

**Study of Customer Satisfaction and Loyalty of Chinese Commercial Banks  
Case Study of ICBC Luliang Branch**

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**ABSTRACT:** This research aims to investigate customer satisfaction and loyalty at Industrial and Commercial Bank of China Ltd.'s (ICBC's) Luliang Branch. The objectives are: 1) to investigate the relationship between service mix and customer satisfaction, and 2) to investigate the relationship between customer satisfaction and customer loyalty. This research surveyed customers of ICBC, with useable data received from 436 questionnaires. The data were analyzed by frequency, percentage and linear regression. The results of the preliminary study indicate that service mix influenced customer satisfaction and customer loyalty. Moreover, ICBC should pay more attention to service-mix issues that influence customer satisfaction and loyalty. The results are indicated by an R-square value of 80.9%; on the other hand, the value for customer satisfaction and customer loyalty is 65.3% for the bank's service marketing strategy. ICBC should place greater concern on its employees and processes, such as its service efficiency. The study's results show that these two factors have greater influence than the other five.

**KEY WORDS:** Customer satisfaction; Customer loyalty; Commercial bank; Service mix.

## 1. INTRODUCTION

China has become one of the world's biggest financial markets since joining the World Trade Organization in 2002. With China's WTO membership came greater competition in the banking field from numerous foreign banks opening branches and service points in China, as well as from other Chinese banks that took advantage of China's entry into the WTO to build their customer bases. As the largest bank in the world by total assets and market capitalization, Industrial and Commercial Bank of China Ltd. (ICBC) also faces competition from other banks such as Bank of China, Agricultural Bank of China, and China Construction Bank. With competition growing yearly, a study of customer satisfaction and customer loyalty is significant if a commercial bank wants to defend and increase its market share and profit.

A great number of papers have contributed to the study of customer satisfaction and loyalty toward banks. The conclusion was reached that customer satisfaction together with barriers or switching costs were key factors affecting loyalty. Similarly, there is a theoretical framework that considers the perceived quality to be one of the indirect antecedents of loyalty and has a direct influence on customer satisfaction, although the nature of the causal relationship between quality and customer satisfaction is the subject of great academic debate. While quality researchers claim that satisfaction is an antecedent of quality (Carman, 1990; Parasuraman et al., 1988; Bitner, 1990), researchers in the field of customer satisfaction have the opposite point of view (Woodside et al., 1989; Reidenbach and Sandifer-Smallwood, 1990; Cronin and Taylor, 1992; Fornell, 1992; Anderson and Sullivan, 1993). In the light of this, several authors stress the desirability of further comparison of the causal relationships between these two concepts. As a result, two questions need to be answered: (1) Does service mix have a relationship with customer satisfaction? (2) Does customer satisfaction have a relationship with customer loyalty?

To answer these questions, the paper focuses on the customers of ICBC's Luliang branch who have personal accounts or hold other ICBC products, such as credit or debit cards. This research surveyed 436 customers of ICBC (223 online and 213 from the bank's lobby). The bank's marketing strategy employs a service mix of seven factors that this research analyzed by frequency, percentage and linear regression. The factors are convenience, customer care, transactions, methods & systems, products & services and pricing. All of these factors are highly related to the level of customer satisfaction, with the service product and pricing being the most significant factors for building satisfaction (Banking Industry Customer Satisfaction Survey, 2013).

The results of the preliminary study indicate that service mix influences customer satisfaction and loyalty. Moreover, ICBC should pay more attention to service-mix issues that influence satisfaction and loyalty. The results are indicated by an R-square value of 80.9%; on the other hand, the value for customer satisfaction and customer loyalty is 65.3% for the bank's service marketing strategy. ICBC should place greater concern on its employees and processes, such as its service efficiency. The study's results show that these two factors have a greater influence than the other five.

The remainder of this paper is organized as follows. Section 2 briefly reviews the literature about service-mix marketing, customer satisfaction and customer loyalty. Section 3 introduces the methodology, while Section 4 presents the results of the data analysis. Finally, section 5 summarizes results and offers concluding comments.

## **2. Literature review**

### **2.1.1 Customer satisfaction and customer loyalty**

#### **(1) Concept and definition of customer satisfaction and customer loyalty**

Customer satisfaction refers to the degree of customer satisfaction with products or services, and their psychological state as a quantitative measurement. The comprehension of customer satisfaction lies in understanding its meaning and content (AN Hexin and YANG Yi, 2011).

Customer satisfaction can be defined in other ways, such as in a consumer's fulfillment response (Andreassen, 2000). In measuring customer satisfaction in a cogent manner, we can see it is a judgment about a product or service feature, or the product or service itself, providing a pleasurable level of consumption-related fulfillment, and includes levels of under- or over-fulfillment (Tronvoll, 2010). From those findings, it can be understood that satisfaction relates to a subjective evaluation of emotions. Satisfaction occurs as a function of disconfirmation and a relative output to input. The end result is a positive or negative feeling of fulfillment. Satisfaction can, therefore, be considered the consumer's evaluation of a product or service received. Hence, the evaluation of customer satisfaction becomes more important because customer behavior affects customer satisfaction. As mentioned in the introductory literature citations, loyalty is the No. 1 influencer of customer behavior. As independent from a theoretical platform, it has become a truism that service quality is key to customer satisfaction (Bae Suk et al., 2009). However, if a company manages to deliver services of expected quality all the time, it will result in a negative disconfirmation of expectations or a perception of inequity.

