Effect of Employee Empathy on Service Loyalty Through the Development of Trust in and Satisfaction With Service Employee During Service Interactions

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ABSTRACT

This study examines the indirect effect of employee empathy on service loyalty through the intervening effect of trust in and satisfaction with service employees during service interactions. Data was obtained through a self-administered questionnaire from university students. 410 useable responses were used to perform data analysis. Confirmatory factor analysis, structural equation modeling, and bootstrapping for indirect effects were conducted to test the hypotheses. The results show a significant impact of employee empathy on trust in service employee and satisfaction with service employee during customer-employee interactions. Also, satisfaction with a service employee showed a significant effect on service loyalty during service interactions. The study enhances the understanding of empathy within banking services during interactions between service employee and customer. It also provides insights for service managers and frontline service employees on how empathy develops customer's trust and satisfaction with a service employee.

KEYWORDS

Employee Empathy, Satisfaction With Service Employee, Service Loyalty, Trust in Service Employee

INTRODUCTION

Services play an essential part in today's aggressive business environment and are difficult to manage due to their intangible nature (Bahadur, Aziz, & Zulfiqar, 2018). It is complicated for a customer to appraise service and is also challenging for a service firm to provide the service beyond customer's expectations (Brady, Bourdeau, & Heskel, 2005). As service is co-produced by the customer and a service firm during the process of service delivery, it is necessary to fulfill customers desires during provision of services (Fellesson & Salomonson, 2016). Customers are directly affected through employee's attitude and behavior affecting their satisfaction and loyalty. Therefore, for successful service delivery, it is indispensable for a service employee to adopt such traits and behaviors that positively affects customer's satisfaction (Itani & Inyang, 2015). Employee knowledge, empathy,

expertise, and reliability are considered as essential traits for successful service performance (Rod, Ashill, & Gibbs, 2016).

Upon visualizing a personal service setting, for instance, a hotel, bank, or restaurant service, it can be noticed that customer's and frontline service employees interact with each other to produce a service. During such interactions, if service employee provides extra courtesy, consideration, and compassion, then such communications will likely be able to lead towards a satisfying service encounter (Fellesson & Salomonson, 2016). Authors further elaborate that, in contrast, if during such interactions there is a lack of individual association and incapability of service employee to take customers point of view then it could lead towards customer's dissatisfaction or result into anger and annoyance. Hence, during service interactions, adoption of employee empathy, a personal trait of frontline service employee can lead to building trust in and satisfaction with the service employee (Aggarwal, Castleberry, Ridnour, & Shepherd, 2005).

Previous studies considered empathy as a significant characteristic of service employees and have been examined in various service settings (Rod et al., 2016). Moreover, studies in the sales and marketing literature have emphasized on the empathic behavior of employee for the success of service brand (Fellesson & Salomonson, 2016). Particularly, previous research advocates that frontline employees' concern, as well as consideration for the customer stimulates customer satisfaction (Markovic, Iglesias, Singh, & Sierra, 2018). Employee empathy as a positive trait can build trust and increase customer satisfaction with the service employee that could further lead to service loyalty (Aggarwal et al., 2005). Therefore, it is vital for a service employee to espouse empathic behavior throughout employee-customer interactions. Moreover, display of such trait that increases customer trust and satisfaction with service employee during interactions results into successful service encounter (Parasuraman, Zeithaml, & Berry, 1988). Considering the above literature, employees' traits can play essential role towards building a sustained relationship with the service brand (Umasuthan, Park, & Ryu, 2017).

Relationship marketing literature has established the role of frontline employee traits in developing a sustained customer-employee relationship which is particularly vital in the banking sector (Abbasi & Alvi, 2013). Owing to complex financial services, extreme competition, and kind of services provided to the customers within banking sector (Wieseke, Geigenmüller, & Kraus, 2012), frontline service employees positive behavior and attitude, i.e. empathy towards customers during interactions plays a pivotal role in providing satisfying service experience (Bahadur et al., 2018). Earlier investigation in the financial services sector has established that tenuous relation with customers can have deleterious effects (Abbasi & Alvi, 2013; Bahadur et al., 2018; Wieseke et al., 2012). Another study in the financial service sector established that to acquire a new customer it is five times expensive than that of sustaining the connection with the existing customer (Itani & Inyang, 2015). Moreover, in another study, conducted in the banking sector, Athanassopoulou (2006) revealed that improved relationships through empathic behavior of service employees with customers would decrease the possibility that customers will substitute for other banks (Wieseke et al., 2012). The relationship between employee traits, relationship with service employee and the service brand are scant; even some studies examined various antecedents to the quality relationship between service brand and customers (Markovic et al., 2018).

As a relational factor, empathic behavior of service employee is one of the customer expectations during interactions with service employees (Fellesson & Salomonson, 2016). Hence, this study, with the inclusion of employee empathy as an independent variable examines its indirect influence on service loyalty through the mediating effect of trust in and satisfaction with the service employee. Moreover, this study aims to investigate that if employee empathy is useful for developing loyalty of customer during service interactions. The next section of this paper explains the hypotheses. Then, methodology, analysis and results will be presented, and lastly the conclusion, managerial implications and limitation of the study will be presented.

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