Customer Satisfaction in banking industry: An analytical study

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Introduction:

The Financial Services is the backbone of service sector. This is important not only for the banking sector but for the Indian economy as a whole. This is so because banking is a catalyst and life of modern trade and commerce. It is an integral part of all the businesses and social activities. This rapid transformation of services in the banking system has led to the evolution of a highly competitive and complex market where there is a continuous refinement of services. Hence the increased role of banking in India's economic development on the one hand and the changes in the business climate on the other has put increased pressure on them. These changes are compelling the banks to reorganize themselves in order to cope with the present conditions. Banking operations are becoming increasingly customer dictated. The demand for 'banking super malls' offering one-stop integrated financial services is well on the rise. The ability of banks to offer clients access to several markets for different classes of financial instruments has become a valuable competitive edge. Convergence in the industry to cater to the changing demographic expectations is now more than evident. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge.The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

This study takes a look at the models for measuring customer satisfaction in the Banking industry.

Problem of the study:

In the present scenario banking industry is passing through a very critical phase. This sector is facing multiple challenges such as capital adequacy, adoption of technology, lack of qualitative services to the customers. Similarly, cut-throat competition among the competitors and moreover to attain the customer satisfaction and their retention. Hence, the study is undertaken to understand the multiple problems and difficulties pertaining to customer satisfaction.

Research Methodology:

The present research is exploratory cum descriptive in nature mainly depends upon secondary source of information. Secondary data were collected from published and unpublished books, bulletins, research reports, annual reports, academic journals, reviews, magazines, newspapers, theses from universities, conferences and seminars papers, government census records, various working papers on the current topic.

Objectives of the Study:

1. To conceptualise the term 'Customer Satisfaction' in Banking Industry.

2. To examine the need to Measure Customer Satisfaction in Banking Industry.
3. To study the relationship between Service Quality and Customer Satisfaction
4. To study the various MODELS of Customer Satisfaction

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Review of Literature:

Satisfaction is basically a psychological state; care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed. Work done by Berry (Bart Allen) and Brodeur between 1990 and 1998 defined ten 'Quality Values' which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.

Work done by Parasuraman, Zeithaml and Berry (Leonard L) between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurers with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation.

Mohsin Zafar, et al. (2012), " Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan" they concludes that the study measures the effect of most common constructs for quality of banking services that influence customer satisfaction and examine the impact of customer satisfaction on customer loyalty in the context of banking relationships. It is quite evident from the results that theory and practice in different areas are closely related, for instance, the service quality constructs and customer satisfaction are very important and there is positive and significant relationship between these variables it means the change of one point of each construct of service quality effects the customer satisfaction, whereas, it is concluded that the customer satisfaction and customer loyalty have the strong positive relationship with each other and the change in one point of customer satisfaction

Customer Satisfaction:

The definition of Customer Satisfaction is very simple. A customer satisfied whenever his or her needs, real or perceived, or met or exceeded. Satisfaction is the sum total of customer's expressions of service quality and depends upon customer's own perceptions and expectations. Service Satisfaction of the customers is an invaluable asset for the modern organizations, providing unmatched competitive edge. It helps in building long term relationship as well as brand equity. the best approach to customer retention is to deliver high level of customer satisfaction that results in, strong customer loyalty. Satisfaction being a judgment, that a product or service feature or the product or service itself, provides a pleasurable level of consumption related fulfillment, is dynamic in nature. Customer satisfaction is a very important construct in today's market. An organization cannot survive in the long run if its customers are not satisfied. Customer is a very important person in the market. In fact, he is the king of the market. Therefore, it is the utmost duty of an organization to safeguard his interests and meet his expectations with the products or services offered.

Constituents of Satisfaction:

The word "satisfied" itself had a number of different meanings for respondents, which can be split into the broad themes of contentment or happiness, relief, achieving aims, and achieving aims and happy with outcome and the fact that they did not encounter any hassle.

Clearly then there is some variation in understanding of the term. Some of the interpretations fit with the definitions used in much of the service quality and satisfaction literature, where satisfaction is viewed as a zero state, merely an assessment that the service is adequate, as opposed to "delight" which reflects a service that exceeds expectations. However, most respondents have more positive

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interpretations of the term. These questions allow us to identify priorities for improvement by comparing satisfaction with stated importance, comparing satisfaction with modeled importance from identifying key drivers of overall satisfaction, as well as respondents' own stated priorities.

The Need to Measure Customer Satisfaction:

Satisfied customers are central to optimal performance and financial returns. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction as an important strategic success indicator. With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company. This paper is an attempt to review the necessary requirements, and discuss the steps that need to be taken in order to measure and track customer satisfaction.

Service Quality and Customer Satisfaction:

There is a great deal of discussion and disagreement in the literature about the distinction between service quality and satisfaction. The service quality school view satisfaction as an antecedent of service quality - satisfaction with a number of individual transactions "decay" into an overall attitude towards service quality. The satisfaction school holds the opposite view that assessments of service quality lead to an overall attitude towards the service that they call satisfaction. There is obviously a strong link between customer satisfaction and customer retention. Customer's perception of Service and Quality of product will determine the success of the product or service in the market. If experience of the service greatly exceeds the expectations clients had of the service then satisfaction will be high, and vice versa.. In the service quality literature, perceptions of service delivery are measured separately from customer expectations, and the gap between the two provides a measure of service quality.

