

DETERMINANTS OF CUSTOMER SATISFACTION  
IN DOMESTIC RETAIL BANKING SECTOR

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Domestic Retail Banking Sector

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## DECLARATION

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## **ABSTRACT**

The main purpose of this study is to identify determinants of customer satisfaction in domestic retail banking sector. Specifically, the study assesses the impact of independent variables (service quality, corporate image, perceived value, price of services and relationship marketing) on dependent variable (customer satisfaction in domestic retail banking sector). In addition, the study also aims to assess the impact of customer satisfaction on customer loyalty in domestic retail banking sector.

The research instrument used in this research is self-administered questionnaires. A total of 250 sets questionnaires were distributed physically among customers from domestic retail banks located in Kuala Lumpur and Selangor. The survey lasted for approximately three weeks duration.

The study results indicate that service quality, corporate image, perceived value and relationship marketing have significant relationships with customer satisfaction in domestic retail banking sector. Among the independent variables, corporate image has the strongest correlations while perceived value has the weakest correlations with customer satisfaction. In contrast with the past literature, it is interesting to learn that there is no relationship between price of services and customer satisfaction. Lastly, customer satisfaction is proved to have impact on customer loyalty.

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# CHAPTER 1

## INTRODUCTION

### 1.0 Overview

Since Malaysia gained its independence in year 1957, the financial landscape has witnessed some remarkable development. The first revolutionary process was the gradual deregulation of the financial sector by Bank Negara Malaysia (BNM). There were ten anchor domestic commercial banks and sixteen foreign owned commercial banks operating in Malaysia (Lum & Koh, 2005). Nowadays, bank mergers, deregulation and intense competition have contributed to drastic changes in Malaysian banking industry and there were only eight domestic commercial banks operating in Malaysia to date (Bank Negara Malaysia, 2012). Furthermore, Malaysian banks currently encounter the challenges of higher market satisfaction for the purpose of retaining customer loyalty in such competitive environment (Lam & Bojei, 2007).

### 1.1 Background of the Study

In early 1900s, with the rapid launch of foreign bank branches in Malaysia, the first domestic bank was set up in 1913, called Kwong Yik (Selangor) Banking Corporation and it was known as Malayan Banking Berhad (Cheah, 2011). Later, Malaysian banking industry has continued its steady growth and expansion until eventually there was a need for a governing body to control and oversee the activities and operations of the numerous banks in the country. Financial institutions that make up the banking system include Bank Negara Malaysia (BNM), banking institutions such as commercial banks, financial companies,

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investment banks, and other financial institutions such as discount houses, representative office of foreign banks and more (Appendix 1). All form the primary sources of financing to support economic activities in Malaysia. Commercial banks are main players in the banking system. This led to the establishment of BNM which is wholly owned by the federal government. The objectives of BNM are to promote monetary stability, act as financial advisor to the government and keep reserves safeguarding the value of the currency and influence the credit situation to the advantage of the country (Goh, 2006).

BNM is the central bank that plays the role in supervising and monitoring the Malaysia banking system and non-bank financial intermediaries (NBFI) like insurance companies, saving institutions, unit trust, universal brokers and more (Appendix 1). The banking sector or banking system is made up of commercial banks, financial companies, merchant banks, discount houses and money brokers which are licensed under the Banking and Financial Institutions Act 1989 (BAFIA) (Bank Negara Malaysia, 2013). It provides for the regulation of institutions carrying on scheduled business comprising non bank sources of credit and finance, such as credit card companies, building societies, factoring, leasing companies and development finance institutions. It also issues the Malaysian currency and acts as a banker to the government, administers foreign exchange control regulations, and is a lender of last resort to the banking system (Ministry of International Trade and Industry, 2008).

In 1999, the BNM initiated a programme for the consolidation of the domestic banking sector where banking institutions being reduced to ten domestic anchor banking groups. The objective is to create strong domestic banking groups that are able to meet the demands of adverse economic conditions as well as future challenges from globalization and liberalization (Lum & Koh, 2005). Since then, the banking system has been successfully consolidated to top ten anchor banks such as Affin Bank, Alliance Bank, AmBank, Bumiputra-Commerce Bank, Eon Bank, Hong Leong Bank, Malayan Bank, Public Bank, RHB, and Southern Bank. The anchor banking groups provide a wide range of financial services covering

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retail banking and financing, asset management, unit trusts, investment banking and even insurance services for some of the larger ones (Lum & Koh, 2005). In view of the challenging and competitive banking environment, the government continues to encourage further consolidation of the banking sector, while banks are continues to improve the banking products and services quality for further customer satisfaction and sustainable customer loyalty. Furthermore, Malaysian government tends to limit the foreign participation in financial services in order to encourage the development of domestic financial services providers. In 2012, the competition of domestic banking industry has been intensified with the merger and acquisition of the bank. For example, Hong Leong Bank Group had acquired EON Bank Berhad in order to strengthen the market share. With the process of acquisition, Hong Leong Bank Berhad has more branches in order to provide better convenience to the customer over the country. Since then, the banking system has been successfully consolidated to only eight anchor domestic commercial banks such as Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Hong Leong Bank Berhad, Malayan Banking Berhad (Maybank), Public Bank Berhad, and RHB Bank Berhad in the year of 2012 (Bank Negara Malaysia, 2012).

BNM completed a study to assess customers' expectations and satisfaction on the quality of products and services offered by banking institutions that was shared with the industry to further improve the service quality of the sector. In order to facilitate the domestic banking groups in streamlining, the Banking and Financial Institutions Act 1989 (BAFIA) was amended to enable the merger of financial companies and commercial banks within the same domestic banking group. In the human intellectual development, the International Centre for Leadership in Leadership in Finance (ICLIF), established by BNM, commenced its Leadership Development Programs in 2004 to develop leadership talent across the financial industry and the corporate sector, thereby promoting excellence in these institutions (Lo, Osman, Ramayah & Rahim, 2010).



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Malaysia banking industry is highly competitive where Malaysian banking sector is in a process of restructuring in supporting the sector towards fulfilling the World Trade Organization (WTO) bank service agreement. The agreement is a formal cooperation between World Bank and WTO to establish a single-level playing field for global trade and encourage for open policies to welcome penetration of foreign banks. The Malaysian government has introduced Financial Sector Masterplan with guidelines to be observed. The sector is experiencing deregulation and liberalization where level of competitiveness increases, not only among the domestic players but most importantly among international players (Hashim & Che-ha, 2007).

The significant growth of banking industry has caused stiff competition among the banks in Malaysia. The growth is mainly contributed by the establishment of more foreign bank branches which offer customers with more banking choices. It leads to high bargaining power in banking customers where most of the banks offer perfect and close substitution products such as saving account, current account, mortgage, personal loan, hire purchases loan, unit trust and more. Generally, financial products provided by banks are highly standardized and homogenous. Taking personal loan and fixed deposit for instance, annual interest quoted by each bank is much similar due to intervention by BNM. In these circumstances, it poses biggest challenge for bank to retain existing customers. In order to sustain through the competition, banks must always keep customer satisfaction in mind. That explains why innovation and differentiation strategy step in. Banks ought to continuously re-design and re-package their products so that it catches the attention of customers and being perceived as high value. Apart from this, bank is also more efficient in delivering the services to achieve world-class quality. Banks' emphasis in corporate reputation is evidenced by corporate social responsibility, corporate color and even slogans (Roshayani, Suaini, & Rohana, 2012).

In this 21<sup>st</sup> century, customer satisfaction has become main concern and focus in all the industries especially service industry. Caruana (2000) proposed a

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model that basically links service quality to service loyalty among the retail banking customer through the mediator customer satisfaction. Gaining high level of customer satisfaction is very important to all kind of businesses in the world reason being satisfied customers are most likely to be loyal, retain, and to make repeat orders. An organization cannot survive in long run if customers are not satisfied. Customer satisfaction in services is an invaluable asset for organization and it provides unmatched competitive edge, strong strategic advantage and survival in today's ever-increasing banking competitive environment. It helps in building long term relationship as well as customer retention and also strong customer loyalty. Moreover, other elements like service quality, corporate image, perceived value of services, price of services and relationship marketing could be included into the integrated model. Thus, service quality, corporate image, perceived value, price of services, relationship marketing, and customer satisfaction are very important elements for maintaining customer loyalty in banking industry nowadays.

In accordance with Portela & Thanassoulis (2005), there are limited studies about the relationship between service quality and customer loyalty in relation to bank sector. Furthermore, it was also recognized that the existing research pertaining to work efficiency of bank branches do not take changing role of the bank branches into consideration. Service quality is the underlying construct to study and evaluate the bank branches' operating performance because bank sustainability relies on the service quality level provided (Portela & Thanassoulis, 2005). High service quality is the determinant of customer loyalty and thus it should be set as the main goal of financial institutions, in view of the benefits brought by customer retention (Ehigie, 2006). The rising awareness of bank customers' rights, fast moving needs and demands and fierce competition stimulated by massive industry players demand the banks' continuous improvements in service quality to ensure their customers to stay loyal. The improvements also apply to bank corporate image or reputation, perceived value of bank services, price of services, and also relationship marketing. The present

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research intends to determine the factors of customer satisfaction in domestic retail banking sector.

### **1.1.1 Banking Industry in Malaysia**

Malaysia banking system consists of the central bank (Bank Negara Malaysia), banking institutions such as commercial banks, finance companies, merchant banks and other financial institutions like discount houses as shown in Appendix 1. The banking system in Malaysia is the largest component which accounts for about seventy percent of the total assets of Malaysian financial system compared with others (Bank Negara Malaysia, 2012).

At the onset of the financial crisis, the Malaysian banking system consisted mainly of three types of banking institutions; there are commercial banks (both domestic and foreign banks), finance companies and merchant banks. Refer to Appendix 2, it shows the changing structure of Malaysian banking structure between 1997 and 2012. Generally, commercial banks had the largest share of the market controlling of the market share. While compare with foreign commercial banks, it controlled second largest of banking assets. Foreign banks do not make any progress in controlling market share because of a deliberate government policy to develop and enhance the local domestic financial sector, under which foreign banks have been prohibited to open branches and no new license was granted to foreign institution banks (Muhamad & Fadzian, 2006). Bank mergers, deregulation and increased competitive pressures have also created dramatic changes in Malaysian banking industry and there are only eight local commercial banks operating to date (Bank Negara Malaysia, 2012).

In 1997, the year of financial crisis revealed the structural weakness of the Malaysian financial system. There is relative strong loan growth between 1994-1997, which averaged about 25% per annum that led to the high loan exposure of banking system in Malaysia (Chow, Sharifah, & Mazni, 2008). Moreover, the underdeveloped bond market also resulted in the banking system providing a

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significant portion of the private sector financing in which enhance the concentration of risk in the banking sector in Malaysia. The crisis also exposed the vulnerability and liability of the finance companies, where business was mainly hire purchase financing and consumption credit. Therefore, the overall Malaysian banking industry becomes highly vulnerable amidst rising interest rates and economy slowdown (Chow, Sharifah, & Mazni, 2008).

The Malaysian government took stronger measures to promote merger of banking institutions, where covering only the finance companies to consolidate and rationalize the industry. The merger program was subsequently extended to include all domestic banking institutions in July 1999 and restructuring of the banking groups would be formed. However, as uncertainty remains on the impact of the mergers in assets quality of the newly formed group, particularly in the anchor banks, thus the plan was finally halted at the end of September 1999 (Muhamad & Fadzian, 2006). By end of 1999 an alternative new merger plan was announced, where all domestic banking institutions were given the flexibility to form their own merger groups and select their respective leader in each group to lead the merger process (Chow, Sharifah, & Mazni, 2008).

In 2012, domestic banking sector was subsequently merged into eight main banking groups such as Affin Bank Berhad Group, Alliance Bank Berhad Group, Am Bank Berhad Group, CIMB Group, Hong Leong Bank Berhad Group, Malayan Banking Berhad Group, Public Bank Berhad Group and RHB Bank Berhad Group as shown in Appendix 3 after completion of the consolidation process. The bank consolidation in Malaysia is characterized by the structural adjustment of the banking industry since the crisis in 1997 and has caused significant change in the overall market structure. As the market structure in Malaysia has reorganized mainly by several leading banks or financial folding companies, it is observed that the size distribution of banks has been widened. This has led to decrease in the number of banks and increase in the market concentration as shown in Appendix 2. Considering that additional bank mergers are currently in progress, it is expected that market concentration in Malaysia

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banking industry will be higher in the near future than present (Muhamad & Fadzian, 2006).

In 2004, Bank Negara Malaysia conducted a survey to evaluate bank customers' expectation and satisfaction about the financial institutions' product and service quality. The results were published to the industry to serve as a guidance to improve the service quality (Lo, Osman, Ramayah & Rahim, 2010). To facilitate the domestic banking groups in streamlining their respective operations, the Banking and Financial Institutions Act 1989 (BAFIA) was amended to enable the merger of finance company and commercial bank within the same domestic banking group (Lo, Osman, Ramayah & Rahim, 2010). For example, BNM established the International Centre for Leadership in Finance (ICLIF), commenced its Leadership Development Programs (LDP) in order to develop leadership talent across the financial industry. Furthermore, Bank Negara Malaysia also introduced the Financial Sector Talent Enrichment Program (FSTEP) to provide training to one thousand well qualified graduates for immediate placements in financial institutions which comprise banks and insurance companies in 2007. The initiative was an alliance between government, financial sector and training institutes which targeted to increase the supply of expertise for financial sector. Driven by increased competition in Malaysian banking industry, recessionary pressures to cut costs and customer demands for high quality, bank industry has started to put more emphasis on quality efforts (Lo, Osman, Ramayah & Rahim, 2010).

### **1.1.2 Domestic Retail Banking**

Consumers who have an increasing need and desire for the use of retail banking services and facilities, are faced with a great deal of more complexity, not only deciding whether to go for financial or non financial institutions, but also which establishment is best suited to fulfill their various economic, social and psychological needs. The growing awareness of modern consumers has made their

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decision making process depends on what the bank or financial institution can provide relative to those that are being provided by other banks. As a result, the marketing of banking services has become a challenge for bankers who are forced into effort of providing better quality services that able to satisfy the needs and wants of modern consumers (Muhamad, Abdul & Ong, 1998).

Domestic retail banking is the cluster of products and services that banks offer to individual consumer and small and medium sized businesses via branches, self-terminal machines and other channels. Consumer and small businesses are typically the main retail banking customers of the banks. Generally, banks organize the retail activities along three main complementary dimensions such as customer served, products and services offered, and delivery channels linking customer to products and services (Clark, Dick, Hirtle, Stiroh, & Williams, 2007).

Deposit taking is the core retail banking activity on the liability side of bank balance sheet which provides a low cost, stable source of funds and an important income generator to the bank. Deposit taking includes savings deposit accounts, fixed deposit accounts, and current accounts which generate and maintain a strong retail franchise. Moreover, deposit accounts are also considered crucial because it serves as the anchor tying customers to the bank and trigger cross selling opportunities (Dick, 2006).

On the asset side of the balance sheet, the core retail banking products are consumer credit and small and medium sized business loans. Consumer credit comprises credit cards, mortgages, home equity lending, hire purchase loans, education loans, and other personal loans in which bank is able to generate interest income from the loan repayment. Even though loans and deposit are core products, retail banking units offer a variety of other financial services to individual consumer and small businesses. For individual consumer, these services comprise sales of investment products like mutual funds, insurance brokerage, financial and retirement planning and more. For those small and medium sized businesses, it

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includes the merchant and payment services, insurance brokerage, payroll services and more (Clark, Dick, Hirtle, Stiroh, & Williams, 2007).

Financial institutions respectively observe the branch network as the central delivery channel in retail banking and possibly the most essential elements of the retail franchise. It witnesses a major change from a decade ago, when branches were viewed as a costly and traditional way to deliver retail banking services. With revolution of retail banking, it was substituted by remote delivery channels such as ATMs, cash and cheque deposit machines, telephone call centers, and online internet banking services to the public (Toelle, 2006) . The mentioned remote channels are now considered as complements to the branch network. ATMs and other cash and cheque deposit machines basically provide convenience to the customers to perform the banking transactions in time saving manner. However, call center is used largely for customer services and problem resolution, while internet banking is used for information dissemination, transactions and more. Finally, branches are able to attract more customers and generate cross selling business opportunities. Most of the branches are now often staffed by licensed personnel or financial consultant who is able to sell investment products and insurance services and who may also be linked to formerly standalone business lines such as mortgage or finance company (Dick, 2006).

The three dimensions of the retail banking are (1) business customer, (2) products and (3) services. The delivery channels connecting consumers with products are highly interrelated. Consumers and small businesses constitute a coherent customer segmentation mainly because of similarities in the financial products and banking services. For example, individual consumer and small businesses use precisely the same financial products like credit card as their credit facilities to improve cash flow. Lastly, branches are the main retail banking delivery channel due to the crucial role in attracting and retaining the core retail banking product such as consumer deposit (Clark, Dick, Hirtle, Stiroh & Williams, 2007). Therefore, the three main dimensions have to be considered collectively in order to gain thorough understanding of retail banking.

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## 1.2 Problem Statement

Following economic growth and political stability, banks and financial institutions in Malaysia flourish like mushroom after rains. Undoubtedly, banks are clear of the intense competition in banking industry and each has invested heavily in marketing strategies and promotions (Abishua, 2010). While marketing is essential in business, banks must realize that customer satisfaction is far more important. Customer satisfaction and customer loyalty are two crucial criteria to help banks to gain competitive advantage and sustainability. Banks in Malaysia need to address customers' needs and fulfill their expectations. Banks could outperform the competitors by providing high quality service and maintaining good reputation. It is believed that customer satisfaction could lead to customer loyalty (Wong, 2011).

Upon recognizing the importance of customer satisfaction, the underlying issue would be what needs to be in place to ensure customer satisfaction. Factors contributing to customer satisfaction ought to be identified. Banks are always restrained by the paradigm that customer satisfaction is solely determined by their employees' attitudes and service quality (Hallowell, 1996). Nevertheless, it is unclear as to what extent is the statement representative of the actual fact. Most of the researchers restricted the studies of customer satisfaction in banking sector to three independent variables which include service quality, perceived value by customer and corporate image (Wong, 2011; Culiberg & Rojsek, 2010; Che-Ha & Hashim, 2007). Hence, this research is conducted to further extend the study to include two additional independent variables which comprise price of services and marketing relationship.



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## **1.3 Conceptual Definition**

### **1.3.1 Retail Banking**

Retail banking is the cluster of products and services that banks provide to individual consumer and small and medium sized businesses through branches, internet, self-terminal machines and other channels. Banks organize the retail activities along three main complementary dimensions such as customer served, products and services offered, and delivery channels linking customer to products and services (Clark, Dick, Hirtle, Stiroh, & Williams, 2007).

### **1.3.2 Service Quality**

Service quality could be further expanded as the overall assessment of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Lo, Osman, Ramayah & Rahim, 2010).

### **1.3.3 Corporate Image**

Corporate image could be regarded as a type of brand image and it defines the condition where the name is associated to the organization as a whole instead of its individual product. In addition, corporate image is the product of constant communication process made by an organization in order to create an identity which reflects the value, reputation, and essence of the brand (Leuthesser & Kohli, 1997).

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#### **1.3.4 Perceived Value**

Perceived value is defined as comparison between price paid by customers for products or services and utility derived by perception (Kumbhar, 2011).

#### **1.3.5 Price of Services**

Price represents an effort to create the potential buyers' willingness to purchase as a function of various prices set by the seller. The level of acceptance of price signifies the price ceiling in which a buyer is willing or deciding to pay for the products and services (Saeed, Niazi, Arif, & Jehan, 2011).

#### **1.3.6 Relationship Marketing**

Relationship marketing could be defined as creating value for target customers depending on their respective preferences, needs and wants and delivering products or services tailored to the customers (Berry, 1995).

#### **1.3.7 Customer Satisfaction**

Customer satisfaction is defined as customers' response to the perceived gap between prior expectations or experiences and actual performance of products or services consumed (Che-Ha & Hashim, 2007).

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### **1.3.8 Customer Loyalty**

Loyalty is defined as a deeply held commitment to repurchase a preferred products or services consistently in future. It results in repetitive patronage of same brand despite situational influences and marketing efforts to influence behaviours (Che-Ha & Hashim, 2007).

## **1.4 Research Questions**

This study attempts to answer what are the determinants of customer satisfaction in domestic retail banking sector.

The research questions are as follows:

- a) Does service quality affect customer satisfaction in domestic retail banking sector?
- b) Does corporate image affect customer satisfaction in domestic retail banking sector?
- c) Does perceived value affect customer satisfaction in domestic retail banking sector?
- d) Does price of services affect customer satisfaction in domestic retail banking sector?
- e) Does relationship marketing affect customer satisfaction in domestic retail banking sector?
- f) Does customer satisfaction affect customer loyalty in domestic retail banking sector?