#### **(2) Customer satisfaction with banks**

Some research found that customer satisfaction can be affected primarily by a variety of cognitive and affective variables. Cognitive measures include disconfirmation and expectations (Oliver, 1980), as well as perceived performance (Tse and Wilton, 1998). Later intentions to improve the measurement of customer satisfaction led to the discovery of affective variables. Positive relationships have also been found between emotional measures of satisfaction and repurchase intentions (Martin et al., 2008; Chitturi et al., 2008). As expected, a positive effect is positively related to satisfaction, while a negative effect is negatively related to satisfaction, and both positive and negative effects are related to post-purchase word of mouth (Westbrook, 1987). Satisfaction is also positively associated with arousal and pleasure (Ladhari, 2007). Patterns of satisfaction, dissatisfaction and an unemotional pattern of emotional experience have also been identified (Westbrook and Oliver, 1991). Also the consistencies with expectations hold positive relationships between cognitive and affective judgments and satisfaction (Mano and Oliver, 1993).

#### **(3) Customer satisfaction related to customer loyalty**

Customer satisfaction is believed to be influenced by other variables, including service-quality perceptions and expectations (Patterson et al., 1997; Szymanski and Henard, 2001). This is exemplified in the disconfirmation paradigm, which explains that when perceived product performance equals expectations, the consumer is satisfied, but when it exceeds a customer's expectations (a positive disconfirmation), the customer feels "delighted." However, if the perceived performance falls short of a customer's expectations (a negative disconfirmation), the customer feels dissatisfied (Schiffman and Kanuk, 2004). Researchers acknowledge the importance of customer satisfaction and service-quality perceptions as predictors of customer loyalty (e.g., Bloemer et al., 2002; Szymanski and Henard, 2001; Lassar et al., 2000). However, Newman (2001) believes that the true value of customer satisfaction and service quality in contributing to genuine attitudinal loyalty remains open to debate (Newman, 2001). Such conflicting opinions make provisions for further studies (Jamal and Naser, 2002). It is predicted, therefore, that customer satisfaction and service-quality perception will jointly predict customer loyalty.

### **2.1.2 Service mix**

#### **(1) Definition and conceptual of service mix**

In "Marketing Professional Services" (Philip Kotler, Thomas Hayes and Paul N. Bloom, 2002), the authors consider service marketing mix to be an integral part of a service blueprint design. The service marketing mix consists of 7Ps as compared with the 4Ps of a product marketing mix. Simply put, the service marketing mix assumes the service as a product itself and adds three more Ps that are required for optimum service delivery. Zeithaml et al. (1985) conducted a literature review and found 46 publications by 33 authors between 1963 and 1983 that focused on the characteristics of services. They found that the most frequently cited characteristics were intangibility, inseparability (of production and consumption), heterogeneity (or non-standardization), and perishability (or exclusion from the inventory). An overview by Edgett and Parkinson (1993) encompassing 106 publications from 1963 to 1990 points to a similar conclusion. The four characteristics were first put forward in an operations textbook by Sasser et al. (1978). Many other characteristics have been suggested, but have not been widely accepted. One example is the absence of ownership in service purchases mentioned by Judd (1964), Rathmell (1966, 1974), and in the overview of Lovelock and Gummesson (2004). It is notable that the characteristics are neither based on empirical research in an inductive way, nor developed from previous research and theories in a deductive way. They seem to be based on observations, anecdotes and practical experience (Shostack's widely cited article, "Breaking Free from Product Marketing," is based mainly on her experience as a vice-president at Citibank; see Shostack, 1977).

#### **(2) Service mix in business**

Service marketing literature focuses on the service encounter, i.e., the interaction between customers and service employees. The encounter also includes customer-customer interaction, interaction with physical products and the environment (the "service escape"), and the whole service system.

Bitner (1992) developed the concept of "service escape," a framework to describe the role of the physical aspects of an environment in which services are produced and

experienced by customers. Bitner (1992) also emphasizes the key role of the physical environment, such as packaging, as a differentiator and a facilitator in shaping customer behavior. In fact, there are no such things as manufacturing companies and service companies; goods and services always appear in symbiosis, though in varying proportions. As a consequence, it is advisable to use goods and service as perspectives rather than as strict categories of companies or industries. Marketing management has been fixated on a goods perspective, and the major contribution of service marketing is to rectify this imbalance. During the 1980s and 1990s, service marketing textbooks that offer overviews of the discipline have been published; recent examples include Zeithaml and Bitner (1996) and Lovelock, Patterson and Walker (1998).

### **2.1.3 Related literature review**

This section focuses more on literature pertaining to the relationship among customer satisfaction, customer loyalty and service marketing as previously mentioned, in which some papers consider two main fields: service marketing and the marketing domain area.

#### **(1) Customer satisfaction related to customer loyalty**

For the service marketing field, much literature discusses how customer satisfaction influences customer loyalty, which in turn affects profitability. Researchers argue that customer satisfaction results from customer perceptions of the value received in a transaction or relationship, whereby value equals perceived service quality relative to price and customer acquisition costs (Blanchard and Galloway, 1994; Heskett et al., 1990). Loyalty behaviour includes relationship continuance, increased scale or scope of the relationship, and recommendations (word-of-mouth advertising) resulting from customers believing that the quantity of value received from one supplier is greater than that available from other suppliers. For a service firm, such as a retail bank or hospital, some researchers examine the links between satisfaction, loyalty and profitability. Statistically driven examination of these links has been initiated by Nelson et al. (1992), who demonstrate the relationship between customer satisfaction and profitability among hospitals. Rust and Zahorik (1991) examine the relationship of customer satisfaction with customer retention in retail banking.

