CHAPTER - II

Review of Literature
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REVIEW OF LITERATURE

According to N. Gupta and Golec (2012), in general, business organizations sustained an average cost of $727 to acquire a new customer compared to $287 to retain a customer. Nagengast (2014) estimated that 81% of banking customers went to another institution because of service dissatisfaction. The general business problem was that business leaders face increased costs because customers switched companies when they received poor service (Pick, 2014). The specific business problem was that some bank leaders in India did not understand the relationship between the five core Traditional service quality dimensions; Technology enabled service quality dimensions and customers’ intention to leave their current banking service.

In the banking industry, as in other service industries, providing superior service quality enhances customer satisfaction and contributes to profitability. Superior service quality lowers customer defection, enhances customer loyalty, provides opportunities for cross-selling, increases word-of-mouth recommendation, and enhances corporate image (Arasli., 2005a; Baumann, 2007; Cronin, 2000; Ehigie, 2006; Jun and Cai, 2001; Nguyen and Leblanc, 1998; Wang, 2003). In addition, outstanding service quality facilitates the development and maintenance of long-term relationships with customers, which is especially important in the competitive business environment of modern and Technology enabled banking (Camarero, 2007; Hawke and Heffernan, 2006).

A great deal of research exists on service quality in the banking sector. To measure service quality and identify the dimensions that customers consider in evaluating bank services, the most commonly used research instrument is SERVQUAL (Parasuraman, 1988). This generic scale for measuring service quality in a variety of service sectors is used in most studies of bank service quality (Arasli, 2005b; Chi Cui,
In addition to the SERVQUAL scale, alternative instruments are available for specific use in the banking sector (Avkiran, 1994; Bahia and Nantel, 2000; Aldlaigan and Buttle, 2002; Jabnoun and Al-Tamimi, 2003; Karapte., 2005; Guo, 2008), but they have not been used as extensively as SERVQUAL.

The research question for the study follows that, (1) what was the relationship between Traditional and Technology based service quality dimensions with customer trust and value, (2) whether customer trust and customer value creates positive impact with customer satisfaction, (3) finally, when customer satisfaction level increases, customer loyalty, customer switching, and customer positive word of mouth increases. To support the need to study the problem, this chapter gives comprehensive review of literatures and investigated relevant topics.

### 2.1 SERVICE QUALITY MEASUREMENT

Perceived service quality refers to consumer judgment about a service provider’s overall excellence (Parasuraman, 1988). This judgment is the result of the difference between what a customer believes a service provider should offer (expectations) and his perception of the actual performance of the service (Parasuraman et al., 1988). Numerous models exist that measure service quality, including the well-known SERVQUAL instrument (Parasuraman et al., 1988; Ladhari, 2009a) based on the assumption that perceived service quality derives from the consumer’s comparison of expected service and actual service performance (Gro¨nroos, 1984; Parasuraman et al., 1988). SERVQUAL measures five dimensions:

1. “Tangible elements” (appearance of equipment, physical facilities, and personnel);
2. “Reliability” (ability to perform the promised service accurately and dependably);
(3) “Responsiveness” (willingness to help customers and provide prompt service);

(4) “Assurance” (courteous and knowledgeable employees who can inspire confidence and trust); and

(5) “Empathy” (personalized attention and care).

The SERVQUAL questionnaire includes two batteries of 22 items each, measuring customer expectations and perceptions of the service actually received. This model, originally developed and validated among customers of a credit card company, a long-distance telephone company, an appliance repair-and-maintenance services firm, and a bank (Parasuraman et al., 1988), has now been applied to a wide variety of service industries, including telecommunication (Van der Wal, 2002); health care (Kilbourne, 2004); restaurants (Lee and Ulgado, 1997); insurance (Mels, 1997); retail chains (Parasuraman et al., 1985); information systems (Jiang et al., 2000); and libraries (Cook and Thompson, 2001). The SERVQUAL instrument has been used in countries that include the US (Kilbourne et al., 2004; Lai, 2006), China (Zhou et al., 2002), Australia (Baldwin and Sohal, 2003), Hong Kong (Lam, 1997) and Cyprus (Arasli et al., 2005b). However, despite its widespread use, SERVQUAL is not without its critics, especially with regard to its reliability and validity (convergent, discriminant, and predictive), the use of difference scores, and the stability of its factor structure (Ladhari, 2009a).

The assumption that service quality is determined by the difference between expectations and perception has been extensively debated in the literature. The relevance of using difference scores (i.e. gap scores) to represent service quality has been questioned on both conceptual and empirical grounds. Brown et al. (1993) question the validity of the difference scores, claiming that they are not distinct from perception and expectation scores. Babakus and Boller (1992) report that the perception scores are the principal contributor to the perception-minus-expectation scores. Peter et al. (1993) report
that difference scores have poor reliability. Other researchers find that SERVPERF (i.e. performance scores) outperforms SERVQUAL (i.e. perception-minus-expectation scores) in predicting overall service quality (Angur et al., 1999) and satisfaction (Nam, 2008). Cronin and Taylor (1992) claim that SERVPERF is a more appropriate approach for measuring service quality, noting that using the SERVPERF scale reduces the required number of statements in the questionnaire from 44 to 22.

The validity of the SERVQUAL instrument in the banking sector elicits mixed results (Mels et al., 1997; Lam, 2002; Zhou et al., 2002; Chi Cui et al., 2003; Zhou, 2004; Arasli et al., 2005a). For example, Lam (2002) uses the SERVQUAL instrument in Macau’s (China) banking sector and finds six (rather than five) dimensions:

1. “Tangibles”;
2. “Reliability”;
3. “Responsiveness”;
4. “Assurance”;
5. “Empathy 1” (called “tacit understanding of needs”); and
6. “Empathy 2” (“convenient operating hours”).

Arasli et al. (2005b) apply SERVQUAL in the Cyprus banking sector and identify only three dimensions:

1. “Tangibles”;
2. “Reliability”; and
3. “Responsiveness–Empathy” (which includes items from the original “responsiveness” and “empathy” dimensions).

The “assurance” dimension was eliminated in this study due to inadequate factor loadings. Ladhari (2009b) examines the psychometric properties of the SERVQUAL scale in the Canadian banking industry. The empirical study supports the dimensionality
(i.e. five-dimensional structure), reliability, convergent validity, discriminant validity, and nomological validity of the SERVQUAL scale. The author concludes that SERVQUAL is a suitable scale for measuring bank services in Canada. In addition to these studies that use SERVQUAL to measure service quality in banks, other researchers propose alternative scales for measuring bank service quality.

Bahia and Nantel (2000) use the ten dimensions originally proposed by Parasuraman et al. (1985) to develop a six-dimension scale:

1. “Reliability”;
2. “Tangibles”;
3. “Access”;
4. “Effectiveness and assurance”;
5. “Range of services” (or “services portfolio”); and
6. “Prices”

Othman and Owen (2001) report six dimensions of perceived service quality in the context of Islamic banking: the five SERVQUAL dimensions (“tangibles”, “reliability”, “responsiveness”, “assurance”; “empathy”) and an extra dimension, “compliance with Islamic law”. This last dimension refers to the ability of the company to operate under the principles of Islamic banking and economy. Aldlaigan and Buttle (2002) use the distinction between technical and functional service quality suggested by Gronroos (1984) to develop a scale comprised of four dimensions:

1. “Behavioral service quality”;
2. “Service system quality”;
3. “Machine service quality”; and
4. “Service transactional accuracy”.
Jabnoun and Al-Tamimi (2003) propose a modified version of SERVQUAL comprising three dimensions:

1. "Empathy" (consisting mainly of items originally belonging to the “reliability” and “assurance” dimensions of SERVQUAL);
2. "Tangibles" (items belonging to the “tangibles” dimension of SERVQUAL); and
3. "Human skill" (items originally included in the “assurance” and “reliability” dimensions of SERVQUAL).

Karatepe et al. (2005) propose a scale of four dimensions for measuring bank service quality in Northern Cyprus:

1. "Empathy";
2. "Service environment" (related to the “tangibles” dimension of SERVQUAL);
3. "Reliability"; and
4. "Interaction quality" (a combination of the “assurance” and “responsiveness” dimensions of SERVQUAL).

Finally, in the corporate banking sector, Guo et al. (2008) present a bank service-quality measure for China comprising two higher-order constructs ("technical quality" and "functional quality") and four lower-order dimensions ("technology", "communication", "reliability", and "human capital").

Most of the dimensions in these alternative measurement instruments are similar to those of SERVQUAL. The few that differ probably reflect the particular characteristics of bank service quality in specific contexts (for example, “compliance with Islamic law” in the case of Islamic banks). However, most of these alternative scales have not been replicated and their validity has not been evaluated.
2.2 SERVICE QUALITY ATTRIBUTES OF RETAIL BANKING

In order to develop marketing strategy, service marketers, especially bank marketers need to understand the service attributes that used by consumers in selecting bank. For example, consumers would use bank reputation, bank reliability, bank assurance, and physical facilities of the bank in selecting bank services. If marketers can understand which attributes are used to evaluate a service, they will be better able to manage and influence the customer’s evaluations and perception of the offering (Crane and Clarke, 1988).

Perceived quality of service tends to play an important role in high involvement industries like banking services. Banks have traditionally placed a high value on customer relationships with both commercial and retail customers. In the last ten years, the nature of customer relationships in retail banking has been changing, especially since the advent of automatic teller machines. Therefore, service quality may well be measured in terms of both personal support and technical support.

The measurement of perceived service quality may remain a challenge. Previous research suggested that the dimensionality of service quality might depend on the type of services under study (Cronin and Taylor, 1992; Babakus and Boilier, 1992). Based on this background, studies have investigated various attributes, which determine consumers’ perception of service quality of retail banking industry (Avkiran, 1994; Stafford, 1996; Angur et al., 1999; Bahia, 2000; Sureschandar et al., 2002).