Expectations and Customer Satisfaction:

Expectations have a central role in influencing satisfaction with services, and these in turn are determined by a very wide range of factors lower expectations will result in higher satisfaction ratings for any given level of service quality. This would seem sensible; for example, poor previous experience with the service or other similar services is likely to result in it being easier to pleasantly surprise customers. However, there are clearly circumstances where negative preconceptions of a service provider will lead to lower expectations, but will also make it harder to achieve high satisfaction ratings - and where positive preconceptions and high expectations make positive ratings more likely. The expectations theory in much of the literature therefore seems to be an over-simplification.

The ISO Guidelines:

Measurement of Customer Satisfaction is a new and significant addition to the new ISO9000: 2000 standard. Organizations certified to this standard are now required to identify parameters that cause customer satisfaction or dissatisfaction and consciously measure them. We cannot create customer satisfaction just by meeting customer's requirements fully because these have to be met in any case. However falling short is certain to create dissatisfaction.

Clause 8.2.1 in ISO9000: 2000 states:

As one of the measurements of the performance of the Quality Management System, the organizations shall monitor information relating to customer perception as to whether the organization has met customer requirements. The methods for obtaining and using this information shall be determined.

Attributes of customer satisfaction can be summarized as:

* Product Quality
* Product Packaging
* Keeping delivery commitments

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* Price
* Responsiveness and ability to resolve complaints and reject reports
* Overall communication, accessibility and attitude

We cannot begin to address the customer satisfaction issue until we define the parameters and measures clearly. Major overall satisfaction measure, consisting of four subscales: general satisfaction, Trust, Reliability and professionalism, It is far more difficult to measure the level of performance and satisfaction when it comes to the intangible expectations. One of the ways to help obtain loyal customers is by having products and services that are so good that there is very little chance that the customer requirements will not be met.

THE MODELS OF CUSTOMER SATISFACTION:

• The KANO Model:

The customer satisfaction model from N. Kano is a quality management and marketing technique that can be used for measuring client happiness. Kano's model of customer satisfaction distinguishes six categories of quality attributes, from the first three actually influence customer satisfaction:
1. Basic Factors The minimum requirements which will cause dissatisfaction if they are not which fulfilled, but do not cause customer satisfaction if they are fulfilled (or are exceeded). The customer regards these as prerequisites and takes these for granted. Basic factors establish a market entry 'threshold'.
2. Excitement Factors - The factors that increase customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered.
3. Performance Factors - The factors that cause satisfaction if the performance is high and they cause dissatisfaction if the performance is low. Typically these factors are directly connected to customers' explicit needs and desires and a company should try to be competitive here to provide more satisfaction to customers.
4. Indifferent attributes - The customer does not care about this feature.
5. Questionable attributes- It is unclear whether this attribute is expected by the customer.
6. Reverse attributes - The reverse of this product feature was expected by the customer. Kano developed a questionnaire to identify the basic, performance and excitement factors.

• The Profit –Chain Model:

Research has shown that organizational subunits where employee perceptions are favorable enjoy superior business performance. The service profit chain model of business performance (Heskett, Sasser, & Schlesinger, 1997) has identified customer satisfaction as a critical intervening variable in this relationship. A number of researchers have found that revenue-based measures of business unit performance, for example, sales and profitability, are significantly correlated with employees' work-related perceptions. The evidence suggests that business units in which employees' collective perceptions are relatively favorable perform better. Stated simply, the service profit chain asserts that satisfied and motivated employees produce satisfied customers and satisfied customers tend to purchase more, increasing the revenue and profits of the organization.

• The Service Expectation Model:

Customer satisfaction with a service or product can be measured through a survey of the actual perception of the users or otherwise comparing their actual perception with their expectations. More appropriately in the first case "quality" is considered, in the second "customer satisfaction" Therefore to measure the customer satisfaction we have to compare the evaluations of the user with his expectations connected to an ideal service or product.

• Variability in the Service Process Model:

The model shows that, while no individual process is correlated with firm performance, the aggregate measure of process performance affects firm performance. More importantly, the most significant finding is that while aggregate process performance is correlated with financial performance, it is not correlated with customer satisfaction. The process performance measure associated with both firm financial performance and customer satisfaction is the measure of variation across processes. We have

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found that if processes are managed in a consistent way, then both financial performance and customer satisfaction are improved. By consistent process management, we mean that the performance of individual processes within a firm are similar to one another and thus provide a consistent service offered to the consumer. Consumers' desire consistency and thus, the bank must align its various delivery processes to meet the consumer's needs. Therefore, we define process variation as the variation in performance across the eleven individual process performance scores for each bank. It is the variation that we have found to be the best predictor of overall firm performance.

Conclusion:

The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

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