CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1   INTRODUCTION

This chapter discusses the findings presented in Chapter 4 in several sections. Firstly, an overview of the study is presented followed by major findings. Subsequently, marketing implications and contribution of the study is provided. Lastly, this chapter concludes with suggestions for future research.

5.2   OVERVIEW OF STUDY

This study was carried out to examine the perception of Malaysian retail banking customers about their main banker's operational excellence, product leadership and customer intimacy; which collectively are known as value disciplines. Value discipline is a concept developed by Treacy and Wiersema in 1993, which builds on the limitation of Michael Porter's three generic strategies of cost leadership, focus and differentiation. Porter's three generic strategies were critised as it leaves a viable middle ground untapped whenever organisations chooses to focus on either one or a combination of the strategies (Millar, 1992). Thus, by focusing on values as not the strategy as a whole, an inelasticity of demand for an organisation's products is created; enabling organizations to be less price sensitive (Sobel,1995). This is because by increasing customer's expectation of the value delivered, this

would indirectly increase the propensity of customers to pay more for the particular product and service (Bick et al., 2004).

Previous study by Bick et al. (2004) has shown that there is a lack of differentiating factor among banks since customers did not perceive their banks to offer anything different from their competitors that are seen to focus on operational excellence as well. In addition, their research also indicates that the banks are still not able to meet customer expectation when compared with their perception. Modelled after a previous study by Bick et al. (2004), this study attempts to attest if similar findings were apparent among retail banking customers in Malaysia who are exposed to the availability of different services strategies employed by local and foreign banks.

In addition, this study also attempts to investigate the relationship between customer value perception and service loyalty which comprises of behavioural, attitudinal and cognition loyalty (Lu and Tang, 2001). While customer loyalty has always been linked to customer satisfaction, this study attempts to evaluate the relationship between customer perception and the different dimensions of service loyalty. This perspective is important as organizations are urged to focus on customer value delivery process aside from the usual customer satisfaction (Woodruff, 1997) since customer satisfaction does not always imply loyalty (Mittal and Lassar, 1998; Bennett and Rundle-Thiele, 2004).

As such, this study is carried out using a survey of questionnaires which was self-administered and electronically disseminated among UM MBA

and alumni from July to August 2010. A total of 500 questionaires were distributed to the respondents of which 312 were found to be usable; indicating a respond rate of 62.4%. The 7 page questionnaire contained 5 parts of close ended questions to examine respondent's perception and expectation towards their main banker's value disciplines; their service loyalty towards their main banker as well as respondent's profile. All together there were 44 items in the questionnaire.

The sampling technique used was non probability sampling. Convenience sampling was choosen as anyone with an operating account could answer the questionnaire. Data collated were then analysed according to the suitability and hypotheses using methods such as correlation, regression, t-test, paired sample t-test and ANOVA.

5.3   MAJOR FINDINGS

Major findings on the profile of respondents and hypothesis testing are presented in the subsequent sub sections.

5.3.1 Profile Of Respondents

As non probability sampling was undertaken using convenience sampling, demographics revealed that there were more females (56.7%) that responded to the survey than males (43.3%). In terms of age, majority of the respondents were between 21 years to 30 years (48.1%) and are mostly Chinese (45.1%). From an income level perspective, majority of respondents earned between RM2,001 to RM4,000 (37.9%) while based on education

background, 58.7% of the respondents were either First Degree or Professional Qualification holders. Based on the profile, 42.4% of the respondents were Executives / Engineers and most respondents were currently engaged in the services industry (77.5%) and working in with the private sector (63.4%).

In terms of banking behaviour, 70.5% of the respondents are currently using a Local Bank as their Main Banker and on average the respondents have at least 10 years banking relationship. The survey also revealed the type of banking facilities that they are currently enjoying with their Main Banker where 50% responded that they only use their Main Banker for transactional purposes such as Internet Banking, maintenance of Current and Savings Account etc while 32.4% of the respondents have both loans and transactional facilities with the Main Banker. A small percentage (9%) of the total respondents actually have a full suite of facilities with the Main Banker ranging from loans to transactional facilities and also for other needs such as investment (unit trust), insurance etc.

From a loyalty perspective, 15.9% of the respondents maintain an exclusive banking relationship with their Main Banker while an overwhelming majority of respondents (84.1%) have on average two other banking relationships with another financial service provider.

5.3.2 Perception And Expectation Of Value Disciplines

Based on the survey, majority of the respondents perceive that operational excellence still dominant compared to the other value disciplines

of product leadership and customer intimacy. This is in line with previous study by Bick et al. (2004). Focusing on operational and service excellence seems logical given that it would be able to satisfy customers' immediate banking needs and this in turn leads to customer's overall satisfaction towards his or her bank in the long run (Naser e.t. a.l., 1999; Levesque and McDougall, 1996).

