EFFECTS OF BANKING SERVICES QUALITY ON THE CUSTOMER WORD OF MOUTH ADVERTISING

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Abstract

In the today's competitive business environment, delivering superior service quality is a prerequisite to increase customers' tendency to spread positive Word Of Mouth (WOM) advertising. Considering the importance of this issue, the present study aimed to investigate the effects of banking services quality on customer WOM advertising. This study was conducted on customers of banking services in Bushehr, Iran. Sample size was 294 for the study. A structured questionnaire was administered for data collection and structural equation modelling using AMOS utilised to analyse the data. The findings showed that new services and cost of delivered services have a positive significant effect on the customer WOM advertising. Instead, other dimensions of service quality such as access to services, decoration of bank and behaviour of employees didn't have any effects on the customer WOM advertising.

Keywords: Word of mouth advertising, access to services, decoration of bank, behaviour of employees, services quality

INTRODUCTION

Intense competition in service sector, especially in banking industry, has made the banks to deliver their services in a way to satisfy customers' needs and consequently maximize their profitability. According to the previous studies, one of the main ways to increase profitability is to invest on customers using delivering quality services, so as to be able to persuade them to extend their positive word of mouth (Yasvari, Abachian Ghassemi, & Rahrovy, 2012).

A customer will spread positive word of mouth among friends, relatives, and colleagues and he/she may convince them to buy the product or use the service. New customers, therefore, are attracted while no marketing activity is conducted. Reaching such new customers is more important than the existing customers may not come back soon to purchase (Kumar, V, Bohling, & Lad, 2003). In the banking industries, especially, the positive word-of- mouth advertising plays a vital role in the bank's success.

In fact, customers' purchase decisions would be largely influenced by the comments provided by someone they trust, rather than the firms' advertisements (Jurvetson, 2000). Therefore, determining the effective factors that provide positive comments about product are essential to increase positive WOM about bank and consequently it results in improving the competitive position of the bank in the market. Service quality, based on the prior research, is one of the most important factors leading to increase satisfaction and word of mouth advertising (Yasvari, Abachian Ghassemi, & Rahrovy, 2012). Hence, the present study aims to develop a causal model that incorporates the main determinants of banking service quality and explore their effect on customer word of mouth advertising.

LITERATURE REVIEW

Word of Mouth Advertising

Word of mouth communication refers to exchange of thoughts, ideas, or comments between two or more consumers that none of them are of the marketing sources. In this process, addition to the transaction, customers tend to tell others about their sense and feeling about both the service and service provider (Swanson & Kelley, 2001). In other words, word of mouth advertising is an action in which the customer's experience of a specific product is informally shared regardless the customer satisfaction level. In many markets, customers are strongly influenced by the opinions of their peers (Li, Yung-Ming, Lin, & Lai, 2010). The study of Yasvari et al (2012) examines the effective factors in the formation of WOM in the services of airline companies and their findings show that satisfaction, trust, service quality, perceived value, and loyalty are of effective factors in the formation of WOM about airline companies and these are directly and indirectly able to affect customers' decision (Yasvari, Abachian Ghassemi, &

Rahrovy, 2012) .Indeed, due to their recommendations to friends and family, satisfied customers are the best sources to advertise for the company.

The research done by Maxham (2001) shows that a high service recovery efforts significantly increase post-failure levels of satisfaction, purchase intent, and positive WOM. And a poor service recovery, consequently, seemingly exacerbate discontent attributed to a service failure. The results do not support a recovery paradox, whereby post-recovery satisfaction is greater than that satisfaction prior to the service failure. In addition, the studies suggest that firms may not always benefit (in terms of consumer perceptions) from a high service recovery efforts (Maxham, 2001). Also, a study conducted by Nam et al (2006) shows that the WOM has a significant effect on the adoption of the new service and the effect of a negative word of mouth is twice greater than the positive one (Nam, Manchanda, & Chintagunta, 2006).

Banasel and Voyer (2000) study the role of interpersonal influences in WOM within the noninterpersonal paradigm. They indicate how noninterpersonal force, interpersonal forces, and noninterpersonal forces on interpersonal forces affect service purchase decisions.

Hartline and Jones (1996) studied the impact of employee performance cues on perceived service quality, value, and word-of-mouth intentions in the hotel service. They illustrate that how both service quality and value increase word-of-mouth intentions and they also express that the effect of value is large relative to the effect of quality.

