



The Effect of Demographic Characteristics on Antecedents and Consequences of Customer Satisfaction in Banking Industry

CARATERISTIQUES DES EFFETS DEMOGRAPHIQUE SUR LES ANTECEDENTS ET LES CONSEQUENCES DE LA SACTIFACTION DE LA CLIENTELE DANS LE SECTEUR BANCAIRE

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Received 20 July 2011; accepted 12 August 2011

Abstract

Satisfaction is a key variable in services marketing that determines the development of long-term relationships. The purpose of current study is to determine the effects of demographic characteristics on antecedents and consequences of customer satisfaction in banking industry. Statistical population was bank customers in the area of Tehran. An analysis of variance (ANOVA) was used for data analysis. Data was collected on customer characteristics, sending a questionnaire to 551 customers of governmental and private bank branches in Tehran, Iran. Finding reveals that gender influences loyalty. Age has a significant impact on trust. Additionally, customer's education influenced widely switching costs. Customer satisfaction, trust and switching costs have been influenced by customer job. Finally, customer income influences customer satisfaction, complaints, trust and loyalty.

Key words: Customer satisfaction; Banking industry; Demographic characteristics; Iran

Résumé

La satisfaction est une clévariable dans le marketing des services, qui détermine le développement de relations à

long terme. Le but de la présente étude est de déterminer les effets des caractéristiques démographiques sur les antécédents et les conséquences de la satisfaction client dans le secteur bancaire. Population statistique a été clients de la banque dans la région de Téhéran. Une analyse de variance (Anova) a été utilisé pour l'analyse des données. Les données ont été recueillies sur les caractéristiques des clients, l'envoi d'un questionnaire à 551 clients de succursales de banques publiques et privées à Téhéran, en Iran. Trouver révèle que la loyauté des sexes influences. L'âge a un impact significatif sur la confiance. de plus, l'éducation à la clientèle a influencé considérablement les coûts de commutation. coûts satisfaction de la clientèle, la confiance et de commutation ont été influencés par poste client. Enfin, les revenus des clients influe sur la satisfaction des clients, des plaintes, la confiance et la loyauté.

Mots-clés: Satisfaction du client; Industrie bancaire; Caractéristiques démographiques; Iran

Mohammad Reza Hamidizadeh, Nasrin Jazani, Abbasali Hajikarimi, Abolghasem Ebrahimi (2011). The Effect of Demographic Characteristics on Antecedents and Consequences of Customer Satisfaction in Banking Industry. *Canadian Social Science*, 7(4), 198-203. Available from: URL: <http://www.cscanada.net/index.php/css/article/view/j.css.1923669720110704.380> DOI: <http://dx.doi.org/10.3968/j.css.1923669720110704.380>

INTRODUCTION

Researchers and practitioners are keenly interested in understanding what drives customer satisfaction, in part because studies find that customer satisfaction is an antecedent of increased market share, profitability, positive word of mouth, and customer retention (e.g.,

Anderson, Fornell, and Lehman, 1994). Consistent with early conceptualizations of the "service concept" as a bundle of goods and services, overall satisfaction

has been shown to be well explained by satisfaction with constituent service components (e.g., Athanassopoulos and Iliakopoulos 2003; Mittal, Kumar, and Tsiros 1999; Mittal, Ross, and Baldasare 1998).

In spite of extensive research on how customer characteristics influence service encounters, Cook, Goh, and Chung (1999) observed that most service typologies focus exclusively on discriminating characteristics of the service concept, ignore customer characteristics and implicitly treat all customers as identical. It is well documented that customer characteristics (e.g., gender, age, income) have an important effect on the level of customer satisfaction (Bryant and Cha 1996; Danaher 1998; Johnson and Fornell 1991; Mittal and Kamakura 2001). Moreover, studies show that customer characteristics moderate outcomes of customer satisfaction including repurchase intentions (Mittal and Kamakura 2001) and share of wallet (Coil et al. 2007). Hence, we hypothesize that customer characteristics influence the antecedents and consequences of customer satisfaction, that is, that customer characteristics explain differences in the composition of overall satisfaction. The article is organized as follows. In the next section, we describe the antecedents and consequences of customer satisfaction in the marketing literature that may vary with customer characteristics. The third section describes the empirical research setting, the data and variable measures. The fourth section presents results of using ANOVA to test the effects customer characteristics on antecedents and consequences of customer satisfaction. We conclude with a discussion of managerial implications, limitations, and directions for future research.

