

Understanding the role of Service quality, Customer involvement and Rapport on Overall Satisfaction in Bangladesh Banking Service

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Abstract

Growing competition among Bangladeshi banks makes it imperative for bank management to explore the impact of service quality and customer involvement on satisfaction during face-to-face interactions between the front-line bank employees and customers. This paper reports the findings from a survey on bank customers on these issues and tests a number of hypotheses pertaining to them. Research findings will help understand the impact of service quality, customer involvement, and most importantly, the effect of rapport on overall satisfaction in the face-to-face banking, the most conventional banking mode in Bangladesh.

Key Words: Service quality, Customer involvement, Rapport, Satisfaction.

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Introduction

In today's highly competitive business environment, organizations all over the world have been forced to focus more on retaining customers rather than acquiring them. In such a situation, customers' interactions with a service firm's contact employees ultimately shape their perceptions about the relationship with that firm (Wang and Davis, 2008) and finally their overall satisfaction with it. This is more pertinent to financial service institutions such as banks since they need to compete on and satisfy customers with a few core services – most of which are generic in nature (<http://www.scribd.com>). To gain sustainable competitive advantage, it is necessary for banks to explore how overall satisfaction could be influenced by customer's perception of their interactions with contact employees or 'rapport' in the long term. This study does that in the context of a developing country, Bangladesh. Developing economies have unique characteristics and blind imitation of service theories developed in the advanced Western societies may be counterproductive for them. For example, non-personal contact and respect for a person's privacy and rights are more significant in developed countries whereas personal contact and social norms are more important in developing nations (Malhotra *et. al.*, 1994). Such distinctions demand separate investigation regarding rapport in developing economies. Proliferation of banks in Bangladesh due to deregulation initiated in the 1980s has given more options to bank customers. To attract new customers and to retain the existing ones, it has become imperative for bank management to find out the impact of trust, quality and involvement on rapport, and thereby on overall satisfaction. This study aims at (i) investigating the influence of customer involvement and service quality on rapport and (ii) to reveal the relationship between rapport and customers' overall satisfaction.

Literature Review and the Conceptual Model

Rapport: The most widely used definition of rapport in extant service literature comes from Gremler and Gwinner (2000) who define it as an enjoyable interaction and personal connection with the employees of the service provider. Thus, it has two dimensions – personal connection and enjoyable interaction. They found that rapport-satisfaction relationship was significant in the case of banks but not in the case of dental service which implies the effect of industry context in relationship building.

Service Quality: This study adopts a modified version of 'SERVQUAL' (Parasuraman *et al.*, 1991) used by Jamal and Naser (2002) who clustered five dimensions of SERVQUAL reliability, assurance, empathy, responsiveness and tangibles into three groups namely, '*core quality*', '*relational qualities*' and '*tangible qualities*'. Jamal and Naser, (2002) argued that reliability is mainly concerned with the outcome of service whereas the other four qualities primarily relate to the service delivery process. This categorization of service quality dimensions seems most appropriate for this study for two important reasons – first, their study enquired into the antecedent role of service quality in formulating overall customer satisfaction (not transaction satisfaction) which is very similar to this study; and second, they divide the dimensions of service quality with a specific focus on the relational aspects between banks and their clients. This discussion justifies the following hypotheses:

H₁: Service quality will have positive relationship with rapport.

Customer Involvement: Customer involvement is indispensable for personal interactions between bank-customers (Liljander and Strandvik, 1995). Following the '*principle of cognitive economy*' which states that consumers are "cognitive misers" who try to minimize the search and information-processing tasks required for decision-making if possible (Wyer and Srull, 1986). Following this theory, it may be argued that highly involved customers will be more likely to have positive attitude for continuing long-term relationships to avoid the cost of starting a new relationship (Varki and Wong, 2003) and thereby positively interact with contact employees. In fact, customers examine their relationships with a firm on the basis of the extent of their involvement with that firm and then evaluate their satisfaction accordingly (Goodman *et. al.*, 1995). This leads to the following hypotheses:

H₂: Customer involvement will have positive impact on rapport.