However, this also indicates that there is a lack of differentiating factor among retail banks as most players tend to focus on the same value discipline. Perceptually it is almost possible that every bank performs more or less at the same level on both intangible and tangible factors (Paswan, Spears, Hasty and Ganesh, 2004). Furthermore, as the 'banking divide' narrows, products are also easily commoditised since every bank can offer almost similar product range / features. This makes banking susceptible to customer switching behaviour (Chakravarty et al., 2003) in the long run.

In terms of expectations, there is still a gap between customer's expectation and perception. This indicates that there is still more room for improvement. Thus, it is important for banks to regularly gauge customer's perception and expectation since previous literature has indicated that customer satisfaction alone may not ensure loyalty.

5.3.3 Relationship Between Customers' Value Perception And Service Loyalty

This study attempts to investigate the relationship between customer's value perception and service loyalty which comprises of 3 broad dimensions

i.e. behavioural, attitudinal and cognitive. As previous literatures have indicated, measuring loyalty based on either one of the dimensions may not provide a holistic picture to capture customer loyalty (Gremler and Brown, 1996; Lu and Tang, 2001).

Comparing the strength of the relationship between customer value perception with the different dimensions of customer loyalty, the model for behavioural loyalty produces the strongest relationship when compared against other loyalty measures. This is expected given that banking is transactional in nature and respondents may tend to exhibit more behavioural loyalty in terms of repeat usage due to familiarity and satisfaction with the service.

In terms of the relationship between customer perception and overall service loyalty, it is found that although there is a relationship, the strength of relationship is weak; indicating that customer perception alone is not the only measure of customer loyalty.

5.4 SUMMARY OF HYPOTHESIS TESTING

Based on the research objectives, 7 hypotheses were proposed of which 5 hypotheses were supported at $p < 0.05$. Summary of the results from hypothesis testing is as presented in Table 5.1. Further discussions on the individual hypothesis are provided in the subsequent section.

Table 5.1: Summary results of hypothesis testing

	Hypothesis	Result
Ha₁	*Retail banking customers perceive operational excellence of their main banker to be more prominent than customer intimacy or product leadership.*	Supported*
Ha₂	*Retail banking customers expects their main banker to deliver more of operational excellence than customer intimacy or product leadership.*	Supported*
Ha₃	*There is a difference between retail banking customer perception and expectation of their main banker's value disciplines.*	Supported*
Ha₄	*Customer perception of value disciplines has an influence on behavioural, attitudinal and cognitive loyalty.*	Supported*
Ha₅	*Customer perception of value disciplines has an influence on service loyalty.*	Supported*
Ha₆	*Customer perception of value disciplines is different between local and foreign bank.*	Not supported
Ha₇	*The type of bank and facilities has an influence on service loyalty.*	Not supported

*Significant at $p < 0.05$

5.4.1 Perception and Expectation of Value Disciplines

Based on the results, there is a difference among the respondents' perception of value disciplines. Despite much has been said about the need for more customer intimacy, respondents generally perceived their main banker to be emphasizing on Operational Excellence and this is in line with what is expected of them.

When comparing expectations of respondents', Operational Excellence scored the highest average mean over the other 2 value

disciplines. This is further reinforced with the gauge on the respondent's preference of value discipline whereby in a descending order of importance, Operational Excellence was voted the most important value discipline followed by Product Leadership and Customer Intimacy is the least important.

When comparing the means between the perception and expectation, it is found that Customer Intimacy scored the highest difference among the 3 value disciplines indicating that there is a need for banks to better manage their customers' perception or risk affecting the banking relationship in the long run. In this aspect, banks need to better understand their customer based on the customer lifetime value as at different stage in the relationship with the bank, the customer maybe looking for things other than the general attributes (Woodruff, 1997).

In a similar study of customer's value perception and expectation among retail banks in South Africa, Bick et al. (2004) noted that customers tended to expect their banks to provide Operational Excellence rather than other value disciplines. Hence, despite feedback for more customer intimacy strategies, respondents generally still perceive and expect their main bankers to deliver Operational Excellence above anything else. However, this finding also indicates that banks may be lacking in differentiating factor if most banks are focused on providing the same value strategy i.e. Operational Excellence.

5.4.2 Relationship between the perception of value disciplines on service loyalty

Literature on customer loyalty exposes several methods to measure loyalty. However, the area on service loyalty is often difficult to measure as services are uniquely different from goods (Gremler and Brown, 1998). As such, measures using behavioural, attitudinal and cognitive loyalty were used and ultimately a combination of these gives an indication of service loyalty (Lu and Tang, 2001). Based on the hypothesis testing, there is a significant relationship between the perception of value disciplines in influencing the different dimensions of loyalty and ultimately service loyalty.