In another study Trusov, Bucklin, & Pauwels (2009) tried to study the effects of Word-of-Mouth versus traditional marketing in an Internet social networking site. They found out WOM referrals have substantially longer carryover effects than traditional marketing actions and produce substantially higher response elasticities. On the other hand, Anderson (1998) also study the customer satisfaction and word of mouth and found out that dissatisfied customers have been engaging in greater word of mouth than satisfied ones.

Service Quality

Study of service quality began in 1980 when Gronroos developed the first model to measure service quality (Saraei & Amini, 2012). Services are defined as those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical, repair and maintenance like occupations (Shelash Al-Hawary, Alhamali, & Alghanim, 2011). Service quality is generally viewed as a global value or attitude (Fei Luoha & Hshiung Tsaur, 2011). Service quality is the difference between customers' expectations and their perceived performance of a service (Kuo, Wub, & Deng, 2009).

Each organization is trying to provide the best quality to its clients. Service quality has features such as intangibility, heterogeneity, and inseparability. Furthermore, service quality is an important area because of its relevancy to service companies (Saraei & Amini, 2012). In banking, quality means not just meeting, but exceeding customer expectations. That is why, service quality is viewed as an important aspect in banking industry. Further, it is evident that over the years, bank customers' perception of service quality has been changed tremendously (Talib, Rahman, & Qureshi , 2012). A bank can differentiate itself from competitors by providing high quality services (Siddiqi, 2011).

Studies revealed that service quality is a prerequisite for success and survival in the today's competitive environment, the interest in service quality has increased noticeably. Research shows that service quality leads to customer loyalty and grabbing the attraction of new customers, positive word-of-mouth, employee satisfaction and commitment, enhanced corporate image, reduced costs, and increased business performance (Akbaba, 2006). Therefore service quality is one of the critical success factors that influence competitiveness of an organization. In marketing literature, service quality is regarded as one of the effective factors in customer's satisfaction and developing of word of mouth about the company.

So far, different models are suggested for evaluation and measurement of those factors determining service quality. Parasuraman et al. (1988) developed the famous SERVQUAL scale to evaluate the quality from the customers' viewpoint (Parasuraman, Berry, & Zeithaml, 1988). The main SERVQUAL scale includes the studies in two parts consisting of 22 service characteristics grouped into five dimensions of assurance, empathy, reliability, responsiveness and tangibles (Heidarzadeh Hanzaee & Nasimi, 2012).

Tangibles: the appearance of facilities, equipment, personnel and communication devices;

Reliability: ability to fulfill the promised services reliably and accuracy;

Responsiveness: tendency to help customers and provide services to them;

Assurance: awareness and politeness of the personnel and their ability to create assurance and reliability;

Empathy: the concern and the personal attention about the organization to its customers.

The scale developed by Bahia and Nantel (2000) based on expert opinions revealed six dimensions of service quality which are: effectiveness and assurance, access, price, tangibles, service portfolio, and reliability (Bahia & Nantel, 2000). Similarly, Lehtinen and Lehtinen introduced another model with three dimensions of service quality: physical, interactive and corporate. Physical quality is about the quality of physical products involved in service delivery and consumption. Interactive dimension refers to the interaction between the customers and the service organization employees (Brady & Cronin , 2001).

Singh (2011) also developed a service quality model derived from the magnitude and directions of five gaps as follows:

Gap 1 (Understanding): the difference between customer expectations and management perceptions of customer expectations

Gap 2 (Service Standards): the difference between service quality specifications and management perceptions of consumer expectations.

Gap 3 (Service Performance): the difference between service quality specifications and the service actually delivered.

Gap 4 (Communications): the difference between service delivery and what is communicated about the service to customers.

Gap 5 (Service Quality): The difference between customer expectation of service quality and customer perception of the organization's performance (Singh, 2011).

Furthermore, Parasuraman et al identified ten key determinants of service quality which are: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, tangibles (Siddiqi, 2011). More recently, Aldlaigan and Buttle (2002), based on the technical and functional service quality scheme proposed by Gronroos, developed a scale to measure service quality perceptions of bank customers. Their study resulted in SYSTRA-SQ, which consists of service system quality, behavioral service quality, service transactional accuracy, and machine service quality (Aldlaigan & Buttle, 2002).