1. ANTECEDENTS AND CONSEQUENCES OF CUSTOMER SATISFACTION

Literature proposed five constructs as the consequences of customer satisfaction including customer complaints, trust, loyalty, corporate image and switching costs. Customer complaints refer to the intensity of complaints and the manner in which the company manages these complaints. Following Hirschman's (1970) exit-voice theory, the immediate consequences of increased customer satisfaction are decreased customer complaints and increased customer loyalty. When dissatisfied, customers have the option of existing or voicing their complaints in an attempt to receive retribution. The relationship marketing literature emphasizes the potential importance of trust for customer loyalty and satisfaction. Trust is seen as an important factor for enhancing customer loyalty (Fournier, 1998). It appears that if one party trusts another, it is likely to develop some form of positive behavioural intention towards the other. Accordingly, when a customer trusts to a brand, that customer is also likely to form a positive buying intention towards the

brand (Lau and Lee, 1999). In this context, trust works at preserving relationship investments by cooperating with exchange partners, resists attractive short-term alternative in favour of the expected long-term benefits of staying with existing partners, and views potentially high-risk actions as prudent because of the belief that partners will not act opportunistically (Morgan and Hunt, 1994). Barich and Kotler (1991) describe corporate image as the overall impression made on the minds of the public about an organization. As broadly discussed in the previous literature, corporate image is not unique: a single firm possesses various images that differ according to a specific group, each of whom has different types of experiences and contacts with the company (Nguyen & Leblanc, 2001). Corporate image may be considered as 'a function of the accumulation of purchasing/consumption experience over time' (Andreassen and Lindstad, 1998, p. 84), or a function of the cumulative effect of customer (dis)satisfaction (Bolton and Drew, 1991; Fornell, 1992; Johnson and Fornell, 1991). Fornell (1992) argues that switching barriers (costs) may increase customer loyalty. Porter (1988, p. 10) defines switching costs as the one-time costs for buyers of switching from one supplier's product to another's. In addition to objectively measurable monetary costs, there may also be time and psychological effort involved in facing the uncertainty of dealing with a new service provider (Bloemer et al., 1998; Klemperer, 1995). Hence, switching costs are partly consumer-specific (Shy, 2002): Markets with switching costs are generally characterized by consumer lock-in where it is observed as consumers repeatedly purchase the same brand even after competing brands become cheaper. One important consequence of having consumer lock-in is the ability of firms to charge prices above managerial costs (Shy, 2002, p. 71-71). Customer loyalty is seen to be a proxy measure for profitability (Reichheld and Sasser, 1990). Increasing customer loyalty secures future revenues and minimizes the possibility of defection if quality decreases. In addition, word-of-mouth from satisfied loyal customers embellishes the firm's overall reputation and reduces the cost of attracting new customers (Anderson & Fornell, 2000). Three elements including perceived hardware quality, perceived software quality and perceived value have been proposed as the antecedents of customer satisfaction. Perceived product quality is the evaluation of recent consumption experience of products. Perceived service quality is the evaluation of recent consumption experience of associated services like customer service, conditions of product display, range of services and products etc. Two general types of perceived quality have been specified, product quality (hardware) and service quality (software/humanware) (Fornell et al., 1996). Kristensen et al., (1999) demonstrated the importance of delineating these two aspects of perceived quality in a post office context. The literature in this area has recognised

that customer satisfaction is dependent on value (Howard and Sheth, 1969). Value is the perceived level of product quality relative to the price paid or the “value for money” aspect of the customer experience. Value is defined as the ratio of perceived quality relative to price (Anderson et al., 1994). Value is expected to have a direct impact on satisfaction (Anderson and Sullivan, 1993; Fornell, 1992) and to be positively affected by perceived quality (both hardware and software). To ensure that the effects of a price-quality relationship are not confounded, quality and value are measured relative to each other (Anderson et al., 1994).