A study of service quality in bank setting by Avkiran (1994) was conducted to develop an instrument for measuring customer service quality as perceived by bank branch customers. He designed and examined six-dimension model for service quality in banking industry (responsiveness, empathy, staff conduct, access, communication, and reliability) with 27 items. The six dimensions conceptualized at the start with 27 items
were empirically reduced to 17 items across four discriminating factors. The dimensions which emerged were staff conduct, credibility, communication, and access to teller services. The exploratory study conducted by Stafford (1996) reported the distinct elements (attributes) of bank service quality as perceived by customers. Seven attributes were found in assessing bank service quality. The first attribute, named “bank atmosphere”; included cleanliness, as well as an overall positive and courteous attitude by employees (kindness, friendliness, and pleasantness). The second attribute, ‘relationship”, indicates the importance of a personal relationship with the bank employees, where customers are recognized easily by long-term employee. It is consistent with the findings of Easingwood and Storey (1993), and Turnbull and Gibbs (1987). The third attribute, “rates and charges”, indicates that low costs and high interest rates can affect an individual’s perception of bank service quality. The fourth attributes, “available and convenient services”, indicates a full array of services that available, easily accessible and convenient. The fifth attribute, “ATMs”, indicates available, convenient, and working automatic teller machines. The sixth attribute, “reliability/honesty”, indicates the importance of a solid bank rating and honest, reliable employee. The seventh attribute, “teller”, indicates adequate and accessible teller.

Angur (1999) examined the applicability of alternative measures of service quality in the banking industry in India. Data were gathered from customers of two major banks in the retail banking industry (a leading public sector bank and a leading private sector multinational bank). The results suggested that the service quality concept in the retail banking of India as one of the developing economy is a multidimensional construct of service quality. Although the five-factor conceptualization of service quality proposed by PBZ (1985, 1988) did not entirely hold, the results reinforce their proposal that the five dimensions are of varying importance, with reliability and responsiveness dimensions
being the most important. In addition, the SERVQUAL scale appeared to provide much greater diagnostic information about service quality than the SERVPERF did. Although SERVQUAL is not without its critics (Cronin and Taylor, 1992), the result of Angur et al.’s showed that SERVQUAL is a better instrument for measuring service quality.

Bahia and Nantel (2000) conducted a study to develop a reliable and valid scale for the measurement of the perceived service quality of retail banking in Canada. They argued that the universality of the five dimensions of SERVQUAL across different types of services had been questioned in a number of subsequent studies (Carman, 1990; Finn and Lamb, 1991; Fick and Ritchie, 1991; Babakus and Boiler, 1992). They also argued that these five dimensions are not fully generic. As found by Carman (1990), it is often necessary to incorporate additional items to dimensions because they are particularly important for some service categories. Another critique addressed to SERVQUAL since it has focused on the first marketing mix element (i.e. product) to improve quality. Further they developed a measurement of perceived service quality with reference to Parasuraman et al.’ (1985) original ten dimensions and some additional items which are important to retail banking service, then they purified and tested the measurement scale. Based on this procedure, they proposed a scale that was called as bank service quality (BSQ). The BSQ comprises 31 items, which span six dimensions: effectiveness and assurance, access, price, tangibles, service portfolio, and reliability.

Sureschandar, Rajendran, and Anantharaman (2002) aspired to develop an empirical model of service quality with a specific focus on the banking sector. The objectives of their study are: (1) to identify the critical factors of service quality from the customers’ perspective; (2) to develop an instrument to measure customer-perceived service quality based on the identified factors with a specific focus on the banking sector; (3) to empirically test the proposed instrument for unidimensionality, reliability and
validity using a confirmatory factor analysis approach. They proposed the 5 critical factors of service quality from the customers’ perspective i.e. human element of service delivery, core service or service product, systematization of service delivery, tangibles of service (servicescapes), and corporate social image. These factors resulted from modifying the original SERVQUAL instrument, by adding and/or reducing other relevant factors. The result of empirically tests for unidimensionality, reliability, and validity show that all the five factors of customer perceived service quality have strong evidence for unidimensionality, reliability, convergent discriminant, and criterion-related validities.

Early conceptualizations of service quality (Gronroos, 1983; 1984; PZB, 1985) are based on the disconfirmation paradigm in the physical goods literature. The first conceptualization, which presented by Gronroos (1983, 1984), defines the dimensions of service quality in global terms and it is consist of functional and technical quality. The second, which presented by PZB (1988), proposed service quality is a combination of five dimensions: reliability, responsiveness, empathy, assurance, and tangibles. Although it is without doubt that perception of service quality is based on multiple dimensions, there is no general agreement regarding the nature or content of the dimensions. Gronroos (1983 has proposed two, Rust and Oliver (1994) three, Kettinger and Lee (1994) four, PZB (1988) and Sureschchandar (2002) five, Avkiran (1994) and Bahia and Nantel (2000) six, Stafford (1996) seven, and PZB (1985) ten dimensions of service quality.

To date the conceptualization and measurement of service quality perceptions have been the most debated and controversial topics in the services marketing literature. These concerns include the conceptualization of and measure of empirical problems associated with SERVQUAL.

A review from the literature has shown some conceptual problems with the SERVQUAL measure, including the use of the PS - ES gap measure, ambiguity of
constructs, and the applicability of measure to different industries and countries. Empirical problems related to SERVQUAL include low reliability, unstable dimensionality, and poor convergent validity. Regarding the conceptual and empirical problems of the SERVQUAL, research conducted in a variety of service settings has produced mixed results.

The applicability of the SERVQUAL measure in the banking industry has been established. This is the excellent example of the mixed opinions concerning the use of the measure in different settings. Angur et al. (1999) examined the applicability of SERVQUAL and SERVPERF as the alternative measures of service quality in the banking industry in a developing country, India. They found that SERVQUAL is a better instrument for measuring service quality in the banking industry than SERVPERF, even in the developing country like India. Flowever, Avkiran (1994) found 4 dimensions in assessing bank service quality, namely staff conduct, credibility, communication, and access to teller. Bahia and Nantel (2000) proposed 6 dimensions of bank service quality (compared to PZB (1985) original ten dimensions) using a measure they called Bank Service Quality (BSQ) comprised effectiveness and assurance, access, price, tangibles, service portfolio, and reliability. Finally, Sureschandar et al. (2002) modified the SERVQUAL proposing 5 dimensions of bank service quality: (1) human element of service delivery, (2) core service or service product, (3) systematization of service delivery, (4) tangibles of service, and (5) corporate social images. From the above description, it can be drawn that the application of service quality measurement in banking industry remains to be based upon the original 10 or 5 SERVQUAL dimensions of PZB. Then, the dimensions of PZB are still suitable as an assessment tool to estimate service quality perceptions in the retail banking industry, in spite of differences in the measurement, whether it is based on gap score, difference score, or performance only
After the explanation of perceived service quality, service quality attributes, and service
quality attributes of retail banking industry, then perceived value as one of the constructs,
which is closely related to service quality needs to be elaborated.

2.3 SERVICE QUALITY IN TECHNOLOGY-ENABLED SERVICES

Service quality has been defined in services marketing literature as an overall
assessment of service by the customers. Perceived service quality is believed to be
resulting from comparison between customers’ prior expectations about the service and
their perceptions after actual experience of service performance (Asubonteng et al., 1996;
Parasuraman et al., 1985). Service quality has been defined by the practitioners in terms
of key dimensions that customers use while evaluating the services (Lewis and Booms,
1983). Conceptualization of service quality should include both the service delivery
process (Parasuraman et al., 1985) as well as the service outcomes (Lehtinen and
technical quality (what consumer gets), functional quality (how consumer gets the
service) and corporate image (how consumers perceive the firm and its services).

Similarly, Lehtinen and Lehtinen (1991) offered another model with three
dimensions of service quality: physical, interactive and corporate. Physical quality is
about the quality of physical products involved in service delivery and consumption.
Interactive dimension refers to the interaction between the customers and the service
organization employees. Corporate quality refers to the corporate image as perceived by
the customers. The service quality literature has also highlighted that service quality can
also be treated as a second order construct consisting of interaction, physical environment
and outcome quality (Brady and Cronin, 2001).

In case of technology-enabled services, research has identified new dimensions of
service quality (different from the traditional service quality dimensions), such as
automated search, communication among customers, information acquisition, content, mass customization, and ease of use (Bailey and Pearson, 1983; Doll and Torkzadeh, 1988; Peterson et al., 1997). As consumers’ willingness to use and adapt to the new technologies affect their perceptions of service quality, unique scales such as technology anxiety (Meuter et al., 2003) and technology readiness index (Parasuraman, 2000) are also used for the measurement of service quality in technology-enabled services. Parasuraman et al. (2005) developed a multi-item scale for assessment of electronic service quality, which they named as E-S-QUAL. The four dimensions of E-S-QUAL are efficiency, fulfillment, system availability and privacy. Service recovery is also an important factor affecting service quality perception of customers in technology-based services. Hence, Parasuraman et al. (2005) also developed a scale for electronic service recovery quality (E-RecS-QUAL) which consists of three dimensions – responsiveness, compensation and contact.

Van Riel et al. (2001) identified user interface, core service and supplementary services as the crucial dimensions of e-service quality in the case of internet-enabled businesses. E-service quality can also be considered from the perspective of process, outcome and recovery quality (Collier and Bienstock, 2006). Other dimensions considered to measure e-service quality are website appearance, ease of use, linkage, layout and content, reliability, efficiency, support, communication, security, incentives, performance, feature, storage capability, serviceability, trust, responsiveness, customization, web store policies, reputation, assurance and empathy (Madu and Madu, 2002; Santos, 2003). Self-service technology (SST) and call centers (customer service) are the other important research areas related to technology-enabled services.

