

# SERVICE QUALITY AFFECTING CUSTOMERS' SATISFACTION AND LOYALTY: A CASE STUDY OF COMMERCIAL BANKS

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## ABSTRACT

*The focus on retail activities has become a trend in recent years, with domestic and international joint-stock commercial banks and alliances and fintech companies competing vigorously in the retail segment. It is a development strategy of many banks to diversify revenue sources, minimize operational risks, and achieve optimal business efficiency. Therefore, the authors surveyed 600 customers related to service quality from January 2020 to July 2020. The research results showed that five factors affect customers' satisfaction based on service quality. Research results are crucial scientific evidence for bank service managers to improve the service quality of commercial banks.*

**Keywords:** Customers, Satisfaction, Loyalty, Commercial, Bank and LHU.

## INTRODUCTION

Commercial banks are an essential service sector in the overall structure of the national economy, playing the role of supporting, connecting, and promoting socio-economic development of the country and each locality, contributing to Hilda's economy's competitiveness Ghaleb, (2018). This study discusses this industry's development prospects and offers some solutions to promote the development of service quality of commercial banks in Vietnam. Commercial banks are an essential service sector in the overall structure of the national economy. They played the role of supporting, connecting, and promoting the country's socio-economic development and each locality, contributing to the competitiveness of the economy by Igaz & Ali (2013). Commercial banks operate a chain of services from the pre-production stage until the goods reach the end consumer. This field is directly related to transportation, forwarding, warehousing, administrative services, consulting, import-export - commerce, distribution channels, and retail by Abdullah (2012).

With the motto "Customer is the focus in all activities," besides expanding the banking network, increasing investment in facilities and techniques, developing many convenient products to attract customers by Islam & Borak (2011). Commercial joint-stock banks are continually making efforts to perfect outcomes, improve quality of care and customer service. The look of the retail banking industry will change dramatically. ATMs and plastic cards probably won't be in vogue for a long time by Jaime Torres Fragoso và Ignacio Luna Espinoza (2017). In the future, social media or something else will replace the existing customer and banking communication tools. However, the heart of the service is still the personalization of each customer by Kotler & Keller (2006). The banking industry services themselves are intangible, highly sensitive, easily judged by emotions, and caught up in crowd psychology. It is the most challenging point for banks when they want to improve their service quality further.

The retail banking business model has to be customer-centric to maximize distribution channels in digital banking strategy by Lau, et al., (2013). Therefore, banks understand very well that they have to change their minds to fit into the digitalized consumer-finance ecosystem. Service quality is the foundation and decisive factor for each bank's market share in the current fierce competition. Implementing strategies and activities to improve service quality is for customers' benefit and the benefits and future development of joint-stock commercial banks. Therefore, the author's research factors affecting customers' satisfaction with the service quality of commercial banks in Dong Nai province.

## LITERATURE REVIEW

### Customer Satisfaction (CUS)

Customer satisfaction is the aggregate result of service quality, product quality, and price by Landier & Thesmar (2020), which is a psychological state that leads to expectations about products or services before customers buy by Mackay & Major (2017). Besides, consumer perception of online shopping convenience (offered products and product information), website design, and confidentiality play an important role in satisfaction assessment about banking service by Szymanski & Hise (2000). Customer satisfaction is vital in business activities, so many topics and scientific books are published on this topic. According to Belás & Gabčová (2016), Customer satisfaction is considered as the foundation in the marketing concept of satisfying customer needs and desires. Customer satisfaction is their response to Cronin and Taylor's perceived difference between experience and expectations (1992). That is, the customer's known experience of using a service and the results after the service is provided by Kotler & Keller (2006).

### Customer Loyalty (LOY)

Manser, Peltier & Barger (2018) showed that loyalty is an essential concept in marketing management and behavioral psychology. When the customer has loyalty to the brand, the customer will have less reason to seek information on how to substitute for a service product or replace that brand by Lau, Cheung, Aris, et al., (2013). Currently, loyalty is approached according to 3 levels: (1) Behavioral commitment; (2) Loyalty attitude; (3) Loyalty combines both behavior and attitudes. Customer loyalty in researching a service means adherence to a service provider and commitment to its brand. Brand loyalty is the return of customers to loyal customers. Loyal customers will stay with the bank even in times of trouble, towels by Coelho & Henseler (2012). Theoretically, customer loyalty stems from the satisfaction they get after buying and consuming by Zeithaml, Berry & Parasuraman (1988). With the service, too, customers feel satisfied with what they experience. They will have a desire to return and experience the feeling again. Therefore, they have the act of buying back, attracting more customers. They can also communicate well about the service they experience by Thomas & Tobe (2016).

