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IDENTIFYING SERVICE QUALITY DIMENSIONS AS ANTECEDENTS TO CUSTOMER SATISFACTION IN RETAIL BANKING

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ABSTRACT: *This paper explores service quality in a retail bank setting in Slovenia and its influence on customer satisfaction. In previous studies both SERVQUAL and SERVPERF scales have been used for measuring service quality. Based on SERVPERF a 28-item scale has been developed for this study. Through factor analysis four dimensions of service quality have been obtained. The results from regression analysis suggest that all four dimensions of service quality as well as service range influence customer satisfaction. The information provided by this research can be used when designing marketing strategies to improve customer satisfaction in retail banking.*

Key words: *service quality, retail banking, SERVPERF, customer satisfaction*

JEL classification: M30, M31

1. INTRODUCTION

Retail banking sector in Slovenia is characterized by increased competition. Intensified rivalry among banks (21 commercial banks and 3 savings banks) has led them to think seriously about how to compete effectively. In the past, banks largely pursued undifferentiated marketing that was aimed at a broad spectrum of customers rather than particular segments. Making a full range of services available to all customers and development of the one-stop financial centre was an attractive strategy. Cross-selling seemed to be more important than service differentiation. As a result, particular benefits from getting a service from one rather than another bank were not apparent to customers. Moreover, extending the range of services offered is of itself not a powerful means of differentiation because competitors can easily copy a new service introduced. This is due to intangibil-

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ity of services which means, consequently, that there are no patents and innovations can have short life-cycles. Therefore, a distinction between banks will be drawn not through the service-mix, i.e. the assortment of services offered, but principally through the quality of service, which is difficult to imitate, however, it is vital for creating a long-term relationship with customers. Under existing severe competitive conditions customer satisfaction and retention became critical for retail banks. The literature suggests that customer satisfaction with retail banking is a multidimensional construct, but service quality has been widely recognized as a dimension which has a strong influence on overall customer satisfaction (e.g. Bloemer et al., 1998; Jamal and Naser, 2002; Lassar et al., 2000; Levesque and McDouglas, 1996; Zhou, 2004). As service quality itself is a multidimensional construct (e.g. SERVPERF and SERVQUAL) the question arises which specific dimensions of service quality have the strongest effects on customer satisfaction. Moreover, the universality of the scale and its dimensions is also questionable. It is suggested (Lapierre et al., 1996) that service quality measurement scales (e.g. SERVQUAL and SERVPERF) need to be customized to the specific service sector and to the specific cultural context in which they are applied. Slovenian cultural context needs to be taken into account in our study, since according to the Eurobarometer survey (2007) Slovenian consumers' usage and attitudes towards banking services have some distinctive features. Hence, the purpose of this study is (a) to develop a scale that will be suitable for measurement service quality in retail banking in Slovenia; (b) to investigate the relative influence of service range offered and of each dimension of service quality in determining customer overall satisfaction.

2. THEORETICAL BACKGROUND

2.1 Service quality

In the service literature service quality is interpreted as perceived quality which means a customer's judgment about a service. The authors of SERVQUAL which has been extensively used in assessing service quality of different service providers including banks suggested that "Quality evaluations are not made solely on the outcome of a service; they also involve evaluations of the process of service delivery" (Parasuraman et al., 1985, p.42). Within the SERVQUAL model, service quality is defined as the gap between customer perceptions of what happened during the service transaction and his expectations of how the service transaction should have been performed. SERVQUAL refers to five dimensions of quality:

- Reliability (delivering the promised outputs at the stated level).
- Responsiveness (providing prompt service and help to customers; the reaction speed plays a vital role here).
- Assurance (ability of a service firm to inspire trust and confidence in the firm through knowledge, politeness and trustworthiness of the employees).
- Empathy (willingness and capability to give personalized attention to a customer).
- Tangibles (appearance of a service firm's facilities, employees, equipment and communication materials).