Depending on the technology interface, SSTs can be categorized into the types of telephone, internet, interactive kiosks (e.g. ATM) and video/CD (Meuter, 2000).
Consumer perceptions of service quality vary depending on the specific type of SST used (Curran and Meuter, 2005). For call centers, dimensions used to judge quality are adaptiveness, assurance, offering of explanations, empathy, authority, educating customers and personalization (Burgers et al., 2000; Rafaeli et al., 2008). Besides that, customer feedback, customer focus and time taken to respond have been also used to measure service quality of call centers (Danahe and Gallagher, 1997; Dean, 2002, 2004). In case of electronic banking, Al-Hawari et al. (2005) identified five dimensions of service quality, which are ATM quality, telephone banking quality, Internet banking quality, customer perception of core service and customer perception of price. For online banking Yang et al. (2004) found out the following dimensions of service quality – reliability, responsiveness, competence, ease of use, security and product portfolio. Besides these other dimensions identified for technology banking are accuracy, feedback/complaint management, queue management, accessibility, personalization/customization and customer service (Joseph et al., 1999; Joseph and Stone, 2003).

2.4 E-SERVICE QUALITY

An important construct which has received significant research attention in this regard is e-service quality. The origin of e-service quality as a concept can be traced to the service quality concept. Colier and Bienstock (2006) define e-service quality as “customer’s perceptions of the outcome of the service along with recovery perceptions if a problem should occur”. Several studies have attempted to describe the construct by defining the domain of e-service quality and thereby offering a measurement schema. However, as Hofacker et al. (2007) observe, efforts at measuring e-service quality have at best led to a modest overlap of dimensions. The present study attempts to link the dimensions of e-service quality (henceforth, e-servqual) to its consequences, thereby
taking the discussion forward. The study therefore validates the e-servqual construct and contributes to the growing stream of research on e-services.

According to Hofacker et al. (2007), e-services embody the need satisfaction of traditional services, however by using a new technology. Hence, while “servicescapes” and other components of the traditional service satisfaction models may still retain some meaning, the technology element and the lack of personal contacts in the fulfilment of the service completely transform the customer experience in the context of e-services. Research in the context of technology readiness of consumers (Parasuraman, 2000) and the interaction of consumers with technologically advanced products (Mick and Fournier, 1998) have established the differences in consumer perspectives while consuming products or services with a strong technology element. Further, as Ruyter (2001) contends, e-services require much more emphasis on integration than offline services. Thus, it is argued that the service quality framework introduced by Parasuraman et al. in 1985 may not achieve the same level of validity. The need to develop a credible and robust model to describe and measure service quality in the context of e-services stems from this difference in customer experience.

Several studies have attempted to describe e-service quality over the past few years. Most have identified dimensions representing various facets of the customer’s interaction with e-services. Here, we look at six important studies which have developed and empirically validated a measurement schema for e-servqual. While there is considerable overlap between them in the labels attached to dimensions, there is a pressing need for convergence. The studies have used different contexts for the scale validation process, and all have used rigorous methods like confirmatory factor analysis (CFA) for model validation and obtained statistically significant values to support their reliability and validity.
Except in the case of Parasuraman et al. (2005) (PZM), hereafter all the studies mentioned above were validated by requesting the respondent to recall a general e-retail or e-shopping transaction without considering it from a particular e-retail/e-shopping context. Further, except for PZM, all the other studies used purely convenience samples for validation, thereby reducing the validity of the measurement instrument.

Zeithmal (1996) had established the relationship between superior service quality and behavioural intentions of consumers like greater loyalty; positive word of mouth, willingness to spend more with the company offering superior service quality, and recommending the company to other customers. The study, which was conducted among customers of a computer manufacturer, retail chain, automobile insurer and life insurer, established the positive linkages between the original SERVQUAL dimensions and the behavioural intentions of consumers. The intentions considered included such aspects as loyalty, commitment, inclination to recommend the service provider, etc. Studies have also empirically validated the link between SERVQUAL and such outcomes as customer satisfaction (Cronin et al., 2000; Chenet et al., 1999; Shemwell et al., 1998; Spreng and Mackoy, 1995), trust (Sharma and Patterson, 1999), commitment (Sharma and Patterson, 1999), loyalty (Ennew and Binks, 1996) in the context of offline services. Thus, aspects related to the outcomes of service quality in the offline context have received considerable research attention in the past.

However, this is not the case with e-services. Except for a few exceptions (Ribbink et al., 2004; Harris and Goode, 2004), studies looking at the consequences of e-servqual are few. In tune with the discussion related to the outcomes of SERVQUAL in the offline environment, three outcomes are proposed in the e-service context. The outcomes of trust, satisfaction and commitment have all received substantial interest in the context of e-commerce though not necessarily as consequences of e-service quality.
Trust has been considered as an important variable in the context of e-commerce (Hoffman et al., 1999). According to Lee and Turban (2001), one of the most frequently cited reasons for consumers not purchasing from internet vendors is lack of trust. Urban (2000) have opined that implementation of a technology like the internet involves trust and therefore trust is very significant in e-commerce. Trust has been defined in different contexts with different emphasis. In general, trust is related to risk/unpredictability reduction and involves a relationship between two parties. In e-commerce, where the element of risk is often higher than in traditional environments, the importance of trust is inflated (Grabner and Kaluscha, 2003).

Trust as a construct has been considered quite widely in e-commerce research (for a review, see Grabner and Kaluscha, 2003). However, very few of these studies have linked trust with e-service quality. Most of the variables used as predictors of trust are related to the reputation of the organisation providing the service, the propensity of the individual to trust others, perceived privacy, word of mouth referrals, etc. Harris and Goode (2004) explored the linkage between e-service quality and such constructs as e-trust and e-satisfaction. However, e-service quality was measured using a scale adopted from the offline context without splitting the construct into its component dimensions. Hence, this study, while establishing the relationship between e-service quality and its consequences, is unable to describe the relationship between the components of e-service quality and the consequences. Ribbink et al. (2004) have found evidence to link e-service quality-related variables to e-trust.

E-satisfaction has gained increasing importance in e-commerce-related literature. Szymanski and Hise (2000), in their path-breaking study on e-satisfaction, conceptualised e-satisfaction as the consumers’ judgement of their internet retail experience as compared with their experience with traditional retail stores. Several studies have considered the
antecedents of e-satisfaction (Bansal, 2004). After reviewing past studies which looked into this aspect, they concluded that most of the variables attributed to generate e-satisfaction are either related to the web site or to the perceived value of the web site. Among this broad classification of variables into web site characteristics or perceived value are certain variables often associated with e-service quality. For instance, Zeithmal et al. (2000) found association between such e-service quality-related variables efficiency, reliability, security, etc. and e-satisfaction. Service quality and satisfaction have been linked quite widely in offline services research (Shemwell, 1998).

In the past, several studies have also linked satisfaction with trust (Garbarino and Johnson, 1999; Selnes, 1998; Chiou et al., 2002). In fact, satisfaction with a service provider is considered as an antecedent of trust. Along with satisfaction and trust, e-loyalty has been considered in the context of e-services. According to Srinivasan et al. (2002, p. 42), e-loyalty is a “customer’s favourable attitude towards the e-retailer that results in repeat buying behaviour”. Chiou and Shen (2006) consider e-loyalty as an outcome of satisfaction with the e-service provider.

2.5 PERCEIVED VALUE

Although numerous definitions of perceived value exist, the definition of Zeithaml (1988, p. 14) is the most universally accepted trade-off definition of perceived value in the literature. The uni-dimensional conceptualization strategy is effective and straightforward, but it cannot discern the complex nature of perceived value. As noted by Sweeney and Soutar (2001, p. 207), “a more sophisticated measure is needed to understand how consumers value products and services”. In fact, it is important to understand the value concept in an integrative approach, because one can understand a given type of value only by considering its relationship to other types of value (Holbrook, 1999; Sweeney and Soutar, 2001).
Past research conceptualizing perceived value as simply a trade-off between quality and price (Bolton and Drew, 1991; Dodds et al., 1991) is not sufficient to gain competitive advantage (Rintamaki et al., 2006). Perceived value is operationalized in some hospitality literature and marketing literature with a single-item scale in measuring customer perceived value in terms of “value for money” or functional value. Al-Sabbahy et al. (2004) insisted that the single items can not address the concept of perceived value. Thus, a number of researchers argued that perceived value is more complex, that a multidimensional approach of value perceptions should be considered by scholars and managers, and that customer choice is the result of multiple value perceptions (e.g. Petrick, 2002; Sweeney and Soutar, 2001).

Although a number of value perceptions have been identified in the literature (i.e. functional, emotional, social), there appear to be two universal value perceptions more appropriate to consumer behaviour (Sheth, 1983). Sheth (1983) proposed two shopping motives: functional motives related to tangible needs such as convenience, quality, and price, etc. and non-functional motives related to intangible wants concerning reputation, and social and emotional needs for interaction. Further to this, Bhat and Reddy (1998) pointed out that functional value satisfies practical needs while symbolic value satisfies customers’ self-enhancement and sensory pleasure needs. Moreover, the view discussed above is also bolstered by Rust et al. (2000) indicating that customer choice is influenced by the perception of functional value, which are formed primarily by perceptions of quality, price, and convenience. On the other hand, the hedonic school posits that the symbolic value has its origin in the emotional or experiential appraisal of the brand (Rust et al., 2000; Va´zquez et al., 2002).

The growing body of conceptual knowledge about perceived value is quite fragmented, with different points of view advocated, and no widely accepted way of
pulling them all together and applying them to service settings (Rintamaki et al., 2006). Based on the above literature, this study, therefore, posits that perceived value can be better understood in terms of functional value and symbolic value. The functional value perspective is based on the assumption that customers are objective and rational (Rust et al., 2000), applying the traditional functional value trade-offs involving quality, and monetary and behavior price that have been empirically proposed and tested among many researchers (Holbrook, 1994; Mathwick et al., 2001; Petrick, 2002; Rintamaki et al., 2006; Sweeney and Soutar, 2001; Tsai, 2005). Functional value is therefore defined in this study as an overall assessment of value incorporating quality, the traditional value for money, and convenience characteristics. This type of value represents the customer’s perception of quality in terms of goods and services received from the coffee outlet, the price paid for those goods and service, and the time saving to receive them.

