

Chapter 6

An Exploratory Study of Customer Satisfaction in a Community Bank

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ABSTRACT

In a competitive business environment, delivering high level of customer service is critical. Investigating this aspect further, the current chapter focuses on the physical and service attributes of consumer satisfaction in the banking business, and takes a fresh look at how community banks can compete with larger banks in niche service areas. The goal of the research is to find out whether the customers: 1) were satisfied with every visit to the branch; 2) felt welcome when they came to the branch; 3) considered the bank's products substantial for their needs; 4) were satisfied with the image of the bank; and 5) had any concerns about their bank deposits and about the bank's (financial) position during difficult economic times. The findings indicate that customer responses are mixed on these issues. Interesting implications and ideas for further research also emanate from the current study.

INTRODUCTION

It is well established that satisfied customers are the key to long-term business success. Organizations with superior service quality have been found to be market leaders in terms of sales and long term

customer loyalty (Gilbert and Veloutson, 2006). Customer satisfaction is regarded as a primary determinant of repeat shopping and purchasing behavior. The greater the level of consumer satisfaction with a retailer, the greater the probability the consumer will revisit the retailer (Wong and Sohal, 2003; Burns and Neisner, 2006). Service performance, which is critically important, brings

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with it customer satisfaction. After all, customer satisfaction is at the core of the marketing concept (Fonseca, 2009).

The purpose of this paper is to study the opinions and perceptions of customers who frequently patronize community banks. This study analyzes and draws conclusions about the customer service, service quality, service reliability and brand image that a typical community bank located in eastern United States provides, as it competes with other community banks to gain market share and to retain a loyal segment of the community bank market. Since community banks represent an important part of the commercial and consumer structure of a neighborhood, the findings of this study can help us identify consumer satisfaction models. Using such models, we can reach customers who often believe that they are not recognized as an important part of the banking business.

In this context, the roles of affect and store image have been recognized as key components of consumer choice of shopping location. Thus, these factors influence a retailer's long term success (Dunne et al., 2011). Moreover, Hook (1989, p.3) states that there are two generally accepted facets of store image:

- a. One image is that of functional and psychological factors combined;
- b. Another image is based on consumer's perception, not reality.

The image that a consumer forms of a retail store, therefore, is based on the affective perception of cues internal or external to the store, in addition to the actual physical quality of the store (Mazursky and Jacoby, 1986).

In an environment where many organizations are providing similar products and prices, and where channels of communications face constant clutter, it seems that delivering high level of customer satisfaction can be an important component of a company's competitive advantage. Substantial marketing literature is devoted to the effects of

customer satisfaction on business performance (Barat, 2008). Some studies have proven that customer satisfaction has strong positive impact on customer loyalty and behavioral patterns (Heskett and Sasser, Jr., 2010). Loyal customers tend to consume more (Ranaweera, 2007); make recommendations to others (Brown et al., 2005) and thus secure future revenue (Rust et al., 2002). Sui-Hua (2007) documented direct link between consumer satisfaction and consumer profitability.

High level of customer satisfaction reduces or eliminates customer complaints (Heskett and Sasser, Jr., 2010). As a result, costs associated with handling problems with field services, defective products and warranties (Yang, 2007) are slashed. Higher levels of customer satisfaction can also enhance the company's reputation (Helm et al., 2009; Heskett and Sasser, Jr., 2010) and brand image (Barat and Paswan, 2005). These, in turn, can lead to creation of instant awareness and ease of acceptance of new product and lower costs of attracting new customers (Shen and Chiou, 2010). Dick and Basu (2008) suggest that higher customer satisfaction can decrease price elasticity of demand and lower the possibility of consumer switching behavior.

Recent studies suggest that customer satisfaction has a strong relationship with shareholder return (Anderson et al., 2004), and stock prices (Fornell et al., 2006), both of which may be important from the investors' point of view. A more complex approach presented by Heskett and Sasser (2010) linked customer satisfaction positively to employee satisfaction, and market share to productivity indicators (Keller and Yeaple, 2009)... thus, the relevance and potential contributions of the current research can hardly be overemphasized.

This chapter is organized into six sections. The first two sections contain the introduction and literature review, which provide an overview of the conceptual framework for the study. The next two sections describe the construct and hypotheses development, and research methodology, with associated findings. The fifth section provides the

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