2. METHODOLOGY

The framework embraces information on nine dimensions, including customer satisfaction (3 items), trust (11 items), customer complaints (4 items), corporate image (7 items), customer loyalty (6 items), switching costs (10 items), perceived hardware and software quality (32 items), and perceived value (4 items) all measured by using a seven-point Likert-type scale. The advantage of using an interval scale is that it permits the researchers to use a variety of statistical techniques which can be applied to nominal and ordinal scale data in addition to the arithmetic mean, standard deviation, product-moment correlations, and other statistics commonly used in marketing research (Malhotra, 1999). A self-administered questionnaire was used to collect data from prospective customers who referred to private and governmental banks in the area of Tehran. The questions are based on a review of the literature and specific product contexts, and the questionnaire was pre-tested and revised. The questionnaires were distributed based on a “cluster” sampling method and collected at private and governmental bank branches in Tehran. Six hundred questionnaires were distributed and 551 useable samples were obtained after excluding the incomplete ones, yielding a 92% response rate from those who agree to participate. Cronbach’s alpha was used to verify the internal consistency reliability. The customer satisfaction shows a significant internal consistency of 0.804. Cronbach’s coefficients of customer complaints, trust, corporate image, customer loyalty, switching costs, corporate image, perceived hardware and software quality and perceived value were 0.87, 0.84, 0.75, 0.81, 0.85, 0.77, 0.78, 0.71 and 0.86, respectively. The reliabilities of the different measures in the model range from 0.71 to 0.87, which exceed the recommended threshold value of 0.70 (Nunnally, 1978). Statistical analysis was computed using the Windows versions of Statistical Package for Social Sciences (SPSS 15.0). Data analysis involves descriptive statistics and analysis of variance. ANOVA was used to analyze customer satisfaction, trust, customer complaints, corporate image, customer loyalty, switching costs, perceived hardware and software quality, and perceived

value (dependent variables) using age, gender, education, job category, and income by determining the main and interaction effects of the independent categorical variables on multiple dependent interval variables.

3. RESULTS

3.1 Sample Profile

Of the 551 respondents, the majority were male employees (62.6%, n=345). Respondents who were 41–50 years old (37.56%) comprised the largest age group. In addition, the majority were self-employed (34.8%, n=192). One-third of the respondents (39.4%) had high school degrees, and 124 of the respondents (22.5%) had below high school degree. In terms of income, most of customers were in the range of 500-700 USD (30.1%) and 900-1000 USD (24.5%). Descriptive statistics are displayed in Table 2.

Table 1
Demographical Characteristics of Respondents

Characteristic	Frequency	Percentage	CF (%)
Age group			
30 or Under	183	33.2	33.2
31-40	207	37.56	70.76
41-50	113	20.5 9	1.26
Above 50	48	8.71	100
Gender			
Male	345	62.6	62.6
Female	206	37.4	100
Education			
No answer	3	0.5	0.5
Below high school	124	22.5	23
High school	217	39.4	62.4
Degree	118	21.4	83.8
Bachelor’s degree	74	13.4	97.3
Postgraduate	15	2.7	100
Job			
No answer	4	0.7	0.7
Governmental organizations	74	13.4	14.2
Private organizations	111	20.1	34.3
Self employment	192	34.8	69.1
Retired	23	4.2	73.3
Household	107	19.4	92.7
Unemployment	19	3.4	96.2
Soldier	2	0.4	96.6
Student	19	3.4	100
Income level			
No answer	4	0.7	0.7
Under 300 USD	12	2.2	2.9
300-500 USD	75	13.6	16.5
500-700 USD	166	30.1	46.6
700-900 USD	107	19.4	66.1
900-1000 USD	135	24.5	90.6
1000-1300 USD	28	5.1	95.6
1300-1500 USD	18	3.3	98.9
1500-3000 USD	5	0.9	99.8
Upper than 3000 USD	1	0.2	100

3.2 Analysis of variance

An analysis of variance (ANOVA) was used to analyze how respondents' satisfaction, trust, complaints, loyalty, corporate image, switching costs, perceived hardware and software quality, and perceived value (the dependent variables) are influenced by age (four levels), gender (two levels), education (five levels), job (eight levels), and income (nine levels), collectively the independent variables. The results are presented below.

Gender. As shown in Table 2, there were no significant differences found between gender types on the dependent measures including satisfaction, trust, corporate image, switching costs, perceived hardware and software quality, and perceived value ($p > 0.05$). However, gender has a significant impact on complaints and loyalty ($p < 0.05$). Complaints of males were less than females. In addition, males were more loyal than females.