The symbolic value of consumption is based on subjective and intangible assessment of products and services (Rust et al., 2000; Va´zquez et al., 2002). The symbolic meaning can be attached to products and services that may convey the kind of person someone is or wants to be; customers use products or services to express their self-image to others (Solomon, 1983). Rintamaki et al. (2006) verified that the social dimension of consumption could be understood through a symbolic interactionism perspective of customers’ social behavior as noted by Solomon (1983). Along the social dimension of consumption experience, researchers (Sa´nchez et al., 2006; Sweeney and Soutar, 2001) have identified the emotional dimension ahead of cognition as the primary factor to enjoying the pleasure of emotional stimuli from the consumption experience. Hall et al. (2001) have found that social and emotional dimensions are intrinsically intertwined in consumption. Moreover, Rintamaki et al. (2006) also noted that hedonic (emotional) value is a reaction to the aesthetic features of a department store creating
positive emotions. Their study supports the notion that aesthetics involves “a first person hedonic judgment” (Von Wright, 1963). In addition, in most literature aesthetics is viewed as both a hedonic impression and a result of interpretation and representation (Rintamaki et al., 2006; Schmitt and Simonson, 1997).

As for reputation, Crimmins (2000) found that strong well-known brands enhanced value judgment. For example, according to Schmitt and Simonson (1997), the Starbucks style involving a variety of elements to create alluring visual stimuli (aesthetics), also creates brand awareness (reputation), causing emotional associations with pleasure, and facilitating socialization. Therefore, symbolic value is defined as an overall representation of experiential value perceptions from the social, emotional, the aesthetic, and reputation aspects. This value represents the customers’ impression on others, perception of delight or pleasure, enjoyment of the visual appeal, and reputation of outlet, involved with the consumption experience.

Service quality and its communication is an important hindrance for services to compete on the basis of price and the offer of service business is difficult for customers to assess and understand (Edvardsson et al, 2000). Due to the intangibility of services, customers place great stress in the trust on a service without quality assurance, low price has little or no effect. Rather, a low price is likely to give a negative perception to customers regarding relating to service sectors are more than in the manufacturing sector and most studies revealed the trend towards reduced customer satisfaction levels. They argued that production in the economic system also depends on quality as perceived by the customers. So, it is necessary to make straightforward measurement of price changes with respect to customers’ perceptions on the quality of the products and services.

Matzler et al, (2006) argued that if perceived quality is more than perceived costs, customer value is high and vice versa. They called this concept as Price-Quality ratio. If
price is high, the satisfaction with price will be high (Matzler et al, 2006). If there are no hidden costs and if prices do not change unexpectedly customers will perceive high price reliability.

They pointed out another important dimension of consumers’ reaction to prices viz; if consumers think price is unfair; they will be not be able to pay it. A firm should not mainly focus on competitors’ prices rather firms should focus on providing the right quality at the right price to the customer. Ladhari and Morales, (2008) argued that though it is a very important concept, only few research have investigated the antecedents and the consequences of perceived service value in detail. To develop a long term relationship with customers, perceived service value is very important for managers of business. Frank and Enkawa, (2007) revealed that consumer satisfaction can be raised in two ways: either by delivering higher consumer-perceived quality at the same price or by delivering the same quality at a lower price. Frank and Enkawa, (2007) thus found the relationship between perceived value and customer satisfaction. Where perceived value (PV) includes the price dimension to perceived quality and, therefore, it is the perception of quality for money (Turel and Serenko, 2004).

Customer perceived value has been discussed in marketing research for a long time. Indeed, understanding and delivering customer value is seen as a cornerstone of marketing, competitive strategy (Khalifa, 2004; Lindgreen and Wynstra, 2005), retention of customers and relationship management (Roberts, 2000; Payne et al., 2001). Perceived value has its root in equity theory, which represents the trade-off between the quality or benefits which the customer receives, and the costs such as financial, energy, time and mental transaction costs that the customer incurs by evaluating, obtaining and using a product (Oliver and DeSarbo, 1988; Kotler, 2000; Komulainen et al., 2007). However this simplification has been criticised for ignoring some important intangible constructs (e.g.
shopping experience, risk) and may be misleading in measuring perceived customer value (Sinha and DeSarbo, 1998). Hence Zeithaml (2000) defined perceived value as the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.

Perceived value is the consequence of an overall assessment of perceived benefits and sacrifices, whereas satisfaction is an overall positive or negative feeling about the net value of services received from a supplier (Woodruff, 1997). There is no general consensus on the relationships among perceived value, satisfaction, and loyalty in the field of marketing research. The assumption that perceived value directly influences satisfaction or loyalty has been questioned.

The literature review reveals that traditional concepts of perceived value are aimed at intangible products and usually involve extensions of quality dimension. For instance, Sánchez-Fernández and Iniesta-Bonillo (2006) have defined value for the consumer as a cognitive-affective assessment of an exchange relationship conducted by a person in any stage of the purchase decision process, characterized by tangible and/or intangible elements that generate judgment conditioned by time, place, and circumstances of the evaluation.

What is noticeable, nevertheless, is that despite diverse definitions and adoption of different terms regarding perceived value, there is always a relationship based on the comparison of benefits and sacrifices, as proposed in many relevant studies and authors (Zeithaml, 1988; McDougall and Levesque, 2000; Cronin et al., 2000). Zeithaml’s (1988) concept of value is considered a reference for various studies regarding this topic, and is thus mentioned here. According to this author, perceived value is the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.” Hence, value represents a tradeoff of the most important give-and-get
components. Costa (2007) also emphasizes the need and the existence of a compensation preposition between what consumers receive and what they effectively pay for. Once this relationship has been established, customers will start building a perception of value.

When analyzing the academic literature, it is possible to find a large number of models relating perceived value to different constructs (models tested specifically in the banking sector will be listed as follows). One of the most commonly mentioned models is certainly Zeithaml’s (1988). It associates constructs of price, quality, and value, considering perceived value as a result of intrinsic and extrinsic attributes, perceived quality, high-level abstractions, and perceived sacrifice. Intrinsic attributes are those related to pleasure and consumer’s personal values, among others. Conversely, extrinsic attributes regard product or service brand, country of origin, type of retailer, and level of advertising. These attributes seem to involve and define a company’s perceived reputation. High-level abstractions include psychological benefits, such as prestige or a thank you gift.

In an alternative and widely cited proposal, we can mention Sheth et al. (1991) model, which analyzed customers’ choice, adopting three propositions about choice and value: the market’s choice is a result of multiple values; each of these values contributes differently in different situations of choice; values are interdependent. According to the proposed model, there are five value categories: functional value, conditional value, social value, emotional value, and epistemic value. Most recently, Roig et al. (2006) states that customer’s perceived value, in fact, derives from the integration between functional value, emotional value, and social value.

In the banking sector, much attention has been placed in identifying benefits that clients value when choosing a bank. In an earlier study, Anderson et al. (1976), for instance, stated that the decision of choosing a bank is strongly based on five criteria:
friends’ recommendations, reputation, credit availability, friendliness, and service fees. More than two decades later, Mylonakis et al. (1998) concluded that the main criteria for selecting banks are convenience, bank reputation, quality of products and services, interest rates and fees, education and personnel contacts, facilities, branch environment, and services.

Devlin (2002) analyzed consumer’s choice criteria in the UK’s retail banking sector, in a study which considered the importance of various selection criteria and classified them into intrinsic and extrinsic attributes, according to Zeithaml’s (1988) classification. Regarding intrinsic attributes, he conceptualized those specific for services, as opposed to those that can be generalized, such as price. The extrinsic attributes, on the other hand, were those common to all services, such as service quality, company brand, and relational factors.

Sourelli (2008) studied cross-buying intentions for products and banking services, and identified that trust is an important attribute for bank clients. As composing elements of trust, they mentioned transparency of bank processes and rates, fulfillment of promises to consumers, reliability of service delivery, and service recovery systems. A general conclusion is that the benefit component of perceived value in the banking sector is multidimensional. For this research, and considering different studies in the banking sector that have identified factors and perceived benefits by clients from these institutions, the main attributes cited in the literature were selected and will constitute dimensions of the measurement scale. Among the highlighted benefits, we may point out the main attributes of convenience, reputation, and service quality.

Considering the perspective of sacrifice, Blankson et al. (2007) study in three countries (USA, Taiwan, and Ghana) identified that bank’s customers place a great importance on monetary sacrifice. In their findings, monetary sacrifice was represented
by the existence of banking rates and fees. In the same line as Blankson et al. (2007), Mylonakins et al. (1998), Devlin (2002), and Sourelli et al. (2008) placed bank rates and fee costs as important bank selection criteria for consumers. In this sense, this research considers the payment of bank rates and fees as being an element of monetary sacrifice.

Measurement and dimensionality of perceived value in the banking sector, DeVellis (2003) states that construct measurement is a constant preoccupation either in a research context or in a practical context; in the banking context, it is the same. Three main studies to be considered are in a first systematic effort of scale development, work of Sweeney and Soutar (2001), who proposed a scale for measuring customer perceived value in a service context. These authors developed their scale considering four dimensions of value: social, emotional, quality/performance, and price/value for money. In a similar effort, Petrick (2002) developed the SERV-PERVAL scale, and operationalized the construct through five dimensions, three associated with benefits (reputation, emotional response, and quality), and two related to sacrifices (monetary price, and behavior price).