Customer Overall Satisfaction: According to the '*confirmation/disconfirmation theory*' (Churchill and Surprenant, 1982; Oliver, 1980), satisfaction can be achieved with the fulfilment of expectations (Ndubisi and Wah, 2005). That means, expectation is the parameter of satisfaction and this may be the foremost reason for using the '*role theory*' as a background theory in most of the customer interaction (or service encounter) literatures. The role theory states that the "study of a role - a cluster of social cues that guide and direct an individual's behaviour in a given setting - is the study of the conduct associated with certain socially defined positions rather than of the particular individuals who occupy these positions. It is the study of the degree to which a particular part is acted appropriately (role enactment) as determined by the reactions of fellow actors and observers (the audience)" (Solomon *et. al.*, 1985). Thus, customers have role expectations from front line employees – successful meeting of those expectations will be reflected in their satisfaction. Previous studies (Johnson *et. al.* 2008; Omachonu *et. al.*, 2008; Garbarino and Johnson, 1999) clearly distinguish two types of satisfaction - *overall satisfaction* and *encounter satisfaction*. As the nature of banking service is of ongoing nature (Lovelock, 1983) and long-term, overall satisfaction will be more applicable here rather than in the encounter satisfaction. However, bank service encounters may be with machines (e.g. ATM, Internet)) or human tellers. These potential alternatives necessitate determining the specific impact of human encounters on overall customer satisfaction. Although remote technological encounters are frequent in today's banking environment, the importance of face-to-face interactions with human tellers has been evident in recent studies (Durkin *et. al.*, 2003; Howcroft and Durkin, 2000). Based on a comparative study of the impacts of human encounters and technology encounters on overall satisfaction of bank customers, Simmers *et. al.*, (2008) concluded that technology can boost the number of encounters, but the importance of human encounters cannot be undermined. Findings of prior research studies (Macintosh, 2009; Gremler and Gwinner, 2000) also endorse the view that strong interactions with employees will have positive influence on the customer's mind leading to satisfaction. This leads to the last hypothesis of this study:

H₃: Rapport will have positive impact on customers' overall satisfaction.

Methodology and Data Analysis

Customers of the private commercial banks (PCB) in Bangladesh represent the target population for this study and the individual customers constitute the unit of analysis. A self-administered survey similar to 'Mall-intercept interviews' was conducted among sample respondents who have (i) at least three interactions with banks' employees in a month (Dolen *et al.*, 2004); (ii) are Bangladeshis currently residing in Bangladesh; and (iii) are not

employed in any bank or members of the board (Leverin and Liljander, 2006). One hundred and five respondents were selected from a PCB branch in Dhaka, the capital city of Bangladesh using ‘systematic random sampling’ procedure. The first customer was chosen randomly and afterwards every 10th customer entering in the bank was invited to take part in the survey given that he/she fulfils all the three qualifying requirements. The questionnaire used in the survey was first developed in English but administered in Bengali after proper forward and backward translation (Brislin *et. al.* 1973). Five point ‘Likert type’ scales ranging from “very important (strongly agree)” to “not important (strongly disagree)” with a “no opinion (neither agree nor disagree)” option in the middle of the scale were used (Malhotra, 2004). The sample consisted of 85% male and 15% female, reflecting the male dominated society in Bangladesh. Almost half of them (46.6%) belonged to the 21 – 30 year age group followed by a third (34.4%) in the 31 to 40 age bracket and a tenth (9.9%) in the 41 to 50 age group. The scale items for each construct have been adapted from different past studies with little modifications to suit the current study. Structural Equation Modelling (SEM) has been undertaken by using AMOS 17.0 version in analysing data (see Figure 1).