Many authors (Babakus and Boller, 1992; Carman, 1990; Cronin and Taylor, 1992) have disconfirmed the 5-dimensional structure of service quality. The universality of the 5 dimensions has been questioned as the dimensions do not seem to be completely generic and largely depend on the type of industry being studied (Cronin and Taylor, 1992). Also the scale does not seem to be appropriate in every cultural context (Cui et al., 2003).

Various other service quality models can be found in the literature (for the critical analysis of 19 different service quality models see Seth et al., 2005). Although SERVQUAL still remains a very popular approach in assessing service quality for researchers and practitioners (Schneider and White, 2004), which can be attributed to its practical diagnostic application for improving service quality, it has also received a lot of criticism. There have been numerous disagreements regarding the measurement of service quality. A summary of different areas of disagreement is presented in Table 1. In particular, there has been much dispute whether SERVQUAL or SERVPERF should be used for measuring service quality. Although both rely on the conceptual definition that service quality is an attitude toward the service offered, resulting from a comparison of expectations with perceptions, SERVQUAL directly measures expectations as well as perceptions (Carrillat et al., 2007), while in the SERVPERF model of Cronin and Taylor (1992) service quality is evaluated by perceptions of the service delivered only. SERVPERF assumes that respondents provide their ratings by automatically comparing performance perceptions with performance expectations and that measuring expectations directly is unnecessary. Numerous authors have supported the view (Babakus and Boller, 1992; Brady et al, 2002; Brown et al, 1993; Zhou, 2004 – all cited in Carrillat et al., 2007) that SERVPERF is a better alternative for measuring service quality. In keeping with their arguments performance-only or SERVPERF approach (Cronin and Taylor, 1992) was used in our study, although both SERVQUAL and SERVPERF instruments have been applied to the banking sector in previous studies.

When analyzing dimensions of bank service quality, Levesque and McDougall (1996) adapted the SERVQUAL model and obtained 3 dimensions of service quality which supported the notion that there may be two overriding dimensions to service quality. Namely, the core dimension represented the outcomes of the services while the relational dimension represented the process (customer-employee relationship) of the service. The third dimension represented the bank as opposed to its employees' behavior or the bank's fulfillment of its core performance obligations. The study of consumers of commercial banks in United Arab Emirates revealed three dimensions of service quality: human skills, tangibles and empathy (Jabnoun and Al-Tamimi, 2002). Avkiran (1994) developed an instrument called BANKSERV to measure customer service quality in branch banking and obtained four dimensions of service quality: staff conduct, credibility, communication, and access to teller services. He also studied the effect of three of these dimensions (staff conduct, communication and access to teller services) on credibility and discovered that staff conduct is the key dimension in BANKSERV (Avkiran, 1999).

TABLE 1: *How to measure service quality: a summary of areas of disagreement*

Area	Nature of disagreement
The purpose of the measurement instrument	Is the prime purpose diagnostic or predictive?
The definition of service quality	Does the nature of the attitude relate to performance, expectations and/or ideal standards?
Models for service quality measurement	To measure expectation or not? To measure importance or not?
The dimensionality of service quality	Are the 5 dimensions of service quality correct for its original context?
Issues relating to expectations	What is the definition of expectations? Is it necessary to identify which items are vector attributes and which are classic ideal point attributes? When to measure expectations, before or after the service encounter?
The format of the measurement instrument	Which measurement approach is best: difference score, non-difference score or semantic-differential scales? Should importance be measured by item or dimension, or inferred from performance and expectations scores?