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## **1.5 Research Objectives**

This study aims to identify determinants of customer satisfaction in domestic retail banking sector. Two research objectives are established to answer the research questions in earlier section and they are the followings:

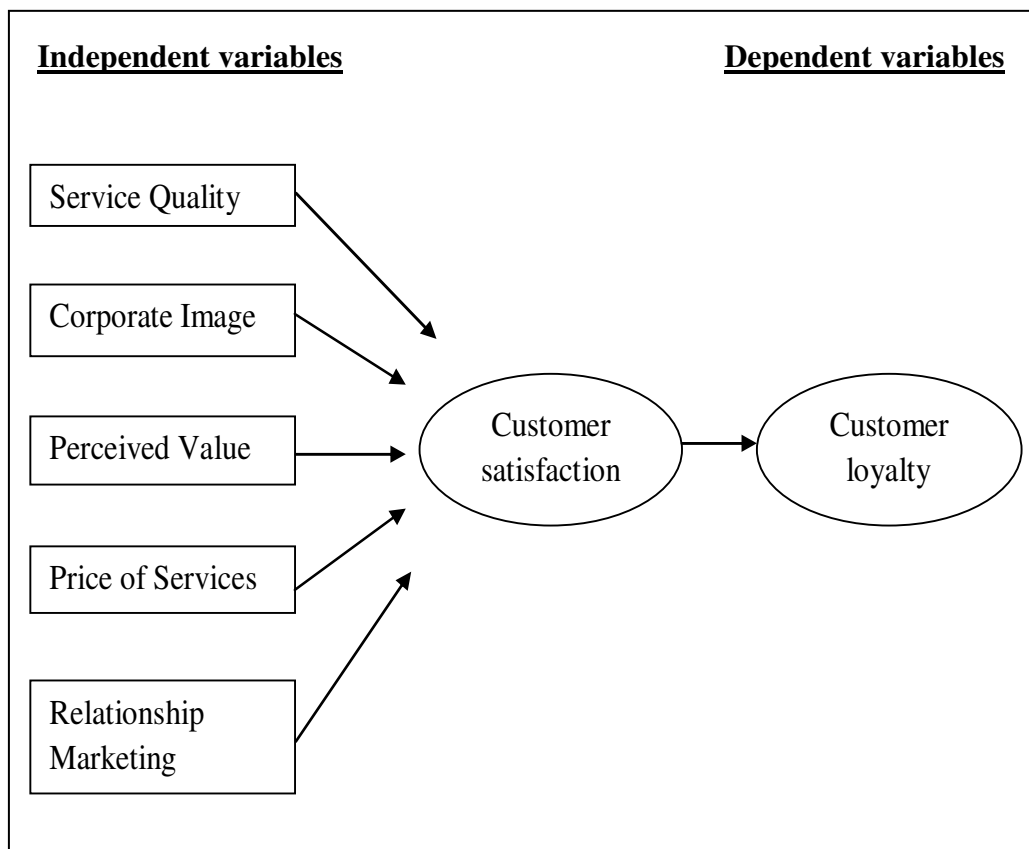
- a) To assess the impact of service quality, corporate image, perceived value, price of services and relationship marketing on customer satisfaction in domestic retail banking sector.
- b) To assess the impact of customer satisfaction on customer loyalty in domestic retail banking sector.

---

## 1.6 Theoretical Framework

Service quality, corporate image, perceived value, price of services, and relationship marketing are key factors which determine customer satisfaction in domestic retail banking sector as shown in Figure 1.

Figure 1: Proposed Conceptual Framework



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## 1.7 Hypotheses

Based on the theoretical framework established, service quality of higher standards, better corporate image, higher perceived value, competitive price of services and good relationship marketing are deemed contributing to higher customer satisfaction. In addition, customers' satisfaction may have positive relationship with customer loyalty.

The following hypotheses were formulated:

- H<sub>1</sub>: There is a positive relationship between service quality and customer satisfaction in domestic retail banking sector.
- H<sub>2</sub>: There is a positive relationship between corporate image and customer satisfaction in domestic retail banking sector.
- H<sub>3</sub>: There is a positive relationship between perceived value and customer satisfaction in domestic retail banking sector.
- H<sub>4</sub>: There is a negative relationship between price of services and customer satisfaction in domestic retail banking sector.
- H<sub>5</sub>: There is a positive relationship between relationship marketing and customer satisfaction in domestic retail banking sector.
- H<sub>6</sub>: There is a positive relationship between customer satisfaction and customer loyalty in domestic retail banking sector.

## 1.8 Scope of Study

There are eight domestic commercial banks and nineteen locally incorporated foreign banks with operations in Malaysia registered under The Association of Banks in Malaysia (Bank Negara Malaysia, 2012). They are listed as per Table 1.

Table 1: List of Licensed Banking Institutions in Malaysia.

<b>Domestic Bank</b>	<b>Foreign Bank</b>
Affin Bank Berhad	BNP Paribas Malaysia Berhad
Alliance Bank Malaysia Berhad	Bangkok Bank Berhad
AmBank (M) Berhad	Bank of America Malaysia Berhad
CIMB Bank Berhad	Bank of China (Malaysia) Berhad
Hong Leong Bank Berhad	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
Malayan Banking Berhad	Citibank Berhad
Public Bank Berhad	Deutsche Bank (Malaysia) Berhad
RHB Bank Berhad	HSBC Bank Malaysia Berhad
	India International Bank (Malaysia) Berhad
	Industrial and Commercial Bank of China (Malaysia) Berhad
	J.P.Morgan Chase Bank Berhad
	Mizuho Corporate Bank (Malaysia) Berhad
	National Bank of Abu Dhabi Malaysia Berhad
	OCBC Bank (Malaysia) Berhad
	Standard Chartered Bank Malaysia Berhad
	Sumitomo Mitsui Banking Corporation Malaysia Berhad
	The Bank of Nova Scotia Berhad
	The Royal Bank of Scotland Berhad
	United Overseas Bank (Malaysia) Berhad

Note. Adapted from Bank Negara Malaysia (2012).

Based on the Banking and Financial Institution Act 1989 (BAFIA) from Central Bank of Malaysia or so called BNM, there are only certain banks under license are allowed to perform banking services in Malaysia (Bank Negara Malaysia, 2013). The scope of study in this research project is the domestic retail banks (exclude Islamic banks), thus the list of domestic retail banks (also called domestic conventional banks) are presented as Malayan Banking Berhad, Public Bank Berhad, CIMB Bank Berhad, Hong Leong Bank Berhad, AmBank (M) Berhad, Affin Bank Berhad, Alliance Bank Malaysia Berhad, and RHB Bank Berhad.

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Retail banking is a banking service which focuses on individual customer or consumer. Furthermore, domestic retail banking provides various banking products and services to consumers such as savings accounts, current accounts, fixed deposits, remittances (fund transfer), credit cards, and more. Retail banking provides personal financial services and loans like housing or hire purchase loans, personal loans, and mutual fund for investment purposes. The scope of this study covers the following banking products and services (exclude internet banking or called e-banking) which are offered by the domestic retail banking sector, such as saving/current account, fixed deposit, credit/debit card, remittances, house/hire purchase loan, personal/business loan, mutual fund (unit trust), and insurance.

The domestic retail banking sector is increasing and growing competition among the domestic retail banks in Malaysia. Therefore, this research project uses the domestic retail banking sector as a scope of study to determine the relationship between the service quality, corporate image, perceived value, price of services, relationship marketing, customer satisfaction and customer loyalty.

## **1.9 Significance of Study**

Limited studies have been performed to study the relationship between the following seven variables which embrace service quality, corporate image, perceived value, price of services, relationship marketing, customer satisfaction and customer loyalty image (Wong, 2011; Culiberg & Rojsek, 2010; Che-Ha & Hashim, 2007). This research project was conducted based on these seven main variables in an integrated model in the domestic retail banking sector.

Considering financial products in domestic banking system are largely homogenous, standardized, or closely substitute products where the said products of banking are respectively similar among each other in the industry, thus services are of utmost priority of banks. Good customer service determines customer satisfaction which is highly correlated to customer loyalty and even market share.



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When customers are highly satisfied with the bank services, it would be less likely for them to switch to other banks. If banks are able to retain the existing customers, they are able to protect their market share from shrinkage (Siddique, Karim & Rahman, 2011). In other words, customer satisfaction is crucial in order for banks to differentiate from competitors and secure sustainable competitive advantage.

Exploring from the customers' angle, this research provides domestic banking system an insight of customers' expectations. It helps to identify a list of criteria to achieve customer satisfaction. As a result, banking sector could use this as a benchmark to close out the gap and subsequently enhance customer satisfaction.

Although there are some research conducted to examine factors contributing to customer satisfaction in banking industries, limited studies cover on the scope of domestic retail banking sector. Since this study provides an indicator of customer satisfaction towards domestic retail banks, it serves as a useful guide for domestic banks to position themselves in the domestic banking industry. This study provides a general picture of the criteria which has led to current satisfaction level in domestic retail banks and also the missing criteria.

Overall, this study is significant as it contributes to the researchers and academicians on customers' perceptions of factors determining customer satisfaction and subsequently customer loyalty. Two additional variables which are price of services and relationship marketing are included to further expand the current scope of study.

## **1.10 Chapter Layout**

The chapters covered by this research are as below:

### *Chapter 1: Introduction*

This chapter provides a general background on the research topic, problem statements, research questions and objectives. It also contains theoretical framework, hypotheses, scope of study and lastly significance of study.

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## Chapter 2: Literature Review

This chapter provides definitions of customer satisfaction and other relevant terms such as all independence variables. It embraces comprehensive review of past and present literature and critical analysis. The purpose of literature is to identify relevant theoretical frameworks to support the relationship between service quality, corporate image, perceived value of customer, price of services, relationship marketing, customer satisfaction and customer loyalty. This chapter would decipher on how each determinant affects the customer satisfaction in domestic retail banking sector and also determine the relationship between the customer satisfaction and customer loyalty.

## Chapter 3: Research Method

This chapter provides an overview of research design. It illustrates on data collection method, data analysis techniques and defines target respondents.

## Chapter 4: Research Results

This chapter is about the research result, analysis and interpretation on the data. This is to test the hypothesis and its relevant relationship of the variables.

## Chapter 5: Discussion and Conclusion

This chapter provides results comparison between this research and past studies and finally concludes the research. It also provides the limitations of study and recommendations to improve the independent variables.

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## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter involves the discussion and evaluation of journals articles and research studies in relation to the research topics.

#### **2.1 Literature Review on Variables**

##### **2.1.1 Service Quality**

The word *service* origins from the Latin word, *Servitum* which carries the meaning of served by slaves. Service is defined as an activity or a series of activities in intangible form which usually takes place in interaction between customers and service providers. Some researchers further explained that service is an intangible benefit whose ownership could not be claimed, provided from one party to another. Generally, services are deeds, processes and performances (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

Quality is defined as the consumer's overall impression of the relative inferiority or superiority of the companies and its services (Siddique, Karim & Rahman, 2011). Besides that the quality could also be defined as a measure of the extent to which the service delivered fulfils the customers' expectations. Overall, quality refers to excellence, value, conformance to specifications, conformance to requirements, and loss avoidance (Chinh & Anh, 2008).

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Service quality means a customer's judgment about a service (Culiberg & Rojsek, 2010). Perceived service quality exists when customers make comparison between their expectations and perceptions of the service actually provided by vendors (Siddique, Karim & Rahman, 2011). In addition, the definition of service quality could be further expanded as the overall assessment of a specific service that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Lo, Osman, Ramayah & Rahim, 2010). From system-thinking paradigm dimension, service quality is interpreted as a production system where various inputs are processed into outputs and provides utility and value to the service buyers, both in terms of economic sense and for the sake of pleasure (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

Perceived service quality is an essential element in high involvement industries especially banking services. In fact, quality is one of the three important indexes of companies' performance which consist of costs, productivity and quality (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). In older days, bank service quality was used to be measured in terms of technical supports. However, as the bank undergone revolution, electronic banking has redefined the nature of customer relationship. Bank services could no longer rely only on technical supports as a differentiating factor, personal supports are of more important because technical services are highly standardized. As a consequence, it is crucial to study the means of measuring and assessing service quality provided by financial institutions when they adapt to the banking environment changes. Analysis of the service component of banks in a developing economy serves as high-value information to bank in other countries (Angur, Nataraajan & Jahera, 1999).

Numerous models have been developed in an attempt to measure the concept of service quality. SERVQUAL which was developed by Parasuraman, Zeithaml & Berry (1985) is among the most popular instruments used for evaluation of service quality (Lo, Osman, Ramayah & Rahim, 2010). Parasuraman, Zeithaml & Berry (1985) first introduced a list of ten determinants of service

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quality. These determinants consist of access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. Parasuraman, Zeithaml & Berry's (1985) work was further supported and made reference by other researchers subsequently. It later consolidated them into five dimensions SERVQUAL which include (1) tangibility, (2) reliability, (3) responsiveness, (4) assurance and (5) empathy (Siddique, Karim & Rahman, 2011). Based on the five dimensions, a survey instrument for evaluating service quality was developed (Lo, Osman, Ramayah & Rahim, 2010). Firstly, tangibility refers to appearance of a service firm's facilities, employees, equipment, and communication materials. Reliability involves delivering the promised outputs at the stated level. Responsiveness includes the reaction speed in providing prompt service and supports to customers. Assurance is the ability of a service firm to inspire trust and confidence in the firm through knowledge, politeness and trustworthiness of the employees. Lastly, empathy refers to the willingness and capability to provide personalized attention to a customer (Culiberg & Rojsek, 2010).

There were some studies performed by other researchers who did not support the model above. Finn & Lamb (1991) discovered that the five dimensions were inadequate to cover quality in a retail setting and doubted whether they are generic. Cronin & Taylor (1992) also expressed criticism on the model. Although there were some opposition to the SERVQUAL instrument, it is widely used for confirmatory factor analysis. In addition, SERVQUAL was proven to be the most economical model that was adopted in various service organizations to measure service quality including banks (Lo, Osman, Ramayah & Rahim, 2010).

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### **2.1.2 Corporate Image**

Corporate image is normally interpreted as “the image an audience has of an organization through the accumulation of received messages” (Fombrun, 1996). Furthermore, brand image also represents “the perceptions reflected as existing associations in the consumer’s mind” (Keller, 1993). According to Keller (1993), it is a set of perception about a brand the consumer forms as reflected by brand association. Therefore, corporate image could be regarded as a type of brand image and it defines the condition where the name is associated to the organization as a whole instead of its individual product. In addition, corporate image is the product of constant communication process made by an organization in order to create an identity which reflects the value, reputation, and essence of the brand (Leuthesser & Kohli, 1997). Even though organizations do not own the direct control on their corporate image, they could manipulate their associations via effective and sound management of their corporate identity. In other words, the organizations have to place strong emphasis in establishing a strong corporate philosophy and culture instead of simply creating a unique visual identity (Wilkinson & Balmer, 1996).

Good brand image not only indicates that the brand has a positive image but also exhibits a greater level of brand image strength compared to others (Kim & Kim, 2005). The perceived quality of a product or service is related to the reputation associated with the brand such as Pepsi, Federal Express, Mc Kinsey and etc. Thus the brand reputation is only measureable at the product level in some situations whereas in other situations, customers identify a bundle of products and services with a brand name such as IBM, Citibank and more (Selnes, 1993). Many organizations spend lot of time, resources, and also efforts to build and create strong image for their businesses and much money are used to advertise their products and services to create a strong, impressive brand. Furthermore, donations and charity events are sponsored in order to create an image of a socially responsible organization in the eyes of the public (Wong, 2011).

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Researchers who did a number of studies in bank industry identified specific dimensions. The basic idea is the components that customers always associated with commercial banks consist of services provided, the accessibility to those services, employees and reputation (Rafael, Teresa & Jose, 2009). Whereby, the steady increasing emphasis on online banking as well as social responsibility policies also suggested new corporate associations which need to be taken into consideration. Thus, corporate image in commercial banking is made up by both functional and emotional attributes, either pertaining to the services offering or the results provided (Chen, Chang & Chang, 2005).

One of the general objectives of organizations is to build a strong and sustainable corporate image supported by positive corporate association. Organizations which portray a sound corporate image in the industry would be able to attract more stakeholders, reduce the rivals' threats and boost higher profits. In this context, customers' preference towards the organizations is higher and the organizations are successful to gain high creditability (Rafael, Teresa & Jose, 2009). Studies indicated that the goods and services have high rating if corporate reputation and associations are favorable (Chen, Chang & Chang, 2005). However there are some studies which found that trust and reassurance feelings are essential for product differentiation and stimulation of favorable responses (Devlin & Azhar, 2004). Since environment nowadays has become more hectic, companies concentrate their resources at the assets which are believed to have a greater impact on sales. By analyzing data of financial institution, it is found that there is a positive correlation between corporate image and consumer perceptions on service quality (Pina, Martinez, Chernatony & Drury, 2006). Other than increase the ranking of the corporate brand and products, corporate image also plays a role in affecting the new product or service purchase by prospecting customers (Rafael, Teresa & Jose, 2009).

It is widely accepted that quality products and services benefit not only by lowering the costs through reduced waste and decreased deficiencies, but also by increasing competitiveness through the establishment of a good reputation and

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retention of customers. Moreover, bank reputation plays an essential role in determining the purchasing and repurchasing behaviors of customers (Wang, Hing & Hui, 2003). It is widely acknowledged that a positive reputation is strategy factor that can be employed to earn above average profits (Weighlt & Camerer, 1988). Thus, reputation could be utilized as an effective tool to forecast the results of the service production process, and it is the most reliable indicator of the ability of a company to fulfill customer's needs (Nguyen & Leblanc, 2001).

By focusing on specific corporate perceptions, the features of the service provided, employees and reputation, among other associations, have an impact on the customers' choice to patronize a specific bank (Kaynak & Whiteley, 1999). Conversely, if it is the existing customers who have bought the banks' products, the influence of corporate image on the intention to use new services would be mediated by satisfaction.

### **2.1.3 Perceived Value**

Value is recognized as an abstract concept and it is hard to define. Economists, social scientists and engineers who come from different industries comprehend value in their own context. The definition was proposed as a trade-off of total benefits received to total sacrifices from customers' perspectives. It is also the most common definition in marketing literature (Ismail & Khatibi, 2004).

Perceived value is defined as compression between price paid by customers for products or services and utility derived by perception (Kumbhar, 2011). In other words, customers make assessment on benefits they gain relative to the total costs (Bontis, Booker & Serenko, 2007). Nevertheless, constituents of value are very personal and subjective and vary between customers (Ismail & Khatibi, 2004). Expressions of value could be classified into four categories: (1) value is low price, (2) value is whatever I want in a product, (3) value is the



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quality I get for the price I pay, and (4) value is what I get for what I give (Wong, 2011).

The notion of relative perceived value leads to three distinct value positions: (1) offering medium quality at a reasonable price, (2) offering superior quality at a premium price, or (3) offering inferior quality at a low price (Wong, 2011). An integrative configuration of perceived value comprises three models: (1) customer value in exchange (which is a benefits costs model), (2) customer value built up (which focus on the benefits side of the value equation), and (3) customer value dynamics (which reflect the dynamics of how customers evaluate the supplier's total offering) (Wong, 2011).

There are two critical ideas associated with customer perceived value. Firstly, customer perceived value is a result from the consumers' pre-purchase perception which is known as expectation, evaluation during the transaction and post-purchase assessment (expectation versus benefits received). Secondly, customer perceived value is equated as difference between benefits received and sacrifices given (Wong, 2011).

Causal relationship has been identified between customers' expectation and perception. Perception refers to the process of receipt, selection, organization and interpretation of stimuli to form a meaningful and coherent picture of a situation (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). Perception varies among individuals because it is developed over time period when consumers use a service. A perception construct has been employed to study customers' opinions in service-oriented industries like banking. Understanding customers' perception is essential for an organization to deliver world-class services (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). On the other hand, expectation is defined as the perimeter or standard by which future performance is evaluated. There is an inseparable relationship between perception and expectation and the change in expectation could shift perception of reality. Since customers are more educated and higher

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living standards, it results in the expectations to get higher in terms of value and quality (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

#### **2.1.4 Price of Services**

Banking service charge or price of services is termed as the amount of payment that requested by the seller of services such as financial institutions or banks. Term of service charge as well as price is determined by few factors such as willingness of the buyer to pay, willingness of the seller to accept, intensity of competition price substitute products and etc (Uddin & Akhter, 2012). Furthermore, price fluctuation in all service industries results in price-performance and the degree of price-performance stability moderates the relationship between performance potential and successive performance and satisfaction judgments (Voss, 1998).

Price represents an attempt to establish the potential buyers' willingness to purchase as a function of various prices set by the seller. The level of acceptance of price can be defined as the maximum price which a buyer is ready or decide to pay for the products and services (Saeed, Niazi, Arif & Jehan, 2011). However, consumer price of acceptance represented an individual utility profiles (Kohli, 1991).

The essential role of price as a purchasing determinant as well as so called post-purchasing process is well recognized (Matzler, Wurtele & Renzl, 2006). According to Keaveney (1995), qualitative study of customer switching behavior in services sector, half of the customer switched services because of poor price perception compared to other competitors (Keaveney, 1995). Furthermore, price perception directly influences customer satisfaction, with the likelihood of switching and also the likelihood of recommendation to others in banking industry (Varki & Colgate, 2001).

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Price satisfaction consists of a most complex construct consisting of few dimensions, for example price fairness, price transparency, price reliability and more. These essential dimensions constitute the determinants of price satisfaction and consequently customer satisfaction (Matzler, Wurtele & Renzl, 2006).

### **2.1.5 Relationship Marketing**

With the highly competitive banking industry nowadays, many financial service providers such as banks or financial institutions tend to retain its customer base while build strong relationships with their customers. It has become a marketing strategy tool to differentiate themselves and banking products and services, in order to keep customers satisfaction, retention and loyalty (Evans, 2002).

