

PROJECT TITLE

Impact of a stable Customer Service on Loyalty of Clients in the banking domain

ABSTRACT

With banking being part of a technology driven industry, banks operating in this domain differentiate themselves on other parameters like Customer Services, variety of the products etc. It is the duty of the banks to use these factors effectively to retain the clients for a time long enough to help it to cover the cost of acquiring the clients and a chance to cross sell its products to a larger client base.

We wish to examine if a strong customer service really adds value to customer satisfaction and customer loyalty in any way. We wish to map the feedback of many clients using different banking services indicating the different factors which have added value to them.

The scope of this project is very wide and would help us examine myriad aspects that add value in terms of customer satisfaction and customer loyalty. This study can further help the various banking institutions to understand what are the services that clients value the most and what are the areas where in the services have to be augmented so that they can achieve the goal of improving customer satisfaction.

LITERATURE REVIEW

The keenness of banking service providers to focus on the clients is one of the most challenging dilemmas faced by them at the beginning of 21st century. There is a dearth of research on the customer service and satisfaction evaluation in the banking arena. But the each banking institution does collate data about customer satisfaction and they analyse their data on their own for their respective firms. Customer satisfaction is taken as full health for the banking service providers and includes value for money, adequate loyalty, service provision and relationship management. The precursor to well being of the firm is taken from the contact points between the customers and the service themes of the banking institutions.

Customer satisfaction is the main tenet of managerial decision taking across the globe for the last 2 decades. There are remarkable business excellence tools such as the Malcolm Baldrige Award and the European Foundation of Quality Management that concentrate on the importance of both evaluating customer satisfaction and utilizing sound evaluation techniques for such work. Customer satisfaction has already achieved a huge publicity through the National Customer Satisfaction Indices designed from the knowledge of Andersen et al. (1994). These indices are used for simultaneous noting in USA, Sweden and Denmark. Since then, the concentration on customer fulfilment has moved from just a small evaluation problem to a strategic must that impacts firm competitiveness, Schneider and Bowen (1999a, 1999b).

Customer contacts are segregated into 3 groups- intimacy, communication time and information richness (Chase (1981) and Soteriou and Chase (1998)). The experimental evidence from the service segregation has proved that the customer contact dimensions may be utilized as precursor of customer response in answer to their observed service quality levels from the famous 5 verticals of the ServQual model- empathy, reliability, tangibles, responsiveness and assurance.

A typical bank might take its clients coldly according to the cash they deposit or borrow. Various banks have been using control and security as issues for their very slow and pathetic services. Recently, many service firms such as airlines and fast-food have shown that customer services

could be a quick and fun experience for both customers and workers without giving up costs, control and profits. Many banks have now implemented these contemporary service benchmarks and started comparing with non banking institution to explore about the best practice.

For example, BayBanks of Massachusetts has used the mail orders firm L.L. Bean, popular for its good orders taking and services delivery system as its prototype for future. A big impact of this functional benchmark is the introduction of 24 hours customer service centers that answer the questions and issues and encourage and give the banks' product and service. The center enables clients to have a checking account anywhere or get an overdraft at anytime. The ATM is reprogrammed to act from just a cash giver to a different and easy account helper. It could buy and sell mutual fund now. Seeing L.L. Bean, Bay Banks gave a 50 pages catalogue to aid clients learn and have over 160 financial services from it.

Seattle's Seafirst Bank popularised itself to a retailer from a retail bank and has compared with retailer having for best customer services such as airlines and fast food restaurants. Seeing these prototypes, Seafirst designed a 5 minutes promise which said that "Waiting over five minute in line will make the bank give \$5 in the clients' account. Additionally, when the client complains of any problem, they get \$5. The banks' branches have official people to guide and greet clients to the right teller similar to the guest relation officer or receptionist of five star hotel. The greeter sees an outlet at the entry of the banks. To focus this services psychology, branch manager is rated on sale as well as on services goal. Getting or even overshooting sale target without getting client satisfaction goal would not make branch managers to get the banks' honoured Gold Club medal. Officials from the CEO office are motivated and asked to go to branch frequently to see services and experience the workings personally. To re-layout and redesign its branches to augment services, Seafirst got the service of a known person from the Godfathers' Pizza chains. One benefit was building the teller see waist high. It was now more open and personal as compared to the old slab that is threatening and builds a roadblock between the customers and the tellers.