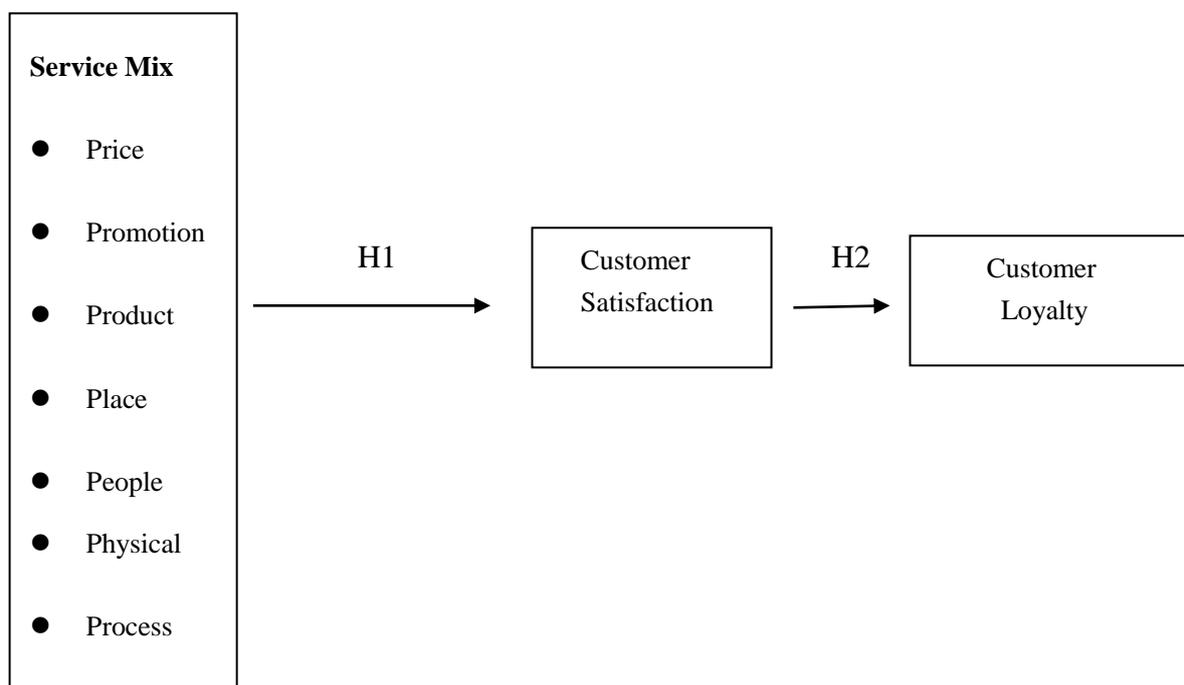
#### **(2) Customer satisfaction and customer loyalty related to retail banks**

In the retail banking market, the length of a relationship between bank and customer is a common feature. An important tradition for banks and other financial services organizations is to engage in long-term customer relationships. On this point, Stewart (1998) agrees that the reasons for such relationship longevity are open to interpretation. While genuine preference and loyalty may be instrumental, ignorance, inertia and dependence can also play a part.

Some papers argue that loyalty and satisfaction are related, though clearly distinct. Morrisson and Huppertz (2010) and Sousa and Voss (2009) mention that several conceptual bases are considered for this distinction, but, in general, higher satisfaction has been proposed to be related to higher loyalty. As has been hypothesized and borne out in the marketing literature (Morgan and Hunt, 1994; Singh and Sirdeshmukh, 2000; Sirdeshmukh et al., 2002; Weun et al., 2004; Pina e Cunha et al., 2009), trust is logically and experientially a critical variable in relationships. Those who are unwilling to trust a vendor in a competitive marketplace are unlikely to be loyal. The importance of trust in

explaining loyalty is also supported by Chaudhuri and Holbrook (2001), Singh and Sirdeshmukh (2000), Sirdeshmukh et al. (2002) and Rod and Ashill (2010). The impact of satisfaction on customer loyalty is complex. Fisher (2001) believes that customer satisfaction accounts for only part of why people change product or service providers. Other studies have shown that customer satisfaction is a leading factor in determining loyalty (e.g., Anderson and Fornell, 1994; Rust and Zahorik, 1993). Thus, there are conflicting reports on the relationship between customer satisfaction and loyalty, making it imperative for more empirical studies to address this issue. The present study, however, predicts that customer satisfaction will correlate positively with bank customer loyalty.

## 2.1 Conceptual Framework



## 2.2 Research hypothesis

Hypothesis 1: The service mix has a positive relationship to ICBC customer satisfaction.

Hypothesis 2: Customer satisfaction has a positive relationship to ICBC customer loyalty.

### **3. Methodology**

#### **3.1 Research Design**

The sampling method used by Krejcie & Morgan in their 1970 article, “Determining Sample Size for Research Activities,” was employed for this study. Placing the customer base of 74,157 (population) against the table of Krejcie & Morgan at a confidence level of 95% results in a sampling population of 382. To ensure sufficient data reliability, 600 questionnaires were sent to ICBC Luliang Branch customers via online media (400) and paper (200), and 436 useable surveys were returned. The data were then reviewed to ensure that every question was answered. Data gathered from the customer survey (data capturing attitudinal loyalty and customer satisfaction) and the bank’s database (data capturing customer behaviour) were then analyzed using an R-squared regression model.

#### **3.2 Research tools**

The questionnaire used in this study focuses on the relationship between the service mix and customer satisfaction and the relationship between customer satisfaction and customer loyalty; the research includes the 436 questionnaire responses as well as the previous literature review.