Relationship marketing is considered as a strategy to establish, maintain and increase customer relationships (Berry, 1983). Relationship marketing could also be defined as creating value for target customers depending on their respective preferences, needs and wants and delivering products or services tailored to the customers (Berry, 1995). Main characteristics of relationship marketing include individual customer is treated as a unique person or unit, company activities are directed towards existing customers through continuous interactions and effective dialogues (Blomqvist, Dahl & Haeger, 1993). Relationship marketing is realized via a mutual symbiosis and fulfillment of promises (Ndubisi, 2003). The ultimate goal of relationship marketing is building and maintaining lasting relationships between the organizations and customers which benefit both parties (Rapp & Collins, 1990).

The current business trend shows the shift from short-term transaction-oriented to long-term relationship focus (Webster, 1992). It was stated that the sustainable business growth strategy is to understand customers' needs clearer and to create superior value (Ndubisi, 2003). According to Calonijs (1988), promise

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concept is an integral part in the relationship marketing. Marketing is not restricted only to giving promises and persuading customers, but also include fulfilling promises. Fulfilling promises is believed to be crucial in achieving customer satisfaction, retaining customer base and achieving long-term profitability (Reichheld & Sasser, 1990).

A few elements were proposed in the relationship marketing literature and the main elements comprise (1) trust (Ndubisi, 2004), (2) commitment (Ndubisi, 2004) and (3) communication (Morgan & Hunt, 1994).

Morgan and Hunt (1994) argued that trust is a significant element in relationship marketing. Effective relationship marketing relies heavily on the management of trust since a service must be bought by customer before experiencing it. Trust referred to the willingness to rely on an exchange partner in whom one has confidence. The breakdown of trust caused customer dissatisfaction (Moorman, Deshpande & Zaltman, 1993). Resources of sellers such as personnel, technology and systems must be able to create trust in customers (Gronroos, 1990). In addition, trust was also defined as the belief that a partner's word is trustworthy and individuals will fulfill obligations in the relationship (Schurr & Ozanne, 1985).

Wilson (1995) stated that commitment is the most common dependent variable adopted in buyer-seller relationship studies. In marketing field, commitment was described as an enduring desire to maintain a valued relationship and this demanded a higher level of obligation (Moorman, Zaltman & Deshpande, 1992). On the other hand, psychologists stated that commitment is decision or cognition which binds a person to a behavioral disposition (Kiesler, 1971). When an individual believes that he or she receives more value from a relationship, he or she is highly likely to be more committed. As a result, committed customers would reciprocate effort due to past benefits received and committed companies would enjoy the advantages contributed by such reciprocity (Mowday, Porter & Steers, 1982).

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Communication could be defined as the ability to furnish timely, reliable and trustworthy information (Anderson & Narus, 1990). Specifically, communication comprises three components in relationship marketing. The three components include providing information which could be trusted, providing information when delivery issues happen and providing information on quality problems and fulfilling promises. Communication should involve interactive dialogue between the organizations and its customers during pre-selling, selling, consuming and post-consuming stages (Anderson & Narus, 1990). Communicator has the responsibility to build awareness, build customer preference by promoting quality, value, performance and encourage prospective buyers to make a purchase decision (Nelson & Chan, 2005).

Concentrating efforts on customer satisfaction in order to promote customer loyalty is central to the relationship marketing. The ways for banks to achieve this are being customer-oriented, involved in educating, training and supplying the most advanced technical support to the employees to make them aware of the importance of long-term relationship when dealing with customers (Aaltonen, 2004).

In order to maintain the long term relationship between the services providers and customers, both parties must actually generate the value out of it. There should be mutual trust and mutual benefits to sustain the long term relationship (Gronroos, 1994). Therefore, the relationship marketing must emphasize on a long-term or lasting relationship, interactive deal with trust, mutual commitment and communicating between the services providers and customers, and lastly the profitable attractive margin will motivate the service providers to maintain a long-term relationship with their respective customer (Xu, Goedegebuure & Van, 2006).

The importance of relationship marketing in services providers should be highlighted to raise the attention in whole service industry. Business can generate more benefits when a company builds long lasting relationship with customers

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where lower the cost, higher the sales volume and higher margins (Kalwani & Narakesari, 1995). For example, a company which has a closer relationship with customers could have more stable market shares, reduced risk in the market and gain more benefits (Keltner, 1995).

### **2.1.6 Customer Satisfaction**

Customer satisfaction is defined as customers' response to the perceived gap between prior expectations or experiences and actual performance of products or services consumed (Che-Ha & Hashim, 2007). Customer satisfaction is an affective state or feeling towards the products or services. Competition in banking industry becomes more and more intense and financial institutions place great importance on customers. Customer satisfaction could lead to stronger customer base which is a competitive advantage to the institutions (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

Due to the importance of customer satisfaction, it has become academics' and practitioners' interests in service industry. There is a continuous growth in research of customer satisfaction in retail banking sector (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). However, Anderson, Fornell and Lehman (1994) provided a better explanation by describing the customer satisfaction as a kind of purchase behaviour and the experience of using a product. It is much dependent on buyers' expectation which determines the consistency of the product performance. Should there be consistency, the customer will be satisfied; otherwise they will show dissatisfied results (Ho, 2009).

Generally, customer satisfaction is conceptualized as an attitude-like judgment or a pleasurable level of consumption-related fulfilment resulting from purchases or consumers' interactions. Consumers make the judgment based on the experiences attached to suppliers' products or services, the sales processes, and the after-sale services (Ho, 2009). On the other hand, customer satisfaction is

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viewed as personal experience and mentality linked to personal expectation and service delivered. It is described as the customers' experiences associated with the purchase and usage of a product or service (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

When transacting with banks, customers always judge the level of services and the priority given by bank and finally decide about repurchase behaviour. Customer satisfaction level is high when they obtain maximum usage and profit with minimum price (Afsar, Rehman, Qureshi & Shahjehan, 2010). On the contrary, dissatisfaction arises when pricing does not accommodate customers' needs. For instance, the interest rates on loans, charges on the usage of online services and the processing fees are among the factors which determine customer satisfaction (Afsar, Rehman, Qureshi & Shahjehan, 2010).

Satisfaction can both be conceptualized from an affective and cognitive prism. Customer satisfaction is found to leave an impact directly on cognitive evaluation of consumers and affective responses. In addition, satisfaction is a kind of cognitive state that solicits feedback from customer after service or product consumption (Ho, 2009). According to some research, behavioural responses like repeat purchase, word-of-mouth, and complaint behaviour are the factors used to evaluate customer satisfaction or experiences regarding products or services. Researchers introduced the disconfirmation of expectation model to explain the nature and operationalization of customer satisfaction. The mentioned model identified that customer satisfaction is a function of causal relationship between expectation and service performance (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). In actual fact, confirmation or disconfirmation paradigm is the theoretical model central to majority of satisfaction studies. With reference to disconfirmation paradigm, expectancy disconfirmation could be categorized into two processes. The first process is the acknowledgement of expectations towards the products or services while the second is comparison of experienced performance of the products or services with prior expectations (Ho, 2009).

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Customer satisfaction is classified as an outcome or a process. When customer satisfaction is regarded as an outcome, customer satisfaction refers to a cognitive and affective state of responses to current consumption experience (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). In the opposite, as a process, customer satisfaction is viewed as a function of the whole consumption process or a specific element of the consumption process, leading to satisfaction. As a result, researchers who aligned customer satisfaction towards process, focused on perceptual, evaluative, and psychological components of processes (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

Researchers defined a variety of forms of customer satisfaction. Overall, research on customer satisfaction could be divided into two perspectives (Ho, 2009). First, traditional models advocated that customer satisfaction is the result of cognitive process. On the contrary, new conceptual developments stated that affective process may serve as an indicator to forecast customer satisfaction and to identify customers' affection. Second, certain researchers debated that customer satisfaction should be viewed as a judgment and cumulative experience towards products or services, instead of transaction-specific (Ho, 2009).

### **2.1.7 Customer Loyalty**

Loyalty is defined as an attitude and observed behaviour in service context. It is a desire to maintain relationship with an organization (Bontis, Booker & Serenko, 2007). Loyalty is defined as a deeply held commitment to repurchase a preferred products or services consistently in future. It results in repetitive patronage of same brand despite situational influences and marketing efforts to influence behaviours (Che-Ha & Hashim, 2007). The behavioural perspective suggested loyalty as repeated patronage although it did not probe to the motive behind it. However, mere intention may not be a good representation of behaviours since it does not necessarily result in actions. Sometimes behaviours are triggered by habit, third party's influence, convenience or random chance



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(Bontis, Booker & Serenko, 2007). Bank loyalty is defined as the biased behavioural response displayed by consumers with respect to a bank. It is a function of psychological processes, such as decision making and evaluation process which result in brand commitment (Bloemer, Ruyter & Peeters, 1998).

The degree of loyalty in banking industry could be measured by tracking customers' accounts and observing the degree of continuity in purchase over a specific time frame (Bloemer, Ruyter & Peeters, 1998). Apart from this, loyalty could also be measured as the likelihood of switching in the absence of switching costs (Bontis, Booker & Serenko, 2007). Nonetheless, some researchers criticized that behavioural measures like repeated patronage or visit frequency are lack of a conceptual basis. Moreover, behavioural measures have a narrow view on a dynamic process (Bloemer, Ruyter & Peeters, 1998). For example, a low frequency of purchases of a particular product or service may be attributed to situational factors which consist of non-availability, variety seeking and lack of provider preference. As a result, the behavioural approach is not a good indicator of the reasons lead to loyalty. But, it is a consumer's disposition in terms of preferences which in turn determine loyalty. There are circumstances where repeated purchasing behaviour does not base on a preferential disposition, rather due to a number of switching barriers (Bloemer, Ruyter & Peeters, 1998).

Getting a new customer always cost higher than retaining a new customer. According to a study, cost of attracting a new customer is five times higher than keeping an existing customer satisfied and loyal (Lo, Osman, Ramayah & Rahim, 2010). Customers are considered as retained when they repeatedly purchase products and services and the purchase quantity increases. The study done by Srinivasan et.al (2007) segregated loyal customers into two distinct categories which are satisfied and dissatisfied customers.

Surprisingly, Srinivasan et.al (2007) revealed that satisfied customers do not necessarily loyal to a particular products or services. This means that satisfaction is not a compulsory requirement for loyalty to exist. In certain

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circumstances, customers are loyal due to attachment and commitment to the supplier. Likewise, a satisfied customer could easily switch to better suppliers with higher quality of products or services if trust, commitment and attachment do not exist.

Switching barrier is a factor which makes it hard or costly for customers to change suppliers. Furthermore, switching costs are referred as the technical, financial or psychological factors which make it cumbersome or costly for a customer to change supply for products or services (Afsar, Rehman, Qureshi & Shahjehan, 2010).

There is a direct relationship between switching costs and customer loyalty. The higher the switching cost, the higher chances customer remains loyal. In this context, switching cost is viewed as a cost that hinders customers from patronizing rivals' business since risk or expense involved in switching and accompanying decrease in the appeal of other alternatives (Afsar, Rehman, Qureshi & Shahjehan, 2010).

Customer loyalty is essential to long-term profitability and success. With the presence of brand loyalty, customers would repeatedly buy the products or services and also make recommendation to friends and families (Che-Ha & Hashim, 2007). Although customer loyalty is important to businesses, they often fail to invest adequately to retain loyal customers for their products and services. Various findings have alarmed the urgency for business leaders and executives to adopt new innovative strategies to shape loyal customers towards their products and services, and even further increase the loyal customer base (Afsar, Rehman, Qureshi & Shahjehan, 2010).

It is more probable for customers to be loyal if a customer-oriented climate is provided. This climate exists only when companies attempt to understand genuine customers' needs and design products to accommodate the needs (Ehigie, 2006). Customer satisfaction has been identified as a fundamental role for getting

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customer loyalty. Higher customer satisfaction reduces a bank's cost in providing services due to lesser complaints to deal with. Customers would opt for other banks if their current service providers are unable to satisfy their needs.

Banks must always remember that valued customers require truly personalized services (Ehigie, 2006). Since customers seldom express their needs explicitly to the banks, it would be too late until customers decide to leave for competitors. As a result, researchers ought to study bank customers' minds by comparing what should be offered and what is actually offered (Ehigie, 2006).

## **2.2 Review of Researches on Customer Satisfaction**

Among the most popular studies on service quality is the qualitative study performed by Parasuraman, Zeithaml and Berry (1985). Based on the focus group interviews with consumers and executives, service quality model was proposed. There were five gaps identified respectively for each group of respondents in the proposed model. On top of that, criteria in evaluating service quality were classified into ten service quality determinants which include reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and lastly tangibles. Later, the instrument known as SERVQUAL was developed to measure service quality and the ten determinants were further consolidated into five dimensions which consist of tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman, Zeithaml & Berry, 1985).

Wong (2011) conducted a study to investigate the direct effect of service quality, perceived value and corporate image on customer satisfaction. On top of that, researcher also examined the indirect effect on customer loyalty in domestic retail banking sector. The research results indicated that service quality, perceived value and corporate image have direct and positive relationship with customer satisfaction. Multiple regression test revealed that the independent variables

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collectively explained 65 percent of the variances in dependent variable. Corporate image was found to be the strongest predictor followed by service quality and perceived value. In addition, it was also proven that customer satisfaction leaves a positive influence on customer loyalty in domestic retail banking sector.

Lo, Osman, Ramayah & Rahim (2010) adopted the underlying model of SERVQUAL (Parasuraman, Zeithaml & Berry, 1988) with five dimensions to assess the impact of service quality on customer loyalty among banks in Penang. The findings substantiated that service quality influences customer loyalty positively. The service quality dimensions which played a significant role in the model were identified as reliability, empathy and assurance.

Toelle (2006) researched on the linkages among service quality, perceived value, customer satisfaction and customer loyalty in the setting of Indonesian retail banking. The findings showed that customers assessed value based on service quality attributes, especially employee performance and reliability. The study also signified that employee performance and reliability are significantly related to customer satisfaction, mediated by customer value. In addition, the research also suggested that indirect effect of service quality and customer satisfaction have an impact on customer loyalty. This results further supported the research done by Cronin, Brady and Hult (2000).

Bontis, Booker and Serenko (2007) conducted a research to understand the mediating effect of organizational reputation on customer loyalty. The results indicated that there is a significant relationship between organizational reputation and customer loyalty. The findings also substantiated the widely accepted theory which advocated the link between customer satisfaction and customer loyalty.

Many factors of customer satisfaction have been discussed in literature studied. Price of services, quality of services and image of brand are the main determinants of customer satisfaction. Many studies emphasized on customer

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satisfaction and suggested it as a main contributor for business success and competitiveness. The results found that all independent variables such as price of service, quality of service, and corporate image have positive association with the customer satisfaction. The study revealed that the price of service is positively related to customer satisfaction. Results showed that the better the relationship between price of services, the higher the customer satisfaction level which subsequently led to greater performance. Secondly, the greater level of quality of services determines the greater customer satisfaction. Thus, it is essential to find that the quality of services has a greater impact on customer satisfaction. Thirdly, brand image has direct relationship with customer satisfaction as well. It means that the image leaves an impact on customer satisfaction (Saeed, Niazi, Arif & Jehan, 2011).

Study found that service quality and fair service charge both have significant impact on customer satisfaction in Bangladesh banking industry. Service quality is important determinant of customer satisfaction, but the study had established that service charge fairness has more impact on customer satisfaction simultaneously with the service quality (Voss, 1998).

Different researchers had embedded various elements in their studies for relationship marketing. Some researchers identified reliance, communications, mutual values, sympathy and reciprocal attempt as the most significant components of relationship marketing (Aaltonen, 2004). On the other hand, some other researchers had introduced three categories of variables as relationship marketing foundation for banking industry which includes financial connection, social connection and structural connection (Aaltonen, 2004). Rashid (2003) introduced commitment, communications, social relations, reliance, sympathy, positive experiences and fulfilling commitment as primary elements which form relationship marketing. Later in year 2007 some researchers further reduced the elements to four which are reliance, commitment, communication and confliction control (Aaltonen, 2004).

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Relationship marketing theory advocates the essential creation of a long term and sustainable business relationship between customers and service providers. Requirements for service providers are to build trust with their respective customer and to exhibit commitment towards ensuring a long lasting and strong relationship in order to be competitive and sustainable in the industry. Trust and commitment are nurtured on the basic understanding of customers' expectations, requirements, needs, wants and also specifications (Morgan & Hunt, 1994).

Relationship marketing model requires the service providers to deliver perfect service quality for customer satisfaction and fulfil customer expectation, which lead them to continuous or re-purchase the product or services while stay loyal. Generally, customer loyalty leads to an essential increased share of market, profitability and reputation. In order to enhance lasting relationship with customers, service providers must put more efforts and make deeper understanding of the key factors influencing the delivery of service quality and enhancing quality (Vargo & Lusch, 2004).

Relationship marketing model is significantly beneficial to both services providers and customers where sustainable long term relationship with customers has been found to be an effective and efficient tool to sustain competitive in the service industry locally and internationally (Rashid, 2003). It is conceived that retaining loyal existing customers may generate about at least more than five times more margin than recruiting new customers and reduce the rate of customer switching. At the same time, customers are also able to enjoy the benefits in a sustained long term relationship with services providers since it reduces the risk and eliminates the intention, needs, and time for customers to search for new particular sources or information on services in any service industry (Bejou, 1997).

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### **2.2.1 Review of Customer Satisfaction Models**

There are various customer satisfaction models developed. The first model discussed is the traditional macro-model of customer satisfaction. According to this model, perceived performance is always different from objective or technical performance when customers feel unfamiliar with some products or services which are complicated and intangible. Comparison standards vary among individual, situation and product or service. Perceived disconfirmation could be defined as the evaluation of perceived performance based on comparison standards. Satisfaction feelings which are states of mind or attitudes may result in intention to repurchase and word-of-mouth (Hom, 2000).

The second model discussed is the model of linkage of customer value chain to customer satisfaction. This model proposes the concept of value as a driving force in product choice and the relationship between value and satisfaction as a brief psychological reaction to a component of a value chain. The third model discussed is the Model of Two Levels of Satisfaction and Perceived Service Quality. This model supports the conceptualization of perceived quality as a separate construct, distinct from satisfaction. In addition, it highlights the construct of a “global” level of satisfaction (the overall service satisfaction) as opposed to the construct of a component level of satisfaction (the encounter service satisfaction) by Hom, 2000.

## **2.3 Hypothesis Development**

### **2.3.1 Relationship Between Service Quality and Customer Satisfaction**

The relationship between expectation, service quality and customer satisfaction is studied and discussed in numerous research. A significant relationship is found between quality of services and customer satisfaction (Parasuraman, Zeithaml & Berry, 1988). Moreover, increasing bank service quality could satisfy and develop attitudinal loyalty which eventually retains and sustains valued customers (Nadiri, Kandampully & Hussain, 2009).

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The higher level or stage of perceived service quality results in increased customer satisfaction. When perceived service quality is less than expected service quality customer will be dissatisfied (Jain & Gupta, 2004).

There is an increasing interest in customer satisfaction as means of evaluating the services quality, such as Cronin & Taylor (1992) who claimed that perceived service quality leads to customer satisfaction. According to Sivadas & Baker (2000) in the study of loyalty, it was confirmed that service quality concept has a positive influence on customer satisfaction. In addition, Yee, Yeung & Cheng (2010) found that service quality has a significant and direct impact on customer satisfaction.

While refer to Cronin, Brady & Hult (2000) who examined the relationship between service quality and customer satisfaction, they concluded that service quality is an antecedent of customer satisfaction and expectation. Furthermore, there is empirical study of service quality as an antecedent to customer satisfaction (Anderson & Sullivan, 1993). Therefore, the first hypothesis is stated as below:

***Hypothesis 1: There is a positive relationship between service quality and customer satisfaction in domestic retail banking sector.***

### **2.3.2 Relationship Between Corporate Image and Customer Satisfaction**

Perceived brand reputation or corporate image has significant effects on customer satisfaction and beliefs about brand originating from personal use, experience, word of mouth endorsements or criticisms, and marketing efforts of organizations (Kumbhar, 2011). A brand perception is also one of the most crucial aspects in banking sector. Perceived brand reputation in banking sector means the banks reputation, image and expiating place of bank in the banking industry (Reynolds, 2007). Corporate image is an important element to service providers



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since customers who satisfied with the brand name are going to recommend that service to other people.

According to Andreassen & Lindstedt (1998), corporate image is the main driver of customer satisfaction for the package tour industry consolidated, and managers should seek to maximize the customers' satisfaction by creating a strong corporate image as well as securing high quality services. Moreover, Da Sila & Syed Alwi (2006) discovered that the direct and indirect effects for online corporate image on customer satisfaction and suggested that the value could play a crucial part in creating customer satisfaction and loyalty. Therefore, the second hypothesis is presented as below:

***Hypothesis 2: There is a positive relationship between corporate image and customer satisfaction in domestic retail banking sector.***

### **2.3.3 Relationship Between Perceived Value and Customer Satisfaction**

By referring to Fornell, Johnson, Anderson, Cha & Bryant (1996), the main determinants of customer satisfaction are perceived quality and perceived value. Based on the findings of the study of Cronin, Brady & Hult (2000), both service quality and service value lead to customer satisfaction. Furthermore, customer satisfaction or dissatisfaction needs experience with the service itself, and is influenced by the perceived quality and the value of services.