2.6 CUSTOMER SATISFACTION

Since the early 1970s some important developments in theory and research on consumer satisfaction have been made by different studies including Olshavsky and Miller (1972) and Anderson (1973). Major theoretical as well as empirical investigations during the 1970s supported the idea that “satisfaction is related to the size and direction of disconfirmation experiences, where disconfirmation experience is related with the person’s initial expectations” (Churchill and Carol, 1982).

Satisfaction, conceptually, may be considered as an outcome of purchase and use which is the outcome of the customer’s comparison of the benefits and costs involved in acquiring any product or service experience in relation to the expected outcomes, whilst,
in operational terms, satisfaction is similar to the attitude whereas it can be evaluated as the accumulated satisfaction experiences with the different attributes of the product (Churchill and Carol, 1982). Later, in the 1980s, the addition of an emotional response to the experiences provided by, associated with particular products or services purchased (Westbrook and Reilly, 1983; Westbrook and Oliver, 1981) set forth a new dimension for the research in customer satisfaction. However, further developments in customer satisfaction research during the 1990s and also at the inception of the year 2000, dominated by a model built on “confirmation/disconfirmation” paradigm to describe customer satisfaction (Davis and Heineke, 1998; Woodruff et al., 1991). Here, satisfaction, or dissatisfaction is determined by the difference between customer expectations of the product or service and their actually perceived performance. If customer expectations are met, the result is satisfactory and if not, dissatisfaction occurs (Vavra, 1997; Davis and Heineke, 1998; Szymanski and Henard, 2001).

Oliver (1997) in his book, “Satisfaction: A Behavioral Perspective on the Consumer” defined customer satisfaction as: satisfaction is the consumer’s fulfillment response. It is a judgment that a product/service features, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under-or over fulfillment (Oliver, 1997).

Throughout the development phase of research in customer satisfaction, one question remains almost ignored with some exceptions. That is whether “customer satisfaction” is different for products and services or it is the same? Another-related question is what measures, direct or indirect, should be used to fully conceptualize and measure the behavioral components of customer satisfaction resulting from consumption experience (Malhotra et al., 1994). There are some researchers, such as (Boulding et al., 1993; Mittal and Baldasare, 1996; Chandon et al., 1997; Dobni et al., 1997) that analyzed
customer satisfaction using multiple behavioral measures. Furthermore, various studies on customer satisfaction with particular reference to financial services also reflect the inherited deficiency of literature about customer satisfaction in general services and made little effort to define some specific measures of customer satisfaction analysis for their experiences of using financial services. A relatively organized list of dimensions provided by Howell and Shamir (2005) includes: availability, responsiveness, timeliness, completeness, tangibility, empathy, reliability, and professionalism. However, these are some general dimensions suggested and used by several studies to analyze the customer satisfaction experiences.

Customer satisfaction is generally considered among the most significant long-term goals of firms (Cooil et al., 2007). The marketing concept suggests that a satisfied buyer will be more likely to repurchase or at least consider repurchasing than those who are dissatisfied (Keith, 1960). According to Reichheld and Sasser (1990), repeat customers cost less to serve than new buyers, benefiting a firm’s cost structure. Additionally, maximizing customer retention rates and minimizing customer defections are primary strategic objectives for most firms, as evidenced by the recent emphasis on customer relationship management (Ching et al., 2004). Customer satisfaction is so vital to an organization that it is relevant to investigate the drivers of customer satisfaction.

2.7 CUSTOMER SATISFACTION AND SERVICE QUALITY

There are few studies which initiated the idea that the customer satisfaction can result from any dimension (whether or not it is quality related) and its judgments may arise from non-quality issues (e.g. needs, equity, perceptions of “fairness”) and require experience with the service or provider (Taylor and Baker, 1994; Howard and Sheth, 1969). Given this pervasive nature of customer satisfaction phenomena and generally recognized orientation of customer satisfaction mainly as a “behavioral response” by the
literature, research directions point us to the popular concept of “service quality” through which customer satisfaction can be better analyzed. However, it is still under debate whether customer satisfaction is an antecedent of service quality judgments (Bitner, 1990; Parasuraman et al., 1985) or service quality is an antecedent of customer satisfaction (Anderson and Sullivan, 1993; Cronin and Taylor, 1992; Taylor and Baker, 1994).

The concept of service quality began to receive significant attention in the early 1980s with the writings of Gronroos (1984) and Lehtinen and Lehtinen (1982). Parasuraman et al. (1985) identified ten dimensions of service quality, including: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibles. However, these dimensions are reduced to five dimensions that are: reliability, assurance, tangibles, empathy (Parasuraman, 1998). Dimensions of service quality measured using a 22-item scale named “SERVQUAL”. SERVQUAL used for measuring the quality of service in different service contexts that include appliance repair and maintenance firms, several retail banks, a long distance telephone provider, a security broker and credit card companies; such multi-perspective validation of service quality dimensions helped in developing and designing a relatively standardized scale which could be applied for the measurement of service quality of different types of services organizations.

SERVQUAL has been used by different research studies conducted in various settings such as the quality of service offered by a hospital (Babakus and Mangold, 1989), banking (Cronin and Taylor, 1992; Spreng and Singh, 1993), a business school placement center, tyre store, dental school patient clinic and acute care hospital (Carman, 1990), discount and departmental stores (Finn and Lamb, 1991; Teas, 1993; Dabholkar et al., 1996) and others. Though the scale has seen only a limited application in the financial
services context, it nonetheless remains one of the many areas where SERVQUAL has been applied for measuring service quality.

The customer satisfaction paradigm posits that confirmed standards lead to moderate satisfaction; positively disconfirmed (exceeded) standards lead to high satisfaction, and negatively disconfirmed (underachieved) standards lead to dissatisfaction. The subject of continued (and considerable) debate in the marketing literature, the distinction and association between service quality and customer satisfaction remains at the forefront of many academic and practitioner-oriented research endeavors (Spreng and Mackoy, 1995). Many studies of consumer satisfaction have been conducted in service settings, and, generally, researchers agree that the two constructs are conceptually distinct (Bitner, 1990). However, based on the findings of the past research (e.g. Oliver, 1989), an attempt has been made in this paper to explore the contention that service quality influences, among other things, levels of customer satisfaction. The study seeks to maintain the position that service quality - as determined by its various components - is a partial determinant of satisfaction (Parsuraman et al., 1985, 1988).

There exist numerous empirical works to support the quality/satisfaction causal order. In a study, Cronin and Taylor (1992) tested, among other things, the casual relationship between service quality and customer satisfaction. This study emphasized that marketing researchers are not in agreement in terms of the causal order of these constructs, and suggested that empirical justification is necessary to determine the true nature of this relationship. The findings of this study revealed that perceived service quality leads to satisfaction (as opposed to the reverse).

In a study addressing the relationship between service quality and satisfaction, Spreng and Mackoy (1996) suggested that perceived service quality was an antecedent to satisfaction. Although the direction of the quality/satisfaction relationship (i.e. quality
leads to satisfaction) is fairly well understood for services, the question of whether or not (and how) this relationship varies depending on particular settings and/or situations is not.

Service quality and customer satisfaction do exhibit independence and are indeed different constructs from the customer’s point of view. A small step in unearthing and understanding the constructs of service quality and customer satisfaction and their implications on competitive fruition has been put forward in a study on banking services (Sureshchandar et al., 2002).

In another study (Regasamy and Kumar, 2005), the comparative analysis on the services among three major banking segments revealed that the foreign banks have topped the list in terms of delivering qualitative customer service. The study also revealed that the private sector banks compete successfully with foreign banks and make efforts to provide better banking services in tune with the changing global competitive scenario.

In an attempt to study the service gap, Dash and Kumar (2007) revealed that customer’s expectations exceeded their perceptions, with regards to various dimensions of service quality. They further claimed that perception of either positive or negative service quality was related to the customer’s future behavioral intentions. Therefore, if a positive quality gap exists, the customers would tend to comment positively about the service. On the contrary, a negative quality gap would result in customers complaining, switching to other service providers, commenting negatively about the provider or just decreasing the usage of the service. Hence, it is recommended that the banks should continuously monitor the service quality levels so as to avoid erosion of service quality and migration or switching by customers to another bank.

Identification of customer segment is also vital for service development and delivery in banks. For example, Jham and Khan (2008) implied that Indian banks should take care of the needs of customers when introducing various services to them. Their
study revealed that customers of banks such as ICICI, IDBI, HDFC, PNB and SBI were either in service or self-employed. Many customers of SBI and PNB were found to be retired from their respective profession. Thus they recommended that banks should envisage a strategy to serve customers with different occupations & educational backgrounds. Banks must also advance their customer-centric strategies by providing satisfaction through services leading to better relationship building and earning profits for the banks.

Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variation across demographic variables, and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

While studying on development of service quality, Amudha and Banu (2007) revealed the necessity of employee contacts and evaluation of service experiences. Parikh (2006) found the problem of reliability in various measures of service quality, and concluded that perception responses have high reliability as compared to expectation responses.

The five factor structure of service quality developed by Dabholkar, Thorpe and Rentz (1996) indeed had a major impact on the business and academic communities. Although this study shows that the data collected do not support their five-factor structure, the five dimensions are still useful as a foundation for discussion and determination of areas for improvement in the service quality of retail stores.
Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers. However, evaluating service quality sometimes is not an easy task due to the intangible nature of services.

In marketing literature, Service Quality and Customer Satisfaction have been conceptualized as a distinct, but closely related constructs. There is a positive relationship between the two constructs (Beerli et al., 2004). The relationship between customer satisfaction and service quality is debatable. Some researchers argued that service quality is the antecedent of customer satisfaction, while others argued the opposite relationship. Parasuraman et al (1988) defined service quality and customer satisfaction as “service quality is a global judgement, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction”.