Source: Robinson, 1999

2.2 Satisfaction

Mixed findings exist regarding the casual direction between service quality and satisfaction (Lee, et al., 2000): does customer satisfaction lead to service quality or vice versa. Yavas et al. (1997) explained that although some studies interpreted service quality perceptions as an outcome of satisfaction, recent studies have characterized service quality as an antecedent of satisfaction. We except the position that customers can evaluate a service (be satisfied or dissatisfied) only after they perceive it. Many authors who studied the relationship between perceived service quality and customer satisfaction have shown that service quality determines customer satisfaction (Anderson et al., 1994; Cronin and Taylor, 1992; Iacobucci et al., 1994; Rust and Zahorik, 1993 – all cited in Cristobal et al., 2007; Arasli et al., 2005; Bloemer et al, 1998; Levesque and McDougall, 1996; Wang et al., 2003; Yavas et al., 1997). In a Turkish study Yavas et al. (1997) confirmed that three dimensions of service quality: tangibles, responsiveness and empathy are significant predictors of customer satisfaction. To achieve customer satisfaction banks cannot ignore the role of customer-contact personnel. Reliability, responsiveness-empathy and tangibles were also the explanatory variables in predicting customer satisfaction for Greek Cypriot bank customers (Arasli et al., 2005). A study in retail banking also proved that among other drivers of customer satisfaction the key explanatory variables are the dimensions of service quality, such as core and relational performance, problem encountered and satisfaction with problem recovery (Levesque and McDougall, 1996). A positive and significant association also existed between customers' satisfaction and

the core (reliability) and relational (tangibles, responsiveness, empathy and assurance) dimensions of service quality (Jamal and Nasser, 2002).

3. RETAIL BANKING IN SLOVENIA

The Slovenian retail banking market has evolved extensively in the last twenty years. After the Slovenian independence in 1991 it was characterized by “banks having to adapt to a transformation of the economic system, mass privatization replacing the prevailing social ownership of the banks, deregulation of the banking sector and structural changes within the financial system” (Kolar, 2006, p.77). In Slovenia there are now 18 banks (8 of which are subsidiaries), 3 savings banks and 3 branches of foreign banks (Bank of Slovenia, 2008). Although today the predominant position in the market is still in the hands of Nova Ljubljanska Banka, which has a 30% market share, other players in the market are rapidly improving their positions. Competition is fierce as the banks have yet to find a differentiation strategy that would make them stand out from the competitors. The problem with Slovenian banks is that they are universal which means they do not concentrate on specific markets or segments (Kolar, 2006, p.78). Also, as Kolar (2006) discovered in his study, the weak points of Slovenian banks are market intelligence generation and dissemination. What this tells us is that the banks have limited information on customer satisfaction, segment profitability and marketing goal achievement. These gaps offer an interesting basis for further investigation.

Then again, the consumers are also an important player in the retail banking market. According to the Eurobarometer survey which measured consumer opinions of banking services, 95% of Slovenians find that having a current bank account is important in their daily life. When looking closely at their commitment to their banks, the study reports that 88% of Slovenian bank customers have not tried switching banks because they were not interested in it and not because they could not do it. This put them in the second place, only behind the Estonians and quite above the average of the new EU member states where 81% of customer have not tried to switch. According to the Eurobarometer it is difficult to assess whether this apathy for switching is caused by the fact that the banking services are not differentiated or there is another cause. It seems that some (23%) consumers have trouble with offer comparison, although 68% of Slovenians find the comparison of offers of different banks/financial institutions easy. Another cause may be connected to the complaint behavior, as the study shows that 97% of Slovenians have not complained about their current bank account in the last two years (Eurobarometer, 2007).

In summary, Slovenian consumers stood out from the other European consumers in two areas. The percentage of Slovenian consumers that find having a current account important is higher than in any other new member state. Also, in comparison to the other European consumers less Slovenian consumers are prone to switch between banks. The usage and attitudes towards banking services of Slovenian consumers represent a good starting point for the analysis of Slovenian bank services. Exploring the perceived serv-

ice quality dimensions and their influence on customer satisfaction may give us a better understanding of Slovenian consumers in the banking sector.

