Chapter 81
Customer Satisfaction via Service Quality Dimensions:
An Empirical Research on Stock Broking Services: CS VIA SQD

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ABSTRACT

The purpose of the study is to measure the customer satisfaction via service quality dimensions as a whole and individually in the context of stock broking services. A non probability convenient sampling approach has been used in the study. Respondents have been restricted to those who have the experience of trading in stock market through stock brokers. The sample consisted of 229 valid individual customers from Bhopal (MP), India through structured self-administrated questionnaire. Convergent validity, discriminant validity and reliability of the collected data were measured before testing of the research model. An exploratory factor analysis has been conducted using principal components analysis to determine the dimensions of financial service quality. A linear regression was performed to test the relationship between the service quality dimensions and customer satisfaction. The findings suggest that service quality as a whole and individually have a significant impact on customer satisfaction. The results of the study provide useful information for managers to improve service quality which leads to customer satisfaction. The findings were solely on stock broking services from Bhopal (MP) in India which impacts its generalisability. Replication of the present study might be required in other stock broking markets, to improve generalisability using larger samples. Another potential area for future research could be the link between service quality dimensions, customer satisfaction and customer loyalty and customer retention at stock broking services. The study is important considering the economic advantages of satisfying and retaining current customers as opposed to seeking for new customers which is essential in stock broking services. The paper contributes to the literature on stock broking services in India.

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1. INTRODUCTION

Service quality and customer satisfaction are the most important factors of market competition for service providers (Zeithaml et al., 1996; Parasuraman et al., 1988; McDougall & Levesque, 2000). In the current market scenario, delivering high quality and keeping customers satisfied is viewed as critical for survival. That is why these factors are on high management priorities (Parasuraman, 1997; Wang et al., 2004; Olorunniwo & Hsu, 2006). This is the most acceptable statement that service quality leads to higher levels of customer satisfaction. Financial institutions and their strategies are becoming more focussed on service quality to increase customer satisfaction and run the business successfully (Arasli et al., 2005; Al-Hawari et al., 2009). Increasing expectations of customers from stock broking services have led firms and their managers to become customer focused, which has resulted in the introduction of customer care initiatives with value added services in order to improve the quality of services. Until recently, no study has found that could challenge the assumption that service quality dominates the determination of customer satisfaction in the provision of services. The essential presence of service quality in financial services is well known (Levesque & McDougall, 1996; Jamal & Naser, 2002; Al-Hawari & Ward, 2006; Pass, 2005).

A competition has been established within the brokers operating in India. They are serving with advanced services to their customers. The stock broking industry is passing through a phase of customers market. Any broking firm that wishes either to grow the size of its business or improve its profitability must consider the challenges surrounding its customer satisfaction. Customer satisfaction is quite a complex issue and it is also responsible for customer retention and customer loyalty and hence for company's performance. Customer satisfaction is an important concept for financial performance and has been repeatedly confirmed (Gruca & Rego, 2005). There is always a possibility that a dis-satisfied customer starts searching for another stock broking firm offering similar services, resulting in a break in the relationship with the existing firm. TARP (1981) suggested one dis-satisfied customer tells his perception or experience to other customers or to spread negative word of mouth (WOM) to 9-10 people. Gronroos (1990) found that acquiring a prospective customer costs 6 times more, than retaining one existing customer. He also claimed that 5% increase in retention of customers may save up to 18% cost. A two percent enhancement of customer retention can lead to a ten percent reduction of overhead costs, which in turn improves the financial performance (Jamieson, 1994). Therefore, all efforts must be put in to retain a customer to achieve reduction in expenses. On the other hand, liberalisation and deregulation of financial market have opened multidimensional growth opportunities for the financial service providers. It has also provided more profitable investment opportunities to the investors to invest their money in more diversified range of products with advanced technology and value added services. This accelerates the competitive environment for every business firm to ensure maximum satisfaction to their customers. Because of this competitive environment customers have more choices in choosing their service providers (Saunders and Watters, 1993). In stock broking services, customer satisfaction mainly depends on the process of service delivery a fact that highlights the important role of the dimensions of service quality. In a service industry like stock broking, the quality of customer services holds primary significance, particularly in the context of sustained business growth of the firm. The subject of important dimensions of service quality has come to the forefront of service management research over the last several decades (Barringer, 2008). With the above thoughts, many researchers and marketers have investigated the links between

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