Jamal and Naser (2003) stated that service quality is the antecedent of customer satisfaction. However, they found that there is no important relationship between customer satisfaction and tangible aspects of service environment. This finding is contrasted with previous research by Blodgett and Wakefield (1999), but supported by Parasuraman et al (1991).

Most of the researchers found that service quality is the antecedent of customer satisfaction (Bedi, 2010; Kassim and Abdullah, 2010; Kumar et al., 2010; Naeem and Saif 2009; Balaji, 2009; Lee and Hwan, 2005; Athanassopoulos and Iliakopoulos, 2003; Parasuraman et al 1988). Yee et al (2010) found that service quality has a positive influence on customer satisfaction. On the other hand, Bitner (1990) and Bolton and Drew (1991) pointed out that customer satisfaction is the antecedent of service quality. In 2004, Beerli et al supported this finding. Beerli et al mentioned a possible explanation is that the satisfaction construct supposes an evaluative judgment of the value received by the customer.
2.8 CUSTOMER SATISFACTION IN THE BANKING INDUSTRY

Banking is one of the numerous services in which customer satisfaction has had an ever increasing importance in the corresponding research areas. This is essentially because the banking sector is becoming more and more competitive. Retail banks are pursuing this strategy, in part, because of the difficulty in differentiating based on the service offering. Customer satisfaction in banking has not been neglected by researchers. Rust and Zahorik (1993) provided a mathematical framework for assessing the value of customer satisfaction. The framework enables managers to determine which of the customer satisfaction elements has the greatest impact, and how much money should be spent to improve particular customer satisfaction elements. They demonstrated the application of their approach in a pilot study of a retail banking market.

Athanassopoulos (2000) performed a complete survey on customer satisfaction in retail banking services in Greece. The study proposed an instrument of customer satisfaction that contains service quality and other attributes and explored the performance implications of the customer satisfaction instrument.

Manrai and Manrai (2007) developed and tested some hypotheses regarding the relationship between customer satisfaction and bank service switching behavior as it is mediated by the importance of a particular bank service to a particular customer and by the nature of competitive offerings for different types of banking services available from other banks.

Gil et al. (2007), in their research, exhibited that services encountered directly and significantly affect the perceived service value which is the final antecedent to customer satisfaction in the banking industry. Finally, Sweeney and Swait (2008) investigated the important role of brand of banks in managing the churn of current customers and improving their satisfaction.
Avkiran (1994) found that the banking industry forms a link between service quality and customer satisfaction. Levesque and McDougall (1996) investigated the influence of key determinants of service quality on customer satisfaction in financial institutions. They found a substantial impact of service problems on customer satisfaction and their intentions to switch. Yavas et al. (1997) suggested that service quality is an essential determinant of customer satisfaction.

Islamic banks working in different parts of the world assessed their performance with reference to service quality and customers’ responses. An empirical study was conducted by Naser et al. (1999) to measure customer awareness and satisfaction by using a sample of 206 respondents towards Islamic banking in Jordan. It was observed that customers have awareness about products of Islamic bank but expressed a sense of dissatisfaction towards some of the services.

Oppewal and Vriens (2000) empirically investigated the relationship between service quality and customer satisfaction by using the original SERVQUAL instrument with 10 dimensions as devised by Parasuraman et al. (1985). This study gave a direction to relate service quality and customer satisfaction.

Service quality gained significance with the passage of time due to increased competition among service firms. It was examined how customer satisfaction affects the customers’ behavioral consequences. The study conducted by Athanassopoulos et al. (2001) found a strong impact of customer satisfaction on their decision to stay with the existing service provider; and restrain their negative behavioral intentions. Kayis et al. (2003) conducted a comparative analysis of Australian and Korean banks to find out the quality management practices and its outcomes. They found a meaningful relationship between perceived service quality and customer satisfaction. They suggest that
organizations should focus on service quality as an input to customer satisfaction for long-term benefits and business success.

According to Wang et al. (2003), banks have realized the importance of service quality for successful survival in today’s global and highly competitive environment. Jamal (2004) investigated the customer behavior in retail banking by considering service quality and its outcomes. It was observed that customers have varied experiences of satisfaction and dissatisfaction for utilization of self-service technologies. Financial sector is becoming more conscious about the performance evaluation regarding quality of products/services according to customers’ expectations.

The findings of another study by Duncan and Elliott (2004) reveal a positive correlation between financial performance and customer service quality scores. Curry and Penman (2004) reported that service quality is inevitable for differentiation to compete in the banking sector. They suggested that the right service could retain the customers for long-term benefits. So, banks should maintain the level of services by proper allocation of resources to meet customer requirements. Findings indicated that financial institutions require reasonable procedures to evaluate the overall satisfaction of their customers.

However Joseph et al. (2005) said that understanding of changing needs and expectations of customers is an essential prerequisite for the financial sector. Jabnoun and Khalifa (2005) proposed and tested a measure of service quality to compare conventional and Islamic banks in UAE. The study found that four dimensions were significant in case of conventional banks. While only personal skill and values were crucial in determining service quality in the Islamic banks.

Nelson and Chan (2005) found that bank-customer relationship quality is evident between satisfied and dissatisfied customers. Both types of customers have clearly distinctive feelings regarding their service experience.
Al-Hawari and Ward (2006) found that customer satisfaction plays an inter-
mediator role in the relationship between service quality and financial performance of the
banks. In another study by Nelson (2006), the overall customer satisfaction was
investigated in the Malaysian banking industry by collecting data from 220 customers of
15 retail banks. It was found that the overall customer satisfaction is one of the key
determinants of relationship quality

Razak et al. (2007) suggested that bank should start service quality improvement
programs to enhance customer satisfaction and customer loyalty.

Service quality has received substantial attention in service literature. Because of
its vital importance, it has provoked considerable interest and debate in the research
literature. Dimensions of service quality as identified by Gronroos (1984) are functional,
technical and corporate images. Parasuraman et al. (1988) focus on five dimensions of
service quality, i.e., reliability, responsiveness, assurance, empathy and tangibility.

In banking services, Sureshchandar et al. (2001), Lenka et al. (2009), Dutta and
Dutta (2009), Bedi (2010) and Kaura and Datta (2012) have used different dimensions of
service quality in the Indian context. Sureshchandar et al. (2001) have proposed five
dimensions of service quality: core service, human element, non-human element,
tangibles and social responsibility. Lenka et al. (2009) used human aspect, technical
aspect and tangible aspect of service quality. Dutta and Dutta (2009) used SERVQUAL
dimensions. Bedi (2010) used reliability, responsiveness, assurance, empathy, tangibility,
product availability and product convenience. Reliability, responsiveness, assurance and
empathy are part of human aspect of service quality. Moreover, human behavior plays a
key role in delivering services. Information technology is not considered as a dimension
of service quality in the traditional SERVQUAL model. Kaura and Datta (2012) used
people, process and physical evidence as dimensions of service quality.
Different authors have given different types of service convenience. According to Anderson (1971) time and effort saving are the two aspects of convenience. Brown (1989) proposed five types of convenience: time, place, acquisition, use and execution. Shopping convenience has been examined by Seiders et al. (2000), who developed a convenience framework related to consumer shopping speed and ease. Berry et al. (2002) conceptualized five dimensions of service convenience: decision convenience, access convenience, transaction convenience, benefit convenience and post-benefit convenience. Seiders et al. (2007) developed the SERVCON scale and empirically validated the service convenience construct. Service convenience dimensions as proposed by Berry et al. (2002) were used by Colwell et al. (2008) through SERVCON scale in Canadian cellular and internet services.

2.9 RELATIONSHIP BETWEEN SERVICE QUALITY AND OVERALL SATISFACTION

Satisfaction is defined here as an overall judgment at the cumulative level of bank services received by customers. Satisfaction is determined by satisfying and dissatisfying service encounters with the bank over time.

Previous studies demonstrate that perceived service quality has a positive influence on customer satisfaction in a variety of service settings. Cronin and Taylor (1992) report that perceived service quality has a positive effect on consumer satisfaction in four service settings: dry cleaning, banking, pest control, and fast food. Cronin et al. (2000) find that perceived service quality has a positive effect on satisfaction in several other service settings. Similarly, Bei and Chiao (2006) report a significant relationship between service quality and satisfaction in three service industries: automobile repairs, petrol stations, and banking. In the bank setting, Aldlaigan and Buttle (2002) identify significant correlations between service quality dimensions and overall satisfaction.
Johnston (1995) attempts to identify which attributes of bank service quality create satisfaction or dissatisfaction. The author reports that attributes related to assurance, empathy, responsiveness, and reliability are the most frequently cited sources of satisfaction. Zhou (2004) reports that the reliability/assurance dimension of bank service quality has a significant impact on satisfaction. However, two dimensions, tangibles and empathy/responsiveness, have no significant impact. Brady et al. (2005) show that service quality has a direct impact on satisfaction in five countries: the USA, Australia, The Netherlands, Hong Kong, and India. Kassim and Souiden (2007) report a positive effect of service quality on satisfaction in the retail banking sector in the United Arab Emirates while Arasli et al. (2005b) finds a similar relationship in the Greek Cypriot banking industry. The latter study uses a revised SERVQUAL scale (including three dimensions: “tangibles”, “reliability”, and “responsiveness-empathy”), with the “reliability” dimension having the greatest effect on overall satisfaction.

2.10 RESEARCH ON SERVICE QUALITY - CUSTOMER SATISFACTION RELATIONSHIP

Perceived service quality and customer satisfaction have generally been conceptualized to be distinct, but closely they are related constructs. The relationship between service quality and customer satisfaction is still a mystery, whether the customer satisfaction is an antecedent of service quality or the service quality is an antecedent of customer satisfaction. According to Parasuraman et al. (1988) perceived service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to specific transaction. In other words, they conceptualized perceived service quality as a long-run overall evaluation about a service, whereas satisfaction is a transaction-specific evaluation. Based on these conceptualizations, they posited that incidents of satisfaction over time result in perceptions of service quality (Lee
et al., 2000). Other researchers (Bitner, 1990; Bolton and Drew, 1991b) supported the idea that customer satisfaction is the antecedent of service quality.