Based on the empirical study by McDougall & Levesque (2000), they argued that core service quality (the promise) and perceived value are the most essential drivers of customer satisfaction, and defined perceived value has a positive impact and influence on customer satisfaction. Next, the third hypothesis is presented as per below:

***Hypothesis 3: There is a positive relationship between perceived value and customer satisfaction in domestic retail banking sector.***

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#### **2.3.4 Relationship Between Price of Services and Customer Satisfaction**

Customers or consumers are relatively price concerned, thus customer value is a function of service charge and service quality that provides a competitive advantage when a company takes an action of cost-cutting imitative to ensure the customer value (Spiteri & Dion, 2004). Real price competitiveness is an essential determinant of customer value, thus price satisfaction increases the value of customer perception and there is a direct relationship between price and value (Ralston, 2003). Price has significant effect on customers' buying behavior, value perception and customer satisfaction. Price or service charge requires special consideration to assess the value of customer perception, where it is not generalized along with other factors (Lockyer, 2005). Furthermore, customer satisfaction is always affected by the price or service charge awareness (Varki & Colgate, 2001).

Based on the empirical study of the various levels of product or services price, a combination of customer price awareness dimensions have potentially intimidated the level of customer satisfaction (Matzler, Wurtele & Renzl, 2006). In addition, customer perception of price or service charges has been the main concern due to essential interest of mass people or customer (Martin, Ponder & Lueg, 2009). Thus, the fourth hypothesis is presented as below:

***Hypothesis 4: There is a negative relationship between price of services and customer satisfaction in domestic retail banking sector.***

#### **2.3.5 Relationship Between Relationship Marketing and Customer Satisfaction**

Sustainability of the organizations relies heavily on the support from customers, thus the more customers are retained, the more successful they are in long run. The underlying concept of customer maintenance is that a company should gain customer satisfaction by continuously offering customers superior

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value. This is achieved via relationship marketing (Shahram, Hasanali & Seyyed, 2011).

If bank customers believe that they receive additional benefits from the relationship with bank employees, generally their satisfaction level would increase (Beatty, Mayer, Coleman, Reynolds & Lee, 1996). Relationship marketing was identified to have substantial impact on customer satisfaction (Gwinner, Gremler & Bitner, 1998). Besides, trust was proposed as a determinant which influences on the degree of satisfaction (Anderson & Narus, 1990). Customer satisfaction was proposed as a mediator in the relationship between relationship marketing and customer loyalty (Henning-Thurau, Gwinner & Gremler, 2002).

Relationship marketing helps to identify the protocols which satisfy customers so that customers would continue to maintain and grow relationship with a bank. It was argued that the more satisfied customers are, the more loyal they are (Aaltonen, 2004). The relationship marketing is considered as a tool which based on acquiring, maintaining and enriching customers' relationships in an organization with long term prospect. Relationship marketing is an increasingly essential ability for businesses operating in the highly competitive market especially services industry nowadays (Berry, 1995).

Customers are inclined to fill the gap between the actual service quality and customer perception or expectation, when they are engaged with service suppliers in certain affective relationship. Moreover, the continuous deregulation heightens the competition in the banking industry. Therefore, relationship marketing means to maintain customer satisfaction and sustain customer loyalty, which can fill the gap in the service quality. Lastly, relationship marketing strategies which the banks conducted have significant evidence to prove that there is a positive relationship between customer satisfaction and relationship marketing (Liang & Wang, 2006). The fifth hypothesis is as below:

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***Hypothesis 5: There is a positive relationship between relationship marketing and customer satisfaction in domestic retail banking sector.***

### **2.3.6 Relationship Between Customer Satisfaction and Customer Loyalty**

A study found that an increasing importance of relational marketing in recent years, particularly in the service and manufacturing industries, has been accompanied by a bundle of works on customer loyalty (Berli, Martin, & Quintana, 2004). By referring to Berli et al. (2004) in the study of an model of customer loyalty in the retail banking market, it was confirmed that customer satisfaction has a significant positive impact on customer loyalty.

Furthermore, Anderson et.al (1994) also found that customer satisfaction is an essential element in building customer loyalty and in turn contributes to firm's profitability. Based on the recent study by Yee et al. (2010), their study indicated that the relationship between customer satisfaction and customer loyalty is highly significant and correlated among both variables. Thus, the relationship between loyalty and customer satisfaction is weak when customer satisfaction is low, moderate when customer satisfaction is intermediate and strong when customer satisfaction is relatively high.

Damodar and Mohapatra (2009) furthered their study and indicated that customer satisfaction increases customer loyalty in Indian commercial banks. According to Siddiqi (2011) in the study of interrelations between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh, customer satisfaction and customer loyalty are inter-connected. The last hypothesis is stated as below:

***Hypothesis 6: There is a positive relationship between customer satisfaction and customer loyalty in domestic retail banking sector.***

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## 2.4 Proposed Conceptual Framework

There were numerous researchers, such as Parasuraman, Zeithaml & Berry (1985 & 1988), Cronin and Taylor (1992), and Caruana (2000), conducted studies on service quality and customer satisfaction (Toelle, 2006).

Parasuraman, Zeithaml & Berry (1988) defined perceived service quality as a global judgment, or attitude, relating to the superiority of the service, while satisfaction is related to a specific transaction. Perceived service quality could also be interpreted as the degree and direction of discrepancy between customers' perceptions and expectations (Wong, 2011). Ten determinants which comprise access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles were first proposed by Parasuraman, Zeithaml & Berry (1985) where later cited by Siddique, Karim & Rahman (2011). The model was later compressed into five dimensions, i.e. reliability, responsiveness, assurance, empathy, and tangibles (Toelle, 2006). Communication, competence, courtesy, credibility and security were grouped into assurance while access and understanding were grouped into empathy (Siddique, Karim & Rahman, 2011).

During the research performed across service industries, Cronin, Brady and Hult (2000) considered the relationship between service quality, value, customer satisfaction and behavioural intention. The findings indicated that service quality, value and customer satisfaction are collectively related to behavioural intentions. Furthermore, service quality was found by Caruana (2000) to directly impact on customer loyalty, mediated by customer satisfaction (Toelle, 2006). Apart from this, researcher stated that service quality is a strong contributor to customer satisfaction. In actual fact, service quality and customer satisfaction have been conceptualized as a separate, yet closely linked constructs (Wong, 2011).

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Corporate image is connected to the various physical and behavioural attributes of an organization. Furthermore, it is also about impression of quality communicated by each staff interacting with the organization's stakeholders (Wong, 2011). The term image and reputation could be used interchangeably (Bontis, Booker & Serenko, 2007). In the research conducted on online corporate image, customer satisfaction and customer loyalty by Da Silva & Syed Alwi. (2006), it was suggested that corporate image or reputation leaves an indirect effect on customer loyalty via customer satisfaction (Wong, 2011). Similarly, Caruana (2000) proposed that value and corporate image may be considered to be included in the model of customer satisfaction and loyalty (Toelle, 2006). Besides, the European Customer Satisfaction Index proposed a relationship between image and loyalty (Bontis, Booker & Serenko, 2007). Consumers who develop a positive mental schema of a brand would have a tendency towards high customer satisfaction via halo effect (Wong, 2011).

Perceived value is described as the customer's overall assessment on the discrepancy between the benefits they receive relative to sacrifice they make. If the customers perceive the value of services or products they receive from bank are high, there would be customer satisfaction and vice versa (Bontis, Booker & Serenko, 2007).

Oliver (1999) defined satisfaction as pleasurable fulfilment and it is the customer's sense that consumption provides outcome on pleasure. Loyalty was defined as a deeply held commitment to repurchase or re-patronize same products or services consistently in future regardless of situational influences and commercials causing switching behaviour. An individual needs to experience the customer satisfaction via services and this could be affected by service quality and perceived value. According to a study done by Berli et al. (2004) on customer loyalty model in retail banking, it was confirmed that satisfaction eventually leads to customer loyalty. Increase in service quality of the banks can satisfy and retain customers (Wong, 2011).

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Price acceptance is defined as an effort to create the potential buyers' willingness to buy goods or services as a main function of various prices determined by seller (Monroe, 1990). The level of price acceptance can also represent the price ceiling in which a buyer or customer is ready to buy or pay for the particular product or service. However, customer satisfaction represents the willingness of a customer to buy for product and services where the higher the satisfaction level of a customer, the higher the willingness to pay more prices of product or services (Bansal & Taylor, 1999). Thus, customer intention to purchase the product and services is to satisfy their needs and wants or to solve the problem.

Based on the theory of relationship marketing which emphasizes on the transferring process from customer satisfaction to customer loyalty, this research aims to explore the influence of commitment, trust and communication in banking industry. A research conceptual framework is built to present the relationships among the relationship marketing, customer satisfaction and loyalty variables. In terms of understanding, concern of long term customer relationship is just typical. Yet, research argued that relationship marketing applied the human needs of emotion importance. Therefore, customers could rather gather satisfaction from relationship marketing (Czepiel, 1990). Furthermore, research in the field of relationship marketing using the construct of customer satisfaction has also focused on a cumulative concept rather than a transaction specific conceptualization (Ganesan, 1994).

Based on the literature review, the research framework for this study has been established and presented as Figure 1 in Chapter 1. The theoretical framework comprises five independent variables: (1) service quality, (2) corporate image, (3) perceived value, (4) price of services, (5) relationship marketing and two dependent variables, which are customer loyalty and customer satisfaction.

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## **CHAPTER 3**

### **RESEARCH METHOD**

#### **3.0 Introduction**

This chapter sets forth research design, data collection method, sampling design, research instrument and data analysis techniques. It contains a detailed description of the survey activities and procedures for analyzing the data collected.

#### **3.1 Research Design**

Research design is defined as a master plan which specifies the methods and procedures for collecting and analyzing the information. Research design also provides a framework or plan of action for the study (Zikmund, Babin, Carr & Griffin, 2010).

This research serves as a quantitative study to assess determinants of customer satisfaction in domestic retail banking sector. The objective is to assess the relationship between independent variables which consist of (1) service quality, (2) corporate image, (3) perceived value, (4) price of services and (5) relationship marketing and dependent variables which consist of (1) customer satisfaction and (2) customer loyalty. Quantitative design is found to be more suitable than qualitative design in this study. In addition, the data quantification allows objective and ease of comparison (Wong, 2011).



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## 3.2 Data Collection Methods

Data collection refers to the process of gathering or collecting information. Data collection is a pivotal stage in a research and it is recognized that a research project is no better than the data collected in the field (Zikmund, Babin, Carr & Griffin, 2010).

In conducting this study, collection of data was done via primary source reason being secondary data is not readily available. Primary data is defined as those generated by a researcher for the specific problem or decision at hand. Popular methods for collecting primary data include survey research, experimentation and observational research (Hair, Black, Babin, & Anderson, 2010). In this study, questionnaire survey is selected as the tool to collect the data from respondents to test the hypothesis. Survey is defined as a method of collecting primary data based on communication with a representative sample of individuals. Survey is preferred because it provides a quick, flexible, low-cost, efficient and accurate means of assessing information pertaining to a population (Zikmund, Babin, Carr & Griffin, 2010).

The paper survey form was distributed among customers from domestic retail banks located in Kuala Lumpur and Selangor. Each respondent was given an average half an hour to complete and return the questionnaire. The survey lasted for approximately three-week duration from 18<sup>th</sup> Aug to 8<sup>th</sup> Sep 2013. A total of 250 sets questionnaires were distributed. All the 250 sets of questionnaires were fully returned and this represents a 100% response rate.

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### **3.3 Sampling Design**

#### **3.3.1 Target Population**

Once sampling decision is made, researchers need to identify the target population (Zikmund, Babin, Carr, & Griffin, 2010). Population refers to the complete set of all items which interest a researcher (Hair, Black, Babin & Anderson, 2010).

The main objective of this research is to assess the determinants of customer satisfaction in domestic retail banking sector. Thus, the target population of this research is confined to all customers of domestic retail banks. Domestic retail banks include AmBank, CIMB Bank, Hong Leong Bank, Maybank, Public Bank, RHB Bank, Affin Bank and Alliance Bank. Respondents must have at least used some kinds of domestic retail banking services so that their satisfaction could be gauged via the questionnaire. Respondents are non-qualified and excluded from the survey if they are non-users for domestic retail banking sector.

#### **3.3.2 Sampling Frame and Sampling Location**

Sampling frame is a list of elements from which the sample could be drawn and it is also known as working population (Zikmund, Babin, Carr & Griffin, 2010). The main sampling locations selected are Kuala Lumpur and Selangor. The respondents were readily accessible by distributing the questionnaires to bank users outside the branches of domestic retail banks.

#### **3.3.3 Sampling Elements**

Sampling element is a single element or group of elements subject to selection in the sample (Zikmund, Babin, Carr & Griffin, 2010). All customers of domestic retail banks are the target respondents for this research. The inclusion of

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all customers could help to gather a variety of respondents from different gender, age, and location to ensure there is no bias in data collection.

### **3.3.4 Sampling Techniques**

The sampling technique used in this research is nonprobability sampling. Nonprobability sampling refers to a sampling technique in which units of the sample are selected on the basis of personal judgment or convenience and the probability of any particular member of the population being chosen is unknown (Zikmund, Babin, Carr & Griffin, 2010). The nonprobability sampling is used because it helps to obtain a large number of completed questionnaires fast and economically. This could reduce the survey cost and save more time.

Among the nonprobability sampling techniques, convenience sampling is used in this study. Convenience sampling is a relatively easy technique because it is sampling by obtaining people who is conveniently available (Zikmund, Babin, Carr & Griffin, 2010). In the study, physical questionnaires were randomly distributed to domestic retail bank customers who just completed banking transactions and willing to participate in the survey.

### **3.3.5 Sampling Size**

There is an inverse relationship between sample size and sampling error. When sample size increases, sampling error reduces (Zikmund, Babin, Carr & Griffin, 2010). Wong (2011) who conducted the similar study on the role of customer satisfaction in domestic retail banking sector used a sample size of 350. However considering the time constraint and limited resources, researchers restricted the sample size to only 250 which is still practicable.

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### **3.4 Research Instrument**

The research instrument used in this research is self-administered questionnaires. Self-administered questionnaires are surveys in which the respondent takes the responsibility for reading and answering the questions without the presence of researcher (Zikmund, Babin, Carr & Griffin, 2010).

For physical survey forms, respondents could return the questionnaires to researcher in person once they complete the questionnaires. The questionnaires in the study were attached with brief explanation about the purpose of the study to enhance the respondents' understanding. This was believed to call for their interests to complete the survey with high commitment. The respondents were assured that participation in the study was voluntary and anonymous (Zikmund, Babin, Carr & Griffin, 2010).

#### **3.4.1 Questionnaire Development**

Questions in the survey were mainly adapted from similar study on the role of customer satisfaction in domestic retail banking sector (Wong, 2011). Remaining questions were developed by researcher based upon literature review.

#### **3.4.2 Questionnaire Design**

The medium for the questionnaires is English language since this language is internationally used and accepted. The questionnaires are organized into three distinct sections, namely Section A, Section B and Section C (Appendix 4).

Questions in Section A intend to gather data about the pattern of usage of banking facilities by the respondents. The respondents are required to indicate whether they use any kinds of banking facilities and specify the types of banking

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facilities. Furthermore, they are also inquired about the domestic retail banks they patronized in the past six months (Wong, 2011).

Section B contains questions which collect data on both the dependent and independent variables. All the questions were adapted from other studies (Refer to Table 2). The first set of data revolves around service quality based on the five dimensions in SERVQUAL model. Most of the questions focus on the quality of services provided by bank employees. The second set of data is about corporate image. The respondents are inquired on their perception of the bank reputation, especially when comparison is made with the competitors. The third set of data is on the perceived value. The respondents are required to answer if the products or services received are perceived as valuable and good deal. The fourth set of questions gather data about price of services to understand the banks' pricing policies and lastly questions about relationship marketing examine the relationship between banks and customers. Next, researcher attempts to solicit the respondents' satisfaction level. The loyalty level is also examined by knowing whether the respondents consider the bank as the first choice for banking purpose (Wong, 2011). Details are showed as Table 2.

Section C consists of questions which address the demographic values of the respondents. Those questions aim at gathering respondents' personal data such as gender, age and location.

Table 2 : Measurement items for the variables and the literature-based

Measurement Item	Literature-based
<p><b><u>Service Quality</u></b></p> <p><b><u>Dimension 1: Tangibles</u></b></p> <ol style="list-style-type: none"> <li>1. The bank has up-to-date equipment (e.g., ATM).</li> <li>2. The bank's materials associated with the service are visually appealing.</li> </ol> <p><b><u>Dimension 2: Reliability</u></b></p> <ol style="list-style-type: none"> <li>1. When I have a problem, the bank shows a sincere interest in solving the problem.</li> <li>2. The bank provides its services at the time it promises to do so and performs the services right at the first time.</li> </ol> <p><b><u>Dimension 3: Responsiveness</u></b></p> <ol style="list-style-type: none"> <li>1. The bank's employees give me prompt service.</li> <li>2. The bank's employees are never too busy to respond to my requests.</li> </ol> <p><b><u>Dimension 4: Assurance</u></b></p> <ol style="list-style-type: none"> <li>1. Behaviour of the bank's employees instills confidence in customers.</li> <li>2. I feel safe in my transactions with the bank.</li> </ol> <p><b><u>Dimension 5: Empathy</u></b></p> <ol style="list-style-type: none"> <li>1. The bank gives me individual attention.</li> <li>2. The bank's employees understand my specific needs.</li> </ol>	<p>(Wong, 2011) (Parasuraman et al., 1985)</p>
<p><b><u>Corporate Image</u></b></p> <ol style="list-style-type: none"> <li>1. The bank's product and services has a good reputation.</li> <li>2. I believe that the bank has a better image than its competitors.</li> <li>3. The bank aims much effort to the benefits of the community.</li> <li>4. The bank overall has a good reputation.</li> </ol>	<p>(Wong, 2011) (Keller, 1993) (Chen, Chang &amp; Chang, 2005) (Rafael, Teresa &amp; Jose, 2009)</p>
<p><b><u>Perceived Value</u></b></p> <ol style="list-style-type: none"> <li>1. The services of the bank are considered to be good deal.</li> <li>2. The service quality I receive from the bank is worth my time, energy and efforts.</li> <li>3. I do not believe that another bank would have the same or even a better offer.</li> <li>4. Overall, the services I receive from the bank are valuable.</li> </ol>	<p>(Wong, 2011) (Ismail &amp; Khatibi, 2004) (Kumbhar, 2011)</p>

Table 2 continued

<b>Measurement Item</b>	<b>Literature-based</b>
<p><b><u>Price of Services</u></b></p> <ol style="list-style-type: none"> <li>1. Price information is clear, complete and understandable.</li> <li>2. I am properly informed about the price of services.</li> <li>3. Price changes are communicated properly and timely.</li> <li>4. There are no hidden costs for the products and services.</li> </ol>	<p>(Kurt, Andreas &amp; Birgit, 2006)</p>
<p><b><u>Relationship Marketing</u></b></p> <ol style="list-style-type: none"> <li>1. The bank's words and promises are reliable.</li> <li>2. The bank offers personalised services to meet my needs.</li> <li>3. The bank provides timely and accurate information.</li> <li>4. My relationship with the bank is desirable.</li> </ol>	<p>(Nelson &amp; Chan, 2005)</p>
<p><b><u>Customer Satisfaction</u></b></p> <ol style="list-style-type: none"> <li>1. I am pleased to be associated with the bank.</li> <li>2. I am happy to do transaction with the bank.</li> <li>3. I feel good on my decision to do business with the bank.</li> <li>4. Overall, the bank is able to satisfy my wants and needs.</li> </ol>	<p>(Wong, 2011) (Ho, 2009) (Salifu, Decaro, Evans, Hobbs &amp; Iyer, 2010) (Toelle, 2006)</p>
<p><b><u>Customer Loyalty</u></b></p> <ol style="list-style-type: none"> <li>1. I will say positive things about the bank to other people.</li> <li>2. I will recommend this bank to my friends.</li> <li>3. I consider this bank to be my first choice for banking purpose in the future.</li> <li>4. I will continue to do business transactions via this bank for the foreseeable future.</li> </ol>	<p>(Wong, 2011) (Che Ha &amp; Hashim, 2007) (Toelle, 2006)</p>

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### **3.4.3 Data Scale of Measurement**

The four levels of scale measurement comprise nominal, ordinal, interval and ratio (Zikmund, Babin, Carr & Griffin, 2010). Section A is mainly made up of questions with nominal scale.

Interval scale is used in Section B. All questions in this section are tabulated with five-point Likert scale: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly Agree. The inclusion of neutral scale is based on the consideration that there are situations where the respondents are either uncertain about the facts given due to knowledge gap or they opt not to take a standpoint. The respondents for the survey are required to indicate the level of agreement or disagreement with the statements in the questionnaires based on their best knowledge. Overall, the Likert scale items are designed to obtain mainly three sets of data from the respondents (Zikmund, Babin, Carr & Griffin, 2010).

The final section is designed with a mix of nominal and ratio scales. Gender and location are the data with nominal scale. Age is measured in term of ratio scale (Zikmund, Babin, Carr & Griffin, 2010).

### **3.4.4 Pilot Study**

Pilot study is defined as a small-scale research project which gathers data from respondents similar to those that will be used in the full research. Pilot study which is sometimes known as pretest is a useful guide for a larger study or examines specific aspects of the research to determine if the selected procedures or methodology will work as pre-planned (Zikmund, Babin, Carr & Griffin, 2010).