4. METHODOLOGY

The research process involved the following steps. First, a literature review was undertaken to identify service quality dimensions in retail banking. After gaining the support of the senior management of the bank which belongs to the group of the largest banks in Slovenia (with regard to total assets and market share) the next step was to perform a qualitative research study which provided the basis for the scale development. Two focus groups consisted of customers of the participating bank were performed focusing upon the main issues of interest i.e. to identify determinants of perceived service quality. In addition, an in-depth interview with the bank marketing director and a pilot survey with five branch managers were performed. Finally, a quantitative research was implemented where factor analysis was used to analyze dimensions of service quality. The dimensions obtained were then used as inputs in regression analysis for predicting customer satisfaction with the bank.

4.1 Questionnaire

Although SERVQUAL-items provided the basis for development of a measurement tool the scale was adapted by adding, deleting or rewording items to ensure suitability for the research context. As already said there is a general acceptance of the need to modify scale items due to national culture and language. The results from our qualitative study added further support to this belief. The service quality attributes used in our research (a total of 28) are set out in Table 2. These items were measured using six-point Likert-type scales from 1 (“strongly disagree”) to 6 (“strongly agree”) with no mid-point neutral category. According to the qualitative research study findings we believed that no neutral or indifferent responses were expected.

Compared to the SERVQUAL instrument a structure of six and not five basic dimensions was proposed for retail bank service quality. The additional dimension included was access (working hours, ease of parking, convenient location) which was indicated as important by participants in the qualitative study and identified by authors of SERVQUAL (Parasuraman et al., 1985, 1988) as well before they reduced a set of ten determinants of service quality based on focus groups into five by using a factor analysis. Access was found as a bank service quality attribute by some other researchers, too (Bahia and Nantel, 2000; Johnston, 1995; Oppewal and Vriens, 2000 – all cited in Jun and Cai, 2001). Only performance perceptions of customers were measured which means that we relied on the SERVPERF version of the original SERVQUAL scale. Bank service range was operationalized by one item only. The statement that measured service range was: “Service range (or diversity) that is offered by the Bank suits my needs.” Satisfaction was measured by a single item, too; customers were asked to state their satisfaction with the bank on a scale from 1 (very dissatisfied) to 6 (very satisfied).

TABLE 2: *Service quality attributes used in the study*

The Bank performs its services without errors.	Reliability
Bank services are performed within the promised time.	Reliability
Bank employees show sincere concern in solving my problems, related to bank business operations.	Reliability
The Bank correctly performs a service from the very first time.	Reliability
The Bank performs a service exactly as promised.	Reliability
The Bank regularly sends me bank statements on my account balance to my home address.	Reliability
I have not had difficulties with bank cards of this bank.	Reliability
Bank employees quickly respond to my requests.	Responsiveness
Bank employees are always willing to help.	Responsiveness
Bank employees are quick in eliminating potential errors.	Responsiveness
In the Bank I do not spent much time waiting in line.	Responsiveness
Bank employees tell me exactly when a service will be performed.	Assurance
Bank statements delivered monthly to my home address are clear and understandable.	Assurance
Bank employees are trustworthy.	Assurance
Bank employees are kind and polite.	Assurance
Bank employees are knowledgeable enough to reliably respond to my questions.	Assurance
Information provided by bank employees are clear and understandable.	Assurance
I feel safe in my transactions with the Bank.	Assurance
The Bank operating hours suit my needs.	Access
The Bank is easily accessible (parking, lift, access for disabled person etc.).	Access
The bank is favorably located for me (near home, job, shops...).	Access
Bank employees know to advise me what would be the most proper service for my specific needs.	Empathy
The Bank considers my wishes and needs.	Empathy
Bank employees show understanding of my specific needs.	Empathy
Bank offices are visually appealing.	Tangibles
The Bank has modern-looking technical equipment.	Tangibles
Printed materials (forms, brochures, monthly statements, bank cards, etc) look attractive.	Tangibles
Bank employees are suitably dressed and neat, considering the work they perform.	Tangibles

4.2 Sample and data collection

The target population was composed of customers above 18 years of age who had a bank account open at the bank. Data were collected by using a convenience sampling method. Customers were surveyed in front of 8 branches of the bank in different cities. Inclusion of different cities had the purpose of enhancing the generalizability of the findings. A self-administered interview method was used. However, the interviewer was present to help respondents if necessary. Respondents filled in the questionnaires before they entered a particular branch. This ensured that results reflected the respondents overall

impression of the bank service quality and not their feelings about a particular service encounter.