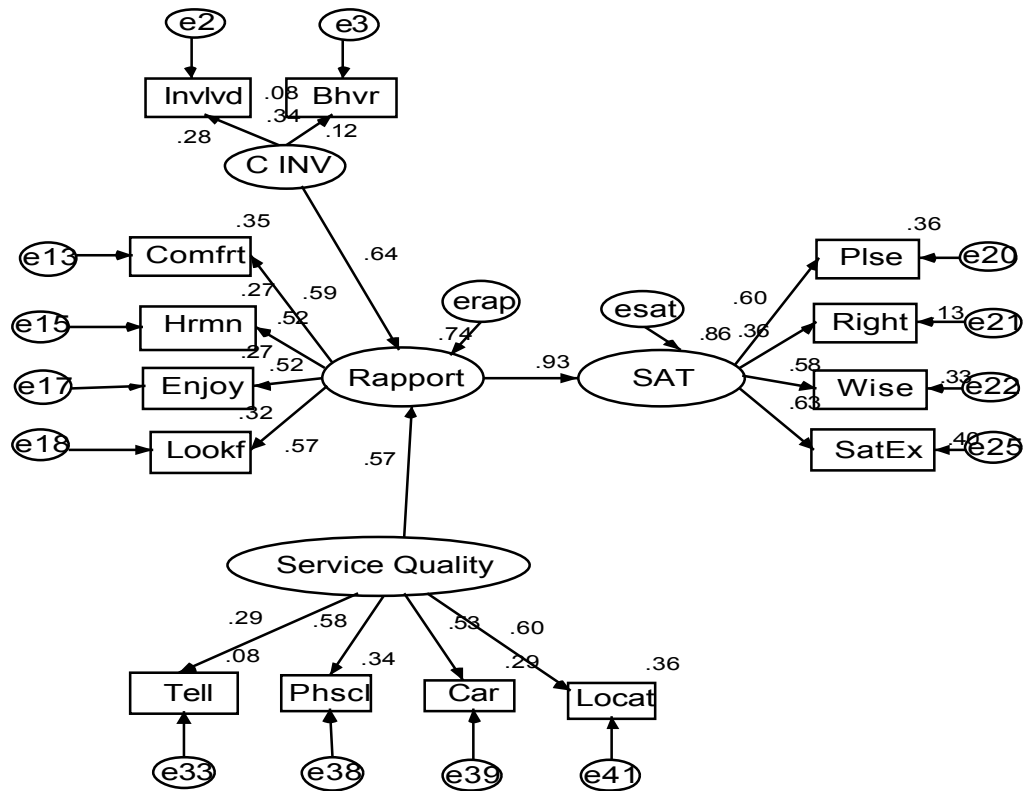
Table 1: Initial Items for Each Variable

Variables	Item Sources	Initial Items
Service Quality	Jamal and Naser, 2002	Right service at first time, Timely promise, Tell actual time required for service, Willing to give service, Courteous, Specific need, Realize need, Out looking, Car parking, Branch location.
Customer Involvement	Varki and Wong, 2002	Employee behaviour, Necessary service, Close relations, Employees appealing.
Rapport	Gremler and Gwinner, 2000	Comfort, Friendly relations, Humour, Enjoyment, Look forward to see employees, Employees give personal interest.
Overall Satisfaction	Gremler and Gwinner, 2000; Ndubishi and Wah, 2005	Pleased with bank, Wise decision, Right decision, Take the decision again, and Satisfied with experiences.

Measurement model fit measures are satisfactory such as Chi-square = 97.37, df = 76, P value = .05; GFI = .916; AGFI = .84, FMIN = .984, CFI = .95; and RMSEA = .05.

The SEM model has been presented in Figure 1, the variables used in the model are as follows: Involved = Close relations, Bhvr = Employee behaviour, Comfort = Comfort, Hrmn = Freindly relations, Enjoy = Enjoyment, Lookf = Look forward to see employees, Plse = Pleased with bank, Right = Right decision, Wise = Wise decision, SatEx = Satisfied with experiences, Tell = Tell actual time required, Phscl = Out looking, Car = Car parking , Locat = Branch Location.

