Chapter 4
Quality Strategies for Customer Loyalty in an E-Service Environment:
A Case of M-Banking Customers

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ABSTRACT

This chapter focuses on the issue of quality strategies for attaining customer loyalty in an e-service environment. It takes into consideration the key relationship between e-service quality and customer loyalty. A case of mobile banking service acted as the basis for the formulation of quality strategies for customer retention. This study was conducted by a survey with a sample size of 524 mobile banking users in the state of Punjab in India. The survey instrument utilized the E-S-QUAL, E-RecS-QUAL, and loyalty scales proposed in the earlier research studies. Furthermore, the data generated was analyzed by using the statistical multiple regression. Findings of this chapter give important implications to the delivery of e-service for mobile banking. It could help service providers to gain proper insights into the issue of managing the customers in a virtual environment.

INTRODUCTION

In the last two decades, continuous changes in information and communication technology (ICT) have contributed towards the transformation of electronic commerce (e-commerce) into mobile commerce (m-commerce) and redefined the business operations. ICT involves the usage of technology in exchange of information and is generally considered as a starting point for both e-commerce and m-commerce. Increased implementation of ICT based applications in business has become an important trend (Rust, 2001). The transformation of e-commerce into m-commerce has been possible due to the fast growth in the field of wireless and mobile communication (Mohd & Osman, 2005). Greater popularity of mobile phones, personal digital assistants and other types of hand-held devices has contributed towards the m-commerce hype (Liang & Wei, 2004). M-commerce applications have gained popularity due to the unique feature of mobility offered by them. Different types of m-commerce applications include mobile banking, mobile shopping, mobile ticketing, mobile entertainment, mobile information services, mobile marketing and telematics services.

The present scenario depicts that due to the increased focus on electronic mode of business e-service quality has become a matter for concern as most of the businesses are going online. These businesses transformed from a traditional brick and mortar style to more refined and technology enabled e-business. Many of the service organizations have started distributing their services through electronic means (de Ruyter, Wetzels, & Kleijnen, 2001). Proper implementation of e-commerce based applications enables businesses to generate profits from technology-based exchange of goods and services (Magutu et al., 2011). In a similarity to the other sectors, the banking sector is not an exception to this e-commerce revolution. The electronic nature of loyalty in an e-banking system poses a great challenge to the banks in an online environment (Reichheld & Schefter, 2000). Loyal customers in an electronic environment are cost effective and help to lower the operating cost of organizations (van Riel, Liljander, & Jurriëns, 2001). There is an important role of electronic service (e-service) quality in building customer loyalty in case of financial institutions such as banks (Asgari, Ahmadi, Shamlou, Farokhi, & Farzin, 2014). Efficient delivery of service quality among e-services plays a crucial role in the success of banking system and helps the banks to sustain effectively in the competitive environment (Ariff, Leong, Norhayati, & Ahmad, 2012).

Nowadays, m-commerce is becoming more popular due to the greater focus on mobility. Maintaining customer loyalty in the m-commerce settings has been a matter of immense importance in case of more agile service business. The popularity of m-commerce applications has forced the banks to offer an alternative channel of banking using mobile phones. In the current chapter, the issue of customer loyalty in the m-commerce environment has been examined by taking the case of an e-service such as mobile banking. Mobile banking (popularly known as m-banking) is considered as a constituent of electronic banking service offered by banks (Chen, 2013; Jun & Palacios, 2016; Safeena, Hundewale, & Kammani, 2011). The implementation of mobile technology in financial services (Chung & Kwon, 2009). Paybox from Germany launched this service, in collaboration with Deutsche Bank in the later 1990s. Initially, the service was used in Sweden, Germany, Spain, Austria and United Kingdom in Europe and then, later on, this service was introduced among the developing countries starting from Kenya in the year 2007 (Shaikh & Karjaluoto, 2015). In India, this service first initiated by ICICI bank in the year 2008. M-banking being regarded as the first commercial application of m-commerce (Laukkanen & Lau-

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