

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,

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SCHOOL OF GRADUATE STUDIES

COLLEGE OF ARTS AND SOCIAL SCIENCES

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THE IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY IN THE NON-BANK FINANCIAL INSTITUTIONS: A CASE STUDY OF CEDI TRUST FINANCIAL SERVICES LIMITED.

A THESIS SUBMITTED TO THE DEPARTMENT OF MARKETING AND CORPORATE STRATEGIES, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BY

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DECLARATION

I hereby declare that, except for specific references which have been duly acknowledged, this work is the result of my own field research and it has not been submitted either in part or whole for any other degree elsewhere.

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ABSTRACT

Customer loyalty is critical to the conduct of business in today's competitive marketplace, and non-banks are no exception. Non-banks have, thus, embarked on different management strategies as ways to promote customer loyalty. Customer loyalty, with its final effect on repurchasing by customers, is perhaps one of the most important constructs in services marketing. Indeed, loyal customers that indulge in repeat purchases are the bedrock of any business. In the quest for business survival many non-bank financial institutions are channeling most of their scarce resources and energies in maintaining a loyal customer base through improved service quality delivery. Despite all these efforts, customers tend to be less loyal. The main objective of this study is to investigate the impact of service quality on customer loyalty of Cedi Trust Financial Services Ltd. To achieve this objective the SERVQUAL model was used. Elements of service quality as propounded by the SERVQUAL model, which are reliability, tangibles, empathy responsiveness and assurance were used. From the research conducted, it was found out that elements of service quality such as reliability, tangibles and responsiveness have a positive impact on customer's loyalty. Whilst the other components of the SERVQUAL model such as empathy and assurance had a negative relationship with customer loyalty.

DEDICATION

This work is dedicated to the Almighty God, my Creator, to my Beloved Mum, Madam Mercy Donkor, Miss Dora Ekua Aggrey and my entire family for their touch of care, love, support and encouragement given me up to this stage of my academic life.



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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Non-Bank financial institutions have traditionally operated in a relatively stable environment for decades. However, today the industry is facing dramatically aggressive competition due to the liberalization and the dynamism of the industry. The net result of the recent competition and legislation is that non-banks have lost a substantial proportion of their customers to the other financial institutions, hence making their customers less loyal.

Competition will undoubtedly continue to be a more significant factor. Finding a place in this heating sun becomes vital to the long-range profitability and ultimate survival of the non- bank financial institution. Those non-banks that are not considering the new atmosphere to build and protect their competitive position and their survival will likely become victims of that heating sun.

Customer loyalty is critical to the conduct of business in today's competitive market place, and non- banks are no exception. Non- banks have, thus, embarked on different management strategies as ways to promote customer loyalty (Bahia and Nantel, 2000; Jamal and Naser, 2002). However, contemporary researchers in bank marketing (e.g. Day, 2000; Gilbert and Choi, 2003; Hennig-Thurau *et al.*, 2002) have advocated high service quality (SQ) as a better option for gaining customer loyalty.

Service quality is a critical measure of organizational performance. Service quality remains at the forefront of both the marketing literature generally, and the services marketing literature specifically (Jensen and Markland, 1996). Practitioners and academics alike are keen on accurately measuring service quality in order to better understand its essential

antecedents and consequences, and ultimately, establish methods for improving quality to achieve competitive advantage and build customer loyalty (Palmer and Cole, 1995; Zahorik and Rust, 1992).

1.1 Research Problem Statement

Customer loyalty, with its final effect on repurchasing by customers, is perhaps one of the most important constructs in service marketing. Indeed, loyal customers that indulge in repeat purchases are the bedrock of any business (Aaker and Jacobson, 1994; Bolton, 1998)

In the era of the liberalization of the financial institution, many customers have at their disposal variety of financial services. As a result, they tend to switch when they are least satisfied with the service provision of a particular financial institution.

In the quest for business survival many non-bank financial institutions are channeling most of their scarce resources and energies in maintaining a loyal customer base through improved service quality delivery. It is a common assertion among management and marketing theorists that customer service quality is essential to business success (Kristensen et al., 1992; McColl-Kennedy and Schneider, 2000; Zeithaml et al., 1996).