The pilot study for the research was conducted on 13<sup>th</sup> August 2013 and it took place in Universiti Tunku Abdul Rahman (UTAR). A total of 20 sets questionnaires were distributed to researcher's friends pursuing Master in UTAR. The purpose of the pilot study is to solicit constructive feedbacks from the



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respondents and to fine-tune the questionnaires. In addition, pilot study also allows the data collection for the reliability test. According to Zikmund, Babin, Carr & Griffin (2010), pilot study is essential in a research as it helps to refine the survey questions and reduce the risk that the full study will be fatally flawed.

Based on the results of reliability test and feedbacks obtained from respondents, researchers identified the questions which were ambiguous and less reliable. Necessary amendments on choice of wordings and sequence of questions were made to enhance the understandability and ease of answering (Zikmund, Babin, Carr & Griffin, 2010). In addition, researcher also re-examined the items in the questionnaire to ensure the objective of gathering the intended data with precision was fully achieved.

### **3.5 Data Processing**

Data collected via questionnaire is considered as raw data and they have to go through three stages, namely editing, coding and filing, before transformed into electronic file which is suitable for data analysis. Raw data refers to the unedited responses from a respondent exactly as indicated by that respondent. Editing and coding stages are of extremely important because as long as error remains in the data, the process of transformation from raw data to intelligence will be more risky and difficult (Zikmund, Babin, Carr & Griffin, 2010).

#### **3.5.1 Editing**

Editing is defined as the process of checking the completeness, consistency, and legibility of data and making the data ready for coding and transfer to storage. Checking on errors and omissions on questionnaires is performed and data is adjusted to make them more complete, consistent or readable. If situation allows, researcher needs to reconstruct the response in an

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effort to represent as much information from the respondents as possible (Zikmund, Babin, Carr & Griffin, 2010). In this study, questionnaires returned were checked through to ensure that they were completely answered without omission. The questionnaires were also scrutinized to identify samples in which *neutral* was chosen for all statements. This type of sample could cause bias to the results and may need to be excluded from the study. However, no such sample was found in this study.

### **3.5.2 Coding**

Coding refers to the process of assigning a numerical score or other character symbol to previously edited data. Assigning numerical symbols allows the transfer of data from questionnaires to a computer (Zikmund, Babin, Carr & Griffin, 2010). In question 2 and 3 in Appendix 4 Section A, when respondents ticked on the kind of retail banking facilities they used and local retail banks they visited, the answer was coded as *yes* and the rests unticked were coded as *no*. In addition, option for question 1 in Section A is either *yes* or *no*. There is a need to assign numerical score 1 and 2 to *yes* and *no* respectively in order to transfer these data from questionnaires to SPSS. Answers in Section C were also assigned numerical score based on each category.

### **3.5.3 Filing**

Data filing means the act of data set stored electronically in spreadsheet-like form in which the rows represent sampling units and the columns represent variables (Zikmund, Babin, Carr & Griffin, 2010). Statistical Project for Social Science (SPSS) version 17.0 is the software used for data filing. Each set of questionnaire completed was input into SPSS and numbered in sequence. The value for individual question is presented on each row while every question in the questionnaire is presented on each column.

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## **3.6 Data Analysis**

Data analysis is the application of reasoning to understand the data that have been gathered. Analysis may also include determining consistent patterns and summarizing the relevant details revealed in the research (Zikmund, Babin, Carr & Griffin, 2010). SPSS version 17.0 is the main software used to analyze the data.

### **3.6.1 Descriptive Analysis**

Descriptive statistics is used to summarize responses from massive respondents in a few simple statistics. Descriptive analysis could be defined as the elementary transformation of raw data in a way that describes the basic characteristics such as central tendency, distribution and variability (Zikmund, Babin, Carr, & Griffin, 2010). Means, modes, medians, and standard deviations were generated and presented in table format. Means, modes and medians are collectively known as measures of central tendency and used to make inferences about characteristics of the entire population of interest. Means is the arithmetic average, median is the midpoint and modes refer to the value that occurs most often (Zikmund, Babin, Carr & Griffin, 2010).

Apart from descriptive analysis above, the responses for each question in the survey were organized via tabulation. Tabulation means the orderly arrangement of data in a table or others summary format showing the number of responses to each response category (Zikmund, Babin, Carr & Griffin, 2010). Frequency table was generated for each question to show the exact count for each group of response chosen by respondents. Other than frequency distribution in absolute term, the responses were also tabulated in percentages.

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In addition, the data was also presented in bar graphs and pie charts. Graphical presentation could help to summarize large sum of uninformative data to enhance the readers' understanding and ease of comparison (Zikmund, Babin, Carr & Griffin, 2010). Specifically, pie charts were presented for the demographic data in Section C while bar graphs were used for questions in Section A and Section B.

### **3.6.2 Reliability Analysis**

Reliability refers to an indicator of a measure's internal consistency. A measurement is regarded as reliable if different attempts at measuring something bring to the same result (Zikmund, Babin, Carr & Griffin, 2010). It is crucial for researchers to consider the reliability of the measurements (Hair, Black, Babin & Anderson, 2010). Reliability Analysis is used to study the properties of measurement scales and the items that make them up. The analysis procedure calculates a number of commonly used measures of scale reliability (Sekaran, 2003).

In this research, Cronbach's Alpha of reliability test was used to assess the reliability of the five independent variables: (1) service quality, (2) corporate image, (3) perceived value, (4) price of services and (5) relationship marketing, and dependent variables: (1) customer satisfaction and (2) customer loyalty. If Cronbach's Alpha is less than 0.6, the instrument used has low reliability whereas for alpha value 0.7 and above, the instrument is considered acceptable. The closer is Cronbach's Alpha to value of 1, the higher the internal consistency and the more reliable the measurement (Sekaran, 2003).

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### 3.6.2.1 Reliability Analysis for Pilot Test

Reliability Test or Analysis was conducted in the pilot test to determine the extent to which the variables in the questionnaires were related to each others. The Cronbach's Alpha for all variables is above 0.7 as shown in Table 3. In addition, Cronbach's Alpha for all variables are higher than 0.8 except for customer satisfaction, which only indicated 0.776. The results indicate that the inter-item correlations are high and are of evidence that the questions are testing on the same underlying construct. As compared with *Cronbach's Alpha if item deleted*, if the value of Cronbach's Alpha greater than *Cronbach's Alpha if item deleted*, no items should be removed. Results in Appendix 5 reveal that majority of items should not be removed.

Table 3 : Reliability Analysis

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Service quality	0.866	10
Corporate image	0.879	4
Perceived value	0.900	4
Price of services	0.813	4
Relationship marketing	0.850	4
Customer satisfaction	0.776	4
Customer loyalty	0.834	4

### 3.6.3 Inferential Analysis

Inferential analysis is defined as the inferences made or generalization from samples to an entire population (Zikmund, Babin, Carr & Griffin, 2010). Factor analysis, Pearson's Correlation analysis, and Multiple Regression analysis are the tests adopted in this study.

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### ***3.6.3.1 Factor Analysis***

Factor analysis is a statistical method which assists researcher to identify the pattern of association and establish the interrelationship between variables that should be grouped together. With the use of factor analysis, the survey items are narrowed down to common interrelated and meaningful dimensions. Factor analysis could be classified into exploratory and confirmatory factor analysis (Hasliza & Che-Ha, 2009).

Confirmatory factor analysis is chosen for this study. Confirmatory factor analysis could be defined as a technique which analyzes the relationship between latent (unmeasured or theoretical construct) and observed (measured or indicators) variables. Confirmatory factor analysis is preferred over the other because the study is conducted with prior assumptions about construct validity. Construct validity refers to the extent to which a set of measured items reflect the theoretical latent construct those items (Hasliza & Che-Ha, 2009).

Factor analysis is used to discover the factors which account for common variance in a data set. The technique for extracting factors involves keeping the factors that account for the most variance in the data. According to Kaiser's criterion, factors with an eigenvalue greater than one are regarded as common factors (Nunnally, 1978). In this study, all the statements in questionnaire were adapted from various sources of studies except for service quality which was measured solely based on five dimensions in SERVQUAL model. Statements were extracted from respective research and judged whether they account for the same variable. Thus, it is important to confirm if the statements were grouped appropriately under common factor and tested on the same underlying constructs by using factor analysis.

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### ***3.6.3.2 Pearson's Correlation Analysis***

Pearson's correlation analysis is conducted to test the relationship between the independent variables: (1) service quality, (2) corporate image, (3) perceived value, (4) price of services and (5) relationship marketing, and dependent variables: (1) customer satisfaction and (2) customer loyalty. Correlation coefficient ( $r$ ) is a statistical measure of the covariation or association between two or more variables. It indicates the magnitude of the linear relationship between variables and the direction of the relationship (Zikmund, Babin, Carr & Griffin, 2010).

The acceptable value for  $r$  ranges from -1 to +1 and the positive or negative sign indicates whether there is a positive correlation or negative correlation. A perfect positive relationship could be concluded if the value of  $r$  equals +1 while value of  $r$  equals -1 signifies the perfect negative relationship. The value of  $r$  equals to 0 simply means that no relationship exists between the variables. Besides, the relationship is considered strong when the value of  $r$  equals  $\pm 0.81 - \pm 1.00$ , moderate when the value of  $r$  equals  $\pm 0.61 - \pm 0.80$  and weak when the value of  $r$  equals  $\pm 0.21 - \pm 0.60$  (Zikmund, Babin, Carr & Griffin, 2010).

### ***3.6.3.3 Multiple Regression Analysis***

Multiple regression analysis could be described as a statistical technique which is used to analyze the relationship between a single dependent (criterion) variable and several independent (predictor) variables. The objective of multiple regression analysis is to predict the changes in the dependent variable in response to changes in the independent variables (Hair, Black, Babin & Anderson, 2010).

One of the conditions to use multiple regression analysis is both the dependent and independent variables must be metric (Hair, Black, Babin & Anderson, 2010). As a result, those ordinal data in the survey was transformed

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into metric data with dummy variable coding. Multiple regression analysis is adopted in the study to assess the impact of independent variables: (1) service quality, (2) corporate image (3) perceived value, (4) price of services and (5) relationship marketing on dependent variable: customer satisfaction. The equation could be formed as below:

$$CS = b_0 + b_1SQ + b_2CI + b_3PV + b_4PS + b_5RM + e$$

Where

CS = Customer Satisfaction

SQ = Service Quality

CI = Corporate Image

PV = Perceived Value

PS = Price of Services

RM = Relationship Marketing

e = prediction error (residual)

The measure of predictive accuracy for the multiple regression model is the coefficient of determination ( $R^2$ ) which ranges from 0.0 to 1.0. This signifies the combined effects of all the variables in predicting the dependent variable (Hair, Black, Babin & Anderson, 2010). For instance,  $R^2=0.64$  means that 64% of the variation in the dependent variable is explained by variation in all the five variables in the study.

### **3.7 Conclusion**

This chapter has discussed in detail research design, data collection method, sampling design, research instrument and data analysis techniques. This chapter provides a basis for Chapter 4 research findings, especially on the use of different statistical tests and the interpretation.



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## CHAPTER 4

### RESEARCH RESULTS

#### 4.0 Introduction

This chapter reports the research project results, analysis and interpretation on the data.

#### 4.1 Analysis of Demographic Data

A total of 250 respondents participated in this study. Based on Table 4, 56% of the respondents consist of male compared to 44% of female. With reference to Table 5, majority of the respondents fall into the age range of 21-30 years old, but least respondents fall into age range of less than 21 years old. Table 6 shows that the number of respondents from Selangor constitutes 54% while Kuala Lumpur constitutes 46%. All details are shown in Appendix 9.

Table 4 : Percentage of Respondent By Gender

<b>Gender</b>	<b>Number of Respondents</b>	<b>Percentage of Respondent (%)</b>
Male	140	56
Female	110	44
TOTAL	250	100%

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**Table 5 : Percentage of Respondent By Age**

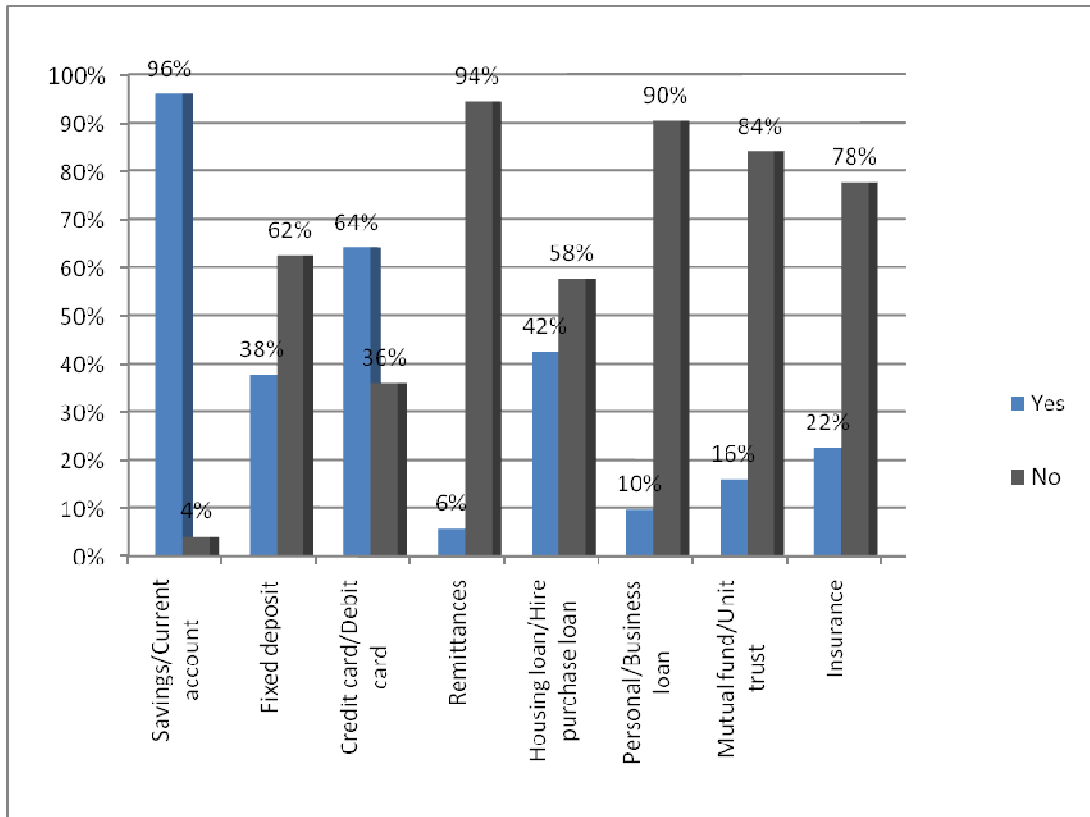
<b>Age</b>	<b>Number of Respondents</b>	<b>Percentage of Respondent (%)</b>
<21 years	10	4
21-30 years	115	46
31-40 years	83	33
41-50 years	30	12
51-60 years	12	5
<b>TOTAL</b>	<b>250</b>	<b>100%</b>

**Table 6 : Percentage of Respondent By Location**

<b>Location</b>	<b>Number of Respondents</b>	<b>Percentage of Respondent (%)</b>
Kuala Lumpur	115	46
Selangor	135	54
<b>TOTAL</b>	<b>250</b>	<b>100%</b>

Figure 2 indicates the top three highest banking facilities used are savings or current account (96%), followed by credit card or debit card (64%), and lastly housing loan or hire purchase loan (42%). Remittances which account for 6% are the lowest banking facilities used. Figure 3 shows the results for the local retail banks used by respondents in the past 6 months. Public Bank Berhad is the most popular local retail bank among respondents while second and third ranking are Malayan Banking Berhad and CIMB Bank Berhad respectively. When respondents were required to choose only one bank most frequent used, Public Bank (46%) and Maybank (25%) remain at first and second ranking. Third ranking has been replaced by Hong Leong Bank (10%) as shown in Figure 4.

**Figure 2 : Types of Banking Facilities Used (In Percentage)**



**Figure 3 : Banks used in past six months (In Percentage)**

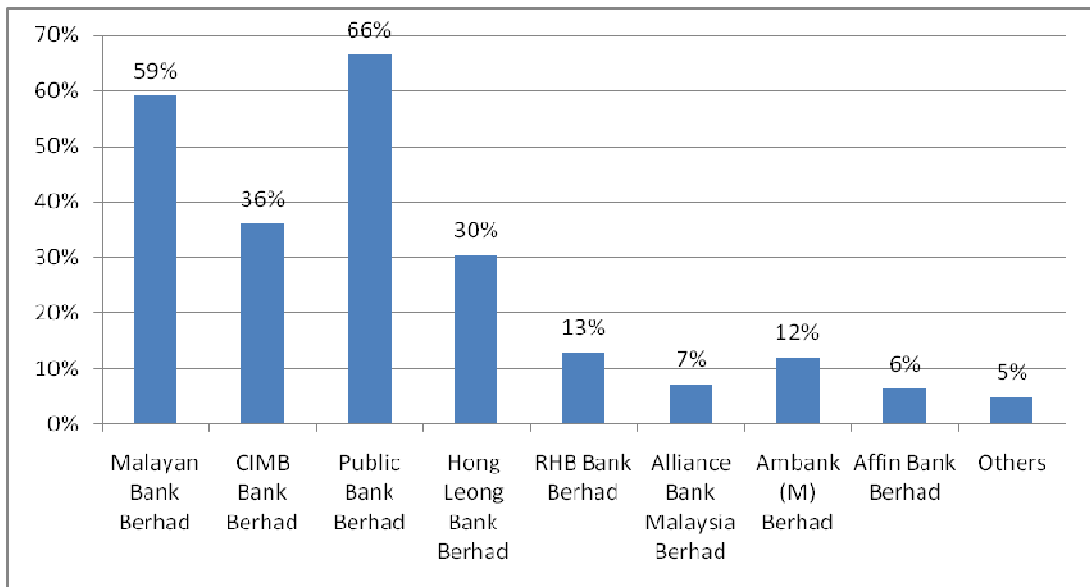
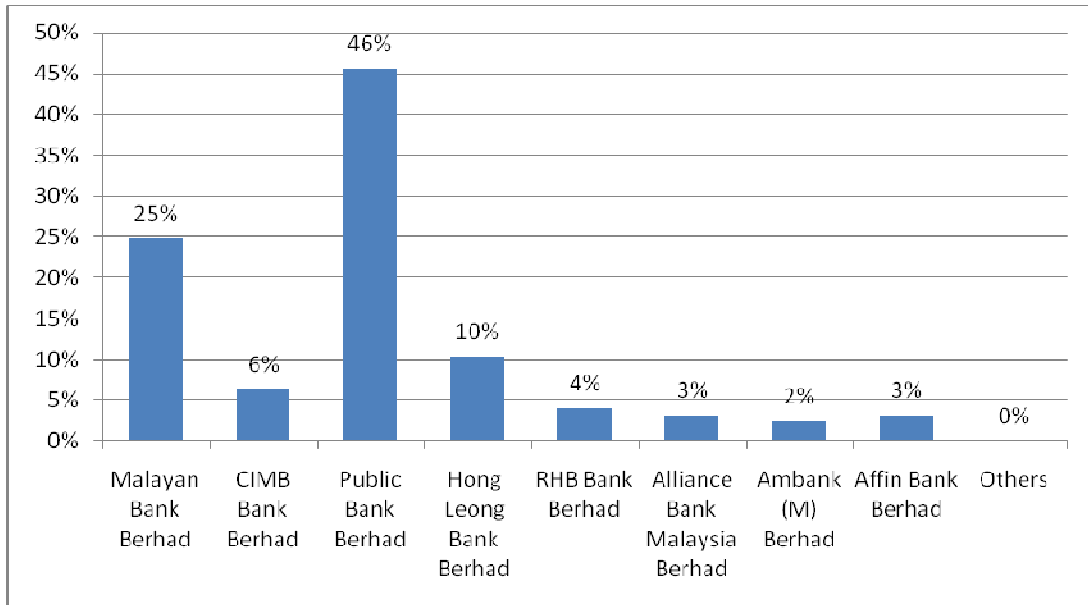


Figure 4 : Bank Most Frequent Used (In Percentage)



## 4.2 Factor Analysis

Based on Table 7 below, p-value for all the variables are 0.000, which is less than level of significance,  $\alpha=0.05$ . Statistically significant Bartlett's Test of Sphericity indicates that sufficient correlations exist among the measurement items in each variable. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) shows values range from 0.639 to 0.896. KMO varies from 0 to 1.0. Since the KMO for the variables is higher than 0.50, there is no need to remove any measurement items. This suggests that the data are likely to factor well based on correlations and partial correlations. The complete results of the factor analysis are in Appendix 8.

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**Table 7 : KMO and Bartlett's Test**

Variables	KMO	Bartlett's Test of Sphericity		
		Approx. Chi-Square	Df	Sig.*
Service Quality	0.896	1426.749	45	0.000
Corporate Image	0.836	499.819	6	0.000
Perceived Value	0.776	536.892	6	0.000
Price of Services	0.639	357.632	6	0.000
Relationship Marketing	0.766	569.671	6	0.000
Customer Satisfaction	0.813	706.565	6	0.000
Customer Loyalty	0.761	699.959	6	0.000

\* significant at  $p < 0.05$  level

Table 8 summarizes the factor loadings for all the measurement items. The factor loadings should be greater than 0.5 to be accepted as a common factor. All the loadings are over 0.5 with the highest attributed to PV4 and CS3. This indicates that all the measurement items for the same variable are considered valid and highly correlated. The results are aligned with the outcome for KMO and Bartlett's Test.