Comparing the strength of the relationship, the model for behavioural loyalty produces the strongest relationship among the other loyalty measures i.e. 41% of the variance in behavioural loyalty can be explained by the perception of value disciplines. This is expected as majority of the respondents tend to use their main banker for transactional needs i.e. maintaining the current account, providing internet banking and credit card. Hence, when one is familiar with the services, repeat usage comes naturally due to familiarity and satisfaction with the service. This is inline with findings by Licata and Chakrborty (2009) in a study on the effects of stake, satisfaction and switching among financial services, that customers would perceive switching as costly because he or she would have to work with the new service provider to ensure the same level of satisfaction can be achieved. While the strength of the relationship is moderate i.e. below 50%, however, this model provides an indication that perception of particularly Operational

Excellence and Customer Intimacy must be managed properly as this will influence customer's service loyalty.

In terms of overall service loyalty, it is found that 41% of the variance can be explained by the different value perception. This is perhaps true given that customer loyalty is also influenced by other aspects such customer satisfaction (Ravald and Gronroos, 1996; Iacobucci et al. 1994). Thus, it is important for banks especially main bankers to keep sight of different influencing factors to get a overview of their customer loyalty.

5.4.3 Difference in Perception between Local and Foreign Banks

There is a tendency for services to be judged based on external cues (Bloemer et al, 1999). This is because unlike goods, services have intangibility and inseparability factors that are unique to the particular transaction. As such, bank image through branding for instance is important in building customer loyalty. In the past, foreign banks have been observed to be heavily capitalising on advertisements to build brand image but today, local banks are also turning to this avenue to build brand loyalty. Big local players like Maybank (who recently celebrated their 50th anniversary with a tagline 'Close to You' as advertised in The Malay Mail, August 2010) and CIMB ('Forward Banking' as advertised in The Star, October 2010) can be seen heavily advertising and branding themselves to project a more dynamic organisationa vis-à-vis their competitors in the market. Hence, it is no surprise that there is no difference in value perception of local or a foreign bank.

5.4.4 Impact of the Type of Bank and Facilities on Customer Loyalty

As highlighted in Chapter 2, the type of bank and the combination of facilities may affect customer loyalty in the sense that customers which have more dealings with the bank tend to have higher switching costs that will entice them to stay loyal. In addition, respondents were also tested if a perception that foreign banks may be too stringent with their risk assessment hence, higher attrition when times are bad, may affect the customer's loyalty towards the bank.

Results indicate that there is no impact on customer loyalty based on the type of bank or facilities. This may mean that respondents do not perceive having facilities with a foreign bank is a cause of concern nor that there is a high switching cost attached to their current main banker just because of the type of facility that they have with the bank. The lack of attachment may be attributable to the fact that retail banking products and services are generally homogeneous and are offered by most if not all banks in the market. Thus, banks need to be able to differentiate themselves from their competitors on this score and customer intimacy has been advocated as one way to do that.

5.5 MARKETING IMPLICATIONS

In today's competitive banking industry where service quality mindset is championed everywhere by most if not all banks (local and foreign), this have left little room for differentiation as supported by the results of this study. As such, there is a need for banks to leverage on the other two value

disciplines particularly customer intimacy in order to build long term relationship. This is because, while internally driven initiatives such as streamlining processes and creating a lean model may improve efficiency and effectiveness, this competitive advantage is short term in nature before the same model is adopted by other competitors (Woodruff, 1997). Thus, perhaps this is why, banks in Malaysia are observed changing their value proposition through their branding. Among notable examples (based on frequent advertisements in the print media include Maybank with the tagline 'Close to You' (The Malay Mail, August 2010), Standard Chartered Bank with 'Here to Stay' (The Sun, October 2010) and HSBC with 'The World's Local Bank' (The Sun, October 2010).

In a research conducted by Hedley, White, Petit dit de la Roche and Banerjea (2006) among banking industry executives, two mega trends that will shape the retail banking industry by 2015 aside from technology, human capital and heighten regulations are predicted as follows :

a) Emergence of financially savvy customers that demand for responsiveness and transparency from their banks.

b) Emergence of Universal Banks (that leverage on economies of scale) and Ultra-Focused Niche players that will edge out banks that are caught in the middle.

The findings carry deep implications for banks as it indicates that banks need to look beyond the current strategy of operational excellence and product leadership to offer something that can cultivate customer intimacy.

This is because, in order to cater to the changing environment, banks need to provide more choices and personalization of products and services; to build more customer awareness by using customers' information to proactively suggest solutions that meet their needs as well as to build greater perceived value relative to the competition. As such, the survey reveals that there is a relationship between customer value perception and their service loyalty. Bank managers and marketers should also consider this element aside from looking at customer satisfaction as a proxy to customer loyalty.