Table 2
ANOVA Analysis for Customers' Gender

Statistical index	Groups	Mean	S.D	F	P
Variable					
Hardware quality	Male	3.52	0.856	0.149	0.700
	Female	3.55	0.726		
Software quality	Male	3.82	0.826	1.163	0.281
	Female	3.90	0.759		
Perceived value	Male	3.37	0.474	0.146	0.702
	Female	3.39	0.508		
Customer satisfaction	Male	3.41	0.542	1.270	0.260
	Female	3.36	0.580		
Complaints	Male	2.70	0.865	6.960	0.009
	Female	2.90	0.856		
Trust	Male	3.90	0.514	0.026	0.871
	Female	3.91	0.482		
Switching costs	Male	1.99	0.524	1.914	0.167
	Female	1.93	0.539		
Loyalty	Male	3.34	0.662	8.201	0.004
	Female	3.18	0.665		

Age. As illustrated in Table 3, there were no significant differences found among age groups on the dependent measures including customer satisfaction, complaints, loyalty, corporate image, switching costs, perceived hardware and software quality, and perceived value ($p > 0.05$). However, age has a significant impact on customer trust (F-value= 1.61, $p = 0.008 < 0.05$). Post hoc analyses to the univariate ANOVA for the trust scores on age conducted to find which independent variable (age group), have a most strong impact on the dependent variable (trust). Each pairwise comparison was tested using the Scheffe method. Results indicated that increase in age group leads to lower level of trust.

Education. As Table 3 shows, there were no significant differences found among education levels on the dependent measures including customer satisfaction, complaints, loyalty, corporate image, trust, perceived hardware and software quality, and perceived value ($p > 0.05$). Further, significant differences were found among education levels on switching costs (F-value= 4.586, $p = 0.000 < 0.05$). Post hoc analyses to the univariate ANOVA for the extrinsic instrumentality scores on education conducted to find which independent variable (education level), have a most strong impact on the dependent variable (switching costs). For switching costs, the higher level of education, the lower switching costs.

Table 3
ANOVA Analysis for Customers' Gender

Statistical index	Age		Education		Job		Income	
	F	P	F	P	F	P	F	P
Variable								
Hardware quality	1.281	0.106	1.863	0.073	2.407	0.015	1.803	0.065
Software quality	1.376	0.055	2.395	0.20	2.096	0.035	1.096	0.363
Perceived value	1.089	0.323	1.779	0.089	1.318	0.232	1.879	0.53
Customer satisfaction	1.092	0.318	0.937	0.477	2.678	0.007	5.047	0.000
Complaints	1.439	0.033	1.670	0.114	2.402	0.015	2.679	0.005
Trust	1.610	0.008	2.334	0.024	3.312	0.001	2.843	0.003
Switching costs	1.141	0.248	4.586	0.000	4.246	0.000	1.983	0.039
Loyalty	1.164	0.218	1.632	0.124	1.284	0.249	7.006	0.000

Job. According to Table 3, there were no significant differences found among job categories on the dependent measures including customer complaints, loyalty, corporate image, perceived hardware and software quality, and perceived value ($p > 0.05$). However, Further, significant differences were found between job on trust (F-value= 3.312, $p = 0.001$), switching costs (F-value= 4.246, $p = 0.000$), and customer satisfaction (F-value= 2.678, $p = 0.007$). Customers with governmental jobs have higher level of trust and satisfaction with banking services. Additionally, self-employed customers have higher levels of switching costs.

Income. As Table 3 shows, there were no significant differences found between the income of customer on the dependent measures including corporate image, switching costs, perceived hardware and software quality, and perceived value ($p > 0.05$). Further, significant differences were found between customer income on satisfaction (F-value= 5.047, $p = 0.000$), complaints (F-value= 2.679, $p = 0.005$), trust (F-value= 2.843, $p = 0.003$), and loyalty (F-value= 7.006, $p = 0.000$). For satisfaction, customers with higher level of income had higher level of satisfaction, loyalty and trust. Further, customers with lower levels of income, had higher level of complaints.

CONCLUSION, LIMITATIONS, AND FUTURE RESEARCH

This paper aims to determine the effects of demographic characteristics on antecedents and consequences of customer satisfaction. To our knowledge, no study exists in this area that is related to our purpose. Thus, current study is the first paper that investigated the effects of demographic characteristics on antecedents and consequences of customer satisfaction. The findings suggest that gender influences loyalty. Age has a significant impact on trust. Additionally, customer's education influenced widely switching costs. Customer satisfaction, trust and switching costs have been influenced by customer job. Finally, customer income influences customer satisfaction, complaints, trust and loyalty. This

paper also has several directions for future research. This study can be performed in other service industries such as hospitality and transportation industries. In addition, the effect of cultural and religious characteristics on antecedents and consequences of customer satisfaction can be investigated in future research. As a limitation of current study, this study performed in the area of Tehran that generalizability of findings will be restricted.

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