Quality of Service (QS) is a word that everyone can opinion on but difficult to define clearly by Mobin (2017). Gronross (1984) said that QS compares the value that customers expect before using the service with the value that customers receive when using the service. Parasuraman, et al., (1988) define QS as the distance between customer expectations and their perception when used through the service. According to Arun, et al., (2012), QS is a crucial

business management approach to bring satisfaction and improve its competitiveness and efficiency. Quality of Service (QS) including the components following:

### **Reliability (REL)**

Reliability: Speaks up your ability to deliver appropriate and timely service from the first time by Moyo (2018). According to Zeithaml & Bitner (2000) defined as the ability to reliably and reliably deliver promised services. It is about keeping promises of service delivery, pricing, handling customer complaints and complaints, speaking out the ability to provide consistent and timely service the first time around by Brunner, Stöcklin & Opwis (2018). Based on the concept mentioned above and studies, authors give hypothesis H1 following:

*Hypothesis H1 Reliability positively affects customer satisfaction with commercial banks' service quality in Dong Nai province.*

### **Responsibility (RES)**

Responsiveness: Speaks the willingness and willingness of service staff to provide services to customers, with a friendly, polite, and friendly attitude by Muslim Amin and Zaidi Isa (2008). Responsiveness is the ability to serve manifestations when the employee contacts the customer. The employee directly performs the service, research to capture relevant information necessary for customer service and trust the bank by Cronin, & Taylor (1992). This ability is reflected in the bank's reputation and the service staff's personality to communicate directly with customers by Coyne (2018). Based on the concept as mentioned earlier and studies, authors give hypothesis H2 following:

*Hypothesis H2 Responsibility positively affects customers' satisfaction with commercial banks' service quality in Dong Nai province.*

### **Competence (COM)**

Competence: Refers to the expertise to perform services and research to capture relevant information necessary for serving customers by Muslim (2018). According to Gronroos (1984) expresses the desire and willingness of employees to provide services to customers, related to the ability to ensure customers' safety through physical safety, finance, and information security. Based on the concept as mentioned above and studies, authors give hypothesis H3 following:

*Hypothesis H3 Competence positively affects customer satisfaction with commercial banks' service quality in Dong Nai province.*

### **Empathy (EMP)**

Empathy: Showing care and care to each individual and customer by Ngu, Ogbechie, & Ojah, (2019). Empathy is related to creating all the comfortable conditions for the customer to access the service, such as shortening customer waiting times, service locations, and convenient opening hours for customers by Parasuraman, Valarie & Leonard (1985). Explain to customers easily understand and listen to the issues related to them such as service explanation, cost, solving complaints and inquiries by Zeithaml, Berry & Parasuraman (1988). Demonstrated

through the ability to understand and grasp customers' needs by understanding the customer's requirements and paying attention to them personally by Deep (2017). Based on the concept mentioned above and studies, authors give hypothesis H4 following:

*Hypothesis H4 Empathy positively affects customer satisfaction with commercial banks' service quality in Dong Nai province.*