The sample included 150 bank customers, where 100 were female and 50 male. The age distribution was quite even as 24.7% were aged from 21 to 30 years, 25.3% were aged from 31 to 40 years, 22% were aged from 41 to 50 and 24% were aged 50 years or more. The level of formal education showed that the most consumers had a secondary school education (54.7%), followed by 42.6% of consumers that had at least a university-level education and only 2.7% consumers who had a primary school education.

5. RESULTS

5.1 Factor analysis

Once data have been collected, the usual process in service quality studies is to perform factor analysis, in order to establish the underlying traits and factors, and to calculate Cronbach's alpha coefficient as a measure of internal reliability.

Data appropriateness. First, the appropriateness of data for factor analysis was determined by checking the correlation matrix, which showed that the variables correlated fairly well with all others. Also important was the Bartlett's test of sphericity which showed that the correlation matrix had significant correlations at the significance level of 0.000. The Keiser-Meyer-Olkin measure of sampling adequacy showed similar results as its level was 0.931 which was marvelous by Kaiser and Rice's recommendations (Sharma, 1996).

Factor extraction. The data on the 28 attributes were analyzed using the principle axis factoring method. The number of factors can be obtained by Kaiser's criterion which recommends retaining all factors with eigenvalues greater than 1. Usually the number of factors can also be extracted using a Scree plot yet such a decision may be rather subjective. The analysis showed that 4 or 5 factors may be obtained, as the line between the fourth and fifth factor was almost straight. After careful examination we decided to obtain four factors as they produced the most meaningful solution.

Service quality factors. Previously four factors extracted could now be interpreted on the basis of the factor matrix. In factor analysis it often happens that factors obtained cannot be meaningfully explained which requires the axis rotation. According to Field (2005) using an orthogonal rotation ensures that the factors remain independent or uncorrelated after rotation. Here Varimax orthogonal rotation was used where the major objective was to get a factor structure in which each variable observed loaded highly on one and only one factor. The decision to include a variable in a factor was based on the values of the factor loadings. The higher the value of a factor loading between the variable and the individual factor, the higher is the probability that the factor represents this variable. Such factor structure will result in each factor representing a distinct dimension of

service quality. Following suggestions from previous literature that only factor loadings greater than 0.4 should be interpreted, factor loadings less than 0.4 were not presented in the matrix, which made interpretation noticeably easier. To decide which variable represents which factor we looked at the factor loadings which tell us the importance of a given variable to a given factor (Field, 2005). Accordingly, the results of the rotated factor matrix were interpreted paying attention to which variables had greater loadings in individual factors (see Appendix A, Table A1). The four factors identified (accounting for 52.41 per cent of total variance) refer to:

1. Assurance and empathy which can be addressed as the quality of social interactions between the customer and the service provider. Customers want employees to be competent, helpful and polite, to understand their needs, to respect them as individuals and to provide clear and understandable information. Although the banks are becoming more and more high-tech the identification of a dimension that is high-touch shows that personal contact still needs to be addressed.
2. Reliability and responsiveness which relate to performance standards and can be addressed as process quality. Considering the banking sector the identification of this dimension seems sound as consumers do not want to have problems when dealing with their financial matters. They want to get a service without errors, performed to high standards, correctly, promptly and timely.
3. Access represents the convenience of location and working hours of a bank. Customers want enough parking space, locations close to their homes and suitable working hours. Even though bank services are moving on-line there are still many customers that go to the bank and want convenience.
4. Tangibles which represent the appearance of a bank's interior, equipment, staff members and printed materials. Visual images help customers form an impression about the service they are getting. They expect employees to be properly dressed, a bank interior needs to be appropriately arranged, printed materials attractive and equipment up-to-date.

