaction. The first definition of this concept is explained by Westbrook in 1981; he defines customer satisfaction as an emotional state that involves customer evaluation of a service that he has received from a company and his response to it. Another definition is explained by Churchill and Suprenant in 1982 that defines this concept as a cognitive process of comparison between what they spend to earn a service and what customer receive. It has
also been viewed as a function after purchase. They assume this function as an outcome and comparison between cost and feedback of the purchase with their prediction about services.

However, cognitive and evaluation theories are based on two new definitions about customer satisfaction: they are called overall satisfaction (or cumulative satisfaction) and transaction specific judgments. Overall satisfaction is an overall assessment about services and products based on total cost and consumption experience over time (Parasuraman, Fornell, and Lehmann 1994). This theory is different with transaction of specific customer judgment that refers to an affective reaction to the most recent transactional experience with the firm (Oliver, 1993; Cronin and Taylor, 1994). Marketers believe that customers usually desire to have high expectations on the products and service which are purchased and consumed. Oliver (1981), highlights that customer satisfaction originates from an overall psychological state. According to this, the emotion surrounding disconfirmed expectations is coupled with the consumer’s prior feelings about the consumption experience. Indeed, customer satisfaction is the consequence of customer expectation on the services and products that they have received from providers. Therefore, they have reached a unique state in which satisfaction is defined as the comparison between expectations and perceived performance.

Othman and Owen in 2001 develop a new model to modify SERVQUAL model for Islamic banking system. They add a new dimension to SERVQUAL five dimensions called “Compliance with Islamic Principal”. This dimension defines the company’s ability to fulfill Islamic law and operate under the principles of Islamic banking and economy. They add the sixth dimension and improve the definition of some existing dimensions for measuring service quality of Islamic banking system. This model includes 34 item instruments that was customized for Islamic banking, which is therefore suitable for our research. Several
researchers believe that perceive service quality is a prerequisite of customer satisfaction (Gronroos 1984; Parasuraman, Zeithaml, and Berry 1985, 1988; Oliver 1997).

Pita Castelo, Jose, (2000) said that customer loyalty, customer satisfaction/dissatisfaction (CS/D) and Service Quality (SQ) were some of the most substantial concepts in marketing. Financial services, and especially retail banking, have unique characteristics which make them operationally different from manufacturing business or other services. The main objective of this research is an empirical test, for the first time, of the relationship between CS/D and SQ, and the impact of a new variable (usage rate) on customer loyalty in the context of retail banking.

Dellande, Stephanie Joy, (1999) stated that services in which the customer participated to create while within the service organization and must comply with his/her role once outside of the service organization to ensure positive outcomes and customer satisfaction, have been labelled as compliance dependent services (CDS). Roest, Henk C. A., (1998) explored the assessment of service quality expectations and opportunities to manage them in purchase decision making. Such services typically entail a service delivery process that was of longer duration, requiring long-term interactions with service providers and often requiring lifestyle changes.

According to Robinson’s (1999) report, SERVQUAL instrument is a more scientific instrument compared with SERVPERF model which is used to scale development. One of the important problems that are felt with both the above models is this that none of them pay attention to religion and differentiation among region, religion and countries’ culture. In focusing into the variable of religion, it is known that religion, as a belief system affects the choices and behaviour patterns in consumers. In fact, researchers believe that religion is a
systematic culture that can create strong beliefs or values for them (Clifford Geertz, 1973). In relation to this and satisfaction of customers’ needs in service industry, marketers further believe that religion often influence customer behavior and decision when purchasing a product or service (Kotler et al., 1999; Karjaluoto et al., 2002). Relating this to Islamic banking as a specific model of their study, they explain why Muslim people who are sensitive about interest-based transaction of conventional bank – being one of the most common issues among Muslim banking clients – moved to open account in Islamic banks. Therefore making an additional dimension is necessary for service quality that pays to these factors such as in Islamic banking industry.

According to Rowley (1998), perceived service quality is from customer point view and not same as customer satisfaction but these are in relation. Therefore, this relationship is complex for marketers and researchers. One of the important features that are essential for any companies and organizations is customer satisfaction. This is the primary factor of most companies that leads to revenue for companies. Therefore, this concept has become a field of interest for academic and marketers for many years.