1.3 Objectives of the study

The main objective of this study is to investigate the impact of service quality on customer loyalty of Cedi Trust Financial Services. To achieve this broad objective the following specific objectives have been outlined:

1. To analyze the quality of service offered by Cedi Trust Financial Services Ltd.
2. To investigate how service quality impacts on customer loyalty in Cedi Trust

Financial Service

3. To recommend appropriate service quality that will lead to customer loyalty in non-bank financial institutions.

1.4 Research Questions

The task facing managers of non-bank financial institutions is to focus on those activities that result in meeting or exceeding customer expectations. The questions they need to ask include:

1. What is the level of quality of service offered in a non-bank financial institution?
2. What measures should be adopted to improve service quality in a non-bank financial institution?
3. What effect does service quality have on customer loyalty in Cedi Trust Financial Services Ltd?

1.5 Justification of study

Financial institutions- made up of the bank and non-bank sectors are the key entities that control the flow of money in an economy. These institutions also act as intermediaries between the capital and debt markets in a country. In view of these prepositions, the government of Ghana has realized the need to make these institutions easily accessible to the people and then empower them to play their active role in the economy and society. This task on the government has contributed to the liberalization of the financial sector, most especially the non-bank financial institution. This cardinal reason has led to the proliferation of this industry and no doubt the competitive pressure among them is constantly increasing. One significant resemblance of these institutions is that they all

virtually offer the same kind of products to their clients. The only obvious distinguishing factor among them is their capacity to achieve their customer loyalty.

An important consideration in a service firm's customer base is the degree to which its customers are loyal. We conceptualize customer loyalty as a combination of both commitment to the relationship and other overt loyalty behaviors (Ganesh et al, 2002).

Generally, customer loyalty has been and continues to be defined in some circles as repeat purchasing frequency or relative volume of same-brand purchasing(e.g., Tellis 1988). Of note is a definition crafted by Newman and Werbel (1973), who defined loyal customers as those who rebought a brand, considered only that brand, and did no brand-related information seeking.

In response to the above, this work seeks to bring to the fore the main areas of service quality that determines customer loyalty in Cedi Trust Financial Service Ltd. It also seeks to give a perspective into how the scarce resources of the company should be allocated to generate the expected results needed to enhance and maintain a satisfied and loyal customer base.

1.6 Scope of study

This research work is planned in such as to provide cogent answers to the research questions. The researcher has narrowed the financial institutions in Ghana down to the non-bank financial institution and to be specific Cedi Trust Financial Service Ltd. The scope of the study is designed as such considering the time and resources available.

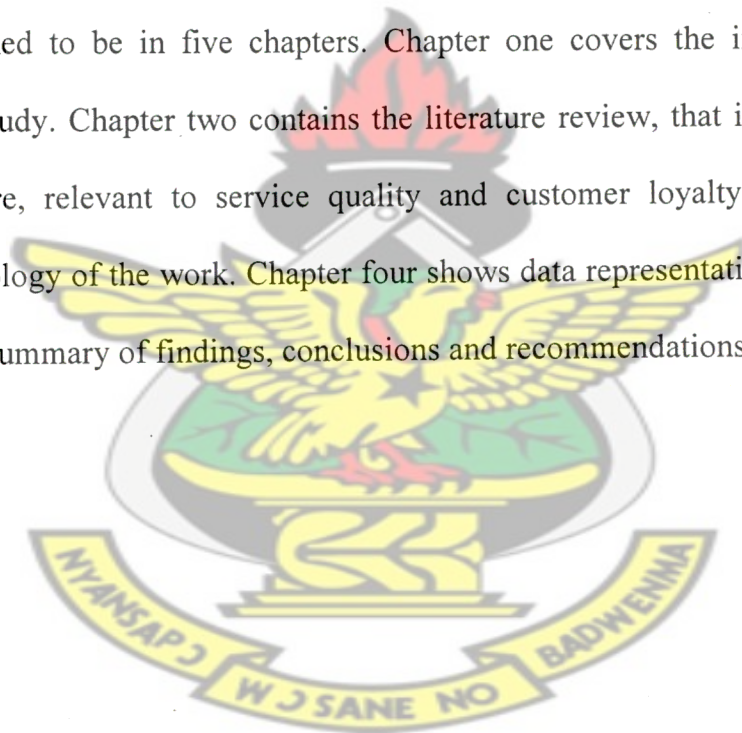
1.7 Overview of Research Methodology

A questionnaire was structured and designed for collection of data. The customers in the Kumasi branch were selected randomly to answer the questionnaire as and when they entered the banking hall. The responses collected were analyzed using Statistical Package for Social Scientists (SPSS), which consists of various statistical techniques, such as Regression Analysis, Analysis of Variance (ANOVA), Coefficient of Determination (R^2) and T – Test.