Although six factors were expected (following the findings of our exploratory study) four factors with a meaningful interpretation were obtained. Considering five dimensions of service quality suggested by Parasuraman et al. (1988) the number of dimensions was reduced but the consolidation seems reasonable. Similarly, fewer dimensions were found by other authors that analyzed service quality in the banking sector (Arasli et al., 2005; Avkiran, 1999; Jabnoun and Al-Tamimi, 2002; Levesque and McDougall, 1996), confirming that the number of dimensions varies depending on the type of industry. Assurance and empathy represent a "softer" dimension that deals with people's interaction while reliability and responsiveness represent a "harder" dimension that deals with bank processes. Access was already pinpointed as an important component of bank service quality by customers interviewed in focus groups. Tangibles represent a dimension that was determined also by Parasuraman et al. and others.

The four dimensions can also be aligned in respect to the new conceptualization of service quality which consists of functional-utilitarian and hedonic attributes (Falk et al., 2010). While the first three dimensions (assurance and empathy, reliability and respon-

siveness, access) can be attributed to functional-utilitarian service quality, tangibles can be attributed to hedonic service quality. However, it can be expected that the functional-utilitarian attributes may have a more important role than hedonic attributes in a bank setting. Consumers in a bank setting would primarily expect a flawless performance and secondly an enjoyable experience. The four dimensions obtained through factor analysis can be used in further analysis.

5.2 Regression analysis

Our objective was to measure the relationship between service quality dimensions and customer satisfaction. A reliability test for each dimension of service quality was performed which showed that Cronbach's alpha coefficients were above 0.60 for all four dimensions (0.933 for assurance and empathy; 0.896 for reliability and responsiveness; 0.804 for access and 0.657 for tangibles). Factor analysis produced factor scores which represented the estimated values of the four dimensions of service quality. The dimensions of service quality obtained through factor analysis and service range were used as inputs in regression analysis to identify predictors of customer satisfaction.

The method used to predict customer satisfaction was multiple regression analysis. The variables were entered into the model using the Stepwise method. The results show that all five variables used in the model are statistically significant in predicting customer satisfaction and 48.8% of the variability in customer satisfaction can be accounted for by the predictors (See Appendix B, Table B1 for Model Summary).

The relationships of all five variables with customer satisfaction are positive as expected (See Table 3 for the Results of regression analysis):

Customer satisfaction = 3.762 + 0.484*assurance and empathy + 0.154*service range + 0.206*access + 0.161*tangibles + 0.141*reliability and responsiveness

Factor one (assurance and empathy) was found to be the most critical in forming customer satisfaction. This would suggest that efforts to improve the quality of interactions between a customer and a service provider are likely to have an important and positive effect on customer satisfaction. Customer satisfaction also improved as service range, access, tangibles as well as reliability and responsiveness became more favorable. The importance of these findings is that all of the dimensions of service quality obtained influence customer satisfaction therefore banks cannot ignore any of these dimensions, however not all dimensions are equally important. Moreover, service range does influence customer satisfaction but it is in no way the main driver. Those banks that try to build their competitive advantage on a wide range of services offered may be putting their bet on the wrong horse.

