CHAPTER 5
CONCLUSION AND IMPLICATIONS

CHAPTER 5 – CONCLUSION AND IMPLICATIONS

5.1 Introduction

This chapter includes the conclusion of the research, limitation of the study, recommendations for future study topics and managerial implications of the research.

5.2 Conclusion and Managerial Implications

The aim of this research is to determine whether service quality, perceived value and corporate image are the predictors of customer satisfaction in domestic retail banking sector. The research also attempts to examine the relationship between customer satisfaction and customer loyalty and whether customer satisfaction exists as a mediator between service quality, perceived value, corporate image and customer loyalty. This research tests the applicability of the research model among domestic retail banking customers. As a whole, the test results support the model.

All of the hypothesis were supported indicated that service quality, perceived value and corporate image have direct effects on customer satisfaction. There is a direct link between customer satisfaction and customer loyalty. Results review customer satisfaction exists as the mediator between service quality, perceived value, corporate image and customer loyalty. Corporate image is the best predictor of customer satisfaction towards domestic retail banking sector. Therefore, corporate image plays a critical role in enhancing customer satisfaction.

For hypothesis 1, the result is consistent with the previous literature by Yee et al. (2010) that service quality has a significant and direct impact on customer satisfaction and Cronin et al. (2000) that service quality is an antecedent of customer satisfaction.

The result of supporting hypothesis 2 is in line with the literature by Fornell et al. (1996) suggested that the top two determinants of customer satisfaction are perceived quality and perceived value and for hypothesis 3 is consistent with Andreassen and Lindestad (1998) whereby corporate image is the primary driver of customer satisfaction for the package tour industry consolidated.

For hypothesis 4, the result is in line with the literature by Beerli et al. (2004) showing that customer satisfaction has positive influence on customer loyalty and Yee et al., (2010) that customer satisfaction has a positive relationship towards customer loyalty.

For hypothesis 5, the Sobel test result is consistent with the previous literature by Caruana (2000) confirmed that customer satisfaction has a mediating effect on service quality and customer loyalty and Damodar and Mohapatra (2009) stated that increase in service quality of the banks can satisfy and retain customers.

For hypothesis 6, the result also constant with previous study by Lai et al. (2009), value has both a direct and indirect (through satisfaction) impact on customer loyalty and perceived value only indirectly influences loyalty through satisfaction (Alireza et al., 2011).

The result of supporting hypothesis 7 is in line with previous literature by Alireza et al. (2011), customer satisfaction as a mediator between corporate image and customer loyalty. It is also consistent with the study by Da Silva and Syed Alwi (2006) which discovered that customer satisfaction has a direct relationship with corporate image but an indirect relationship with loyalty intention.

Based on this study, service quality, perceived value and corporate image are positively related to customer satisfaction towards domestic retail banking sector. Banking customers tend to be satisfied if the bank provides distinctive and excellent service quality. Furthermore, banking customers also feel satisfy with the high perceived value delivered by the bank. Corporate Image is the strongest predictor of customer satisfaction towards domestic retail banking sector with a greater importance than service quality and perceived value. Therefore, domestic retail banks should enhance their corporate image since it is the most crucial factor that leads to customer satisfaction. In services industries, maintaining customer satisfaction is very important.

Customer satisfaction also has positive relationship with customer loyalty according to the finding of this study. Customers who are satisfied will tend to be loyal towards domestic retail banking sector. In the study of customer perceived value, satisfaction

and customer loyalty by Yang and Peterson (2004) stated that compared to transactional-specific satisfaction, overall satisfaction reflects customers' cumulative impression of a firm's service performance and in turn, it may serve as a better predictor of customer loyalty. Therefore, customer satisfaction is an important element in building customer loyalty. The relationship among customer satisfaction and customer loyalty is interrelated. In order to retain the customers, first the domestic retail bank should improve customer satisfaction.

Findings indicate customer satisfaction plays a mediating role between service quality, perceived value, corporate image and customer loyalty in domestic retail banking sector. Based on this study, the three predictors of customer satisfaction are service quality, perceived value and corporate image. Therefore, domestic bank needs to provide excellent service quality and worthwhile perceived value to banking customer and at the same time maintaining good corporate image since these three factors are the important attributes to be incorporated into the banking services to strategize the business and improve customer satisfaction.