Table 8 : Factor Loadings for the Measurement Items

<b><u>Measurement Items</u></b>		<b><u>Factor Loading</u></b>
<b>Service Quality</b>		
SQ1	The bank has up-to-date equipment (e.g., ATM).	0.514
SQ2	The bank's materials associated with the service are visually appealing.	0.700
SQ3	When I have a problem, the bank shows a sincere interest in solving the problem.	0.804
SQ4	The bank provides its services at the time it promises to do so and performs the services right at the first time.	0.816
SQ5	The bank's employees give me prompt service.	0.836
SQ6	The bank's employees are never too busy to respond to my requests.	0.829
SQ7	Behaviour of the bank's employees instills confidence in customers.	0.767
SQ8	I feel safe in my transactions with the bank.	0.684
SQ9	The bank gives me individual attention.	0.761
SQ10	The bank's employees understand my specific needs.	0.729
<b>Corporate Image</b>		
CI1	The bank's product and services has a good reputation.	0.858
CI2	I believe that the bank has a better image than its competitors.	0.876
CI3	The bank aims much effort to the benefits of the community.	0.855
CI4	The bank overall has a good reputation.	0.831
<b>Perceived Value</b>		
PV1	The services of the bank are considered to be good deal.	0.889
PV2	The service quality I receive from the bank is worth my time, energy and efforts.	0.865
PV3	I do not believe that another bank would have the same or even a better offer.	0.667
PV4	Overall, the services I receive from the bank are valuable.	0.916

Table 8 continued

<b><u>Measurement Items</u></b>		<b><u>Factor Loading</u></b>
<b>Price of Services</b>		
PS1	Price information is clear, complete and understandable.	0.837
PS2	I am properly informed about the price of services.	0.787
PS3	Price changes are communicated properly and timely.	0.847
PS4	There are no hidden costs for the products and services.	0.665
<b>Relationship Marketing</b>		
RM1	The bank's words and promises are reliable.	0.840
RM2	The bank offers personalized services to meet my needs.	0.878
RM3	The bank provides timely and accurate information.	0.868
RM4	My relationship with the bank is desirable.	0.852
<b>Customer Satisfaction</b>		
CS1	I am pleased to be associated with the bank.	0.858
CS2	I am happy to do transaction with the bank.	0.909
CS3	I feel good on my decision to do business with the bank.	0.916
CS4	Overall, the bank is able to satisfy my wants and needs.	0.864
<b>Customer Loyalty</b>		
CL1	I will say positive things about the bank to other people.	0.876
CL2	I will recommend the bank to my friends.	0.913
CL3	I consider the bank to be my first choice for banking purpose in the future.	0.891
CL4	I will continue to do business transactions via the bank for the foreseeable future.	0.837

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### 4.3 Descriptive Analysis

Results for the individual question of variables are presented in Table 9 and further details are shown in Appendix 6. For all the 10 items pertaining to service quality, respondents mainly chose *agree (A)* when they were asked to form opinion based on the given statements. The highest percentage is up to 76% for both *agree (A)* and *strongly agree (SA)* cumulatively for SQ1. It is noted that *strongly disagree (SD)* is the least response chosen by participants, mainly range from 0% to 1.6%.

In SQ1, the percentage of respondents who answered *agree (A)* or *strongly agree (SA)* cumulatively account for 76% when they were questioned whether the bank has up-to-date equipment. Referring to the Appendix 7, the average mean score (3.93) is the highest among the 10 items in service quality. It shows that generally respondents think that the domestic banks are well equipped with necessary and sophisticated equipments to facilitate the efficiency and effectiveness of services provided. The equipments may comprise automated teller machine (ATM), cash recycle machine (CRM), mobile cash counting machine, biometrics identification device, touch screen queue ticketing machine and others.

In SQ8, when respondents were inquired whether they feel safe during their transactions with the bank, the average mean score of 3.81 shows respondents relatively confident on the bank security features. In SQ2, about 62% of the respondents agreed or strongly agreed that the bank's materials associated with the service are visually appealing. According to Appendix 7, the average mean score for this question is 3.69 and it indicates that participants generally tend to the positive response. In SQ9, approximately 54% of the respondents agreed or strongly agreed that the bank gives them individual attention. However, 13% of disagree responses lower down the average mean score for this question to 3.46 which makes it the lowest among all questions in service quality. The reason respondents found that they were not given individual attention may be caused by large volume of customers and transactions which make this not practicable.



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In CI1, majority respondents agree that the banks' products and services have good reputation. The percentage for *agree (A)* and *strongly agree (SA)* is 53.6% and 21.6% respectively while the average mean score is 3.94. When respondents were inquired whether the banks overall have good reputation in CI4, the responses are positive (79%) and as high as the previous item. Banks are deemed to have good reputation if they are able to consistently deliver high performance which meets customers' expectations. In addition, the bank names are always associated with quality and excellence. In CI2, approximately 45% of respondents indicated *agree (A)* about the statement "I believe that the bank has a better image than its competitors". The average mean score for this item is 3.77. Lastly in CI3, about 66% of respondents agreed or strongly agreed that the banks put in much effort for the benefits of community. As corporate social responsibility is increasingly emphasized nowadays, banks allocate adequate resources for the contributions to society. Among contributions to the community comprise donation, event sponsorship, visiting charity organization, environmental protection and others.

In PV1, about 70% respondents cumulatively agreed or strongly agreed that the services of the bank are considered to be good deal. The averages mean score of 3.80 shows that generally respondents perceive the services provided by bank as high value to them. The results are in conjunction with another item which states the services received from the banks are valuable. In PV2, 63% respondents believed that the service quality received from the banks is worth the time, energy and efforts. It is interesting to learn that the average mean score for PV3 (3.31) is the lowest among all four items. This is contributed by 19% disagreement. More respondents believe that other banks could provide the same or even a better offer. This might be due to the highly homogenous products and services among banks.

In PS1, the average mean score is 3.56 when respondents are required to indicate whether the price information of domestic retail bank is clear, complete and understandable. 48% respondents agreed with the mentioned statement while

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41% respondents chose neutral. In PS2 and PS3, 45% respondents agreed that they are properly informed about the price of services and price changes are communicated properly and timely. In PS4, about 46% respondents think that there are no hidden costs for the products and services offered by the banks. With reference to Appendix 7, it could be found that the average mean score for the variable price of services is relatively low compared to other variables. The reason is about half of the respondents (41%-50%) opt for neutral for all the statements. The responses given by participants signify that bank customers have little knowledge about the price setting and price policies of banks and thus they are unable to form judgement about the statements. It shows that price transparency and price information completeness of the products and services are still in doubt among bank customers.

In RM1, the average mean score is 3.73 when respondents are requested to give opinion whether the bank words and promises are reliable. In addition, the result is close to the previous item when respondents are inquired whether their relationship with the bank is desirable. For both the statements, the percentage of respondents who agreed or strongly agreed is approximately 62%. In contrast, the percentage of respondents who disagreed or strongly disagreed is approximately 5% only. Based on the results, it could be observed that generally respondents have certain extent of confidence on the promises given by the banks. It could also be deduced that the reliability of banks' promises are interrelated with the desirability of relationship with the banks. In RM2 and RM3, the average mean score drops to 3.60 and 3.66 respectively when respondents are given the statements that the bank offers personalised services and provides timely and accurate information. Due to the volume of transactions and customers, banks always provide information updates on their corporate website and branch banking halls instead of sending letters or e-mails to individual customer. This may cause some respondents to feel that the banks do poorly in providing timely and accurate information. In term of receiving personalised services, respondents may answer unfavourably due to the banks' telemarketing strategy which

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frequently promotes a variety of products to customers to boost up sales regardless of customers' needs.

In CS1, the respondents who agreed or strongly agreed that they are pleased to be associated with the banks and they feel good on the decision to do business with the banks cumulatively account for 66%. In CS2, the average mean score for the respondents who are happy to do transaction with the banks is 3.82. When respondents are asked whether the bank is able to satisfy their wants and needs in CS4, they give relatively high positive response with average mean score of 3.88. Overall, it is found that respondents are highly satisfied with the products and services provided by the banks.

In CL1, approximately 61% respondents agreed or strongly agreed that they will say positive things about the banks to other people. In CL2, respondents who indicated that they will recommend the banks to friends make up to 62%. In CL3, the average mean score is 3.78 when the respondents are inquired whether they will consider the banks to be first choice for banking purpose in the future. For CL4, the respondents are requested to give ranking on whether they will continue to do business transactions via the banks for the foreseeable future. The average mean score of 3.94 for this item is considered relatively high. Overall, it could be observed that majority of the respondents are loyal to the banks and willing to stick to the banks they used to patronize.

Table 9 : Descriptive Analysis for the Measurement Items

<u>Measurement Items</u>		<u>% of response</u>					<u>Average mean score</u>
		<u>SD</u>	<u>D</u>	<u>N</u>	<u>A</u>	<u>SA</u>	
<b>Service Quality</b>							
SQ1	The bank has up-to-date equipment (e.g., ATM).	0.0	4.0	20.0	55.2	20.8	3.93
SQ2	The bank's materials associated with the service are visually appealing.	0.0	2.4	35.2	53.6	8.8	3.69
SQ3	When I have a problem, the bank shows a sincere interest in solving the problem.	1.6	8.8	32.8	46.4	10.4	3.55
SQ4	The bank provides its services at the time it promises to do so and performs the services right at the first time.	1.6	6.4	28.8	51.2	12.0	3.66
SQ5	The bank's employees give me prompt service.	1.6	8.0	35.6	44.4	10.4	3.54
SQ6	The bank's employees are never too busy to respond to my requests.	1.6	12.8	32.0	42.4	11.2	3.49
SQ7	Behaviour of the bank's employees instills confidence in customers.	1.6	3.2	35.2	50.4	9.6	3.63
SQ8	I feel safe in my transactions with the bank.	0.0	2.4	28.8	54.4	14.4	3.81
SQ9	The bank gives me individual attention.	0.0	12.8	32.8	50.4	4.0	3.46
SQ10	The bank's employees understand my specific needs.	0.0	8.0	32.8	52.0	7.2	3.58
<b>Corporate Image</b>							
CI1	The bank's product and services has a good reputation.	0.0	3.2	21.6	53.6	21.6	3.94
CI2	I believe that the bank has a better image than its competitors.	0.0	6.4	29.6	44.8	19.2	3.77
CI3	The bank aims much effort to the benefits of the community.	0.0	9.6	24.8	48.8	16.8	3.73
CI4	The bank overall has a good reputation.	0.0	5.6	15.2	56.8	22.4	3.96
<b>Perceived Value</b>							
PV1	The services of the bank are considered to be good deal.	0.0	3.2	27.2	56.0	13.6	3.80
PV2	The service quality I receive from the bank is worth my time, energy and efforts.	0.8	11.2	24.8	48.8	14.4	3.65
PV3	I do not believe that another bank would have the same or even a better offer.	1.6	19.2	36.0	32.8	10.4	3.31
PV4	Overall, the services I receive from the bank are valuable.	0.8	5.6	24.8	50.4	18.4	3.80

Table 9 continued

<u>Measurement Items</u>		<i>% of response</i>					<u>Average mean score</u>
		<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	
<b>Price Of Services</b>							
PS1	Price information is clear, complete and understandable.	0.0	4.8	40.8	48.0	6.4	3.56
PS2	I am properly informed about the price of services.	0.0	1.6	48.8	44.8	4.8	3.53
PS3	Price changes are communicated properly and timely.	0.0	4.0	49.6	44.8	1.6	3.44
PS4	There are no hidden costs for the products and services.	0.8	4.8	48.0	41.6	4.8	3.45
<b>Relationship Marketing</b>							
RM1	The bank's words and promises are reliable.	0.0	4.8	32.8	47.2	15.2	3.73
RM2	The bank offers personalised services to meet my needs.	0.0	10.4	33.6	41.6	14.4	3.60
RM3	The bank provides timely and accurate information.	0.0	5.6	34.4	48.8	11.2	3.66
RM4	My relationship with the bank is desirable.	0.0	5.6	32.8	43.2	18.4	3.74
<b>Customer Satisfaction</b>							
CS1	I am pleased to be associated with the bank.	0.0	4.0	29.6	50.4	16.0	3.78
CS2	I am happy to do transaction with the bank.	1.6	5.6	21.6	51.2	20.0	3.82
CS3	I feel good on my decision to do business with the bank.	0.0	8.0	25.6	48.8	17.6	3.76
CS4	Overall, the bank is able to satisfy my wants and needs.	0.0	4.8	21.6	54.4	19.2	3.88
<b>Customer Loyalty</b>							
CL1	I will say positive things about the bank to other people.	0.0	4.0	35.2	41.6	19.2	3.76
CL2	I will recommend the bank to my friends.	0.0	4.8	32.8	37.6	24.8	3.82
CL3	I consider the bank to be my first choice for banking purpose in the future.	0.8	10.4	20.8	46.4	21.6	3.78
CL4	I will continue to do business transactions via the bank for the foreseeable future.	0.0	3.2	23.2	49.6	24.0	3.94

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#### 4.4 Pearson's Correlation Analysis

Table 10 presents the output of correlation matrix for independent and dependent variables. Basically most of the variables show moderate and high correlations ( $r$ ) ranging from 0.615 to 0.820. Relatively strong correlation ( $r=0.800$ ) is found between customer satisfaction and customer loyalty. Thus, customer satisfaction has strong positive correlation with customer loyalty.

In contrast, among the variables which reveal relatively weak correlations are between price of services and other variables which include corporate image ( $r=0.595$ ), perceived value ( $r=0.522$ ), customer satisfaction ( $r=0.563$ ) and customer loyalty ( $r=0.515$ ).

Overall, all the variables indicate positive correlation. P-value indicates the significance of the relationship between variables. Since associated p-value of all variables are 0.000 which is smaller than the level of significance,  $\alpha =0.05$ , therefore it shows that there are significant relationship between the variables. It further supports the results of reliability analysis that these variables are reliable and valid.

Table 10 : Correlations of Independent Variables and Dependent Variables

		Service quality average	Corporate image average	Perceived value average	Price of services average	Relationship marketing average	Customer satisfaction average	Customer loyalty average
Service quality average	Pearson Correlation	1	.805**	.793**	.615**	.745**	<b>.799**</b>	.744**
	Sig. (2-tailed)		.000	.000	.000	.000	<b>.000</b>	.000
	N	250	250	250	250	250	<b>250</b>	250
Corporate image average	Pearson Correlation	.805**	1	.792**	.595**	.745**	<b>.820**</b>	.761**
	Sig. (2-tailed)	.000		.000	.000	.000	<b>.000</b>	.000
	N	250	250	250	250	250	<b>250</b>	250
Perceived value average	Pearson Correlation	.793**	.792**	1	.522**	.717**	<b>.775**</b>	.742**
	Sig. (2-tailed)	.000	.000		.000	.000	<b>.000</b>	.000
	N	250	250	250	250	250	<b>250</b>	250
Price of services average	Pearson Correlation	.615**	.595**	.522**	1	.651**	<b>.563**</b>	.515**
	Sig. (2-tailed)	.000	.000	.000		.000	<b>.000</b>	.000
	N	250	250	250	250	250	<b>250</b>	250
Relationship marketing average	Pearson Correlation	.745**	.745**	.717**	.651**	1	<b>.792**</b>	.670**
	Sig. (2-tailed)	.000	.000	.000	.000		<b>.000</b>	.000
	N	250	250	250	250	250	<b>250</b>	250
Customer satisfaction average	Pearson Correlation	.799**	.820**	.775**	.563**	.792**	1	.800**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	250	250	250	250	250	250	250
Customer loyalty average	Pearson Correlation	.744**	.761**	.742**	.515**	.670**	<b>.800**</b>	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	<b>.000</b>	
	N	250	250	250	250	250	<b>250</b>	250

\*\* . Correlation is significant at the 0.01 level (2-tailed).

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## 4.5 Multiple Regression Analysis

By referring to Table 11 below, the R Square ( $r^2$ ) for the regression model is 0.774. It means that 77.4% of the variation in dependent variable (customer satisfaction) is explained by variation in all the five independent variables: service quality, corporate image, perceived value, price of services and relationship marketing. The high percentage signifies that the model is relatively well in predicting the customer satisfaction in domestic retail banking sector.

Table 11 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.880 <sup>a</sup>	.774	.770	.34407

a. Predictors: (Constant), Relationship marketing average, Price of services average, Perceived value average, Corporate image average, Service quality average

In accordance with Table 12, F-test was conducted to test the overall significance of the model constructed in this study. The p-value of 0.000 is less than level of significance,  $\alpha = 0.05$ , thus rejecting  $H_0$ . Therefore, it could be concluded that at least one proposed dependent variable has relationship with the customer satisfaction in domestic retail banking sector. The individual hypothesis testing was conducted to further analyze relationship of each independent variable with the customer satisfaction.

### Hypothesis

$H_0$ : There is no relationship between the independent variables: service quality, corporate image, perceived value, price of services, relationship marketing and dependent variable: customer satisfaction in domestic retail banking sector.



H<sub>1</sub>: There is relationship between at least one of the independent variables: service quality, corporate image, perceived value, price of services, relationship marketing and dependent variable: customer satisfaction in domestic retail banking sector.

Findings:  $p=0.000 < \alpha=0.05$ , rejecting H<sub>0</sub>

Table 12 : ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	99.029	5	19.806	167.306	.000 <sup>a</sup>
	Residual	28.885	244	.118		
	Total	127.914	249			

a. Predictors: (Constant), Relationship marketing average, Price of services average, Perceived value average, Corporate image average, Service quality average

b. Dependent Variable: Customer satisfaction average

c. Level of significance,  $\alpha$  is 0.05

Table 13 reveals that p-value of service quality ( $p=0.000$ ), p-value of corporate image ( $p=0.000$ ), p-value of perceived value ( $p=0.010$ ) and p-value of relationship marketing ( $p=0.000$ ) are less than level of significance,  $\alpha=0.05$ , thus rejecting H<sub>0</sub>. The results signify that there is significant evidence that relationship exists between individual independent variable and customer satisfaction in domestic retail banking sector. The relationship between these variables and customer satisfaction are positive as the beta ( $\beta$ ) value is positive.

In the opposite, p-value of price of services ( $p=0.334$ ) is greater than level of significance,  $\alpha=0.05$ , thus rejecting H<sub>1</sub>. There is no significant evidence that relationship exists between price of services and customer satisfaction in domestic retail banking sector. The results align with the outcome in Reliability Analysis and Pearson Correlation Analysis in which price of services shows relatively lower Cronbach's Alpha and correlation compared to other independent variables.

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Based on Table 13, corporate image is the strongest predictor of customer satisfaction ( $\beta=0.333$ ), this followed by relationship marketing ( $\beta=0.325$ ), service quality ( $\beta=0.266$ ) and lastly perceived value ( $\beta=0.150$ ). Taking all beta ( $\beta$ ) into consideration, an equation could be formed to outline the relationship between independent variables and customer satisfaction in domestic retail banking sector.

#### Hypothesis 1

H<sub>0</sub>: There is no relationship between service quality and customer satisfaction in domestic retail banking sector.

H<sub>1</sub>: There is positive relationship between service quality and customer satisfaction in domestic retail banking sector.

Findings:  $p=0.000 < \alpha=0.05$ , rejecting H<sub>0</sub>

#### Hypothesis 2

H<sub>0</sub>: There is no relationship between corporate image and customer satisfaction in domestic retail banking sector.

H<sub>1</sub>: There is positive relationship between corporate image and customer satisfaction in domestic retail banking sector.

Findings:  $p=0.000 < \alpha=0.05$ , rejecting H<sub>0</sub>

#### Hypothesis 3

H<sub>0</sub>: There is no relationship between perceived value and customer satisfaction in domestic retail banking sector.

H<sub>1</sub>: There is positive relationship between perceived value and customer satisfaction in domestic retail banking sector.

Findings:  $p=0.010 < \alpha=0.05$ , rejecting H<sub>0</sub>

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Hypothesis 4

H<sub>0</sub>: There is no relationship between price of services and customer satisfaction in domestic retail banking sector.

H<sub>1</sub>: There is negative relationship between price of services and customer satisfaction in domestic retail banking sector.

Findings:  $p=0.334 > \alpha=0.05$ , accepting H<sub>0</sub>

Hypothesis 5

H<sub>0</sub>: There is no relationship between relationship marketing and customer satisfaction in domestic retail banking sector.

H<sub>1</sub>: There is positive relationship between relationship marketing and customer satisfaction in domestic retail banking sector.

Findings:  $p=0.000 < \alpha=0.05$ , rejecting H<sub>0</sub>

*The equation is as below:*

$CS = 0.020 + 0.266SQ + 0.333CI + 0.150PV + 0.325RM$
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Where,

CS = Customer Satisfaction

SQ = Service Quality

CI = Corporate Image

PV = Perceived Value

RM = Relationship Marketing

Table 13 : Coefficients<sup>a</sup>

Model	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.020	.161		.122	.903
➤ <b>Service quality average</b>	.266	.073	.218	3.635	.000
➤ <b>Corporate image average</b>	.333	.062	.319	5.371	.000
➤ <b>Price of services average</b>	-.057	.059	-.040	-.969	.334
➤ <b>Perceived value average</b>	.150	.057	.147	2.608	.010
➤ <b>Relationship marketing average</b>	.325	.055	.313	5.927	.000

a. Dependent Variable: Customer satisfaction average

b. Level of significance,  $\alpha$  is 0.05

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## **CHAPTER 5**

### **DISCUSSION AND CONCLUSION**

#### **5.0 Introduction**

This chapter provides a recap of the research objectives and conclusion of the overall findings. It also offers the comparison between the results of this study and past literature. Finally, it discusses the limitations of this study and provides recommendations to achieve the determinants of customer satisfaction.