Figure 1: SEM Model



Detailed results of the analysis are presented in Table 2 below.

Table 2: Regression Weights

Links	Estimate	S.E.	C.R.	P	Links	Estimate	S.E.	C.R.	P
Rapport < C INV	1.000				Enjoy < Rapport	.929	.217	4.274	***
Rapport < Service Quality	1.000				Look < Rapport	1.078	.235	4.582	***
SAT < Rapport	1.000				Involv < C INV	.909	.623	1.459	.144
Plse < SAT	1.000				Bhvr < C INV	1.000			
Right < SAT	.562	.18333	3.066	.002	Tel < Service Quality	.952	.469	2.033	.042
Wise < SAT	.944	.20167	4.682	***	Phscl < Service Quality	1.578	.513	3.072	.002
SatEx < SAT	1.033	.20536	5.028	***	Car < Service Quality	1.796	.602	2.981	.003
Comfrt < Rapport	1.049	.22033	4.759	***	locat < Service Quality	1.735	.561	3.092	.002
Hrmn < Rapport	1.000								

Discussions

From the above analysis, it is found that service quality has significant impact on rapport (0.57 standardized weights) and thus H_1 is supported. Another hypothesis H_2 is also supported with the acceptable standardized score of 0.64. Though both of these hypotheses found significant, it seems that customer involvement has greater influence on rapport than service quality. This interesting finding suggests that customers are more influenced by personal involvement for rapport building behaviour with frontline employees than service quality. This demonstrates the unique nature of Bangladeshi people who hunt for intimacy and deliberately put less importance to service quality if they are satisfactorily involved with front line employees. Presumably, involvement with employees acts as re-enforcement later on for developing good rapport. Finally, 0.93 standardized weights imply the existence of strong impact of rapport on overall customer satisfaction, endorsing the findings of Moutinho and Smith (2000). In fact, this comparatively high score results from the existence of moderate multicollinearity which is often usual in case of reflective model. As the item scales have high internal consistency, a high correlation is expected (Christophersen and Konradt, 2010) and is not a problem for reflective model (Diamantopoulos, 1999). However, this strong impact of rapport on satisfaction is consistent with similar other relationship studies (Kim and Ok, 2010; Moutinho and Smith, 2000).

Implications and Limitations

Theoretical implications: A common underlying perception of relationship literature is that service quality is an outcome variable for rapport which limits its role as an antecedent. Similar perception exists about customer involvement. But the study reveals that both service quality and customer involvement with an organization in fact prompt customers to be positive while interacting with front line employees which results in increased overall customer satisfaction. In this sense, the study reveals the new role of service quality and customer involvement in the arena of relationship studies.

Managerial Implications: Evidence of customer rapport affecting their overall satisfaction will draw top management attention on frontline employees. This may result in introducing additional job training, stress management and performance-based reward system for customer contact employees. Besides, managers may take initiative to increase customer involvement and at the same time should focus on improving or maintaining the quality of service for enhancing positive rapport which will ultimately raise customer satisfaction.

Limitations: Despite the implications discussed above, findings of the study should be interpreted cautiously as it suffers from some limitations. First of all, the study considered only private commercial banks and did not include any national, specialized, foreign or Islamic banks. But each of these banks may have significance to particular type of customer segment. Secondly, only face-to-face interaction had been considered in the study leaving the research effort for future researchers to compare with non face to face encounters such as phone banking or Internet banking. Finally, the study did not make any effort to distinguish customers in terms of familiarity, self-disclosure, frequency and duration of interactions to examine their influences on interactions in the setting of a bank even though some of these constructs were used as antecedents in past studies (Price *et. al.*, 1995).

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