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1.8 Organization of Study

This study is designed to be in five chapters. Chapter one covers the introduction and background of the study. Chapter two contains the literature review, that is, the review of the existing literature, relevant to service quality and customer loyalty. Chapter three contains the methodology of the work. Chapter four shows data representation and analysis. Chapter five entails summary of findings, conclusions and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Customer loyalty is critical to the conduct of business in today's competitive marketplace, and non-banks are no exception. Financial institutions have, thus, embarked on different management strategies as ways to promote customer loyalty (Bahia and Nantel, 2000; Jamal and Naser, 2002). However, contemporary researchers in non-bank marketing (e.g. Day, 2000; Gilbert and Choi, 2003; Hennig-Thurau *et al.*, 2002) have advocated high quality service delivery as a better option for gaining customer loyalty. In fact, many firms have established service quality programmes to foster loyalty (Schiffman and Kanuk, 2004).

As a critical measure of organizational performance, service quality remains at the forefront of both the marketing literature generally, and the services marketing literature specifically (Jensen and Markland, 1996). Practitioners and academics alike are keen on accurately measuring service quality in order to better understand its essential antecedents and consequences, and, ultimately, establish methods for improving quality to achieve competitive advantage and build customer loyalty (Palmer and Cole, 1995). Service quality is commonly noted as a critical prerequisite for establishing and sustaining satisfying relationships with valued customers. In this way, the association between service quality and customer loyalty has emerged as a topic of significant and strategic concern (Taylor and Baker, 1994). In general, research in this area suggests that service quality is an important indicator of customer loyalty (Spreng and Mackoy, 1996).

Evidence abounds (e.g. Duncan and Elliot, 2002; Kish, 2000) showing links between customer loyalty and organization profitability, implying that any organization with loyal

customers has considerable competitive advantage. This makes studies on customer loyalty essential for non- bank management. Customers are more likely to be loyal if they get a good value for their money through unparalleled quality service delivery (Clark, 1997). Such climate is established when organizations try to identify genuine customers' needs and design products to meet those needs (Bridgewater, 2001). Valued customers require truly personalized services, which Szymigin and Carrigan (2001) explain as knowing what customers want and do not want and then ensuring that they get what they want. Customers can and do change their financial institution if their expectations are not met by their existing service provider (Szymigin and Carrigan, 2001). The problem is that customers rarely tell the non- bank manager in advance what they have decided to do, especially when they decide to leave their existing non- bank for a competitor (Kish, 2000). In aiding non- bank management to overcome the problem of customer defection, it becomes imperative for researchers to identify what is in the minds of customers of non-bank services when they compare what should be offered and provided, and what is actually offered and provided (Stafford, 1994).

2.2 The Concept of Service Quality

According to Berry *et al.* (1988), service quality has become a significant differentiator and the most powerful competitive weapon which many leading service organisations possess. Leading service organisations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml, 1996), therefore, a service organisation's long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base. Despite the fact that customer loyalty is essential for business survival (Reichheld, 1993), the relationship between perceived service quality and customer

loyalty remained relatively underdeveloped (Bloemer *et al.*, 1999; Gremler and Brown, 1996).

Scholars have defined the service concept in many different ways. Most often activities, deeds, processes and interactions are used when defining the concept of service (Solomon *et al.*, 1985; Lovelock, 1991; Zeithaml and Bitner, 2003; Vargo and Lusch, 2004). Lovelock (1991) defines services as “a process or performance rather than a thing”. Most definitions also focus on the customer, and on the fact that services are provided as solutions to customer problems (Grönroos, 2001). Service quality is linked to activities, interactions and solutions to customer problems.

Grönroos (1984,) defined service quality as a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received. The author also suggested that service quality issues could be split into technical quality (what is done) and functional quality (how it is done). Grönroos (1984) further declared that the quality of a service is dependent on two variables: expected service and perceived service, and that any previous experience with a service could influence the expectations of a consumer, whereas the perceived service is the result of a consumer's perception of the service itself.