In contrast to the above perspectives, some other researchers argued and empirically supported that perceived service quality is an antecedent of customer satisfaction. Cronin and Taylor (1992) hypothesized that satisfaction would be an antecedent of service quality. Using the structural analysis for the causal relationship among customer satisfaction, service quality and purchase intention, they found that the coefficients for service quality → satisfaction → purchase intention paths were all significant, while the coefficient for satisfaction service quality → purchase intention appeared to be insignificant. Based on these results, then they concluded that service quality is an antecedent of satisfaction. Spreng and MacKoy (1996) examined the relationship between service quality and satisfaction based on Oliver’s (1993) modified model. They hypothesized that service quality influences satisfaction, and the result supported past research in satisfaction, in which service quality serves as an antecedent to satisfaction.

Research on the relationship between service quality - customer satisfaction has produced mixed results. Some researchers found that the customer satisfaction is an antecedent of service quality, and others found that the service quality is an antecedent of customer satisfaction. Based upon the argument proposed by Lee et al. (2000), in which the customers can evaluate (be satisfied/dissatisfied) an object only after they interpret the object, it can be concluded that service quality serves as an antecedent of customer satisfaction. The focus of this research is on the relationship between service quality attributes and customer loyalty where customer value and satisfaction serving as mediating variables. Before reviewing the previous research on the effect of service
quality attributes on customer value, satisfaction, and loyalty, the construct customer loyalty needs to be further explored.

2.11 CUSTOMER SATISFACTION AND LOYALTY

Customer satisfaction has been studied extensively in the field of marketing (Anderson et al., 2004; Fornell, 1992; Oliver, 1980). It is one of the most commonly used customer-oriented metrics by managers because of its generic nature and its universal measurability for all the types of products and services (Gupta and Zeithaml, 2006). In the traditional sense, satisfaction was considered to be transaction-specific construct which resulted from immediate post purchase judgment or affective reaction (Oliver, 1993). Customer satisfaction is also considered from a cumulative satisfaction perspective and is defined as customer’s overall experience to date with a product or service provider (Johnson et al., 2001; Krepapa et al., 2003). Most of the customer satisfaction studies are now using this cumulative satisfaction concept (Gupta and Zeithaml, 2006). Another important customer metric is customer loyalty. Many researchers have used service recommendation to other customers as a proxy for customer loyalty (Caruana, 2002; Collier and Bienstock, 2006; Dabholkar et al., 2000; Ganesh et al., 2000; Reichheld, 2003). Besides recommendation other items which have been used extensively for measurement of customer loyalty are consideration of the company as the first choice service provider (Caruana, 2002; Zeithaml et al., 1996) and continuing to do business with the same company (Caruana, 2002; Ganesh et al., 2000; Johnson et al., 2001; Olorunniwo and Hsu, 2006; Van Riel et al., 2001; Zeithaml et al., 1996).

2.12 SWITCHING COST

Switching cost can be defined as the cost involved in changing from one service provider to another. According to Dick and Basu (1994) switching costs include not only those that can be measured in monetary terms, but may also pertain to time and
psychological effort involved in facing the uncertainty in dealing with a new service provider. Customer switching costs are generally defined as costs that deter customers from switching to a competitor’s product or service. These costs include elements such as the customer’s time, effort, and knowledge that they invest in products, services, or relationships.

Kotler (1997) reported that switching costs are identified as playing a key role in the process of creating strong customer loyalty. He points out that there are two primary ways to retain loyal customers: increasing the level of customer satisfaction and raising switching costs.

Aydin et al. (2005) noted that perceived switching cost had a moderate effect on the relationship between the customer satisfaction and loyalty, and trust and loyalty. The effect of customer satisfaction on loyalty in customers is less, when the switching cost is perceived to be high rather than low.

Switching costs are commonly defined as the sacrifices or penalties consumers feel they may incur in moving from one provider to another (Jones et al., 2007). While switching costs are associated with changing providers, they are not always incurred multidimensional. Switching costs can include search costs, transaction costs, emotional costs, cognitive effort, as well as social and psychological risk on the part of the buyer. Burnham et al. (2003) developed a switching cost typology that identified three types of switching costs: 1) procedural switching costs – the time and effort associated with changing to a new provider, 2) financial switching costs – the loss of financially quantifiable resources, and 3) relational switching costs – emotional discomfort due to the loss of identity and the breaking of bonds.

Jones et al. (2007) recently identified three dimensions of switching costs that are
similar to those of Burnham et al. (2003). Social switching costs are costs associated with the potential loss of personal relationships that a consumer develops with a firm and its employees. Lost benefits costs are the potential loss of special discounts and unique benefits if the consumer switches from one provider to another. Procedural switching costs relate to the time, effort, and hassle the consumer anticipates would be involved in switching providers.

2.13 SWITCHING BEHAVIOUR

Literature on customer switching (or churn) has investigated its potential antecedents (e.g. Dick and Basu, 1994; Bolton et al., 2004), where Keaveney (1995) was the first to introduce the model of customer switching behaviour, containing eight main casual factors that are critical to switching behaviour, namely, pricing, inconvenience, core service failures, service encounter failures, employee responses to service failures, competitive issues, ethical problems and involuntary factors. Among these antecedents, pricing problem emerged as the most influential factor for switching, followed by service failures and denied services (Colgate and Hedge, 2001). Although, relationship quality is an important driver of switching intentions, but switching costs and attractiveness of switching are its significant determinants (Wieringa and Verhoef, 2007).

Switching behaviour also appears in economic theory, where economic scholars approach switching costs as a mean for keeping customers in relationships (Wieringa and Verhoef, 2007), regardless of their satisfaction with the provider (e.g. Jones et al., 2000; Lee et al., 2001; Burnham et al., 2003; Bansal et al., 2004; Yanamandram and White, 2006). More particularly, procedural switching cost enhances calculative commitment, which subsequently increases repurchase intention and decreases undesirable emotions, negative word-of-mouth and ultimately, switching (Jones et al., 2007; Khan et al., 2010). This becomes essential because if customers were able to switch easily, operators would
be less inclined to charge excessively high prices or supply poor quality of services (Xavier and Ypsilanti, 2008). Probing further, Burnham et al. (2003) asserted that switching costs generate passive loyalty, while switching barriers prompt relationship-improving investments (Yen, 2010). Moreover, switching barriers are not only positively affecting the customer retention but also performing an adjustment effect on core service quality and satisfaction on the one hand (Chen and Wang, 2009) and satisfaction and loyalty on the other (Ranaweera and Prabhu, 2003; Kim et al., 2004). Beside relational investments, service recovery and alternative attractiveness, switching costs is also one of the most important categories of switching barriers (Colgate and Lang, 2001).

Extant literature reveals that the nature and extent of switching behaviour in the banking sector has not been passably studied. A good deal of research work has been restricted to various relational factors, thus neglecting other side of switching behaviour (Bansal et al., 2004; Yavas et al., 2004; Jones et al., 2007; Chen and Wang, 2009; Liang et al., 2009). While studies such as Keaveney (1995); Colgate and Hedge (2001); Burnham et al. (2003); Wieringa and Verhoef (2007); Matos et al. (2009); Khan et al. (2010); constrained themselves to one or the other aspect of switching. Within this wide range of researches, very little attention has been given to why and when exchange relationship ends, especially with reference to customer relationship in services (Halinen and Tahtinen, 2002; Akerlund, 2005). However, study conducted by Bansal et al. (2005) is an exception, which empirically explored the applicability of push-pull-mooring (PPM) paradigms. Within this large paradigm, customer loyalty has been neglected, which is a basic component of switching behaviour. Further, they restricted their study to auto repair and hair styling services, findings of which cannot be generalised to the financial sector.
2.14 SERVICE QUALITY AND CUSTOMERS’ BEHAVIORAL INTENTIONS

The relationship between overall service quality and certain dimensions of customers’ behavioral intentions have been examined by Cronin and Taylor (1992) and Boulding et al. (1993). Cronin and Taylor (1992) focused solely on repurchase intentions and reported non-significant relationships whereas Boulding (1993) focused on both repurchase intentions and willingness to recommend and reported significant and positive ones.