TABLE 3: *Results of Regression Analysis*

Model		Unstandardized Coefficients		Standardized Coefficients		Correlations			
		B	Std. Error	Beta	t	Sig.	Part	B	Std. Error
1	(Constant)	4.453	0.063		70.885	0.000			
	Assurance and empathy	0.568	0.068	0.567	8.377	0.000	0.567	0.567	0.567
2	(Constant)	3.155	0.257		12.253	0.000			
	Assurance and empathy	0.469	0.065	0.468	7.161	0.000	0.567	0.509	0.447
	Service range	0.289	0.056	0.338	5.177	0.000	0.475	0.393	0.323
3	(Constant)	3.421	0.271		12.615	0.000			
	Assurance and empathy	0.478	0.064	0.478	7.450	0.000	0.567	0.525	0.456
	Service range	0.229	0.059	0.269	3.892	0.000	0.475	0.307	0.238
	Access	0.184	0.069	0.177	2.675	0.008	0.307	0.216	0.164
4	(Constant)	3.504	0.269		13.020	0.000			
	Assurance and empathy	0.478	0.063	0.477	7.556	0.000	0.567	0.532	0.455
	Service range	0.211	0.059	0.247	3.604	0.000	0.475	0.287	0.217
	Access	0.184	0.068	0.176	2.708	0.008	0.307	0.219	0.163
	Tangibles	0.165	0.069	0.146	2.394	0.018	0.218	0.195	0.144
5	(Constant)	3.762	0.296		12.687	0.000			
	Assurance and empathy	0.484	0.063	0.484	7.727	0.000	0.567	0.541	0.461
	Service range	0.154	0.065	0.180	2.375	0.019	0.475	0.194	0.142
	Access	0.206	0.068	0.198	3.028	0.003	0.307	0.245	0.181
	Tangibles	0.161	0.068	0.142	2.356	0.020	0.218	0.193	0.141
	Reliability and responsiveness	0.141	0.071	0.133	1.979	0.050	0.272	0.163	0.118

a. Dependent Variable: Customer satisfaction

6. CONCLUSIONS

Results of our study confirm the general agreement that though service quality has many dimensions there is no consensus on the exact nature of these dimensions (Brady and Cronin, 2001). Moreover, the analysis shows that all four dimensions of service quality as well as service range offered are good predictors of customer satisfaction.

We found significant variation regarding the effect of dimensions on customer satisfaction. The largest part of the variability (32.2%) of customer satisfaction can be attributed to staff conduct which may be important information for managers working in the banking sector when analyzing reasons for customer satisfaction or dissatisfaction. The importance of how the service is provided can be explained by the fact that bank services have high-credence attributes: it might be difficult for a customer to evaluate the outcome, i.e. what he actually receives from a service after it has been performed therefore he relies on the attributes associated with the process of service delivery (“how”). Often it comes down to having confidence in the service provider’s skills and to trust that certain tasks

have been performed properly. Another 10.5% of variability of customer satisfaction can be linked to the range of services that the bank is offering. So, focusing on the service-mix only will ignore service process as quite an important driver of satisfaction. A minor part of variability of customer satisfaction can be attributed to other determinants.

We believe that our study can help bank managers in managing customer satisfaction. It is evident that assurance and empathy primarily drive customer satisfaction and that bank employees (especially contact personnel) have a fatal impact on the most appealing service attribute when targeting customers. Banks that are trying to divert their customers from bank offices to ATM's and the internet may well be undermining the importance of human contact which is essential for successful customer service. Therefore, bank managers should bear this in mind when striving to improve service quality. The problem is that genuine empathy and interest cannot be put into a script. Bank managers should treat employees as customers, offering them motives and benefits in exchange for providing good service to bank customers; in other words, they have to accept the internal marketing concept. It makes no sense to promise customers superior service before bank employees are ready to provide it. The conduct of staff is at least as important as service range offered or (according to our study) even more. Therefore bank management should pay special attention to hiring competent and friendly personnel, to train them, to provide them adequate pay and other benefits, in short, they have to invest in their people to provide higher-quality customer pleasing service. If the working environment is managed well there is potential for a cycle of success instead of becoming stuck in a cycle of failure (Lovelock and Wirtz, 2007). There still might be traces of a specific problem in the Slovenian market similar to that found in the former East Germany (Yavas et al., 2004) which is that some front-line employees brought up in a non-competitive banking environment where customer orientation was not recognized of vital importance may be bureaucratic and arrogant in their dealings with customers. Another issue that has to be taken into account was pointed out by Kumar et al. (2008). If companies have performance problems that result in customer dissatisfaction, the solution cannot be putting more empathetic employees at customer contact points, but the company has to review and adjust the service delivery process.