According Buttle (1996), this instrument is not universal and has wrong result in some part such as statistical and psychological theory. Other problems of this model are its failure to measure absolute service quality expectation and some item can’t capture the variability within each service quality dimension (Othman and Owen, 2001).

Oliva Pue, Rogelio (1996) stated that service quality could not be measured and tested in as straightforward a manner as quality could be measured and tested in manufacturing. The difficulty in developing quality metrics had biased service businesses to focus on controlling measurable variables--typically, expenses and work flows--while under-investing in the more
intangible factors of service capacity and service quality. In the long-term, this strategy could result in mediocre levels of service quality, poor customer satisfaction, low customer loyalty, and high turnover of service personnel. Ultimately, this result could change the cost structure of service delivery by shifting the major cost component from operating expenses to costs of poor quality. The new cost structure caused poor financial performance that lead management to tighten the control of expenses and work flows, creating a vicious cycle of eroding service quality.

Zeithaml, Valarie A, Berry, Leonard L and Parasuraman, A, (1996) offered a conceptual model of the impact of service quality on particular behaviours that signal whether customers remain with or defect from a company. Results from a multicompany empirical study examining relationships from the model concerning customers' behavioural intentions show strong evidence of their being influenced by service quality.

Cronin and Taylor (1994) introduce another model based on performance to measure service quality (SERVPERF). They expressed that researchers have focused to illustrate differences between service quality and satisfaction by measuring service quality perception; however, this approach cannot distinguish between customers’ satisfaction and attitude. However, this model consists of 22 perception item of SERVQUAL model that can illustrate variances in the measurement of service quality better than SERVQUAL model.

Barbara R. Lewis, (1993) stated that bank and other financial services providers were increasingly developing service quality initiatives. He also stressed the development of service quality measurement tools and the need for an integrated approach to service quality relating to changing customer expectations.
Roth Aleda V., vander Velde, Marjolijn (1991) said that the competitive priorities of retail banks was empirically linked with operations strategy contents of structure, infrastructure, and integration choices. The pattern of operations choices varied competitive priority.

Chase, Richard B, (1981) holds that the potential efficiency of a service system is a function of the degree of customer contact entailed in the creation of the service product. Thomas, Dan R. E., (1978) says that service differentiation is necessary for the growth and development of service businesses.

**Disconfirmation Model**

This model is based on a standard comparison between performance and expectation to evaluate level of satisfaction. This model is sometimes called confirmation and disconfirmation within the scope of research in customer satisfaction. According to this model, if the levels of customers’ perceived performance exceeds customers’ expectations, it will lead to an increase in the level of satisfaction; on the other hand, if performance that customers have received grade lower than expectations, the level of satisfaction decreases and dissatisfaction occurs (Walker, 1995; Oliver, 1993). The difference between customers’ perceived performance and their expectations result to positive function that is called satisfaction. Selection of a model for implementing and improving customer satisfaction program depends on specific situations and also how these models can describe these situations better than other. This research uses the confirmation/disconfirmation model of customer satisfaction that evaluates customer satisfaction by making a comparison between perceived performance and expectation (perceived performance-expectation).

**Perceived Quality and Customer Satisfaction**

Throughout this decade, many researchers and marketers have tried to reveal the relationship between service quality and customer satisfaction. Today, customers’ perceived service
quality and expectations are two interesting factors among researchers because they believe that these factors indirectly affect customer satisfaction. By paying attention to both perceived service quality and customer satisfaction literatures, we can find that researchers have accentuated on the fact that customers always make an evaluation among service performance and their expectation using some standards. In summary, researchers believe that customer satisfaction is an outcome of service quality and a golden factor that can influence on organization’s profit and success (Parasuraman, 1994). According to disconfirmation theory, there are two factors that affect customer satisfaction and this concept is expressed in following equation: (Customer perception of performance – customer’s expectation = customer satisfaction). In this model, customers’ expectation can predict the level of customer satisfaction because it consists of customer anticipation about what is likely to happen and desired by them from the service that they have received. On the other hand, researchers define perceived service quality as the level of difference between consumers’ perception and expectations (Parasuraman, 1988).