Parasuraman et al. (1988) defined service quality as “... a global judgment or attitude relating to the overall excellence or superiority of the service” and they conceptualized a customer's evaluation of overall service quality by applying Oliver's (1980) disconfirmation model, as the gap between expectations and perception of service performance levels.

Following on the above definitions, service quality has also been described as a form of attitude, related but not equivalent to satisfaction that results from the comparison of

expectations with performance (Bolton and Drew, 1991; Parasuraman *et al.*, 1988). Similarly, Parasuraman *et al.* (1988), based on exploratory research to understand the construct of service quality and its determinants, defined service quality as “the degree of discrepancy between customers’ normative expectations for the service and their perceptions of the service performance”.

Edvardsson *et al.* (2005) conclude that the most common service characteristics – intangibility, heterogeneity, inseparability and perishability (IHIP) – have most often been discussed through the lens of the service provider, not the lens of the customer. The issues raised as a consequence of the IHIP characteristics are all related to service delivery and how to manage services from the provider's perspective, not how to co-produce and consume services from the customer's perspective.

Services are produced, delivered and consumed during – in time and space – overlapping processes in which customers have a role as co-producers carrying out activities and deeds as well as being part of interactions (with e.g. front-line employees, other customers and technology) which will influence or decide both process quality and outcome quality. Therefore, service quality perceptions are formed during the production, delivery and consumption processes. Customers have roles as co-producers by carrying out activities as well as being part of interactions influencing both process quality and outcome quality.

2.3 Service Quality and Service Experiences

In the marketing literature, experiences are often used to refer to a certain group of services including travel, music, theater, restaurants, hotels and culture. The core of these services has to do with hedonic consumption (Hirshman and Holbrook, 1982). The experience concept is now also used to add value to consumer services, for instance in

telecommunications (services), educational (services), hotel (services) and airline services. Ritz Carlton and Singapore Airlines, for example, focus not only on traditional service quality issues and factors such as reliability and assurance, but also on creating favorable customer experiences.

Here, a service experience is defined as the service encounter and/or service process that creates the customer's cognitive, emotional and behavioral responses which result in a mental mark, a memory (in line with Johnston and Clark (2001)). Some of the service experiences are especially favorable and others particularly unfavorable. Both tend to stay in the customer's (long-term) memory. These experiences will have a strong impact on customers' quality perceptions. According to Voss, (2003), organizations focus more and more on experiences to engage customers, to create and support brands and to differentiate themselves.

The shift from a focus on physical products to service concepts is not always enough today. Manufacturer of physical products emphasize not only product and service quality, but also stress experience-based quality. Examples are Volvo in the car industry and IKEA in the furniture business. Products become platforms for service experiences, and experience-based quality is emphasized. Service quality issues have thus become a subject of great importance also for manufacturing companies and not only for companies in traditional service industries. Service quality is perceived and determined by the customer on the basis of co-production, delivery and consumption experiences. Favorable and unfavorable customer experiences seem to be more and more important in forming service quality perceptions.

2.3.1 Responsiveness as a Component of Service Quality

Many service companies worry about the length of their queues because customer waiting time is considered as having a negative influence on consumer service perception. Time is valued by both partners. On the one hand, service companies may lose transactions if waiting time is too long; and on the other, consumers consider waiting time as a sacrifice to get the service. It is one of the reasons that more and more service customer-oriented companies position their offer on time advantage for consumers. Lovelock and Gummesson (2004) insist on the central role played by time in most services and recommend paying more attention to improving the understanding of how customers perceive, budget, consume and value time.

The waiting time has four aspects: objective, subjective, cognitive and affective:

1. The objective waiting time is the elapsed time as measured by a stopwatch by customers before being served (Davis and Vollman, 1990; Katz et al., 1991; Taylor, 1994).
2. The subjective waiting time is the customers' estimation of time waited. In previous research studies, the subjective aspect is measured by means of the perceived waiting time (Hui and Tse, 1996; Pruyn and Smidts, 1998). Unsurprisingly, the estimated time depends on objectively measured elapsed time (Hornick, 1984; Pruyn and Smidts, 1998; Antonides et al., 2002).
3. The cognitive aspect of the wait is the consumers' evaluation of the wait as being (or not being) acceptable, reasonable, tolerable (Durrande-Moreau, 1999) as well as considered to be short versus long (Pruyn and Smidts, 1998).
4. The affective aspect of the wait consists of emotional responses to waiting such as irritation, boredom, frustration, stress, pleasure, happiness, etc ... (Taylor, 1994; Hui and

Tse, 1996; Pruyn and Smidts, 1998). According to Pruyn and Smidts (1998), these affective and cognitive aspects form the appraisal of the wait.