Conceptual model and hypothesis

This study investigates the effect of service quality of banks on customer word of mouth advertising. Base on the literature review, figure 1 clearly shows the research framework.

Figure 1. Conceptual model of this study
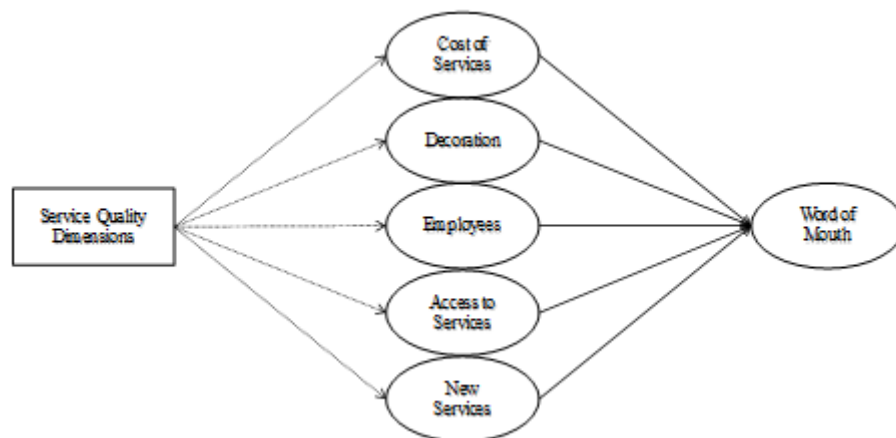
Hypotheses of the current study, according to the figure 1, can be expressed as follows:

H₁: cost of service has a positive significant effect on customer word of mouth advertising.

H₂: decoration has a positive significant effect on customer word of mouth advertising.

H₃: employees has a positive significant effect on word of mouth advertising.

H₄: access to service has a positive significant effect on customer word of mouth advertising.

H₅: new service has a positive significant effect on customer word of mouth advertising.

METHODOLOGY

For the study purpose, a descriptive research design was adopted. A questionnaire was administered to collect data. Banking services customers in Bushehr, Iran, form the population of this study. Using Cochran sample size determination formula 294 determined as the sample size. Random sampling method utilized to reach the customers.

Reliability and validity of questionnaire

The structure of questionnaire used in this study is brought in Table 1. For all measurements, a 7-point Likert scale was hired with the anchors ranging from strongly agree (1) to strongly disagree (7). The previous studies were studied to prepare the questionnaire items. Therefore, the measurement of this study was acceptable in content validity. Cronbach alpha was used to determine the reliability of the questionnaire and finally total alpha of the questionnaire was approved with (0.82).

Table 1: The measurement tool structure

Variable		Measures	Resource
Quality of banking services	**Cost of services**	Banking fees for operation Interest rate of loans Profit rate of deposits	(KUMBHAR, 2011; MASUKUJJAMAN & AKTER, 2010)
	Decorations	Internal decoration of banks Design of external decoration of banks	(Chen & Chang, 2005)
	employees	Openness and Appropriate behavior of employees Responsiveness of employs to solve the customers problems Skills and awareness of employees	(Ramdhani, Ramdhani, & Kurniati, 2011; Esmailpour , Bahraini Zadeh , &Haji Hoseini, 2012 ;Ahmad, Rehman& ,Safwan, 2011 ;Al-Hawary, Alhamali& ,Alghanim, 2011 ;Gan, Clemes, Wei& ,Kao, 2011 ;Olorunniwo&Hsu, 2006 ; Munusamy, Chelliah, & Mun, 2010)

Variable		Measures	Resource
	Access to services	Delivering 24 Hours service Easy access to ATM when needed (ATM in abundance in the area) Good condition of ATM machines Ease and speed of service delivering Convenient access to branches in the city Appropriate place to park vehicle in case of visiting a branch	(Ramdhani, Ramdhani, & Kurniati, 2011; Esmailpour , Bahraini Zadeh , &Haji Hoseini, 2012 ;Ahmad, Rehman& ,Safwan, 2011 ;Al-Hawary, Alhamali& ,Alghanim, 2011 ;Gan, Clemes, Wei& ,Kao, 2011 ;Olorunniwo&Hsu, 2006 ; Munusamy, Chelliah, & Mun, 2010)
	New services	Internet banking services Mobile banking services Diversity of delivered services	(Munusamy, Chelliah, & Mun, 2010; KUMBHAR, 2011; Gan, Clemes, Wei& ,Kao, 2011 ; Olorunniwo&Hsu, 2006 ;Ahmad, Rehman& ,Safwan, 2011 ; Santhiyavalli, 2011)
Word of mouth advertising		Exchange of thoughts, ideas, or comments with other consumers (via email, internet, phone and other ways of communication) Or sharing experiences among consumers whenever they are satisfied with specific products	(Li et al., 2008; De Bruyn&, 2005).