According to customer satisfaction and customer perceived service quality, managers can enhance customer satisfaction by improving service performance (customer perception), or decrease customer expectation, or both. Admittedly, if a service provider in a particular bank is not successful in covering customer service expectations with their service performance that might lead to customers’ dissatisfaction and therefore lead to the customer switching to another provider (McCollough, 2000). As mentioned above, Othama and Owen in 2001 developed a model for measuring service quality in Islamic banking system. Managers of Islamic bank are aware that adapting to service quality program is very important to develop
and improve their services to customers and to confront their rivals that are active in Islamic banking sector or conventional banks.

Huseyin, et. Al. (2005) believes that good knowledge of the characteristics and advantages of service quality on the part of banks do contribute for their success and their persistence in the international banking competitive environment. From these findings it can be concluded that the quality of banking service is an integrative assessment of the services offered to the external client, for clients are considered to be independent individuals with various requirements on the basis of which services are provided, based on certain specification. This requires that banks have to carefully select creative employees with high qualifications and capabilities.

Beer (2003) defined service as a set of characteristics and overall properties of the service which aim to satisfy the clients and meet their needs. Mohamed & Shirley (2009) emphasized that banks have to care about the quality of their services since this quality is considered the essence or core of strategic competition.

Walfried, et. al. (2000) defined service as a set of characteristics that meet the clients' needs, strengthen the links between the organization and them, and enhance the clients' value as well.

Crosby (1981) defined Quality as consistency with fixed specifications and this agrees with Karim's definition (1996), who defined Quality as anything that accords with the characteristics of the product to meet the external clients' needs. In addition, the product quality differs from that of a service as the earlier is tangible, whereas the latter is intangible. Service is also defined differently. The American Society for Marketing, for example, defines service as activities or benefits that are offered for sale, or that are offered for being related to
a particular product. Kotler (2003), defined service as 'any behaviour or act based on a contact between two parties: the provider and the receiver, and the essence of this reciprocal process in intangible. Hakesver (2000) looked at service as a set of economic activities that provide time, location form and psychological benefits.

Parasurama Zeltham, I & Berry (1985) that there exist ten criteria and dimensions through which service quality can be assessed:

Reliability: the ability of an organization to accurately achieve its services in the proper time and according to the promises it has made to its clients.

Responsiveness: the tendency and willingness of service providers to help clients and satisfy their needs, immediately reply to their inquiries, and solve their problems as quickly as possible.

Competence: having adequate skills and knowledge that enable the employees to perform their jobs properly.

Accessibility: providing easy access to a service in terms of location and through services provided via the telephone, the internet, or any other means of communication.

Courtesy: treating clients respectfully in a polite friendly manner, understanding their feelings, and answering their phone calls gently.

Communication: this occurs through gentlemanly listening to the client conveying information to them clearly and facilitating external communication with workers.

Credibility: this can be achieved through full trust and confidence in the service provider as well as his honesty and straight forwardness.

Security: this depends on whether the service is free from risks and hazards, defects or doubts so that it provides bodily safety, financial security as well as privacy.
Understanding/ knowing the customer: this can be made achievable through the ability to pinpoint the customers' needs as well as understanding their individual problems.

Tangibility: this includes physical aspects connected with service such as instruments and equipment, persons, physical facilities like buildings and nice decoration and other observable service facilities.

The above-mentioned ten dimensions have been integrated into only five ones. Researchers agreed on the fact that these dimensions are appropriate ones which help reveal the customers' expectations and perception. This new model is called 'Servqual'. This compound word consists of the two words 'Service' and 'Quality', these five dimensions include:

1. Tangibility: this includes physical facilities, equipment, and the physical appearance of one employee.

2. Reliability: this refers to the ability to provide the exact required service according to given specifications and conditions.

3. Responsiveness: the inclination and willingness of the employees to serve customers quickly and properly.

4. Assurance: feelings of trust and confidence in dealing with the organization. This reflects the workers' knowledge and experience and their ability to build self-confidence as well as confidence in the customers themselves.

5. Empathy: understanding the customers' personal needs, taking care of them individually and showing them all sorts of sympathy and affection, looking at them as close friends and distinguished clients.