Along with income and price, time can be considered as a constraint in consumer purchasing choice (Becker, 1965; Umesh *et al.*, 1989). In choosing a service provider, consumers weigh up a number of benefits against the money, effort, and psychic costs of buying and using the service; time spent in obtaining the service is just such a cost. The authors consider waiting time satisfaction and service satisfaction as being two constructs related to a specific transaction. Service satisfaction is the overall evaluation of the service transaction and waiting time satisfaction is a determinant of the latter. Several studies show that delays have negative effects on the overall service evaluation (Katz *et al.*, 1991; Taylor, 1994; Hui and Tse, 1996); and, more precisely, on satisfaction with the service (Pruyn and Smidts, 1998). Furthermore, customers' anger and their evaluation of punctuality affect the overall service performance (Taylor, 1994). Similarly, Hui and Tse (1996) find that the affective response to the wait influences the service evaluation. Moreover, Pruyn and Smidts (1998) demonstrate that the appraisal of wait, i.e. both cognitive and affective dimensions, positively influence the service satisfaction. Another element of responsiveness is customer complaint handling. A major reason why customers switch service providers is unsatisfactory problem resolution (Hart *et al.*, 1990).

When customers face a problem, they may respond by exiting (switching to a new supplier), voicing (attempting to remedy the problem by complaining) or loyalty (staying with the supplier anticipating that "things will get better") (Hirschman, 1970). Given that customers of retail banks have relatively high switching costs, it is likely that a dissatisfying experience will evoke a passive reaction (no complaint) or a complaint. Given that the customer complains, the bank's response can lead to customer states ranging from

dissatisfaction to satisfaction. In fact, anecdotal evidence suggests that when the service provider accepts responsibility and resolves the problem, the customer becomes “bonded” to the organization (Hart *et al.*, 1990). When customers complain, they give the firm a chance to rectify the problem and, interestingly, if the firm recovers successfully, to increase loyalty and profits (Fornell and Wernerfelt, 1987). Thus, customer complaint handling can have an influence on customer satisfaction and retention.

2.3.2 Assurance as a Component of Service Quality

Assurance is defined as a promise that will certainly happen or be true about the other party’s intentions within the relationship. In the context of relationship marketing, assurance has been linked to trust and is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other (Callaghan *et al.*, 1995, pp. 10-60). It is a widely accepted basis for relationships (Sullivan and Peterson, 1982; Crosby *et al.*, 1990; Grönroos, 1990; Andaleeb, 1992; Houston *et al.*, 1992; Moorman *et al.*, 1992). It has been documented in the form of an exchange relationship (Grönroos, 1990), considered by some (Moorman *et al.*, 1992; Martin and Sohi, 1993) as a critical component of business relationships, and identified as a key

construct in modeling relationship marketing (Morgan and Hunt, 1994). Trust has also been linked to components of the other three dimensions (bonding, reciprocity and empathy) leading to cooperation (Anderson and Narus, 1990; Morgan and Hunt, 1994), communication (Bialaszewski and Giallourakis, 1985; Anderson and Narus, 1990; Mohr and Nevin, 1990) and bargaining (Schurr and Ozanne, 1985). Generally it appears that the higher the level of trust between customer and supplier, the greater the probability of continuance or long-term existence of the relationship (Martin and Sohi, 1993). Since

relationships require strong element of interpersonal obligation, and are undertaken between individuals or networks of individuals rather than between organized corporate groups (Eisenstadt and Roniger, 1984), the construct of trust can be postulated as coming primarily from personal trust rather than system trust. In the context of this study, trust refers to personal trust that is the basis for person-to-person as well as customer-supplier relationships. Morgan and Hunt's (1994) conceptualised trust as existing when one party has confidence in a partner's reliability and integrity. Indeed, trust could exist at the individual level (Rotter, 1967) or at the firm level (Moorman et al., 1993). Furthermore, trust, when conceptualized as a dimension of service quality, could also be thought of as “trust in the service itself” (see Parasuraman et al., 1985, 1988).