To conclude, the research findings suggest that service quality, referring to a customer's judgment about a bank's superiority, should be regarded as a source of competitive advantage in the retail banking, as it constitutes the major driver of customer satisfaction. Service quality can be seen as a competitive advantage, because in contrast to service range that can easily be replicated, the service quality dimensions are more difficult to imitate and may represent a sustainable advantage. While improving service quality is no doubt a difficult task for bank managers to take on, it is well worth the trouble, since it can bring great benefits to the banks in the long run.

7. LIMITATIONS OF THE STUDY

As with any study, the present research has certain limitations. First, the results from a single bank's customers might raise concerns about limited generalisability. Different

results might have been obtained if the study had included customers of other Slovenian banks as well. Secondly, although descriptive research calls for probability sampling, non-probability sampling was used; therefore, no assessment of sampling error was possible. Finally, incorporating the consequences of customer satisfaction in retail banking, that is, loyalty and word-of-mouth could provide additional important contributions to the knowledge of service quality influences.

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APPENDIX A: FACTOR ANALYSIS

TABLE A1: *Rotated factor matrix*

Variables	Factor 1	Factor 2	Factor 3	Factor 4
Bank employees quickly respond to my requests	0.657			
Printed materials (forms, brochures, monthly statements, bank cards, etc) look attractive				0.627
I have not had difficulties with bank cards of this bank				
The Bank performs its services without errors.		0.507		
Bank employees show sincere concern in solving my problems, related to bank business operations	0.670			
Bank offices look nice.				0.513
Bank employees are always willing to help	0.742			
Bank employees are suitably dressed and neat, considering the work they perform				
The Bank does not require much waiting in line		0.635	0.458	
The Bank considers my wishes and needs	0.691			
The Bank opening hours suit my needs			0.778	
Bank employees are trustworthy	0.565		0.493	
Bank employees are knowledgeable enough to reliably respond to my questions	0.605			
Bank employees show understanding of my specific needs	0.798			
Information provided by bank employees are clear and understandable	0.610			
The bank is favorably located for me (near home, job, shops...)			0.568	
Monthly statements delivered to my home address are clear and understandable				
Bank services are performed within the promised time		0.541		
The Bank has contemporary technical equipment				0.404
Bank employees are kind and polite	0.747			
The Bank performs a service exactly as promised	0.436	0.587		
The Bank is easily accessible (parking, lift, access for disabled persons...)			0.562	
Bank employees tell me exactly when a service is to be performed		0.521		
Bank employees are quick in eliminating potential errors	0.533	0.609		
The Bank correctly performs a service from the very first time	0.449	0.530		
Bank employees know how to consult me what would be the most advantageous service for me	0.630			
In dealing with the Bank I feel safe	0.462		0.495	
The Bank regularly sends me bank statements on the balance on my account to my home address				

a Only values of factor loadings above 0.4 are presented in the matrix.

APPENDIX B: REGRESSION ANALYSIS

TABLE B1: *Model summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					Sig. F Change	R Square Change	F Change	df1	df2
1	0.567(a)	0.322	0.317	0.769	0.322	70.181	1	148	0.000
2	0.653(b)	0.426	0.418	0.710	0.105	26.797	1	147	0.000
3	0.673(c)	0.453	0.442	0.696	0.027	7.155	1	146	0.008
4	0.688(d)	0.474	0.459	0.685	0.021	5.730	1	145	0.018
5	0.698(e)	0.488	0.470	0.678	0.014	3.917	1	144	0.050

^a Predictors: (Constant), Assurance and empathy

^b Predictors: (Constant), Assurance and empathy, Service range

^c Predictors: (Constant), Assurance and empathy, Service range, Access

^d Predictors: (Constant), Assurance and empathy, Service range, Access, Tangibles

^e Predictors: (Constant), Assurance and empathy, Service range, Access, Tangibles, Reliability and responsiveness