Al-Allaq & Al-Ta'i'i see that tangibility, reliability and responsiveness are constant dimensions, whereas; the criterion of 'Assurance' includes courtesy, reliability and security. As for as 'Empathy' is concerned, it includes elements like providing service in terms of
place, time, communication, and to what extent the service provider understands the
beneficiary. Gronroos, however, believes that tangibility, assurance and empathy can be
classified as being functional dimensions of service quality, while responsiveness and
reliability can be classified as being technical dimensions. There are two major approaches to
creating and deciding on a model to measure service quality: the directional approach, a
concept which is connected with satisfaction but not equivalent to it, and connected with the
customers' perceptions of the actual performance of the service provided. This approach
supports the fact that satisfaction is a psychological state prior to giving judgment on the
quality of service.

Service quality as perceived by customers definitely indicates what is left of their previous
perception of the service quality and the level of their satisfaction with the current
performance of the service. This means that satisfaction is an intermediary factor between the
previous perceptions of the service quality and the present perception of it. Accordingly, and
within this general framework, customers can assess the service actual quality provided to
them (Mualla, 1997). Hence, the customer's satisfaction with the actual performance level of
service has a further impact on the formation of the customers' perceptions of service quality.
And one the service is purchased again, satisfaction becomes a major approach to the process
of assessing service quality (Mualla, 1998). This study depends on this very approach – the
measurement of actual performance – which is termed 'SERVPERF' (Joseph, et.al., 1992).

The other approach, called the Gap Approach, or 'SERVQUAL' model developed by
(Parasuraman, et. al.1988) is based on the customers' expectations of the service level and
their perceptions of the actual service performance level. So the axis of this model is
represented by the gap between the customers' perceptions of the actual service performance
level and their expectations of the service quality. This gap, in turn, depends on the nature, design and provision of this service. The major objective of 'SERVQUAL' model is to clarify the series of gap which affect the beneficiary's perception of service quality; that is, the four previously mentioned gaps which occur in the administrative aspect.

Satisfaction became a popular topic in marketing during the 1980s and is a debated topic during both business expansions and recessions. Most discussions on customer satisfaction involve customer expectation of the service delivery, actual delivery of the customer experience, and expectations that are either exceeded or unmet. If expectations are exceeded, positive disconfirmation results, while a negative disconfirmation results when customer experience is poorer than expected. In today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shemwell et al., 1998).

Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compare their pre-purchase expectations with postpurchase perception.

Oliver (1997, p. 13) defines satisfaction as “the consumer’s fulfillment response”, a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillment, including under or over-fulfillment. Oliver (1981) point of view Customer satisfaction is the evaluation a customer makes to a certain exchange, which reflects the relation of the customer's expectation and their real perception to products and services they receive. Some researchers think customer satisfaction can be measured. For example: Caepiel (1974) suggested using overall measurement to record customers' response to different attributes of products and services. Kuo (1996) recognized seven factors that influence customer satisfaction: service content, price, convenience, corporate image, equipment, staff and procedure. Huang (1998) also
defined five factors used to evaluate customer satisfaction: product, service, staff, overall performance of products, and closeness to expectation.

**Perceived Service Quality and Customer Satisfaction**

According to Brink and Berndt (2008) and Peppard (2000), personalisation occurs when a firm develops or tailors its offering to satisfy unique client needs. Ethical behaviour refers to conforming to acceptable standards of behaviour based on custom, practice and personal conscience (McDonald & Leppard 1990). The ethical behaviour of a firm also includes its level of social responsibility, in other words its obligations to consumers, employees and the community (Longenecker et al. 2006).

Tiernan et al. (2008) offered a wider perspective on service quality measures on the basis of data from the Association of European Airlines (AEA) when they found that important factors in determining positive customer perceptions of the industry included on-time flight arrivals and an absence of cancellations and baggage problems.