2.3.3 Empathy as a Component of Service Quality

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other's perspective. It is defined as seeking to understand somebody else's desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense (Hwang, 1987). The empathy dimension plays a major role in Chinese business relationships (Hwang, 1987; Brunner et al., 1989) and is also apparent in western business relationships (Ferguson, 1990; Houston et al., 1992). These indicate that empathy is a necessary condition to foster a positive relationship between two parties.

2.4 The Role of Emotions in Service Quality

Berry *et al.* (2002) emphasize “managing the total customer experience”. They argue for two categories of service quality clues: recognizing clues of experience related to functionality and clues of experience related to emotions.

Customer delight, loyalty and profitability are linked to favorable customer experiences (Pine and Gilmore, 1999). What distinguishes the excellent from the average companies often has to do with these experiences and not only a value for money outcome and cognitive assessment (Johnston and Clark, 2001). An emotional reaction is part of a quality and favorable experience (Cronin, 2003; Sherry, 1998). This is in line with Mano and Oliver's (1993) study on utilitarian and hedonic consumption judgments. They argue that "...satisfaction is naturally tied to cognitive judgments and to affective reactions elicited in consumption" (Mano and Oliver, 1993).

Oliver (1977) claims that the role of emotions is gaining attention as a central element in service quality management. However, the literature does not offer clear models (Grönroos, 2001). There are some recent studies suggesting that emotion is a fundamental attribute in satisfaction and that satisfaction models should include a separate emotional component (Cronin *et al.*, 2000). Stauss and Neuhaus (1997) claim that satisfaction studies focus on the cognitive component and that not enough attention has been paid to the emotional component of service quality. Wong (2004) found that negative emotions have a stronger effect on satisfaction with quality than positive emotions: There is a lack of empirical investigations of the role of emotion in service encounters and its relationship with key concepts in service quality management.

To know more about the role of emotions in forming quality perceptions, there are two categories of service quality clues: clues of experience related to functionality and clues of experience related to emotions. Positive and negative emotions seem to be more and more important in forming service quality perceptions, and negative emotions have a stronger effect on perceived service quality than positive emotions.

2.5 Service Quality as an Independent Construct

A recent stream of research that has developed over the last few years treats perceived customer service as an individual construct. Spreng and Mackoy (1996) as well as Dabholkar *et al.* (2000) are among those researchers who have pursued this approach. More specifically, Spreng and Mackoy (1996) studied an integrated model of perceived service quality and satisfaction among students regarding their assessment of undergraduate advising. In that study, overall perceived quality was treated as an individual construct which was assessed by asking the respondents to evaluate the quality of the service they received with three seven-point scales anchored by “Extremely poor/extremely good”, “Awful/excellent” and “Very low/very high”.

Dabholkar *et al.* (2000) used a similar approach when assessing the quality as perceived by institutional customers of the pictorial directory division of a national photographic company. In their study, overall perceived quality was also treated as an individual construct measured through four items, namely, “excellent overall service”, “service of a very high quality”, “a high standard of service” and “superior service in every way”, while factors such as service reliability, personnel attention are treated as antecedents to perceived service quality.

This approach in conceptualizing service quality has the merit that, in comparison to the more “traditional” approach, i.e. that service quality represents the congeries of different sub-dimensions that aggregate in order to derive an estimation of service quality, the assessment of perceived service quality is more simplified, particularly for practitioners. The latter, following this approach, have not to measure all the sub-components of perceived service quality. Instead, they can derive a more holistic appraisal of the quality of

their offering and, given the limited length of the measure, do so more regularly (Dabholkar *et al.*, 2000).

On the other hand though, one has to notice that, in both studies that have treated perceived service quality as an individual construct, the measure of overall perceived service quality appears to be a tautology of the items that were employed in each case. For instance, one would have difficulty to tell how “excellent overall service quality”, when compared to “service of a very high quality” or to “a high standard of service”, delineates a different facet of the same phenomenon that the latter items capture. This view is in line with various efforts to obtain a direct measure of overall service (Babakus and Boller, 1992; Cronin and Taylor, 1992) using a single item measure while it is also echoed by Dabholkar *et al.* (2000), who concede that even for practitioners it is required to evaluate the antecedents/sub-dimensions of perceived service quality in order to diagnose quality drawbacks in the service they deliver.