#### **3.3 Research survey**

The questionnaire’s design was primarily based on multiple-item measurement scales taken from previous research. The items were adapted to the specific characteristics of the research setting. Customer satisfaction and loyalty toward the bank were measured on a scale containing 48 five-point Likert-scale items that were separated into three parts: service mix, customer satisfaction and customer loyalty. Part 1 of the questionnaire includes questions about demographics with results measured by mean and standard deviation, while part 5 contains customer suggestions, whose scale was developed on the basis of a qualitative research study conducted prior to the quantitative data collection phase. This scale was also pre-tested and found to be valid and reliable. Cronbach’s alpha for this scale was 0.5. With regards to perceived service quality, items were based on the service quality literature (e.g., Parasuraman et al., 1988) on the results of a qualitative study for a bank setting. To measure satisfaction, customers were asked to state their satisfaction and loyalty toward the bank (“How satisfied are you with...”). The study uses five-point Likert scales, and respondents specified their level of agreement from strongly agree to strongly disagree. Each questionnaire consists of many statements to better capture the degree of perception.

#### **3.4 Experiments and data collection**

Around 600 questionnaires were initially sent to ICBC Luliang Branch customers with two ways to collect the data: online (400) and on paper (200). A snowball sampling was applied to increase the sample size and identify other information related to this study. After collecting the data, statistical tools were employed to analyze the three factors that influence ICBC consumers’ decisions.

To ensure reliability of the data, the online questionnaire was conveyed by the Chinese communication tool QQ (full name OICQ, or “I will find you”), considered to be the most widely used communication tool among Chinese people. The website wenjuan.net (<http://www.wenjuan.com/survey>) was used to create the questionnaire with a link for respondents to access it (the link was <http://www.wenjuan.com/s/JRnQze>). In

addition, paper questionnaires were sent to the ICBC branch, where respondents with accounts at ICBC or those who used ICBC services could complete them. Paper-based data were collected and transferred to wenjuan.net, which aided in the statistical analysis work such as testing the percentage of the respondents' demographic situation. Of the 600 questionnaires distributed, 436 were returned.

### **3.5 Data measurement and analysis**

#### **3.5.1 Descriptive statistics**

Descriptive statistics are used to describe the basic features of the data collected from the questionnaire:

Percentage and frequency: used for analysis of part 1 demographic data such as gender, age and education.

Means and standard deviation are used for analysis of parts 2, 3 and 4.

#### **3.5.2 Inferential statistics**

Inferential statistics are used to test the hypothesis. Multiple regression is used for test hypothesis 1: the relationship between service mix and customer satisfaction. Simple regression is used to test hypothesis 2: the relationship between customer satisfaction and customer loyalty.

#### **3.5.3 Measurement of variables**

##### **(1) Measures of customer satisfaction**

Customer satisfaction was measurement consists of responses to a single question on customer-satisfaction: "Overall, how satisfied are you with..." Responses for all satisfaction questions were made on five-point Likert-type scales, from "very satisfied" (1) to "very dissatisfied" (5). The problems associated with the use of a single-response variable were mitigated by the simplicity of the question; and Yi's (1990) suggestion that a single overall satisfaction measure scored as this one is "reasonably valid."

##### **(2) Measures of customer loyalty**

Measures of customer loyalty were selected because they reflect both length (retention) and depth (cross-sell) of the bank-customer relationship. Length of relationship is reported by both division-reported customer retention rates (percentage of customers who remained customers during 1993) and mean customer-reported relationship tenure. Relationship depth is measured by division cross-sell rates, which record the percentage of customer households with multiple accounts (account cross-sell) and multiple services (service cross-sell). With five-point scales, the interval for breaking the range in measuring each variable is calculated by:

$$\frac{5 - 1}{5} = 0.8$$

##### **(3) Control variables**

Control variables are included in certain analyses: either service mix factors or experiential (the customer having contacted the bank with a question or problem in the past year, or consider the bank as the customer's primary bank). The criteria used to determine a mean range are as follows:

Strongly agree	= 4.21~5.00
Agree	= 3.41~4.20
Neutral	= 2.61~3.40
Disagree	= 1.81~2.60
Strongly disagree	= 1.00~1.80

### **3.5.4 Reliability analysis**

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. This study employs internal consistency, which concerns the extent to which items on a test or instrument measure the same thing. The appeal of an internal consistency index of reliability is that it is estimated after only one test administration and therefore avoids the problems associated with testing over multiple time periods. Internal consistency is estimated via the split-half reliability index, coefficient alpha index (Cronbach, 1951).

Before testing all the samples, the researchers found 30 questionnaires for pre-testing and discovered a reliability result of 99 percent; typically an alpha should be at least 70 percent, so here the pre-test shows the questionnaire to be sound.

## **4. RESULTS**

This section presents the results of the data analysis. The data were collected and then processed in response to the issues mentioned in Section 1 of this paper. Two fundamental goals are the collection of data and the subsequent data analysis. Those goals were developed as a knowledge base on the ICBC decision maker or the other financial service, and to determine if the current perception and utilization are consistent with the basic goals and principles of ICBC's future development.

### **4.1 A summary of the data collection and reliability testing results**

#### **4.1.1 Response sample**

Six hundred questionnaires were sent to ICBC Luliang branch customers, with two ways of collecting the data: from 400 online questionnaires and 200 paper-based questionnaires, with 436 useable questionnaires returned at a response rate of 72%. The unusable surveys totaled 164.