Menon and O’Connor (2007) define customer retention as the longevity of a consumer’s relationship with a firm. Based on the literature, the variables that can possibly influence banks’ relationship marketing and customer retention include communication, knowledgeability, empowerment, personalisation, fees, ethical behaviour and technology. Communication is the delivering of a message or information, through various methods, from one individual or group to another (Bosch, Tait & Venter 2006; Lages, Lages, Lages 2005; Joiner 1994). Word of mouth (Kotler, Armstrong & Tait 2010) and marketing communication (Elliott 2009) are also regarded as methods of communication to and from clients. Knowledgeability is the level of insight employees have regarding specific aspects, offerings
and clients of a firm. Empowerment is the action when managers give employees authority to make decisions or take actions on their own (Longenecker, Moore, Petty & Palich 2006).

Al Tamimi and Al Amiri (2003) compared the five dimensions of SERVQUAL between the two main Islamic banks of UAE; Abu Dhabi Islamic Bank, and Dubai Islamic bank. Their study did not attempt to address different dimensions of service quality that might be related to UAE culture. An instrument for measuring service quality in UAE banks based on the five items of SERVQUAL was developed and tested in 2002. Factor analysis of the items of SERVQUAL resulted in three dimensions: tangibles, reliability, and empathy. They found out that reliability was the most important dimension of their instrument. While their factor analysis resulted in a three-dimension instrument, there was also no attempt to address new service quality dimensions that are particular to UAE culture.

Zhu et al. (2002) explored the impact of information technology (IT) on service quality in a large consumer bank. Their results showed that IT based services have a direct impact on the SERVQUAL dimensions and an indirect impact on customer perceived service quality and customer satisfaction. They also concluded that the evaluations of customers for IT based services were affected by their preference towards traditional services, experiences in using IT based services and perceived IT policies.

Allred and Adams (2000) compared service quality at banks and credit unions. They indicate that credit unions rated significantly higher than banks on 11 of the 14 service quality questions.

Walfried et al. (2000) adopted two techniques in their study for service quality perspectives and satisfaction in private banking, the first was SERVQUAL and the second was a measure of technical/functional quality. In the second approach, technical quality involves what is
provided while functional quality considers how it is provided. These two service quality measures were subsequently compared and contrasted as to their ability to predict customer satisfaction. The study provides initial support in favor of the idea that SERVQUAL and technical/functional quality-based models may be unequally or asymmetrically applicable across different settings and situations. The authors suggested to employ both of these two measures in varying situations and contexts, as well as with different customer groups.

Customer satisfaction is influenced by customers’ perceptions of quality (Zeithaml and Bitner, 2000). Service quality is an antecedent of the broader concept of customer satisfaction (Gotlieb et al., 1994; Buttle, 1996; Zeithaml and Bitner, 1996; Lee et al., 2000) and the relationship between service quality and loyalty is mediated by satisfaction (Caruana, 2002; Fullerton and Taylor (2002). Customer satisfaction is the customers' evaluation of services after purchase as opposed to their expectation (Oliver, 1997; Zeithaml & Bitner, 2000). Baker and Crompton (2000) defended satisfaction as a personal experience and mentality related the nitration between personal expectation and actual receive. Customer satisfaction is the overall evaluation to services. It is the reflection customers make to their previous purchase. If it always exceeds their expectation, their loyalty increases. Customer satisfaction should be highly valued in business (Ostrom & Iacobuci, 1995; Hou & Yao, 1995; McAlexander et al., 2003). FonVielle (1997) pointed out that improving customer satisfaction is the only way to business success. The relationship among service quality and customer satisfaction has received considerable attention in the marketing literature (Brady et al., 2001; Cronin and Taylor, 1992; Meuter et al., 2000; Oliva et al., 1992; Olorunniwo et al., 2006; Zeithaml et al., 1996). Within this research area, numerous empirical studies have reported the positive relationship between customer satisfaction and service quality (Andaleeb and Conway, 2006). The European and American customer satisfaction indices models, however, suggest that
service quality is a component of satisfaction (Fornell et al., 1996). Firms that provide superior service quality also have a more satisfied customer base (Gilbert et al., 2004; Gilbert and Veloutsou, 2006).