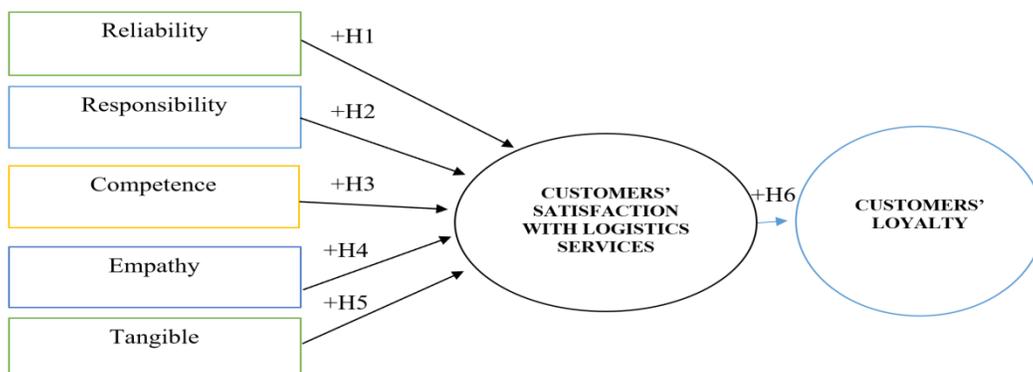
**Tangible (TAN)**

Tangibility: It is shown through the appearance, clothes of the staff, the service equipment such as a network of transaction counters, infrastructure system by Rakesh (2012). Tangible means: Focusing on the elements of the appearance of the service such as the appearance, the attire of the service staff, and the support equipment for the service, facilities, how the staff dressed by Gronroos (1984). The infrastructure is a significant factor that affects the operation or inactivity of these enterprises. Infrastructure is the technical foundation to bring goods from production to consumer. The economic growth of Vietnam in recent years has created a massive demand for infrastructure and transportation services. Based on the concept mentioned above and studies, authors give hypothesis H5 following:

*Hypothesis H5 Tangible positively affects customer satisfaction with commercial banks' service quality in Dong Nai province.*

Customer satisfaction leads to customer loyalty; this factor is to survive in this hyper-competitive business environment. A loyal customer is a powerful asset, and every brand wants as much as possible by Rebekah & Sharyn (2014). Loyal customers are more likely to create repeat business. They will spend more money with your company. And they may even become advocates of your brand by Ananda & Sonal (2019). So, the more satisfied your customers are, the higher their chances of becoming loyal to your brand. Satisfied customers also tend to become loyal customers, which means higher lifetime value for those customers by Stenbacka (2015). A dedicated customer spends more on a purchase than a new customer by Thomas & Tobe (2016)., Saiful (2011). Furthermore, the customer acquisition cost is about seven times higher than the customer retention cost, further improving your bottom line.

*Hypothesis H6 Customer satisfaction positively affects customer loyalty with commercial banks' service quality in Dong Nai province.*

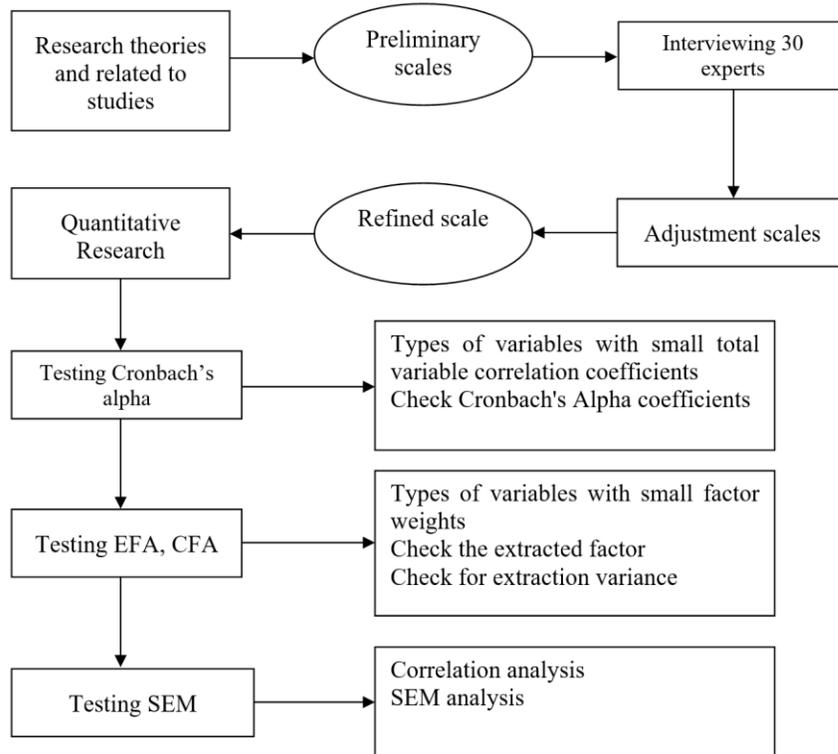


(Source: Researchers discovered)

**FIGURE 1**  
**A RESEARCH MODEL FOR FACTORS AFFECTING CUSTOMERS'**  
**SATISFACTION AND LOYALTY**

**METHODS**

The authors applied qualitative and quantitative research methods in this study, based on experts' opinions to adjust observed variables.