2.6 Service Quality as a Multi-level Construct

An alternative approach in conceptualizing service quality has been proposed by Shemwell and Yavas (1999). In their view, perceived service quality is better conceptualized as a multilevel-hierarchical notion that is comprised of search, credence and experience attributes. Their conceptualization was validated in the consumer services context (health care services) and their study provided strong empirical evidence of face validity.

A similar view is also proposed by Brady and Cronin (2001). Using the retail services as the frame of analysis, they investigated the possibility of conceptualizing perceived service quality as a three-level construct. In their view, service quality is comprised of three primary dimensions, each consisting of three sub-dimensions. Customers aggregate their evaluations

of the sub-dimensions to form their perception of the firm's performance on each of the three primary dimensions they propose. Then, these perceptions lead to an overall service quality perception (Brady and Cronin, 2001). In an attempt to bridge the different perspectives adopted by the so called “American” perception (based on the disconfirmation paradigm on which SERVQUAL was originally developed) with the “Nordic” one (which focuses on the technical and functional sub-dimensions of quality), the primary dimensions suggested by the authors are interaction quality, physical environment quality and outcome quality.

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The rationale behind this multilevel/multi-dimensional conception of service quality, is rooted on the work of Carman (1990) who noted that customers tend to perceive service quality as the aggregation of different quality sub-dimensions. Subsequent researchers (e.g. McDougall and Levesque, 1994; Mohr and Bitner, 1995; Carman, 2000) provided support to this approach, despite the divergence of their findings regarding the sub-dimensions that each study identified. It also must be noted that, in all previous studies that pursued this approach, the frame of analysis remained the context of retail services.

The main disadvantage of this approach is that it makes it quite cumbersome for practitioners to measure perceived customer service since, before an overall evaluation can be derived, it is required to administer a lengthy instrument. On the other hand though, the conception and measurement of perceived service quality becomes robust since verbosity is avoided. Also, this approach is in-line with marketing theory regarding the multifaceted nature of many constructs, such as satisfaction, market orientation (Flynn *et al.*, 1993; Kohli and Jaworski, 1990) and so on. Such constructs (global constructs), are comprised by distinct subcomponents (sub-constructs) which, however, contain a significant amount of

shared variance attributed to their common relation with the higher order global construct (Bagozzi and Heatherton, 1994).

For instance, perceived quality is important because it is related with satisfaction which is known to influence positively the firm's performance. Various studies have investigated the link between perceived service quality and buyer's satisfaction (Yi, 1990; Kane *et al.*, 1997; Carman, 1990, 2000) and have demonstrated that satisfaction is related with the ability of the firm's outcome to meet an optimum level on certain – specific characteristics that are of importance for the buyer (Oliver, 1997). In turn, these characteristics are frequently referred to as “satisfaction drivers” and are at the core of the notion to perceived service quality, as opposed to laboratory quality (i.e. the level of quality depicted on the service blueprint) and delivered quality (i.e. the extend to which the firm's ability to actually match the standards described in its blueprints). Given that overall satisfaction with the provision of a service is a function of the buyer's degree of satisfaction with various aspects of the service offered, perceived service quality has been suggested to follow the same rational. Hence, the superiority of the hierarchical/multilevel approach in conceptualizing perceived service quality.

2.7 Conceptualizing and Measuring Perceived Service Quality in Non-Bank Institution

The differences between consumer and industrial goods are well documented in the literature and an extensive review would be unessential. Very briefly, the differences in the buying behavior, the evaluation criteria for appraising alternative suppliers, the existence of buying centers are, among others, the most eminent distinctions of industrial buyers. As a result, the marketing effort and priorities of the producers vary accordingly. When it comes to non bank financial services, the context is even more dissimilar because of the

fundamental characteristics of services: Their intangible nature and the inseparability between production and consumption.