Jun et al. (1999) studied the service quality of delivering loan products. They found out that substantial differences existed between bankers and customers groups in the perceived importance of service quality dimensions. Blanched and Galloway (1994) used the SERVQUAL technique in examining quality in retail banking. In order to provide useful insights into how service might be improved, these authors attempted to develop an alternative model. They, however, adopted most of the items of the original model in their survey. They claimed that their model was general enough to be very widely applicable, and specific enough to give actionable diagnostic information.

Natarajan et al. (1999) examined the continuous improvement of service operations in which the actual service experience is assessed through a customer survey. Their paper discusses a study of operations in the branch of a bank in Bangalore, India. The SERVQUAL instrument was not used, although many of its items were adopted. Spreng and Mackoy (1996) tested a model developed by Oliver (1993). Oliver's model integrates the two constructs, and suggests, among other things, that perceived service quality is an antecedent to satisfaction. Spreng and Mackoy's results indicate that, as predicted, service quality leads to satisfaction.

Goode and Moutinho (1995) analyzed the effects of free banking (ATM services) on overall satisfaction of students and normal bank customers. Wang et al. (2003) evaluated the antecedents of service quality and product quality, and their influences on bank reputation in the banking industry of China, using a structural equations model. They concluded that both service quality and product quality had a significant influence on bank reputation. Cronin and
Taylor (1992) tested, among other things, the casual relationship between service quality and customer satisfaction. In their article, Cronin and Taylor note that marketing researchers are not in agreement in terms of the causal order of these constructs, and suggest that empirical justification is necessary to determine the true nature of this relationship. The authors report ultimately that, according to their analyses, perceived service quality leads to satisfaction (as opposed to the reverse).

Lewis (1991) evaluated student’s assessment of banks and building societies with respect to overall satisfaction. Rhoades and Waguespack (2005) compared the service quality of US airlines before and after the terrorist attacks of 11 September 2001 and found that service quality was at its optimum in 2002 as decreased utilisation of seats facilitated ontime performance, reduced overbooking, and fewer customer complaints. Caruana (2002) evaluated service loyalty over 1000 retail banking customers in Malta. Results showed that customer satisfaction played a mediating role in the effect of service quality on service loyalty. Richard and Allaway (1993) found that both technical and functional dimensions explained more of the variation in customer choice behavior than functional measures alone, as the technical dimension is easy to evaluate for a pizza delivery service. Mittal and Lassar (1998) utilized the Technical/ Functional Quality perspective to compare the concepts of customer loyalty and satisfaction. The authors found that, in a high contact service wherein a customer's direct contact with the service provider was relatively intense (Lovelock, 1996), functional quality significantly and positively affected satisfaction. Technical quality, on the other hand, was found to affect customer loyalty in the high contact service.
Kangis and Voukelatos (1997) compared private and public banks in Greece. They found that expectations and perceptions of most of the dimensions of service quality to be marginally higher in the private.

Newman and Cowling (1996) studied service quality in the retail-banking sector of the United Kingdom (UK) by comparing two British clearing banks. They concluded that banks have a greater strategic interest in service quality, partly because of the link between quality, productivity and profitability and partly due to a drive to reduce costs within the sector.

Spreng and Mackoy (1996) also provide supports for service quality as an antecedent to satisfaction. Building upon these findings, we posit that service quality is the antecedent of customer satisfaction.

Relationship marketing is a core strategy used by firms to establish, maintain and enhance profitable relationships with clients, while ensuring benefits for both the firm and its clients (Grönroos 1994). Walsh, Gilmore and Carson (2004) define relationship marketing as the activities implemented by banks in order to attract, interact with, and retain more profitable clients. Customer retention refers to a firm’s ‘zero defections’ of profitable consumers or no switches from profitable consumers to competitors (Reichheld 1996).

**CONCLUSION**

Quality is critical to corporate success as it plays a vital role in improving organisational productivity. It can be defined as ‘the totality of inherent characteristics of a product or service that bear on its ability to increase the demand for that product or service at a fixed price’ and can best be measured by capturing customer perceptions of the performance of those characteristics the empirical findings can be used to develop a framework of Service Quality Indicators, which can be used for monitoring and benchmarking service quality.
perception. For customers' customer satisfaction, it should be noted that the research is exploratory in nature there should be a constant quest to find out what quality dimensions are most suitable to measure the customer satisfaction.
END NOTES:


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