Based on the interview with some of the respondents, they commented that if the bank provides good service quality, high perceived value and have positive corporate image, they will be more satisfy and will remain loyal to the bank. From the perception of the respondents found that the bonding of customer satisfaction and customer loyalty is so strong. Customer satisfaction contributes to customer loyalty. Customers who are satisfied are unlikely to switch to another bank. Based on previous literature, customer satisfaction is an important element in building customer loyalty and in turn contributes to firm's profitability (Anderson et al., 1994). Han and Ryu (2009) discovered that customer satisfaction is a significant predictor of customer loyalty in the study of the restaurant industry. Donio', Massari and Passiante (2006) in the study of agri-food sector confirmed that customer satisfaction positive related to customer loyalty attitude. However, besides the three predictors, domestic retail bank also need to consider other factors since this will help the bank to build competitive strength and in turn drives performance improvement.

For managerial implications, customer loyalty can be cultivated by enhancing customer satisfaction. Service quality is an important factor leading to customer

satisfaction. Therefore domestic retail bank needs to provide superior customer service to customer such as perform the services efficiently and effectively in order to instill confidence in customer. The domestic bank also can provides more visually appealing brochure and leaflet on their products and services so that customers feel satisfy with the service quality and will have repeat business with the bank.

From a managerial perspective, domestic retail bank need to consider perceived value as an essential factor contributes to customer satisfaction. Therefore, domestic retail bank should offer more products and services that are valuable to the customers and customer will be more satisfy with the value in the products and services and will not switch to other bank. For example, the domestic retail bank may offer a lower interest rate for mortgage to customer, cash rebate for credit card and other promotions on fixed deposit.

It is found from this study corporate image plays an important role in building customer satisfaction and indirectly enhancing customer loyalty. From the managerial standpoint, the domestic retail banking sector should consider corporate image as the most important factor in encouraging customer satisfaction. Therefore, the domestic retail bank will have to give continuous effort to maintain the positive corporate image and enhance the reputation in order to improve customer satisfaction which in turn drives customer loyalty. This can be done through advertisement that emphasize on high perceived value of the product and services offered by domestic retail banks. The award winning by the domestic retail bank assists to enhance the bank's corporate image. For example Maybank won the CRM Excellence Award 2010 for its high performance customer relationship program. Moreover, domestic retail bank could place greater emphasis on corporate social responsibility initiatives such as involvement in environmental project to assist in preserving the environment and a concerted effort can also be made to improve the quality of life for the less fortunate group. These efforts will assist to enhance the bank's corporate image within the industry.

This research hopefully will become an eye-opener to domestic retail banking sector to retain the customers by building customer satisfaction based on the three predictors

as discussed. The integrated model of customer satisfaction in this research with the analysis hopes to provide new findings that are meaningful to domestic retail banks.

5.3 Limitations of Study

This study is subject to a few limitations. The first limitation is that the results of this research are obtained through analysis using cross-sectional data due to time constraint. In this research, the set of cross-sectional data collected in a single time. Therefore, the relationship of the research variables could not be examined in depth.

The second limitation is that convenience sampling was used as the data collection method in this research. The study was limited to Klang Valley banking facility users and this did not provide general overview of Malaysia population. The respondents in this research are mainly young executives and students from Klang Valley.

The third limitation is the study did not include all the possible variables that influence customer satisfaction in domestic retail banking sector and lastly this research was limited to banking facility users in domestic banking sector. Therefore, the findings and results could not be generalized to other industries.

5.4 Recommendations for Future Study

Research projects by obtaining longitudinal data are suggested in future since longitudinal data enable researchers to examine the relationship of research variables thoroughly.

For the future research project, possible independent variables such as trust could be included into the model to enhance the model and to test the relationship between the possible independent variables and customer satisfaction and whether the mediating effect of customer satisfaction exist between the possible independent variables and customer loyalty towards domestic retail banking sector.