Similar to Seafirst, Citicorp considers itself less of a bank and more of a production unit which makes raw material in the style of application form, document and customer request and the big product is a gratified client. Office, department, desk and other work station help as the machine and equipment of the documents production unit. In rebuilding the bank into a efficient and good services hub, the CEO John Reed, engineer, used the learning he learnt from his tours to Cummins Engine, Ford Motor, Core Industries, General Electric and Exxon. The primary step he reengineered was the backroom operation that comprises of various repetitive steps. Back offices of bank are popular for slow bureaucracy that inhibits frontline operation and the final client services. By using the theory of mass production, standardization and streamlining of steps, Citicorp wants to take out this major roadblock. The bank compared itself with Chrysler in having its functional department to work efficiently as team.

Different bank giving up their old finances and controls image have similarly had new service strategy and practice. Banco Frances made an information centre or encyclopaedias in the wait place where clients could go in many small and big lumps of data of major data on service such as the average resources to end transactions and the firm's product and service. Data on the busy day or days of the branches are shown to make the customer want to prevent this period. In the recent branch of Garanti Bankasi, phone, line and customer services is put. There could pick up the phone and tell his complaints, questions or difficulties. This help was made to give the firm's promise to service and also serve as the customers' only chance if everything else does not work. Likewise, ASB Banks Limited made a phone centre to get, do and solve customers complaint. It also contains customers' feedbacks programmes where whomever the customers complain to staff employees or managers would be accountable for getting the customer answers about the working and whereabouts of his or her complaints. The banks' customers' service centre has made 2 client flow or line to give service more efficiently. One is for loan and same product that need customized and personal service. The other line was for the repetitive and standard services like deposits and withdrawals. By making 2 services environment that refer to 2 separate forms of requirements, services are augmented and fastened.

Bank Pertnian Malaysia has given the theory of mobile banking. For the ease and fun of clients staying in longhouses on the river bank of the Sarawak River, the banks have given floating

branch on boat which gives whole branches banks service. To augment services, BPM has reengineered its ATM's to give cash as well as commodity price and data on its product and service too. The Korean Technology Bank Corporations set up a Technology Finance data centre to give the different requirements of its customers, many of whom are making joint venture abroad. The Centre would have a large database of data examined from different information from internal and external source. By getting the databases, client would have data on local information, particular technology and other information linked to the mergers they are putting up. To help process and develop financial institution such as the Industrial Development Bank of India needs borrower to give loan applications form in electric floppy disk.

Many bank and financial institution have made such a major progress in augmenting and reengineering client services that they themselves became the benchmark of other company outside the bank sectors. For example, American Express- the credit cards firm is a popular limit to copy when it is to improve a firm's billing step. Amex's billing is considered the quickest and most correct in the globe in all industries. Xerox, the model for various quality ways, utilised the Amex prototype in improving its billing system. In China, the model for customers' services and customers' courtesy is alarmingly a bank: The Industrial and Commercial Bank. Many retail places and department store go to the bank's branch to know the best results of gratifying and amazing clients. Pre major alteration, the Industrial and Commercial Bank was called for bad services and pathetic frontline workers too. One of major and largely efficient policy it placed was getting up on a trail of word their workers were not to use when dealing with clients. For example the frequent clause- When you would stop complaining was there in the prohibited list. While other bank might ignore to alter or have torn currency note, the banks would substitute these without doubt.

Also clearing house has implemented the new services guidelines to aid the bank's objectives. For example, the Singapore Clearing House Association stopped the clearings of US dollar check given in Singapore from 2 week to three day. The new system needs indulging banks to have US dollar account with Citibank to cater to the required customers.

Innovative services in banks in customer services are definitely a good and much awaited development. It is hoped that other bank and financial institution would follow soon. Gratiified clients are the best promise of growth. Like in other services sector, banking customer want the best. In previous years, bank has seldom served customer as person, rather treating them as passbook, accounts number and loan application. Customer service unlike customer processing is a theory whose arena has emerged for the bank industries throughout the globe.

The communication amongst the customers and the delivery system is impacted through alternative contact points. Each of the contact point would be looked for its impact on the whole customer satisfaction. The service delivery system may be segregated into alternative customer contact points that design clients' opinion about the firm. Every contact point might have independence linked with concept of customer satisfaction such as speed, personnel, reliability and pricing. The contact point enabled loyalty raises the evaluation veracity since customers give their feedback based on their conversation with the bank service providers which is closer to their heart. In a firm where customer communications could be segregated into 6 divisions, it is not easy for a client give a satisfaction level about the workers of the firm since they talk to a different employee each time.