Questionnaires were returned by 202 male respondents, or 46.33%, and 234 female respondents, or 53.67%; the number of respondents aged 18~25 years old is 135, or 30.96%, aged 26~30 years old is 139, or 31.88%, aged 31~35 years old is 68, or 15.6%, aged 36~40 years old is 46, or 10.55%, and aged over 40 years old is 48, or 11.01%. The occupations of respondents are categorized as student, business owner, employee, retired and other. Totals for each category are 93, or 21.33%; 64, or 14.68%; 183, or 41.97%; 20, or 4.59%; and 76, or 17.43%, respectively. Monthly income levels are categorized as less than 1,000RMB, 1,001~2,000 RMB, 2,001~3,000 RMB, 3,000~4,000 RMB and over 4,000 RMB. Totals for each category are 71, or 16.28%; 58, or 13.3%; 106, or 24.31%; 78, or 17.89%; and 123, or 28.21%, respectively.

#### **4.1.2 Reliability of the data**

In statistics, Cronbach's  $\alpha$  (alpha) is a coefficient of internal consistency commonly used as an estimation of the reliability of a psychometric test for a sample of examinees. Further research shows that it can also be used for measuring business variables. For this

research, the data from the 436 questionnaires were coded into statistical software, whose reliability mix for all questions for testing the results are shown in the table below:

**Table 4.1 model summary analysis**

<b>Model summary</b>		
<b>Sample</b>	<b>N</b>	<b>%</b>
Valid	436	100.0
Excluded <sup>a</sup>	0	0.0
Total	436	100.0

**Table 4. 1 Reliability statistics analysis**

<b>Reliability statistics analysis</b>	
<b>Reliability statistics</b>	
<b>Cronbach's Alpha</b>	<b>N of Items</b>
0.975	436

As shown in table 4.1, the number of questionnaires returned is 436 and equals 100%, while the second one shows Cranach's Alpha ( $\alpha$ ) to be 97.5%. In the theory of Cronbach, an alpha is used to estimate the proportion of variances whether it is systematic or consistent in a set of test scores. It can range from 0.00 (no variance, it is consistent) to 1.00 (complete variance, it is inconsistent) with all values between 0.00 and 1.00 possible. The result of this research is nearly 100%; with the lowest acceptable level at 70%, the results have high reliability.

#### 4.2 The analysis level of agreement

**Table 4.15 Overall factors mean and standard deviation**

<b>Factors</b>	<b>Mean</b>	<b>S.D.</b>	<b>Level of agreement</b>
Product	2.14	0.735	Disagree
Price	2.75	0.758	Neutral
Promotion	2.43	0.768	Disagree
Place	2.19	0.675	Disagree
Process	2.81	0.737	Disagree
Physical	2.23	0.716	Disagree
People	2.36	0.661	Disagree
Customer satisfaction	2.38	0.622	Disagree
Customer loyalty	2.49	0.632	Disagree

Tables 4.15 shows the results of the level of agreement of ICBC customer feelings toward the firm's service. According to the five-point Likert scale, the means 1.81-2.60 reveal that the disagreement level affects customer satisfaction, customer loyalty and other related factors concerning ICBC's services.

The mean of product of all questions is between 1.92-2.40, which shows the disagreement level of product on customer feelings toward ICBC services. Price shows a

disagreement level whose mean is between 2.56-2.94. The mean of promotion of all questions is between 2.39-2.51, which shows the disagreement level of promotion on customer feelings toward ICBC services. Place, process, physical, and people show the disagreement level of place on customer feelings toward ICBC services.

Customer satisfaction was constituted into two dimensions: service mix (7Ps) factor and overall satisfaction of ICBC comprising nine questions. The mean of all questions is between 2.13-2.58, which shows the disagreement level of process on customer satisfaction toward ICBC services.

Customer loyalty was constituted into two dimensions: service mix (7Ps) factor and overall customer loyalty comprising nine questions. The mean of all questions is between 2.17-2.73, which shows the disagreement level of process on customer satisfaction with ICBC services.

### 4.3 Summary of hypothesis testing results

This section will present the results of the relationship between service mix and customer satisfaction as related to Section 1 and the hypothesis of this paper.

#### 4.3.1 The service mix has a relationship with ICBC customer satisfaction

Tables 4.16-4.18 show the results of the relationship between service mix and customer satisfaction.

#### 4.16 Model Summary analysis

Model Summary					
Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate	
1	0.899a	0.809	0.806	2.47012	

Model summary analysis table 4.16 shows the R Square is 80.9%, which means customer satisfaction can be explained by the service mix, but the adjusted R Square is 80.6%. The value of R-square and adjusted R-square are nearly the same due to the number of observations being very large compared with the number of predictors.

#### 4.17 Anova analysis

Anova <sup>b</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
<b>Regression</b>	11036.585	7	1576.655	258.404	0.000a
<b>Residual</b>	2611.443	428	6.102		
<b>TOTAL</b>	13648.028	435			

Anova table 4.17 shows a p-value of less than 0.05. Thus, there is a relationship between service mix and customer satisfaction.

#### 4.18 Coefficients

Coefficients <sup>a</sup>				
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Beta		

	<b>Error</b>				
<b>(Constant)</b>	1.325	0.524		2.531	0.012
<b>Product</b>	0.174	0.073	0.091	2.394	0.017*
<b>Price</b>	0.080	0.062	0.044	1.291	0.197
<b>Promotion</b>	0.258	0.088	0.106	2.935	0.004*
<b>Place</b>	0.147	0.099	0.053	1.496	0.135
<b>Process</b>	0.408	.060	0.215	6.818	0.000*
<b>Physical</b>	0.222	.065	0.142	3.423	0.001*
<b>People</b>	0.660	.065	0.390	10.101	0.000*

\* Indicates statistic significant at the five-percent level

Table 4.18 shows the coefficients of the service mix (7Ps) which have a relationship with customer satisfaction except for place and price; and the p-value is less than 0.05, which means that product, promotion, process, physical and people have a positive relationship with customer satisfaction.