5.6   CONTRIBUTIONS OF THE STUDY

As highlighted in Chapter 1, contributions of this study are seen from two perspectives i.e. methodological and practical. As this study takes a look at customer perception of their main banker, it allows banks to take stock of their current position vis a vis the market. Perception of value delivery strategies such as Operational Excellence, Product Leadership and Customer Intimacy provides a broad picture to bankers and marketers of how respondents perceive their main bankers to offer. This enables banks to have a counter check the image portrayed against the strategies in place. To date, it can be seen that respondents in this study are generally agreeable that banks, whether local or foreign, are perceived to emphasise on Operational Excellence. While this is an indication that the banks are indeed working on what their customers expects them to be, however, this strategy may not be sustainable in the long run due to the lack of differentiating factor in the market especially if banks intend to retain their main banker position.

In addition, this study also adds to the current literature on customer loyalty among retail banking customers. While most studies have looked into measuring loyalty from a satisfaction perspective, this study approaches customer loyalty from a value perception perspective as research has shown that satisfaction does not always imply loyalty (Mittal and Lassar, 1998).

5.7 LIMITATIONS OF THE STUDY

Several limitations are prevalent in this study. Firstly, as convenience sampling is used, the results of this study may not be generalisable to the population. In addition, as the sample were mainly from Klang Valley, which is known to have a higher concentration of banks, competition may be more prevalent here than in smaller towns with limited banks. Relationship among customers and banks in small town are generally perceived to be better as there is lesser volume of transaction and the fact that personalized touch is often provided.

Secondly, although the constructs used in this study were adopted from previous research, however, there maybe other appropriate models that would be able to provide a better understanding of the relationship of the variables at hand. For example, service loyalty can be measured using other measures such as commitment to the service institution (Licata and Chakraborty, 2009; Johnson and Grayson, 2003). Besides this, the link between perception and satisfaction can also be put in place to gauge how it relates to customer loyalty.

Lastly, as this survey was administered through questionnaire that was distributed among individuals, it is assumed that the respondents correctly complete the questionaire based on their understanding of the questions. However, this may not always be the case as respondents may wrongly interpret certain questions and thus provide an inaccurate answer.

5.8 RECOMMENDATIONS

The retail banking landscape is getting competitive with each passing moment. Coupled with the fact that new players are coming in, existing banks need to take stock of the current value delivery strategy to see if it succeeds in engaging the customers.

As banks raced to acquire more customers, there is a growing consensus that retaining and maintaining customers is more cost beneficial. Concepts like how to deepen the share of wallet (Kim and Lee, 2010; Wirtz, Martilla and Lwin, 2007) and relationship building (Ravald and Gronroos, 1996) becomes critical in customer retention and this can only be achieved if banks have a complete understanding of how their customers perceived them aside from gauging the customer's satisfaction which is normally conducted through annual customer surveys.

From this survey, it can be noted that respondents generally perceived their main banker to emphasise on Operational Excellence. While Operational Excellence may hold the key to customer satisfaction, however, the lack of differentiating factor is precarious in the long run as customers

would tend to compare the attributes such as pricing when making a decision to bank with Bank A or Bank B.

The study has also shown that the gap between customers' perception and expectation for Customer Intimacy is the highest among other value disciplines. Further more, as the type of bank (whether local or foreign) and facility is also found to have no impact on service loyalty, there is a need to also look into strengthening customer intimacy and building long term relationships. This can be done through branding and public relation exercises that highlights customer engaging initiatives that can boost the bank's image.

This is inline with findings by O'Loughlin and Szmigin (2005) who posits that the primary way consumers can perceive added value and differentiation between financial service brands is through people-based process factors such as advice and expertise, service quality, customer orientation, flexibility and efficiency. Thus, a differentiating factor can be achieved if banks look into integrating strategies that meet customer's transactional needs through a people-process driven service experience that involves banking staff engaging and exceeding customer expectation to build positive customer experience. This is crucial in the long run to ensure sustainable competitive advantage and to avoid being 'stuck in the middle' if there is no clear differentiation as highlighted by Millar (1992).

5.9   SUGGESTIONS FOR FUTURE RESEARCH

As competition continue to intensify among retail banks, it is utmost important to work on strategies that can build customer loyalty. Despite the fact that banking relationships are now diluted as consumers are found to engage in more than one banking relationship, banks need to work on strategies that can 'lock in' customers' share of wallet. But to do this requires more research on the needs of the different customer profile, such as by age or income group. In addition, research on understanding how customers perceive and value initiatives such as frequency of contact or mode of contact (through mails, sms) would also enable banks to build 'customer stickiness' which is crucial for long term sustainability.

5.10   CONCLUSION

This chapter summarises the study by providing an overview which includes the objectives, research design before presenting the major findings. Subsequently, summary hypotheses were also outlined followed by marketing implications. This chapter also highlights the contribution of the study and its limitation. Lastly, this chapter concludes with recommendations and suggestions for future research.