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For the past 2 decades, a lot of literature has come up elaborating on the evaluation and examination of the customer loyalty covering various fields of practice and data (Wirtz 1993; Parasuraman and Grewal 2000) to talk about the managerial impact of customer satisfaction evaluation (Schneider and Bowen 1999a). The marketing literature has been a major part in customer satisfaction study and on problems of building apt scales of construct evaluation (Smith 1999). The operations management literature has done a separate positioning in the problem of customer satisfaction concentrating majorly on the execution linked problems which effect customer satisfaction such as service profit chain (Hessket et al. 1997) without concentrating particularly on the evaluation of customer satisfaction.

OBJECTIVES

This research focuses on the following objectives:

- 1) To examine whether a strong customer service really adds value to customer satisfaction and customer loyalty in any way
- 2) To map the responses of different clients using different banking services indicating the different factors which have added value to them

HYPOTHESIS

The hypotheses which we would be testing are:

H1: High degree of satisfaction will result from a strong Customer Service.

H2: High degree of satisfaction leads to loyalty of the customers.

H3: Highly satisfied clients of the Customer service will be loyal to the service provider.

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DEFINING VARIABLES

Customer Satisfaction is taken to be the dependent variable

Customer Service is taken to be independent variable

Age is taken to be the moderating variable

Respondents' motivational level is also the moderating variable

PROJECT OUTCOMES

- a. Impact of customer service on customer satisfaction and customer loyalty
- b. Responses of various customers using various banking services
- c. Different factors which add value to clients resulting in customer retention

NEED FOR THE STUDY

There is a lack of research in the international context specifically exploring the customer retention in the banking industry. However, the competition in many sectors has intensified with the liberalization and privatization policies of successive world governments. The Customer service provided by the banking service determines the degree of satisfaction of the customer while using his banking services. A satisfied customer is a loyal customer and hence is drawn to the same service again. It is this impact that a strong Customer Service would have on customer loyalty the study aims to measure.

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RESEARCH QUESTIONS

- a. Will high degree of satisfaction result from a strong Customer Service?
- b. Will high degree of satisfaction lead to loyalty of the customers?
- c. Are highly satisfied customers of the Customer service loyal to the service provider?

DATA SOURCES

The analysis would consider primary data collected through the questionnaire containing 35 questions that govern customer loyalty and then check their dependence. Secondary data sources will mainly be used for literature review.

RESEARCH METHODS

The questionnaire will be presented to the respondents who use different banking services. The concepts are highly subjective as the standing varies from person to person. To measure the extent of variation in the responses we have used Likert scale. This is a 5 point scale from strongly disagree to strongly agree. The total number of respondents taking part in this study will be 105. Most of them, if not all, would have used the banking services in some or the other way as it is readily available. Thus the work would yield a good approximation of measure of the impact of customer services on loyalty. The questionnaire data will be later entered in SPSS (version 16) to evaluate through Factor Analysis. Later, correlation and regression analysis will also be used to come up with results.

SAMPLE

The population for this study is chosen across all age groups who have experienced banking services.

The analysis would consider primary data collected through the questionnaire containing 35 questions relating to the traits corresponding to the customer service in banking domain.

TYPE OF ANALYSIS

The questionnaire data will be entered in SPSS (version 16) to examine the customer satisfaction through Factor Analysis. The aim is to measure the customer satisfaction by finding out the key factors and their relationship with loyalty of the customers in the banking domain. The reliability test to ensure the adequacy of data will also be carried out.

The research design is descriptive (cross-sectional design) in which survey and observations are used to test our hypothesis. The observation method used is structured and undisguised.

Gantt chart

	Dates			
Tasks	April 20- April 22	April 23- April 25	April 26- April 28	April 29- April 30
Brainstorming				
Collecting primary data				
Collecting secondary data				
Analysing data				
Recommendations/ Conclusions				
Review draft report				
Print final report				

ETHICAL CONSIDERATIONS

There might be a few ethical considerations during the time of this dissertation. The researcher has to take the information present in the annual reports on its face value. There might be some anomalies in the figures quoted. However, the aim of this research is not find the anomalies. As a result, the secondary data might be biased and not reflect the true picture of the customer satisfaction and the linked revenues. Also, there might be discrepancy in the responses collected from the clients thereby making it difficult in the final analysis where the researcher might have to ignore/extrapolate some facts to come out with results which might not truly reflect the scenario.

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