From the coefficient table and the detailed standardized coefficients columns, the formula to estimate customer satisfaction is as follows:

$$\text{Customer Satisfaction} = 1.325 + 0.174X_{\text{product}} + 0.258X_{\text{promoton}} + 0.408X_{\text{process}} + 0.222X_{\text{physical}} + 0.660X_{\text{people}}$$

The beta weights show that the people factor (0.660) is relatively stronger than the other factors in explaining the changes in customer satisfaction, but price and place are irrelevant to customer satisfaction.

Tables 4.16-4.18 show the results of hypothesis testing as follows:

The service mix strategy has a positive relationship with ICBC customer satisfaction.

### 4.3.2 Customer satisfaction has a positive relationship with ICBC customer loyalty

**Table 4.19 Model Summary analysis**

<b>Model Summary</b>				
<b>Model</b>	<b>R</b>	<b>R-square</b>	<b>Adjusted R-square</b>	<b>Std. Error of the Estimate</b>
1	0.808a	0.653	0.652	3.35912

The model summary analysis in table 4.19 shows that the R Square is 65.3%, which means customer satisfaction can be explained by the service mix; meanwhile, the adjusted R Square is 65.2%. The value of R Square and adjusted R Square is almost the same, due to the number of observations being very large compared with the number of predictors.

**Table 4.20 Anova analysis**

<b>Anova<sup>b</sup></b>					
<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig</b>
<b>Regression</b>	9196.727	1	9196.727	815.044	0.000a
<b>Residual</b>	4897.133	434	11.284		
<b>TOTAL</b>	14093.860	435			

Anova in table 4.20 shows a p-value of less than 0.05. Thus, there is a relationship between customer satisfaction and customer loyalty.

#### 4.21 Coefficients analysis

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.834	0.636		7.595	.000
CS	0.821	0.029	0.808	28.549	.000*

\* indicated statistic significant at the 5 percent level

Table 4.21 shows the coefficients of the customer satisfaction, which has a relationship with customer loyalty. Table 4.21 shows the coefficients of the service mix, which has a relationship with customer loyalty and a p-value of less than 0.05, which means customer satisfaction has a positive relation to customer loyalty.

From the coefficient table and the standardized coefficients column, the formula to estimate customer satisfaction is as follows:

$$\text{Customer Loyalty} = 4.834 + 0.821X_{cs}$$

Generally tables 4.18-4.21 show the result of hypothesis testing as customer satisfaction having a positive relationship with ICBC customer loyalty.

## 5. CONCLUSION AND DISCUSSION

### 5.1 Conclusion

According to the linear regression and Anova test for the two hypotheses, we know they are true for both hypotheses.

For Hypothesis 1, the results in research table 4.16 reveal that customer satisfaction can be influenced by the service mix dimensions, and the R-squared value (0.809) can be identified to signify that service mix has a significantly positive effect on customer satisfaction, which means the service mix has an effect on customer satisfaction; when the service mix operates well, customers will be more satisfied.

The coefficients result in table 4.18 show that five factors have a significantly positive effect on customer satisfaction: product, promotion, process, physical and people, with the most effective factor being people. This means ICBC must make improvements in its employees' people skills.

For Hypothesis 2, this research finds that ICBC customer loyalty depends on customer satisfaction. As shown in table 4.19, the R-squared is 0.653, which means customer satisfaction has a significantly positive effect on customer loyalty; therefore, if ICBC increases customer satisfaction, customer loyalty will increase as well. Results from table 4.14 show that the highest dissatisfaction factor on customer loyalty is place; as mentioned earlier; the questionnaire has three questions under place. Most customers mentioned the inconvenience of going to ICBC, so the bank should open more branches. The second dissatisfaction factor is insufficient customer seating. Space should be redesigned to increase seating. The third factor involving location shows that if ICBC has good locations with many branches, customers are willing to go and use its services.

## 5.2 Discussion

This study focuses on details to which bank managers can devote more attention so as to develop and maintain relationships with their customers. Parasuraman (1998), in calling for research on how business customers judge supplier services, points out that customers may not see things exactly as suppliers do. Thus, the data here cannot clearly indicate which factors contribute to stronger relationship marketing; instead, the data can only suggest what the service providers think and contribute to strong relationships. The supplier view is in itself important, but it may have to be modified if customer views differ. We agree with recent works that note the continued, strong need for research on both sides (the dyad as the unit of investigation: Tyler and Stanley, 1999) and for more measurement of congruence or gaps in supplier vs. customer views of service.

Based on the aforementioned research findings, this thesis offers the following analysis and conclusions:

### **(1) Customer behavior**

The questionnaire's first part focuses on demographics. Results displayed in Section 4 show that most ICBC customers are employees aged 26~30, which means they are likely drawn to ICBC's product line because of the bank's fame and prestige. As a result, they are unwilling to take risks, so perhaps ICBC can improve its products and services to this group of people by keeping in mind their characteristics. Furthermore, most of them have and use personal accounts and e-banking, so it seems they will use e-banking more as the technology develops; therefore, ICBC should focus on innovations for these two products to maintain competitiveness.

### **(2) Service mix**

This section employs the traditional way, the 7Ps strategy, with results showing that so far the customers give greatest concern to price and people.

①Price: Price is an element of the marketing mix that fluctuates markedly in the financial services marketplace. Therefore, banking professionals should develop a better understanding of the pricing concept. This study suggests that for non-affluent consumers, "interest rates on loans and paying highest rates on savings" are a salient factor in choosing where they do their banking. Hence, banks and other financial institutions should price their offerings consistent with their needs to earn a fair profit.