ANALYSIS AND FINDINGS

Structural equation modeling using AMOS software was used to evaluate the proposed model and hypotheses. The logic AMOS tests structural equation modeling is comparing the covariance matrixes. Results show that the best fitted model of this study is the model shown in figure 2.

Structural Equation Modeling (SEM) was also used to estimate quality and fit of the measurement and structural models. For a good model fit, the Chi-square normalized by degrees of freedom should not exceed 3, goodness of fit index (GFI) should exceed 0.9, adjusted goodness of fit index (AGFI) should exceed 0.8, norm fit index (NNFI) should exceed 0.9, comparative fit index (CFI) should exceed 0.9 and root mean squared error (RMSEA) should not exceed 0.08. As shown in Table 1, the goodness of fit statistics indicated that the model provided a good fit to the data. Table 2 also shows the results of the analysis of hypotheses.

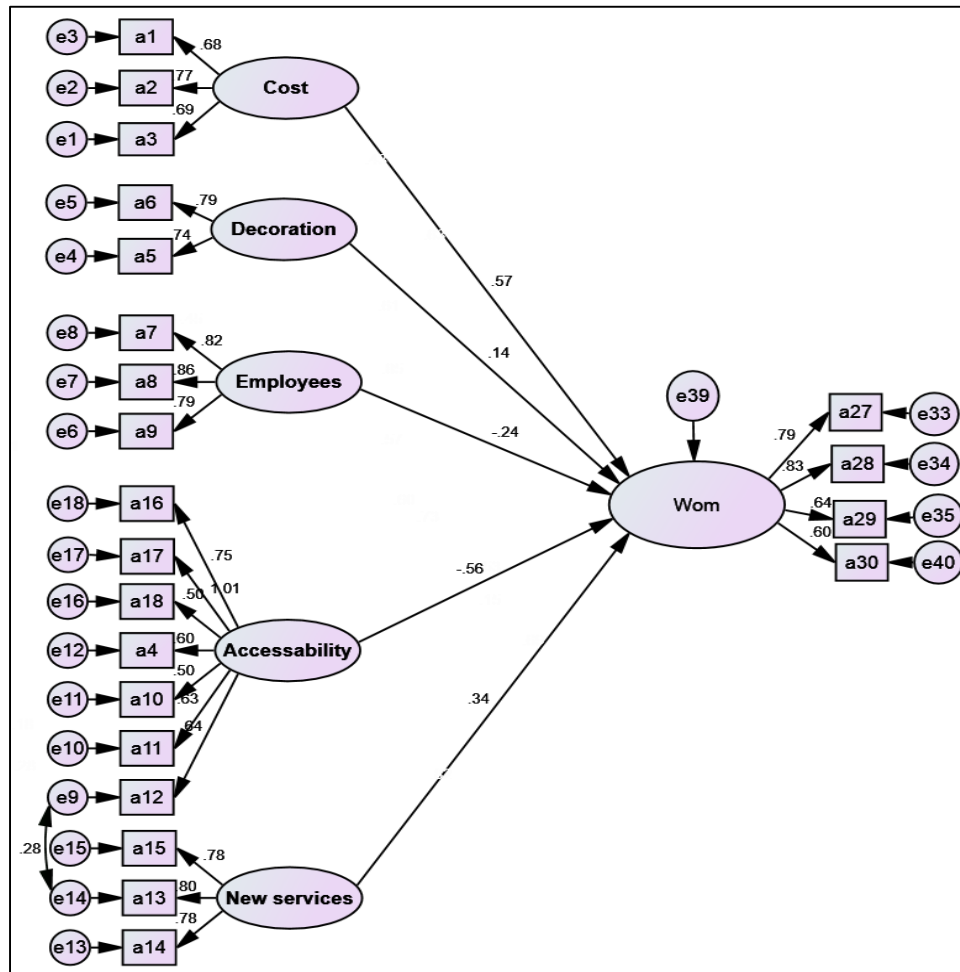Figure 2: structural equations modeling of the study