#### **5.1 Discussions**

The research objective is to determine whether service quality, corporate image, perceived value, price of services and relationship marketing are the determinants of customer satisfaction in domestic retail banking sector. In addition, this study also attempts to examine whether customer satisfaction affects customer loyalty in domestic retail banking sector. This research tests the validity of the research model in domestic retail banking sector. Overall, all the hypotheses were supported except for price of services.

A comparison is made between this research outcome and hypothesis development in earlier Chapter 2.3. In testing of hypothesis 1, service quality is proved to have significant positive relationship with customer satisfaction in domestic retail banking sector. The result is in line with the study done by Parasuraman, Zeithaml and Berry (1988) which established the relationship between service quality and customer satisfaction. The five dimensions in SERVQUAL which are tangibility, reliability, responsiveness, assurance and

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empathy were adapted in the questionnaire of this study. Therefore, the result supports the validity of service quality model and instrument known as SERVQUAL proposed by the researchers. In addition, it supports Cronin, Brady and Hult (2000) and Anderson and Sullivan (1993) that service quality is an antecedent to customer satisfaction. With reference to Table 9, the highest percentage for *disagree (D)* or *strongly disagree (SD)* is 14% for statement “the bank’s employees are never too busy to respond to my requests”. The enormous volume of customers and transactions would create long waiting time especially during lunch hours and festive seasons. Bank employees are unable to attend to too many queries or requests simultaneously, thus lead the respondents to react negatively. For instance, customers have to dial repeatedly or wait for a couple of minutes when contacting customer service via phone call. Besides, the mentioned statement is also associated with the statement “The bank gives me individual attention”. The percentage of respondents who disagreed is 13% which make this second highest. In order to expedite the transaction processing, bank employees may not be able to give customers individual attention.

In testing of hypothesis 2, corporate image is proved to have significant positive relationship with customer satisfaction in domestic retail banking sector. The study outcome is aligned with the research done by Andreassen and Lindested (1998) which stated that corporate image is the main driver of customer satisfaction. This study also supports the observation of Da Sila and Syed Alwi (2006) on the direct and indirect effects for corporate image on customer satisfaction. Besides, the result in this research shares the common outcome with the research by Wong (2011) in which corporate image is the strongest predictor of customer satisfaction among all the independent variables. Corporate image often determine customers’ first impression which tends to last for a long period of time. This applies especially to new customers. If customers hold good impression about the banks, it would be highly likely for them to form a preconception that the banks are providing first class products and services. In an environment with incomplete information, customers have the tendency to fill up any information gap based on their impression. Subsequently, customers would

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gain higher satisfaction when dealing with the bank with better corporate image. Indirectly, corporate image may also leave impact on the service quality and perceived value. For example, Public Bank is known to be a bank with high efficiency and low turnaround time, thus the bank's products and services are perceived as high value.

In testing of hypothesis 3, perceived value is proved to have significant positive relationship with customer satisfaction in domestic retail banking sector. The result further confirms the findings by Fornell, Johnson, Anderson, Cha and Bryant (1996) which advocated perceived value as one of the main determinants of customer satisfaction. The outcome is also consistent with the empirical study performed by McDougall and Levesque (2000). Based on Table 9, it is found that the statement "The service quality I receive from the bank is worth my time, energy and efforts" receives high percentage (12%) of *disagree (D)* or *strongly disagree (SD)*. Bank customers may feel frustrated and highly dissatisfied when several bank machines malfunction simultaneously or when there are a limited number of bank machines. For instance, most of the banks set up only one or two cash deposit machines at their branches, yet the machines function slowly and customer have to repeatedly insert the bank notes if the notes are rejected by the machines due to wrinkles and other reasons. This causes long queue and is a waste of time and energy. Bank customers may also find it time wasting if they have to wait for long hours to perform a single bank transaction only.

In testing of hypothesis 4, price of services is proved to have no significant relationship with customer satisfaction in domestic retail banking sector. The result contradicts with the conclusion made by Varki and Colgate (2001) which stated that customer satisfaction is affected by the price or service charge awareness. Besides, the result is also different from literature review based on Lockyer (2005) who stated that price has significant effect on customer buying behavior, value perception and customer satisfaction.

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From this study, it is realized that majority of domestic bank customers are lack of knowledge about the bank pricing policies because they remained neutral in the questions regarding to price of services. Furthermore, it also shows that they have low awareness about the importance of price transparency and price information completeness. Therefore, price of services carries minimal weightage in the equation of customer satisfaction. In other words, the bank customers are generally indifferent regardless of the price of services charged by banks. The condition is even strengthen by the fact that price of services charged by banks is centrally governed and standardized by Bank Negara. Besides, the reason the result in this study contradicts from past literature may attribute to the geographical difference. Most of the earlier studies on price of services are based in western countries in which bank customers are better educated about the bank products price and consumers' rights.

In testing of hypothesis 5, relationship marketing is proved to have significant positive relationship with customer satisfaction in domestic retail banking sector. The result is in line with Gwinner, Gremler and Bitner (1998) who identified relationship marketing to have substantial impact on customer satisfaction. Furthermore, the result also supports the findings of Liang and Wang (2006) who mentioned that relationship marketing means to maintain customer satisfaction and sustain customer loyalty and subsequently fill the gap in the service quality. In accordance with Table 9, the highest percentage of *disagree (D)* is 10% when respondents were inquired whether the bank offers personalised services to meet their needs. Some banks may not collect sufficient information to study the customers' preference of products and services, thus they fail to offer something which accommodate customers' needs. In order to increase bank profits, banks often cross sell their products among different departments or teams. For example, when applying housing loan, customers are also persuaded to apply for credit card, but customers may never express any interest in the particular product.



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In testing of hypothesis 6, customer satisfaction is proved to have significant positive relationship with customer loyalty. The result is aligned with the study of Berli et al. (2004) in retail banking field which found that customer satisfaction has a significant positive impact on customer loyalty. Apart from this, the result also further substantiates the research performed by Anderson et al. (1994) which revealed that customer satisfaction is an important element in building customer loyalty as well as contributing to company profits. According to Table 9, the percentage of *disagree (D)* or *strongly disagree (SD)* for statement “I consider the bank to be my first choice for banking purpose in the future” is the highest (11%) among the four items in customer loyalty. Generally, majority of customers may not perform transactions with one bank only and this is the reason which causes respondents to disagree that the bank is considered the first choice for banking purpose. For instance, a customer may own a saving account in Maybank while use credit card of Hong Leong Bank. Bank location and convenience are also taken into considerations by customers even though they may be satisfied and loyal to a particular bank. As a result, the same bank may not be always the first choice for customers.

## **5.2 Limitations of Study**

There are a few limitations in this study. The first limitation is the use of convenience sampling as the sampling technique. The questionnaires were randomly distributed among customers from domestic retail banks located in Kuala Lumpur and Selangor only. Other geographical areas in Malaysia are not included. Therefore, the result may not be representative of the population. Due to cost and time constraint, the sample size was limited to 250. Larger sample size is preferable because when sample size increases, sampling error reduces.

The second limitation in this study is the restriction of population to only domestic retail banking sector. Foreign banks which operate in Malaysia are not taken into consideration. There are a few foreign banks which have been

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established in Malaysia since years ago and they occupy substantial market share. The study would not be complete without gaining insight into the customer satisfaction of foreign banks. Other banking sectors which consist of Internet banking, corporate banking and Islamic banking are also omitted from this study. Therefore, this study could not be generalized to the whole banking industry.

The third limitation in this research is the use of close-ended questions in the questionnaire. It is undeniable that close-ended questions are easier to handle and analyze compared to open-ended questions. Nevertheless, close-ended questions deprive the opportunities for respondents to give further opinions and input. As a result, there is less information for researcher to perform more thorough data analysis.

### **5.3 Recommendations**

As mentioned in Chapter 4.5, service quality, corporate image, perceived value and relationship marketing are found to be the determinants of customer satisfaction in domestic retail banking sector and they have significant positive relationship. With reference to percentage of disagreement in Table 9, the determinants which banks performed poorly on are identified. Subsequently, recommendations are proposed to assist banks to increase service quality, corporate image, perceived value and relationship marketing, which in turn increase the customer satisfaction and customer loyalty.

Referring to Table 9 SQ6, there is a high percentage of respondents who disagreed that bank employees are never too busy to respond to customers' requests. In order to overcome the issue that employees are too busy to respond to customers' requests, the banks must make proper staff arrangement and planning. During peak hours and festive seasons, the banks must ensure that all the transaction counters are opened to avoid long queue. Any employees' absence could be filled up with internal staff transferred from other departments which are

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less hectic. If there is manpower shortage in the whole branch, the bank headquarter needs to send relief staff as a backup plan to avoid operations hiccup. In order for bank headquarter to monitor the individual branch performance, the banks need to set up a key performance indicator such as Queue Management System (QMS) to measure the waiting time of customers. Customer service hotline must be equipped with adequate staff who are well trained to make sound judgment and assist customers to solve problems efficiently.

In Table 9 SQ9, respondents felt that the bank did not give them individual attention. In relation to the issue in which the banks do not give individual attention to customers, the banks could consider appointing a service ambassador who is responsible mainly to provide assistance to customers. For instance, when customers enter the branch banking hall, service ambassador could attend to the customers with warm greetings and possibly remember their names. If customers have any doubts, service ambassador could give them immediate advice. The role of service ambassador helps to reduce situations where customers press for incorrect service tickets and fill up transaction forms inappropriately. In long-term, service ambassador would build up strong rapport with the customers and this in turn increases customer satisfaction.

With reference to Table 9 PV2, bank customers indicated that the service quality they receive from the bank did not worth their time, energy and efforts. Sometimes customers queue up for long hours just to perform a single transaction which do not consume much processing time. For example, the customers request for bank statements or update saving books. In order to resolve this, the banks may consider to open a counter which specially accommodates to single transaction. At the same time, it is important for the bank employees to educate the customers to perform banking transactions with bank machines whenever possible. This could create a win-win situation where customers do no need to wait for long period of time while bank employees could serve other customers better. In order to encourage customers to utilize bank machines more frequently, the banks should set up more machines and constantly perform maintenance to

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avoid machine breakdown. The banks should make more investments in the machines which are able to provide a combination of wide range of services such as cash deposit, cash withdrawal, ATM value reload, money transfer, utilities payment, transaction limit maintenance and more. Should the machines malfunction, the banks should have available resources and expertise to repair the machines immediately.

In Table 9 RM2, since the banks fail to offer personalised services to meet customers' needs, the banks ought to collect more information about customers' demographic and preferences via questionnaires. Besides, investment should also be made to acquire some softwares which are able to study the trend or pattern of customers' transactions and store the information in database for future use. It is important for banks to understand the actual needs of customers and promote mainly products which are of their interests. For instance, customers who are doing business may be interested with the products of personal loan and current account. Other example would be young couples who are going to get married may desire for housing loan. Telemarketing strategy which requires call center employees to call customers frequently for different products especially credit card, may cause the adverse impact of high customer dissatisfaction. Therefore, this unfruitful strategy should be abolished.

## **5.4 Conclusion**

In conclusion, results of this study reveal that service quality, corporate image, perceived value and relationship marketing have significant positive relationships with customer satisfaction in domestic retail banking sector. Corporate image is found to have the strongest correlations with customer satisfaction. In contrast, there is no sufficient evidence to prove the relationship between price of services and customer satisfaction. Furthermore, the research outcome indicates that customer satisfaction has positive relationship with customer loyalty.

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## Appendix 1: The Malaysian Financial System.

### Financial Institutions in Malaysia

#### Banking System

- Bank Negara Malaysia
- Banking institutions:
  - Commercial banks*
  - Finance companies*
  - Merchant banks/Investment banks*
- Others:
  - Discount houses*
  - Representative office of foreign banks*
  - Offshore banks in Labuan*

#### Non-Bank Financial Intermediaries (NBFI)

- Provident and pension funds
- Insurance companies (including Takaful)
- Reinsurance cost
- Development financial institutions
- Saving institutions:
  - National savings bank*
  - Co-operatives*
- Others NBFI:
  - Unit trusts*
  - Universal brokers*
  - Cagamas Bhd.*
  - Credit guarantee corp.*
  - Leasing companies*
  - Factoring*
  - Venture capital*

*Source: Bank Negara Malaysia, The Central Bank and the Financial System In Malaysia, A Decade of Change (Bank Negara Malaysia 2012)*

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**Appendix 2: Changing Structure of Malaysian Banking Sector Between 1997 and 2012.**

	<b>1997</b>	<b>2005</b>	<b>2012</b>
	<b>No. of Institutions</b>	<b>No. of Institutions</b>	<b>No. of Institutions</b>
<b>Domestic Bank</b>	22	10	8
<b>Foreign Bank</b>	13	12	19
<b>Finance Company</b>	39	3	n-a
<b>Merchant Bank</b>	12	10	n-a
<b>Total</b>	86	35	

*Source: Bank Negara Malaysia , List of Licensed Banking Institutions in Malaysia. (Bank Negara Malaysia, 2012)*

*Note: <sup>a</sup> Excludes Islamic banks*

**Appendix 3: Merger Programme for Malaysian Domestic Banks.**

<b>Original Anchor Banking Group</b>	<b>Merged With</b>	<b>Resultant Entity After Merger</b>
<b>1. Affin Bank Berhad Group</b> Perwira Affin Bank Bhd Asia Commercial Finance Bhd Perwira Affin Merchant Bank Bhd.	BSN Commercial Bank (M) Bhd BSN Finance Bhd BSN Merchant Bankers Berhad	Affin Bank Berhad Affin ACF Finance Berhad Affin Merchant Bank Berhad
<b>2. Alliance Bank Berhad Group</b> Multi-Purpose Bank Berhad	International Bank Malaysia Bhd Sabah Bank Berhad Sabah Finance Berhad Bolton Finance Berhad Amanah Merchant Bank Berhad Bumiputra Merchant Bankers Bhd	Alliance Bank Berhad Alliance Finance Berhad Alliance Merchant Bank Berhad
<b>3. AMBank Bhd. Group</b> Arab-Malaysian Bank Berhad Arab-Malaysian Finance Bhd Arab-Malaysian Merchant Bhd	MBf Finance Berhad	Arab-Malaysian Bank Berhad Arab-Malaysian Finance Berhad Arab-Malaysian Merchant Bank Berhad
<b>4. CIMB Group</b> Bumiputra Commerce Bank Berhad Bumiputra Commerce Finance Berhad Commerce International Merchant Bankers Berhad		Bumiputra Commerce Bank Berhad Bumiputra Commerce Finance Berhad Commerce International Merchant Bankers Berhad
<b>5. Hong Leong Bank Berhad Group</b> Hong Leong Bank Berhad Hong Leong Finance Berhad	Wah Tat Bank Berhad Credit Corporation (Malaysia) Berhad EON Bank Berhad	Hong Leong Bank Berhad Hong Leong Finance Berhad
<b>6. Malayan Banking Berhad Group</b> Malayan Banking Berhad Mayban Finance Berhad Aseambankers Malaysia Bhd	The Pacific Bank Berhad Phileo Allied Bank (M) Berhad Sime Finance Berhad Kewangan Bersatu Berhad	Malayan Banking Berhad Mayban Finance Berhad Aseambankers Malaysia Berhad

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<b>7. Public Bank Berhad Group</b> Public Bank Berhad Public Finance Berhad	Hock Hua Bank Berhad Advance Finance Berhad Sime Merchant Bankers Berhad	Public Bank Berhad Public Finance Berhad Public Merchant Bank Bhd
<b>8. RHB Bank Berhad Group</b> RHB Bank Berhad RHB Sakura Merchant Bankers Bhd	Delta Finance Berhad Interfinance Berhad	RHB Bank Berhad RHB Delta Finance Berhad RHB Sakura Merchant Bankers Berhad

*Source: Bank Negara Malaysia, List of Licensed Banking Institutions in Malaysia. (Bank Negara Malaysia, 2012).*



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## Appendix 4 : Questionnaire



### Research Project

Dear participants:

I am Loh Chih Wei (Eugene), student from the Faculty of Accountancy and Management, UTAR and am currently doing Master in Business Administration (MBA). This is a survey on determinants of customer satisfaction in domestic retail banking sector. The purpose of the research is to identify determinants of customer satisfaction in domestic retail banking sector; it will also assess the impact of customer satisfaction on customer loyalty in domestic retail banking sector. It takes about 20 minutes to complete the questionnaire and the researcher will collect the questionnaire in one week time. You are reminded that your participation for this survey is voluntary. Please be informed that the details provided for this survey is strictly confidential and only grouped data will be presented. Your participation in this survey is truly appreciated.

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**Section A**

**INSTRUCTION: Please read each question carefully and mark (X) in the box for the statements deemed appropriate.**

1 Do you use any kinds of banking facilities?

Yes  No

2 If Yes, what kind of retail banking facilities do you use? (Answers could be more than one)

Savings / Current Account  Housing Loan / Hire Purchase Loan

Fixed Deposit  Personal / Business Loan

Credit Card / Debit Card  Mutual Fund / Unit Trust

Remittances  Insurance

3 Which local retail bank's facility have you used in the past 6 months?

	<b>Tick whichever applicable (can be more than one)</b>	<b>Tick ONLY one the most frequent bank you used the facility</b>
Malayan Banking Berhad		
CIMB Bank Berhad		
Public Bank Berhad		
Hong Leong Bank Berhad		
RHB Bank Berhad		
Alliance Bank Malaysia Berhad		
Ambank (M) Berhad		
Affin Bank Berhad		
Others (Please indicate local retail bank only)		

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**Section B**

**INSTRUCTION: Please circle ONLY one answer to indicate your level of agreement or disagreement with the statements. Kindly answer all the questions in this section based on the most frequent bank you patronize as indicated in Q3 Section A.**

- 1- Strongly Disagree (SD)
- 2- Disagree (D)
- 3- Neutral (N)
- 4- Agree (A)
- 5- Strongly Agree (SA)

No	Service Quality	SD	D	N	A	SA
1	The bank has up-to-date equipment (e.g., ATM).	1	2	3	4	5
2	The bank's materials associated with the service are visually appealing.	1	2	3	4	5
3	When I have a problem, the bank shows a sincere interest in solving the problem.	1	2	3	4	5
4	The bank provides its services at the time it promises to do so and performs the services right at the first time.	1	2	3	4	5
5	The bank's employees give me prompt service.	1	2	3	4	5
6	The bank's employees are never too busy to respond to my requests.	1	2	3	4	5
7	Behaviour of the bank's employees instills confidence in customers.	1	2	3	4	5
8	I feel safe in my transactions with the bank.	1	2	3	4	5
9	The bank gives me individual attention.	1	2	3	4	5
10	The bank's employees understand my specific needs.	1	2	3	4	5

No	Corporate Image	SD	D	N	A	SA
1	The bank's product and services has a good reputation.	1	2	3	4	5
2	I believe that the bank has a better image than its competitors.	1	2	3	4	5
3	The bank aims much effort to the benefits of the community.	1	2	3	4	5
4	The bank overall has a good reputation.	1	2	3	4	5

No	Perceived Value	SD	D	N	A	SA
1	The services of the bank are considered to be good deal.	1	2	3	4	5
2	The service quality I receive from the bank is worth my time, energy and efforts.	1	2	3	4	5
3	I do not believe that another bank would have the same or even a better offer.	1	2	3	4	5
4	Overall, the services I receive from the bank are valuable.	1	2	3	4	5

No	Price of Services	SD	D	N	A	SA
1	Price information is clear, complete and understandable.	1	2	3	4	5
2	I am properly informed about the price of services.	1	2	3	4	5
3	Price changes are communicated properly and timely.	1	2	3	4	5
4	There are no hidden costs for the products and services.	1	2	3	4	5

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No	Relationship Marketing	SD	D	N	A	SA
1	The bank's words and promises are reliable.	1	2	3	4	5
2	The bank offers personalised services to meet my needs.	1	2	3	4	5
3	The bank provides timely and accurate information.	1	2	3	4	5
4	My relationship with the bank is desirable.	1	2	3	4	5

No	Customer Satisfaction	SD	D	N	A	SA
1	I am pleased to be associated with the bank.	1	2	3	4	5
2	I am happy to do transaction with the bank.	1	2	3	4	5
3	I feel good on my decision to do business with the bank.	1	2	3	4	5
4	Overall, the bank is able to satisfy my wants and needs.	1	2	3	4	5

No	Customer Loyalty	SD	D	N	A	SA
1	I will say positive things about the bank to other people.	1	2	3	4	5
2	I will recommend the bank to my friends.	1	2	3	4	5
3	I consider the bank to be my first choice for banking purpose in the future.	1	2	3	4	5
4	I will continue to do business transactions via the bank for the foreseeable future.	1	2	3	4	5

**Section C**

**INSTRUCTION: Please read each question carefully and mark (X) in the box for the statements deemed appropriate.**

1 Gender

Male

Female

2 Age

< 21 years

41-50 years

21-30 years

51-60 years

31-40ears

>60 years

3 Location

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## Appendix 5 : Reliability Analysis

### 5.1 Service Quality

Cronbach's Alpha	N of Items
.866	10

#### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Service quality 1	34.90	16.095	.435	.868
Service quality 2	35.20	15.116	.793	.835
Service quality 3	35.50	16.053	.580	.853
Service quality 4	35.20	16.168	.565	.854
Service quality 5	35.20	15.537	.700	.843
Service quality 6	35.30	14.958	.731	.839
Service quality 7	35.70	16.853	.575	.854
Service quality 8	34.90	15.463	.705	.842
Service quality 9	35.60	17.937	.316	.870
Service quality 10	35.30	16.432	.445	.865