②Place: The location decision is one of the most important strategic decisions in the marketing mix. Researchers note that "when a service organization decides to target a portion of its marketing effort toward a given geographic area, whether it is a region, state, county, city, or neighborhood, it should be based on a careful analysis of the market potential of the area.

③Process: The participants think ICBC service processing takes longer than necessary. The bank needs to overhaul its operations to raise them to a new level of efficiency. Applying marketing theory to meet customer needs, it is recommended that ICBC work to understand its customers better and develop a new strategy of service process so it can improve its profitability.

④People: Staff are always the important part or key structure for any firm; they can be brand ambassadors for ICBC. This means every employee is important to the bank; if one of them causes a problem, it will affect the perception of all ICBC services.

⑤Physical evidence: The surrounding environment has a strong relationship with respondents as seen in the results from Section 4. From the questionnaire, the ATM and counter chairs are seen to represent the physical presence of ICBC. The bank should improve its ATM operations process to make it easier and more convenient; the seats should be comfortable and ample in quantity for customers. These factors should be accounted for when planning the marketing strategy.

⑥Product: product refers to credit and debit cards, and the results show that the products have a positive relationship to respondents. They believe ICBC products are of good quality and they willingly use ICBC services because of the famous brand; however, some respondents are concerned about safety especially and the product warranty.

⑦ Promotion: in the questionnaire this comprises publicity, discounting and advertising. The respondents thought the discount was the most attractive promotion, but not advertising. Compared with other banks, ICBC should improve its advertising campaign.

### **(3) Customer satisfaction**

In the questionnaire's overall satisfaction section, the results show that more than half of participants feel satisfied with ICBC services and around 30 percent feel neutral. According to the 7Ps part of questionnaire, ICBC's service products do not get 40 percent of those who are satisfied, and the rest of investigation are over half for all. This is a sign that ICBC must consider this to be the main issue and it must take action to improve services.

### **(4) Customer loyalty**

The result of the customer loyalty section shows the most disappointing part of services, with overall customer loyalty at 60 percent. Referring to Section 1 and the hypothesis of this research:

Hypothesis 1: The service mix strategies have an effect on ICBC customer satisfaction;

Hypothesis 2: ICBC customer satisfaction has a relationship with customer loyalty.

From Section 4's data analysis, table 4.21 shows ICBC customer satisfaction with a relationship to customer loyalty, and in the table, the service mix strategy also shows a highly positive relationship with customer satisfaction.

### **The relationship between service mix and customer satisfaction**

The main issue addressed in this study is the relationship between customer satisfaction and service mix dimensions. The study's results show that the service mix sectors were presented in group. The research results find that customer satisfaction can be influenced by service mix dimensions and that the R-square value (0.806) can be identified with the service mix having a significantly positive effect on customer satisfaction. This confirms the literature review in Section 2; Booms, B.H. and Bitner, M.J. (1999) explain that customer satisfaction can be predicted by the leverage of the service mix strategy, especially for the service industry, and the R-value of the service mix factors can indicate customer satisfaction.

### **The relationship between customer satisfaction and customer loyalty**

This research found that ICBC customer loyalty depends on customer satisfaction as shown in Section 4, table 4.19, in which the R-squared is 0.653, which means customer

satisfaction has a significantly positive effect on customer loyalty. This confirms the literature review in Section 2 that cites Martin et al. 2008, and Chitturi et al. (2008), who propose that customer loyalty is positively related to satisfaction. Furthermore, Mano and Oliver (1993) show that customer loyalty consistent with expectations has a positive relationship between cognitive and affective judgments and satisfaction.

This paper argues that the modern relationship movement leads organizations back to the pre-twentieth century with the global scale of the twenty-first century through the 1960s (i.e., Borden's 12Ps and McCarthy 7Ps). Relationship marketing is not a new discovery, but a re-discovery. The lack of evidence in the approach is not in the 4Ps or 12Ps. If we pay considerable attention only to the four generic categories rather than undertake a full analysis of their sub-activities, components and the related inter-relationships among the elements, they will, of course, argue that the service mix approach does not capture the full extent and complexity of marketing, nor does it explicitly recognize the essence of relationships between a firm and a customer or any other partner. If one focuses one's attention and undertakes a full analysis of the abovementioned elements, one can find many relationships involved in them. Each of the 7Ps is a collection of sub-activities and has the potential to stimulate and create relationships between customers as well as with suppliers and dealers.

First of all, because of the nature of every banking operation, the marketing function is diffuse and involves large numbers of people in different roles. Second, active involvement in the marketing process is still a new experience for many bank managers and staff; there is some uncertainty about approaching the tasks involved. Third, some bank managers and staff tend to perceive the marketing function as somehow separate from their bank's "real business."

These difficulties can be countered partly by training and development programs and partly by ensuring that each staff member has a clear responsibility to the marketing and selling function. Marketing must become an integral part of all bank operations.

### **5.3 Implication for Business**

The result reveals how respondents want ICBC to improve most. Hence, the service mix factors that ICBC should improve for its future marketing strategy are as follows:

#### **(1) People**

To increase the efficiency of manpower, it must be recognized the ICBC staff play a critical role in delivering direct services to meet customer needs. From what customers said, it can be seen that staff must get better training from professionals on how to give better service and make customers happy. The part of most concern is about security, so ICBC should pay more attention to security during customer transactions; it is recommended that ICBC hire security staff with professional experience to make customers feel safer. This is a basic level at which to start building customer trust that can lead to greater loyalty. Employee attitude is also essential and should be included here. The literature review, Parasuraman (2005), and Chaudhuri and Holbrook (2001), mention that attitudinal loyalty is used to measure a service business normally. Attitudinal measurements use attitudinal data to reflect the emotional and psychological attachment inherent in loyalty, so a training course can help employees understand better and adopt a good attitude toward their duties.