Table 1: model fit statistics

Index	Value	Standard value	Results
GFI	.91	GFI > 90%	**Accepted**
AGFI	.89	AGFI > 85%	**Accepted**
NFI	.93	NFI > 90%	**Accepted**
CFI	.97	CFI > 90%	**Accepted**
IFI	.98	IFI > 90%	**Accepted**
RMSEA	.03	RMSEA <8%	**Accepted**
X^2/DF	1.29	X^2/DF< 3	**Accepted**

According to the table above, the goodness of fit statistics shows that the structural modeling fit the data reasonably well. The model produced a chi-square of 364.8 (d.f = 138, p = 0.000). The overall chi-square for this measurement model was significant (p < 0.05). The goodness of fit

index (GFI= 0.91, with 1 indicating maximum fit), Comparative Fit Index (CFI = 0.97, 1= maximum fit), the norm fit index (NFI = 0.93, with 1 indicating maximum fit), and the incremental fit index (IFI= 0.98) met the proposed criterion of 0.90 or higher. Finally, the root mean square error of approximation (RMSEA = 0.03, with a value of <0.08 indicating good fit), one of the indices best suited to our model with a large sample, indicated that the structural model was a reasonable fit.

Table 2: Analysis of hypotheses

	hypotheses	path coefficient	T-value	result
1	cost of services===>word of mouth advertising	.57	2.50	Confirmed
2	Decoration===>word of mouth advertising	.14	1.41	Not confirmed
3	Employees===>word of mouth advertising	-.24	-.2.01	Not confirmed
4	access to service ===>word of mouth advertising	-.56	-1.87	Not confirmed
5	new services===>word of mouth advertising	.34	1.99	Confirmed

According to table 3, the first hypothesis specifies that cost of services has a positive significant effect on WOM. This hypothesis is confirmed (with path coefficient: 0.57; t-value 2.50). The second hypothesis claim that bank's decoration has a positive significant effect on WOM. While hypothesis testing reveal that this hypothesis is not confirmed because the t-value related to this relationship is less than 1.96 (the path coefficient: 0.14; t-value 1.41). Also, the third hypothesis, asserting that employees have a positive significant effect on WOM, is not confirmed. Because its path coefficient is, firstly, negative and secondly t-value associated with this path coefficient is non in the acceptable range (the path coefficient: 0.24; t-value 2.01). Furthermore, as the results of the causal analysis shows, the fourth hypothesis is not confirmed too for the same reason. On the other hand, the fifth hypothesis is confirmed, because its t-value shows that new services influences (0.34) WOM significantly.

CONCLUSION

This study aimed to investigate how customer WOM is affected by service quality in banking industry. Cost of services, decoration, employees, access to service and new service are the constructions of the service quality model used in this study. According to the findings service quality has a positive significant effect on customer WOM advertising. This is fully consistent

with the findings of Yasvari et al (2012) and Hartline and Jones (1996). According to the findings, cost of service and new service, of service quality factors, respectively have a positive significant effect on consumer WOM; and other service quality factors have no significant effect on consumer WOM.

On the other hand, statistical analysis on the effect of the demographic features on the WOM revealed that none of the demographical features are able to affect customer WOM and their effect were not significant. In order words, gender, age, marital status and education have not had an effect on WOM while Bruyn & Lilien (2008) show that the demographic features significantly affect WOM and Awad & Ragowsky (2008) not only argue that gender affects the WOM, but also they believe women have a more WOM intention than men.

Assessing customer expectations is not a static action, as customers are increasingly sensitive to the quality. Anyhow, all service dimensions do not have a similar important to all customers, because even two customers are not precisely alike, especially when their demographics, purposes, and culture are different (Gilbert & Wong, 2003).

Lack of the common literature in both of service quality and world-of-mouth was one of the serious problem this research encountered with. On the other hand, although the participants selected randomly, persuading a customer to participant was another major problem the researcher of this study faced. Meanwhile, since this study has done in Bushehr, Iran; generalizing the findings to all environment cannot be rational due to the cultural differences and other factors which can be studied in future.

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