### 5.2 Corporate Image

Cronbach's Alpha	N of Items
.879	4

#### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Corporate image 1	12.60	3.621	.690	.863
Corporate image 2	12.60	3.200	.914	.780
Corporate image 3	12.80	3.326	.739	.845
Corporate image 4	12.70	3.379	.641	.888

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### **5.3 Perceived Value**

Cronbach's Alpha	N of Items
.900	4

#### **Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Perceived value 1	11.70	4.853	.885	.839
Perceived value 2	11.70	5.063	.801	.867
Perceived value 3	12.30	4.011	.725	.921
Perceived value 4	11.70	5.063	.801	.867

### **5.4 Price of Services**

Cronbach's Alpha	N of Items
.813	4

#### **Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Price of services 1	11.10	2.411	.746	.707
Price of services 2	11.40	2.989	.574	.792
Price of services 3	11.50	3.000	.840	.716
Price of services 4	11.60	2.568	.512	.848

### **5.5 Relationship Marketing**

Cronbach's Alpha	N of Items
.850	4

#### **Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Relationship marketing 1	11.30	2.116	.776	.806
Relationship marketing 2	11.30	2.747	.860	.736
Relationship marketing 3	11.20	3.116	.717	.801
Relationship marketing 4	11.20	3.958	.567	.870

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### **5.6 Customer Satisfaction**

Cronbach's Alpha	N of Items
.776	4

#### **Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Customer satisfaction 1	12.60	1.305	.629	.702
Customer satisfaction 2	12.50	.895	.593	.776
Customer satisfaction 3	12.60	1.305	.629	.702
Customer satisfaction 4	12.70	1.484	.646	.723

### **5.7 Customer Loyalty**

Cronbach's Alpha	N of Items
.834	4

#### **Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Customer loyalty 1	12.30	4.642	.661	.816
Customer loyalty 2	12.40	3.411	.768	.741
Customer loyalty 3	12.70	2.326	.798	.787
Customer loyalty 4	12.70	4.642	.745	.803

**Appendix 6 : Frequency Analysis**

**6.1 Service Quality**

**Service quality 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	4.0	4.0	4.0
	Neutral	50	20.0	20.0	24.0
	Agree	138	55.2	55.2	79.2
	Strongly Agree	52	20.8	20.8	100.0
	Total	250	100.0	100.0	

**Service quality 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	2.4	2.4	2.4
	Neutral	88	35.2	35.2	37.6
	Agree	134	53.6	53.6	91.2
	Strongly Agree	22	8.8	8.8	100.0
	Total	250	100.0	100.0	

**Service quality 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	22	8.8	8.8	10.4
	Neutral	82	32.8	32.8	43.2
	Agree	116	46.4	46.4	89.6
	Strongly Agree	26	10.4	10.4	100.0
	Total	250	100.0	100.0	

**Service quality 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	16	6.4	6.4	8.0
	Neutral	72	28.8	28.8	36.8
	Agree	128	51.2	51.2	88.0
	Strongly Agree	30	12.0	12.0	100.0
	Total	250	100.0	100.0	

**Service quality 5**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	20	8.0	8.0	9.6
	Neutral	89	35.6	35.6	45.2
	Agree	111	44.4	44.4	89.6
	Strongly Agree	26	10.4	10.4	100.0
	Total	250	100.0	100.0	



---

**Service quality 6**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	32	12.8	12.8	14.4
	Neutral	80	32.0	32.0	46.4
	Agree	106	42.4	42.4	88.8
	Strongly Agree	28	11.2	11.2	100.0
	Total		250	100.0	100.0

**Service quality 7**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	8	3.2	3.2	4.8
	Neutral	88	35.2	35.2	40.0
	Agree	126	50.4	50.4	90.4
	Strongly Agree	24	9.6	9.6	100.0
	Total		250	100.0	100.0

**Service quality 8**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	2.4	2.4	2.4
	Neutral	72	28.8	28.8	31.2
	Agree	136	54.4	54.4	85.6
	Strongly Agree	36	14.4	14.4	100.0
	Total		250	100.0	100.0

**Service quality 9**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	32	12.8	12.8	12.8
	Neutral	82	32.8	32.8	45.6
	Agree	126	50.4	50.4	96.0
	Strongly Agree	10	4.0	4.0	100.0
	Total		250	100.0	100.0

**Service quality 10**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	20	8.0	8.0	8.0
	Neutral	82	32.8	32.8	40.8
	Agree	130	52.0	52.0	92.8
	Strongly Agree	18	7.2	7.2	100.0
	Total		250	100.0	100.0

---

## **6.2 Corporate Image**

### **Corporate image 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	8	3.2	3.2	3.2
	Neutral	54	21.6	21.6	24.8
	Agree	134	53.6	53.6	78.4
	Strongly Agree	54	21.6	21.6	100.0
	Total	250	100.0	100.0	

### **Corporate image 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	16	6.4	6.4	6.4
	Neutral	74	29.6	29.6	36.0
	Agree	112	44.8	44.8	80.8
	Strongly Agree	48	19.2	19.2	100.0
	Total	250	100.0	100.0	

### **Corporate image 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	24	9.6	9.6	9.6
	Neutral	62	24.8	24.8	34.4
	Agree	122	48.8	48.8	83.2
	Strongly Agree	42	16.8	16.8	100.0
	Total	250	100.0	100.0	

### **Corporate image 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	14	5.6	5.6	5.6
	Neutral	38	15.2	15.2	20.8
	Agree	142	56.8	56.8	77.6
	Strongly Agree	56	22.4	22.4	100.0
	Total	250	100.0	100.0	

## **6.3 Perceived Value**

### **Perceived value 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	8	3.2	3.2	3.2
	Neutral	68	27.2	27.2	30.4
	Agree	140	56.0	56.0	86.4
	Strongly Agree	34	13.6	13.6	100.0
	Total	250	100.0	100.0	

**Perceived value 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	.8	.8	.8
	Disagree	28	11.2	11.2	12.0
	Neutral	62	24.8	24.8	36.8
	Agree	122	48.8	48.8	85.6
	Strongly Agree	36	14.4	14.4	100.0
	Total	250	100.0	100.0	

**Perceived value 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	48	19.2	19.2	20.8
	Neutral	90	36.0	36.0	56.8
	Agree	82	32.8	32.8	89.6
	Strongly Agree	26	10.4	10.4	100.0
	Total	250	100.0	100.0	

**Perceived value 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	.8	.8	.8
	Disagree	14	5.6	5.6	6.4
	Neutral	62	24.8	24.8	31.2
	Agree	126	50.4	50.4	81.6
	Strongly Agree	46	18.4	18.4	100.0
	Total	250	100.0	100.0	

**6.4 Price of Services****Price of services 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	4.8	4.8	4.8
	Neutral	102	40.8	40.8	45.6
	Agree	120	48.0	48.0	93.6
	Strongly Agree	16	6.4	6.4	100.0
	Total	250	100.0	100.0	

**Price of services 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	1.6	1.6	1.6
	Neutral	122	48.8	48.8	50.4
	Agree	112	44.8	44.8	95.2
	Strongly Agree	12	4.8	4.8	100.0
	Total	250	100.0	100.0	

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**Price of services 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	4.0	4.0	4.0
	Neutral	124	49.6	49.6	53.6
	Agree	112	44.8	44.8	98.4
	Strongly Agree	4	1.6	1.6	100.0
	Total	250	100.0	100.0	

**Price of services 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	.8	.8	.8
	Disagree	12	4.8	4.8	5.6
	Neutral	120	48.0	48.0	53.6
	Agree	104	41.6	41.6	95.2
	Strongly Agree	12	4.8	4.8	100.0
	Total	250	100.0	100.0	

**6.5 Relationship Marketing****Relationship marketing 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	4.8	4.8	4.8
	Neutral	82	32.8	32.8	37.6
	Agree	118	47.2	47.2	84.8
	Strongly Agree	38	15.2	15.2	100.0
	Total	250	100.0	100.0	

**Relationship marketing 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	26	10.4	10.4	10.4
	Neutral	84	33.6	33.6	44.0
	Agree	104	41.6	41.6	85.6
	Strongly Agree	36	14.4	14.4	100.0
	Total	250	100.0	100.0	

**Relationship marketing 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	14	5.6	5.6	5.6
	Neutral	86	34.4	34.4	40.0
	Agree	122	48.8	48.8	88.8
	Strongly Agree	28	11.2	11.2	100.0
	Total	250	100.0	100.0	

---

**Relationship marketing 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	14	5.6	5.6	5.6
	Neutral	82	32.8	32.8	38.4
	Agree	108	43.2	43.2	81.6
	Strongly Agree	46	18.4	18.4	100.0
	Total	250	100.0	100.0	

**6.6 Customer Satisfaction****Customer satisfaction 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	4.0	4.0	4.0
	Neutral	74	29.6	29.6	33.6
	Agree	126	50.4	50.4	84.0
	Strongly Agree	40	16.0	16.0	100.0
	Total	250	100.0	100.0	

**Customer satisfaction 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.6	1.6	1.6
	Disagree	14	5.6	5.6	7.2
	Neutral	54	21.6	21.6	28.8
	Agree	128	51.2	51.2	80.0
	Strongly Agree	50	20.0	20.0	100.0
	Total	250	100.0	100.0	

**Customer satisfaction 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	20	8.0	8.0	8.0
	Neutral	64	25.6	25.6	33.6
	Agree	122	48.8	48.8	82.4
	Strongly Agree	44	17.6	17.6	100.0
	Total	250	100.0	100.0	

**Customer satisfaction 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	4.8	4.8	4.8
	Neutral	54	21.6	21.6	26.4
	Agree	136	54.4	54.4	80.8
	Strongly Agree	48	19.2	19.2	100.0
	Total	250	100.0	100.0	

---

## **6.7 Customer Loyalty**

### **Customer loyalty 1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	4.0	4.0	4.0
	Neutral	88	35.2	35.2	39.2
	Agree	104	41.6	41.6	80.8
	Strongly Agree	48	19.2	19.2	100.0
	Total	250	100.0	100.0	

### **Customer loyalty 2**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	4.8	4.8	4.8
	Neutral	82	32.8	32.8	37.6
	Agree	94	37.6	37.6	75.2
	Strongly Agree	62	24.8	24.8	100.0
	Total	250	100.0	100.0	

### **Customer loyalty 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	.8	.8	.8
	Disagree	26	10.4	10.4	11.2
	Neutral	52	20.8	20.8	32.0
	Agree	116	46.4	46.4	78.4
	Strongly Agree	54	21.6	21.6	100.0
	Total	250	100.0	100.0	

### **Customer loyalty 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	8	3.2	3.2	3.2
	Neutral	58	23.2	23.2	26.4
	Agree	124	49.6	49.6	76.0
	Strongly Agree	60	24.0	24.0	100.0
	Total	250	100.0	100.0	

---

## Appendix 7 : Statistics

### 7.1 Service Quality

		Service quality 1	Service quality 2	Service quality 3	Service quality 4	Service quality 5
N	Valid	250	250	250	250	250
	Missing	0	0	0	0	0
Mean		3.93	3.69	3.55	3.66	3.54
Median		4.00	4.00	4.00	4.00	4.00
Mode		4	4	4	4	4
Std. Deviation		.752	.664	.855	.832	.846
Minimum		2	2	1	1	1
Maximum		5	5	5	5	5

		Service quality 6	Service quality 7	Service quality 8	Service quality 9	Service quality 10
N	Valid	250	250	250	250	250
	Missing	0	0	0	0	0
Mean		3.49	3.63	3.81	3.46	3.58
Median		4.00	4.00	4.00	4.00	4.00
Mode		4	4	4	4	4
Std. Deviation		.911	.766	.702	.766	.741
Minimum		1	1	2	2	2
Maximum		5	5	5	5	5

### 7.2 Corporate Image

		Corporate image 1	Corporate image 2	Corporate image 3	Corporate image 4
N	Valid	250	250	250	250
	Missing	0	0	0	0
Mean		3.94	3.77	3.73	3.96
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		.747	.832	.854	.775
Minimum		2	2	2	2
Maximum		5	5	5	5

---

### 7.3 Perceived Value

		Perceived value 1	Perceived value 2	Perceived value 3	Perceived value 4
N	Valid	250	250	250	250
	Missing	0	0	0	0
Mean		3.80	3.65	3.31	3.80
Median		4.00	4.00	3.00	4.00
Mode		4	4	3	4
Std. Deviation		.706	.890	.952	.831
Minimum		2	1	1	1
Maximum		5	5	5	5

### 7.4 Price of Services

		Price of services 1	Price of services 2	Price of services 3	Price of services 4
N	Valid	250	250	250	250
	Missing	0	0	0	0
Mean		3.56	3.53	3.44	3.45
Median		4.00	3.00	3.00	3.00
Mode		4	3	3	3
Std. Deviation		.687	.615	.600	.699
Minimum		2	2	2	1
Maximum		5	5	5	5

### 7.5 Relationship Marketing

		Relationship marketing 1	Relationship marketing 2	Relationship marketing 3	Relationship marketing 4
N	Valid	250	250	250	250
	Missing	0	0	0	0
Mean		3.73	3.60	3.66	3.74
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		.775	.860	.751	.820
Minimum		2	2	2	2
Maximum		5	5	5	5



### 7.6 Customer Satisfaction

		Customer satisfaction 1	Customer satisfaction 2	Customer satisfaction 3	Customer satisfaction 4
N	Valid	250	250	250	250
	Missing	0	0	0	0
Mean		3.78	3.82	3.76	3.88
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		.756	.870	.835	.767
Minimum		2	1	2	2
Maximum		5	5	5	5

### 7.7 Customer Loyalty

		Customer loyalty 1	Customer loyalty 2	Customer loyalty 3	Customer loyalty 4
N	Valid	250	250	250	250
	Missing	0	0	0	0
Mean		3.76	3.82	3.78	3.94
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		.806	.860	.930	.774
Minimum		2	2	1	2
Maximum		5	5	5	5

## Appendix 8 : Factor Analysis

### 8.1 Service Quality

#### KMO and Bartlett's Test

<i>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</i>		.896
Bartlett's Test of Sphericity	Approx. Chi-Square	1426.749
	df	45
	Sig.	.000

**Communalities**

	Initial	Extraction
Service quality 1	1.000	.264
Service quality 2	1.000	.491
Service quality 3	1.000	.646
Service quality 4	1.000	.666
Service quality 5	1.000	.699
Service quality 6	1.000	.687
Service quality 7	1.000	.589
Service quality 8	1.000	.467
Service quality 9	1.000	.579
Service quality 10	1.000	.531

*Extraction Method: Principal Component Analysis.*

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Service quality 1	5.618	56.179	56.179	5.618	56.179	56.179
Service quality 2	.958	9.583	65.762			
Service quality 3	.718	7.175	72.937			
Service quality 4	.607	6.075	79.012			
Service quality 5	.542	5.424	84.436			
Service quality 6	.439	4.389	88.825			
Service quality 7	.368	3.682	92.507			
Service quality 8	.334	3.344	95.851			
Service quality 9	.222	2.220	98.071			
Service quality 10	.193	1.929	100.000			

*Extraction Method: Principal Component Analysis.*

**Component Matrix<sup>a</sup>**

	Component
	1
Service quality 1	.514
Service quality 2	.700
Service quality 3	.804
Service quality 4	.816
Service quality 5	.836
Service quality 6	.829
Service quality 7	.767
Service quality 8	.684
Service quality 9	.761
Service quality 10	.729

*Extraction Method: Principal Component Analysis.*

a. 1 components extracted.

## 8.2 Corporate Image

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.836
Bartlett's Test of Sphericity	Approx. Chi-Square	499.819
	df	6
	Sig.	.000

### Communalities

	Initial	Extraction
Corporate image 1	1.000	.736
Corporate image 2	1.000	.767
Corporate image 3	1.000	.731
Corporate image 4	1.000	.691

Extraction Method: Principal Component Analysis.

### Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	Corporate image 1	2.925	73.120	73.120	2.925	73.120
Corporate image 2	.407	10.178	83.298			
Corporate image 3	.361	9.024	92.322			
Corporate image 4	.307	7.678	100.000			

Extraction Method: Principal Component Analysis.

### Component Matrix<sup>a</sup>

	Component
	1
Corporate image 1	.858
Corporate image 2	.876
Corporate image 3	.855
Corporate image 4	.831

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

### **8.3 Perceived Value**

#### **KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.776
Bartlett's Test of Sphericity	Approx. Chi-Square	536.892
	Df	6
	Sig.	.000

#### **Communalities**

	Initial	Extraction
Perceived value 1	1.000	.790
Perceived value 2	1.000	.749
Perceived value 3	1.000	.445
Perceived value 4	1.000	.839

*Extraction Method: Principal Component Analysis.*

#### **Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Perceived value 1	2.823	70.566	70.566	2.823	70.566	70.566
Perceived value 2	.674	16.846	87.412			
Perceived value 3	.312	7.806	95.218			
Perceived value 4	.191	4.782	100.000			

*Extraction Method: Principal Component Analysis.*

#### **Component Matrix<sup>a</sup>**

	Component
	1
Perceived value 1	.889
Perceived value 2	.865
Perceived value 3	.667
Perceived value 4	.916

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

## 8.4 Price of Services

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.639
Bartlett's Test of Sphericity	Approx. Chi-Square	357.632
	Df	6
	Sig.	.000

### Communalities

	Initial	Extraction
Price of services 1	1.000	.701
Price of services 2	1.000	.619
Price of services 3	1.000	.718
Price of services 4	1.000	.442

Extraction Method: Principal Component Analysis.

### Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Price of services 1	2.480	61.992	61.992	2.480	61.992	61.992
Price of services 2	.805	20.131	82.122			
Price of services 3	.459	11.468	93.590			
Price of services 4	.256	6.410	100.000			

Extraction Method: Principal Component Analysis.

### Component Matrix<sup>a</sup>

	Component
	1
Price of services 1	.837
Price of services 2	.787
Price of services 3	.847
Price of services 4	.665

Extraction Method: Principal Component Analysis.

Analysis

a. 1 components extracted.

## 8.5 Relationship Marketing

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.766
Bartlett's Test of Sphericity	Approx. Chi-Square	569.671
	Df	6
	Sig.	.000

### Communalities

	Initial	Extraction
Relationship marketing 1	1.000	.705
Relationship marketing 2	1.000	.772
Relationship marketing 3	1.000	.754
Relationship marketing 4	1.000	.727

Extraction Method: Principal Component Analysis.

### Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Relationship marketing 1	2.958	73.941	73.941	2.958	73.941	73.941
Relationship marketing 2	.534	13.339	87.280			
Relationship marketing 3	.295	7.387	94.667			
Relationship marketing 4	.213	5.333	100.000			

Extraction Method: Principal Component Analysis.

### Component Matrix<sup>a</sup>

	Component
	1
Relationship marketing 1	.840
Relationship marketing 2	.878
Relationship marketing 3	.868
Relationship marketing 4	.852

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

## **8.6 Customer Satisfaction**

### **KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.813
Bartlett's Test of Sphericity	Approx. Chi-Square	706.565
	df	6
	Sig.	.000

### **Communalities**

	Initial	Extraction
Customer satisfaction 1	1.000	.737
Customer satisfaction 2	1.000	.827
Customer satisfaction 3	1.000	.839
Customer satisfaction 4	1.000	.747

*Extraction Method: Principal Component Analysis.*

### **Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Customer satisfaction 1	3.149	78.720	78.720	3.149	78.720	78.720
Customer satisfaction 2	.390	9.753	88.473			
Customer satisfaction 3	.312	7.802	96.275			
Customer satisfaction 4	.149	3.725	100.000			

*Extraction Method: Principal Component Analysis.*

**Component Matrix<sup>a</sup>**

	Component
	1
Customer satisfaction 1	.858
Customer satisfaction 2	.909
Customer satisfaction 3	.916
Customer satisfaction 4	.864

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

**8.7 Customer Loyalty**

**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.761
Bartlett's Test of Sphericity	Approx. Chi-Square	699.959
	df	6
	Sig.	.000

**Communalities**

	Initial	Extraction
Customer loyalty 1	1.000	.767
Customer loyalty 2	1.000	.834
Customer loyalty 3	1.000	.793
Customer loyalty 4	1.000	.700

*Extraction Method: Principal Component Analysis.*

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	Customer loyalty 1	3.094	77.355	77.355	3.094	77.355
Customer loyalty 2	.498	12.461	89.816			
Customer loyalty 3	.262	6.559	96.375			
Customer loyalty 4	.145	3.625	100.000			

*Extraction Method: Principal Component Analysis.*



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### Component Matrix<sup>a</sup>

	Component
	1
Customer loyalty 1	.876
Customer loyalty 2	.913
Customer loyalty 3	.891
Customer loyalty 4	.837

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

### Appendix 9 : Demographic Frequency Table

#### 9.1 Gender

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	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	140	56.0	56.0	56.0
Female	110	44.0	44.0	100.0
Total	250	100.0	100.0	

#### 9.2 Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <21 years	10	4.0	4.0	4.0
21-30 years	116	46.4	46.4	50.4
31-40 years	82	32.8	32.8	83.2
41-50 years	30	12.0	12.0	95.2
51-60 years	12	4.8	4.8	100.0
Total	250	100.0	100.0	

#### 9.3 Location

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Kuala Lumpur	116	46.4	46.4	46.4
Selangor	134	53.6	53.6	100.0
Total	250	100.0	100.0	

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