## **(2) Process**

To improve the efficiency of transaction banking, to have it become short and simple, ICBC should provide training courses to employees so they can master their official skills. In addition, an efficient self-service counter should be set up to decrease the problem of long queues. The bank should also improve communication between employees and customers. Customers believe employees do not communicate well with them, and in this case, a higher skill of communication course should be provided to employees.

## **(3) Physical**

For the physical part, customers point out that ATMs and the e-banking service are not easy to use; they want ICBC to improve the system by making it user-friendly. On this point, ICBC should increase its self-service equipment that can provide customers with convenience. Moreover, regarding the environment in the bank's sales space, customers point out that ICBC needs to improve it. An attractive branch can impress customers and leave them satisfied, thus bringing potential benefit. Convenience is also a key point for a financial services company. Success on these points can increase customer satisfaction and have customers return to use their services repeatedly.

## **(4) Price**

Reducing service fees and charging reasonable prices is an element of the marketing mix that fluctuates markedly in the financial services marketplace. Research results show that customers do not feel they are getting good value for what they are charged; therefore, banking professionals should develop a better understanding of the pricing concept. This study suggests that for non-affluent consumers, "interest rates on loans and paying highest rates on savings" are a salient factor in choosing where to do their banking. Therefore, banks and other financial institutions should price their offerings consistent with those needs to make a fair profit.

## **(5) Product**

The quality of service products is not high enough to ensure customer satisfaction; table 4.12 reveals that customers find neither the ATM nor e-banking to be convenient. ICBC needs to overhaul its ATM operations to make the system easier to understand and operate. Fisher (2001) believes that customer satisfaction accounts for only part of why people change product or service providers; that is why product quality plays a key role in the service industry.

## **(6) Promotion**

Promotion in this study focuses on credit cards, advertising and publicity; according to respondents, the quality of the advertising and publicity are unimpressive and the credit card promotions are lame and lack appeal. Given the results, this paper suggests ICBC conduct research on promotion issues to learn what kind of promotions would be of greatest interest to customers as a means to increase its competitive advantage. For example, China Bank has done this part well, so ICBC can study its model to build a strong promotion strategy.

## **(7) Place**

The results of this factor show that respondents dislike ICBC's location as inconvenient. It is recommended that ICBC open more small branches in town and build

a network that is easy to access. Another factor is the limited seating; providing more seats with perhaps free drinks and magazines should be considered to alleviate boredom while waiting.

To summarize, the combined results show that ICBC must keep and develop customer loyalty if it is to thrive. Customers will choose ICBC if it develops many service outlets and offers convenience. According to the place strategy from the service mix, the location decision is one of the most important strategic decisions in the marketing mix. Researchers note that “when a service organization decides to target a portion of its marketing effort toward a given geographic area, whether it is a region, state, county, city, or neighborhood, it should be based on a careful analysis of the market potential of the area” (Kotler, Philip, and Paul N. Bloom, 1984). The element of distribution in the financial service industry is different from that of good physicality. Since financial services are intangible and to a large extent information-based, the distribution system must cater to the needs of the consumer segments. As consumer sophistication and affluence increase, delivery systems must expand through state-of-the-art technology.

#### **5.4 Limitations & further research**

There are several limitations in this research as follows:

##### **(1) Area**

The study was conducted within a limited geographical area. It is possible that financial customers within the Luliang region of southwest Yunnan, China, may not be representative of all financial customers. However, the population in this region of China can be fairly representative of the remainder of the country’s population. Overall, there are some cautions that must be considered in regard to this study’s applicability to other geographical regions. Care should be taken if attempting to extrapolate results across countries. It is recommended that research be undertaken within a country in question to identify similarities and differences across cultures.

##### **(2) Sampling**

A sample of 436 samples is insufficient to study ICBC’s inner issues and problems; from the culture of ICBC, one can see a long history of a complicated company and customer structure. More ICBC branches are being built, while this research studied only a little part of a big firm. On the other hand, the samples were chosen from credit union customers. The limitation of selecting this target population for the study is that they may not be representative of customers at other financial institutions.

##### **(3) Questionnaire**

The questionnaire is quite substantial. Therefore, the sampling group had to take time to read and complete it in its entirety. Sometimes the respondents were busy and hurried in their transactions, so their answers may not correspond to their true feelings.

#### **5.5 Further research**

The results in Section 4 show that customer satisfaction has a high effect on the customer loyalty, and service mix greatly affects customer satisfaction. In studying the relationship between the customer loyalty and service mix, results show that the

relationship between those two dimensions are positively significant. For further research, a study is recommended as to whether ICBC customer loyalty has a positive relationship with service mix.

The questionnaire has five parts. The first part focuses on demographics, which can be studied for its effect on the service mix; managers can use demographics to identify the market and devise a strategy to meet customer needs. This is why the researcher wants to combine it with a service mix based on different demographics such as age, education and lifestyle, while using a service mix that devises a marketing strategy that will make implementation more logical and clear. A further study can be on the relationship between demographic and service mix.

This study was under the service mix whose specific factors are the 7Ps (price, product, place, promotion, people, physical and process). Now some research can be conducted under the 12Ps (product, price, promotion, place, political, power, public relation, probing, partitioning, prioritizing, positioning, people), and after the 12Ps, a study can be done more completely to discover the specific problem factors.

This study revealed that most ICBC customers are 18~30; further research can focus on this group and make more specific recommendations from its findings. Further problems at ICBC can be studied and then reported with clearer results about customer preferences that could yield more significant outcomes for the bank.

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