Perceived service quality has been assumed to be a key factor in explaining purchase intentions, but this relationship has not been fully explained (Cronin et al., 2000). Several studies have confirmed a link between perceived service quality and behavioural intentions, but only through value and satisfaction (Patterson and Spreng, 1997), whereas other researchers have found a direct link between perceived service quality and behavioural intentions (Boulding et al., 1993; Parasuraman et al., 1988, 1991; Zeithaml et al., 1996). Service quality is believed to be a critical success factor for organizations to differentiate themselves from their competitors. In a study of the banking industry, it has been shown that high-service quality helps in gaining a competitive edge in terms of higher revenue, customer loyalty and customer retention (Kumar et al., 2010). High levels of service quality paves the way for customers’ satisfaction, customer loyalty, new customer attraction, increased market share and profitability for the banking sector (Kumari and Rani, 2011). Casado-Díaz et al. (2007), modelled the effect of specific emotions triggered by the service recovery on satisfaction with service recovery in the context of the banking sector which is facing huge competition and consequent demanding customers. Casado-Díaz and Nicolau-Gonzalbez (2009), showed that in the banking sector, the magnitude of service failure, recovery strategies, distributive and procedural justice, recovery-related emotions and satisfaction with service recovery all
have a significant effect on customers’ choice of the type of response, with the latter showing the highest impact. However, much of the research on service quality has been in the developed countries (Herbig and Genestre, 1996; Choudhury, 2013), even though services are among the fastest growing sectors in emerging countries (Choudhury, 2013). In fact, the bulk of the research on service quality in banks has been in the context of US and European banking institutions. At this juncture, it is important to also study banking institutions based in developing economies like India, which has comparatively recently liberalized its banking sector. As banks in such countries as India mature, lessons may be learned from their experiences by banks in developed economies as well as in other developing countries, as banking becomes more and more globally integrated. In fact, there exists a gap in the service marketing literature on how consumers evaluate service quality in contexts and cultures very different from the developed countries, even though research has begun to explore this area (Bolton and Myers, 2003). Hitherto, studies have compared private and public sector banks with regards to financial parameters. Gudep and Elango (2006) researched on service quality and customer satisfaction amongst the private, public and foreign banks in India. The results indicated that the foreign and the new generation private sector banks were serving the customers better. Mengi (2009) in a study to compare customers’ perceptions of service quality of public and private banks in Jammu, observed that the customers of public sector banks are more satisfied with their service quality than those of private sector banks. The study found that responsiveness and assurance are most important for customer satisfaction. On the other hand, Lo et al. (2010) found that empathy and assurance had the highest influence on customer satisfaction in the Malaysian retail banking industry. Levy (2014) found a significant, direct and negative relationship between the relative usage level of online banking services and bank loyalty, a positive relationship was found to exist between bank loyalty
and customer satisfaction with online service quality. An indirect positive relationship was also found to exist between services’ convenience through satisfaction with online banking service quality. However, very few studies have explored the relation between customers’ behavioural intentions and service quality and examined the differences therein, between private and public sector banks, in a comparative analysis.

Choudhury (2014c) in a study of private and public sector banks, explored the relation between customers’ behavioural intentions and service quality with a small sample size of customers and banks. In this regard, it would be interesting to study the link between the individual dimensions of service quality and customers’ behavioural intentions with a large scale study, with a large representative sample size and greater number of banks. This study hopes to build on the explicit connections between service quality dimensions and customers’ behavioural intentions by probing the link between the individual dimensions of service quality and customers’ behavioural intentions in the case of public and private sector banks in India and exploring the consequent societal implications for consumer and public policy. Linking both constructs at their dimensional level increases the diagnostics of explaining customers’ behavioural intentions.

2.15 WOM COMMUNICATIONS

Word-of-mouth, both positive and negative (Richins, 1983), has been the subject of many marketing studies since the 1960s, across a wide range of products and services. Mahajan et al. (1990) proposed that consumers are influenced by two sources: media and WOM communication. WOM behaviour has been examined less for services than for products, though it has been shown to be invaluable to service organizations. This is more so if informal channels of communications are the primary means of disseminating market information and the services are particularly complex and difficult to evaluate (File et al., 1992).
For most services, existing customers represent by far the best opportunities for profit growth. As the retention rate goes up, so too does profitability (Reichheld and Sasser, 1990). The greatest profit impact of long-time customers comes through their increased purchases and the positive WOM (referrals to other customers) that they engage in (Reichheld and Sasser, 1990; Reichheld and Kenny, 1990). The WOM generated by long-term customers act as free advertising, thus saving the firm from high investments in this area. In fact, WOM is particularly critical for certain services, such as banks and other financial services; research shows that personal referrals are responsible for 20-40 per cent of bank customers and are a key factor in selecting financial service providers (Reichheld and Kenny, 1990).

2.16 UNFAVORABLE BEHAVIORAL INTENTIONS

Customers perceiving service performance to be inferior are likely to exhibit behaviours signalling they are poised to leave the company. These behaviours include exiting (switching to a new supplier) and complaining, the latter being viewed by many researchers as a combination of negative responses that stem from dissatisfaction and predict or accompany defection (Richins, 1983; Scaglione, 1988). Given that customers of retail banks have relatively high-switching costs, it is likely that a dissatisfying experience will evoke a complaint. A study by Richins (1983), on how dissatisfaction affects WOM communications showed that when the dissatisfaction is serious enough, consumers tend to complain, and if complaints are encouraged, the provider has a chance to remedy the legitimate complaints and win back a customer, who might also make a positive report to others, thus enhancing the goodwill. On the other hand, if people are dissatisfied with a product or service, and if complaints are discouraged by the company providing the product or service, then customers will engage in negative WOM. The result is reduced sales and damaged brand equity. Vyas and Raitani (2014) concluded that
drivers of bank switching behaviour do not work in isolation; rather, it is an outcome of negative service experience that may be related to any of the factors of customer satisfaction. By integrating research findings a list of specific indicators of complaining behaviour can be compiled. According to Singh (1988), dissatisfaction leads to consumer complaining behaviour that is manifested in private responses (complaining to acquaintances, friends and relatives) and third-party responses (complaining to external agencies). Zeithaml et al. (1996), in their studies of the impact of service quality on particular behaviours, operationalised complaining behaviour in terms of complaining to others and complaining to external agencies in case of a problem experienced with the company's service.

2.17 CUSTOMER LOYALTY

Customer loyalty expresses the behavioral intention related to the product or service. High customer loyalty is central to successful customer retention, and companies who compete on the basis of loyalty will win over the competition (Dawes and Swailes (1999). The conceptualization of the customer loyalty construct has been developed gradually over the years. In the earlier years, the focus of loyalty was brand loyalty with regard to tangible goods (Tucker, 1964; Day, 1969). It was defined as the proportion of purchases of a household devoted to the brand it purchase most often (Cunningham, 1956).

A review of the literature indicates that much of the initial research has emphasized the behavioral dimension of loyalty, as stated by Tucker (1964) as follows: “No consideration should be given to what the subject thinks nor what goes on in his central nervous system, his behavior represents the full statement of what brand loyalty is”. Based on a review of the literature conducted by Jacoby (1971) it can be confirmed that previous studies have focused primarily on behavioral outcomes and ignored
consideration of what went on in customers’ minds. Brand loyalty was simply measured in terms of its outcome characteristics (Jacoby and Chesnut, 1978). This involved determining the sequence of purchase (Tucker, 1964; McConnell, 1968; Lawrence, 1969), proportion of a given brand purchase, and probability of purchase (Maffei, 1960; Frank, 1962).

Day (1969) argued, “There is more to brand loyalty than just consistent buying of the same brand”. Building of this work, Jacoby (1971) provided a conceptualization of brand loyalty that incorporates both a behavioral and an attitudinal component. The behavioral and attitudinal aspects of loyalty are reflected in the conceptual definition of brand loyalty offered by Jacoby and Chesnut (1978). They stated that brand loyalty is (1) biased (i.e. non random), (2) behavioral response (i.e. purchase), (3) expressed over time, (4) by some decision making unit, (5) with respect to one or more brands out of a set of such brands, and is a function of psychological processes.

Engel et al. (1982) defined brand loyalty as the preferential, attitudinal, and behavioral response toward one or more brands in a product category expressed over a period of time by a consumer. Other researchers defined loyalty as a favorable attitude toward a brand resulting in consistent purchase of brand over time (Keller, 1993), suggesting that loyalty is present when favorable attitudes for the brand are manifested in repeat buying behavior.

Dick and Basu (1994) argued that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage.

Prior studies on customer loyalty have focused primarily on product-related or brand loyalty, whereas research on customer loyalty to service organizations has remained limited (Gremler and Brown, 1996). The finding in the field of product loyalty cannot be
generalized to service loyalty because of the following reasons:

1) Service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty of tangible products (Berry, 1983), as person-to-person interactions form an essential element in the marketing of services (Suprenant and Solomon, 1987; Crosby et al., 1990; Czepiel, 1990);

2) The influence of perceived risk is greater in the case of services, as customer loyalty may act as a barrier to customer switching behavior (Zeithmal, 1981; Klemperer, 1987);

3) In the service context, intangible attributes such as reliability and confidence may play a major role in building or maintaining loyalty (Dick and Basu, 1994).

In more recent years Gremler and Brown (1996) extend the concept of loyalty to intangible products, and their definition of service loyalty includes the three specific components of loyalty, namely: the purchase, attitude, and cognition. They defined service loyalty as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists.

The conceptualization and measurement of customer loyalty can be classified into three phases. First, researchers simply define customer loyalty as a customer behavior. Second, the measurement of customer loyalty is not only behavioral but also attitudinal. Third, researchers measured customer loyalty by incorporating behavioral, attitudinal, and cognitive attributes simultaneously.

Customers become loyal to the service provider because they have prior knowledge or belief on it. Then, after they have service experience with the service provider, a favorable attitude toward it would be developed, and finally the customers are
willing to use the service again, and to tell positive things to other people about the service provided by the provider.

In addition, the customers are willing to continue to get service at the service provider even if the price of service charge is getting increased customers will also have strong preference on this service provider in the sense that the service provider is the first choice in their mind when they need service.

2.18 RELATIONSHIP BETWEEN SERVICE QUALITY AND LOYALTY

Loyalty is defined here as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future” (Oliver, 1999). Loyalty in this study refers to the continuing patronage of a particular bank by a client over time. Loyalty should be the prime objective of company strategy. It has been shown that the increase in profit resulting from a 5 percent increase in retention varies between 25 and 85 percent. The theoretical relationship between perceived service quality and loyalty has been confirmed empirically in several studies (Bloemer et al., 1998; Boulding et al., 1993; Cronin et al., 2000; Fornell, 1992). Cronin et al. (2000) report that perceived service quality has a significant positive effect on behavioral intentions (loyalty and recommendation) in four service industries (fast food, spectator sports, participation sports, and entertainment). However, the positive effect was not significant in health care and long distance carriers. In the retail banking sector, Bloemer et al. (1998) and Karapte et al. (2005) both find that quality has both a direct influence and an indirect influence (through satisfaction) on loyalty. Baumann et al. (2007) find that overall satisfaction, affective attitude, and empathy predict loyalty. Ehigie (2006) finds that perceived service quality and satisfaction are important predictors of loyalty among bank customers.