**FIGURE 2**  
**THE RESEARCH PROCESS FOR FACTORS AFFECTING CUSTOMERS'**  
**SATISFACTION AND LOYALTY**

Qualitative research authors surveyed seven experts in Dong Nai province. Seven experts are managers who are working for the commercial banks in Dong Nai province.

Quantitative research conducted through questionnaires with observed variables measured using a 5-point Likert scale includes one strongly disagree and five strongly agree. The authors surveyed 600 consumers who used commercial banks' service quality in Dong Nai province. The data collection time is from January 2020 to July 2020. According to the conventional method by Hair, Anderson, Tatham & Black (1998), samples were selected.

Besides, the authors collecting data processed through SPSS 20.0 software with descriptive statistical tools, scale testing with Cronbach's Alpha, discovery factor analysis (EFA), testing Structural Equation Modeling (SEM). Finally, the authors had conclusions and managerial implications by Hair, Anderson, Tatham & Black (1998).

## RESULTS AND DISCUSSION

The authors tested the scale reliability for factors affecting customers' satisfaction and loyalty with commercial banks' service quality in Dong Nai province, including five components.

<b>Table 1</b>		
<b>TESTING OF CRONBACH'S ALPHA FOR FACTORS AFFECTING CUSTOMERS' SATISFACTION AND LOYALTY (SOURCE: DATA PROCESSED BY SPSS 20.0)</b>		
No.	Items	Cronbach's alpha
1. Reliability (REL)		0.883
Rel1	You feel secure when using the service quality of commercial banks	0.883
Rel2	The bank performs the transaction correctly and without errors	0.851
Rel3	The bank secures customer information well	0.882
Rel4	The bank delivers the service right at the time they commit it	0.831
Rel5	The bank has a high reputation in the heart of customers	0.835
2. Empathy (EMP)		0.952
Emp1	The bank employees always strive to build good relationships and pay attention to the needs of each customer	0.925
Emp2	The bank staff are enthusiastic and friendly to customers	0.952
Emp3	The bank staff serve all customers fairly	0.947
Emp4	The bank always asks, congratulates, gives gifts to customers every Tet or personal event	0.924
3. Responsiveness (RES)		0.855
Res1	The bank always satisfies all difficulties, questions, and complaints about customers	0.803
Res2	Time for customers to wait for their short transactions (2-3 minutes) at the bank	0.816
Res3	Apply for publication permits for food, beverage, and cosmetics are simple	0.843
Res4	The bank has a 24-hour hotline	0.8
4. Tangibles (TAN)		0.931
Tan1	The bank has a spacious and convenient head office for customers	0.901
Tan2	The bank has modern equipment and machinery	0.919
Tan3	The bank staff has a very professional manner and dress neatly and politely when communicating with customers	0.92
Tan4	The bank has a reasonable and import and export entrustment for customers	0.901
5. Competence (COM)		0.943
Com1	Employees handle their profession correctly, quickly, and effectively	0.917
Com2	The bank's staff has sufficient knowledge and professional capacity to advise and answer customer inquiries	0.943
Com3	The bank staff are always courteous and considerate, and warm to customers	0.93
Com4	Consulting import and export procedures are simple and clear	0.91

Table 1 showed that all of (1) Reliability, (2) Responsibility; (3) Competence; (4) Empathy, (5) Tangible. Cronbach's alpha is higher than 6.0.

No.	Items	Cronbach's alpha
7	Customers' satisfaction (SAT)	0.930
Sat1	In general, you are satisfied with the service quality of commercial banks	0.915
Sat2	You will introduce to friends and relatives about the service quality of commercial banks at the bank	0.857
Sat3	You will continue to use the service quality of commercial banks	0.923
8	Customers' loyalty (LOY)	0.843
Loy1	Service quality of commercial banks affecting customer loyalty	0.819
Loy2	Customers are willing to introduce relatives to use the service quality of commercial banks	0.765
Loy3	Customers' satisfaction affecting customer loyalty	0.831
Loy4	Customers will use the service quality of commercial banks in next times	0.782

Table 2 showed that all Cronbach's Alpha values of the research components meet this technique's requirements, specifically, Cronbach's Alpha values of customers' satisfaction and loyalty. Cronbach's coefficient is more than 0.6.

Model	NPAR	CMIN	DF	P	CMIN/DF	GFI	TLI	CFI
Default model	88	977.057	318	0	3.073	0.896	0.944	0.953
Saturated model	406	0	0			1		1
Independence model	28	14284.7	378	0	37.79	0.324	0	0

Table 3 showed that the assessment of the scale of customers' satisfaction and loyalty includes the following elements: CMIN/DF: 3.073 (< 5.0), GFI: 0.896 (> 0.850), TLI: 0.944 (> 0.900) and CFI: 0.953 (> 0.9).

Relationships			Unstandardized Estimate	Standardized Estimate	S.E.	C.R.	P	Hypothesis
SAT	<---	TAN	0.058	0.028	0.021	2.765	0.006	Accepted
SAT	<---	RES	0.146	0.162	0.043	3.429	***	Accepted
SAT	<---	COM	0.411	0.479	0.036	11.267	***	Accepted
SAT	<---	EMP	0.027	0.051	0.007	3.991	***	Accepted
SAT	<---	REL	0.222	0.129	0.061	3.666	***	Accepted
LOY	<---	SAT	0.288	0.538	0.026	11.065	***	Accepted

Table 4 showed that the column  $P < 0.01$  with significance level 0.01. These results indicated that five factors are affecting customers' satisfaction and loyalty with the service quality of commercial banks in Dong Nai province with a significance level of 0.01. These results are science evident for managerial implications to enhance customers' satisfaction and loyalty.

## CONCLUSION

The authors surveyed 600 customers, but 585 samples were processed—customers related to banking service from January 2020 to July 2020. The research results showed that five factors affected customer satisfaction and customer satisfaction concerned loyalty at commercial banks in Dong Nai province. According to the action plan to improve competitiveness and develop the service quality of commercial banks. Thus, this study's preliminary results are to complete the scale, propose the influencing factors, and the degree of their impact on customer satisfaction, loyalty based on the quality of service at commercial banks. The research results are an essential basis for commercial banks to improve the quality of services provided to customers in the future.

Based on the results of modeling analysis and descriptive statistics, the authors offer some managerial implications to improve customer satisfaction with domestic commercial banks' service quality in the area as follows.

## MANAGERIAL IMPLICATIONS

The managerial implications for competence: The competence factor is the first most potent factor in customer satisfaction. To improve the quality of savings deposit service, the commercial bank needs to focus on implementing solutions to enhance customer assessment for this factor. With the expansion of the network operating within the banking area and surrounding districts, the bank will effectively exploit the deposits of people in the city, contributing to the bank's high business efficiency in the coming time.

Secondly, the managerial implications for responsiveness: The response level factor is the factor that has the most significant impact on customer satisfaction. Based on directly affecting customer satisfaction, such as waiting time for transaction settlement involving customers' work, Vietin Bank staff are willing to help and solve customers' problems. Customers have the knowledge and ability to answer specific questions and requests of customers.

Thirdly, the managerial implications for reliability: Reliability refers to providing accurate, punctual, and reputable services, the bank staff's ability to work, the transparency in invoices, papers. It requires consistency in service and honor commitments and promises to customers. Employees need to pay attention to the difficulties and complaints of customers and resolve them quickly. They are always welcoming customers warmly, happily, friendly.

Fourthly, the managerial implications for empathy: The empathy factor has the fourth-strongest impact on customer satisfaction. The bank should further improve the confidentiality of customers' information, avoid leaking out customers' information, affecting the interests and safety of customers' assets. The bank also needs to regularly monitor and update modern technologies to upgrade the customer information security system for the better.

Finally, the managerial implications for tangibles: The tangible means factor is the fourth most influential factor in customer satisfaction. It shows that, when using the service at the bank,

customers always have to pay attention and pay attention to the appearance, clothes of the employees, and tangible assets to support and serve the service of banking service.

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