For instance, services purchased from organizations (non banks institutions) are provided by qualified professionals whose expertise and skills are key elements of the quality of the service provided (Yorke, 1990). They interact closely with managers from the buying organization and on a very frequent basis (Hausman, 2003). In addition, non financial organizational services are far more complex and require the management of a larger number of parameters to ensure their flawless provision and outcome (Lovelock, 1996). Jackson and Cooper (1988), also stress this increased demand for specialization, which in a way is a consequence of the increased customization that is required when serving organizational buyers. As a result, selecting, evaluating and deciding on the continuation of the relationship with a non bank financial service provider is not a routine task (Jackson *et al.*, 1995), even for established providers. What organizations actually purchase is frequently a customer-specific and quite unique solution to a specific problem (Patterson, 1995).

Given both the distinct differences between consumer and non-banking financial services as well as the serious concerns regarding the suitability of the SERVQUAL instrument, it is no surprise that various alternative measures for assessing the quality of non banking financial services have been suggested. One of the pioneers in this area is Gronrøos (1984) who suggested that two types of perceived service quality are of concern for industrial customers: Technical quality and Functional quality. The former was conceived as encompassing the core operation-related aspects of the service while the latter as comprising the interaction between individuals from the two organizations.

Following Gronrøos (1984) original conceptualization, Morgan (1991) proposed two different but quite similar dimensions: Process elements, i.e. how the service is delivered with regard to the interaction between the staff from the two companies (customer and provider) and Outcome elements, i.e. what the customer actually received from the provider. Another dimension, that of integrative quality, is proposed by Edwardson *et al.* (1990) referring to the provider's ability to ensure that all the sub-systems that are required to deliver the service are actually coordinated well enough to do so.

Later work by Szmigin (1993) furthered the dimension of output quality which relates with eventually delivering the service outcome that the customer expects. This dimension is different from hard quality because a service company may well manage to put all the required sub-systems to work in a coordinated fashion and still the end result of the serving endeavor will be less than what the customer expected.

Given this difficulty to relate outcome quality to the efforts and success of the provider, Halinen (1994) suggests that output quality ought to be broken down in two distinct dimensions: "Immediate outcome" and "Final outcome quality". With regard to the former, it relates to the success of the provider to provide the customer with a solution to its problem while, the latter describes the effects that the service offered created for the customer, after it has been implemented.

Parasuraman *et al.* (1988) sought to determine common dimensions of service delivery beginning with focus group interviews of consumers' experiences with four service sectors, namely retail banking, credit card, securities brokerage, and product repair and maintenance. The researchers discovered ten general dimensions which they labeled tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communications, and understanding. Later investigations by the same group of researchers showed that some of

the ten dimensions were correlated; hence refinements were made until the instrument was composed of five higher-order dimensions which subsumed the previous ten.

From the various researches, researchers propose that overall service quality performance could be determined by the measurement scale, SERVQUAL that uses five generic dimensions:

1. Tangibles
2. Reliability
3. Responsiveness
4. Assurance
5. Empathy

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Discussion of this instrument is of value because the SERVQUAL instrument is a reasonable illustration of the programmatic development of a universal list of service quality dimensions.

2.8 The SERVQUAL Model

The SERVQUAL approach (Parasuraman *et al.*, 1988) to the measurement of service quality has attracted considerable attention in recent years. The approach starts from the assumption that the level of service quality experienced by customers is critically determined by the gap between their expectations of the service generally and their perceptions of what they actually receive from a specific service provider. Ongoing research (Zeithaml *et al.*, 1990) yielded five dimensions by which customers evaluate service quality. These service quality dimensions are:

1. *Tangibles*: The appearance of the physical facilities, equipment, personnel and communication materials.
2. *Reliability*: The ability to perform the promised service dependably and accurately.
3. *Responsiveness*: The willingness to help customers and provide prompt service.
4. *Assurance*: The knowledge and courtesy of employees and their ability to convey trust and confidence.
5. *Empathy*: The caring, individualised attention the organisation provides its customers.

The original quantitative research (Parasuraman *et al.*, 1988) involved customer surveys and focus groups in five different service industries (appliance repairs and maintenance, retail banking, telephones, credit cards, and securities brokerage). This resulted in the construction of a 22-item survey instrument which measures, on a seven-point Likert scale, the general expectations of customers and a corresponding 22-item instrument measuring their perceptions of service quality of a particular organisation in the service category (Figure 2). Analysis of survey responses allows the assessment of the extent of the service quality gaps between expectations and perceptions both overall (Gap 5) and in each of the five service quality dimensions shown above. Of course, the five service quality dimensions might not be equally important and so respondents are invited to indicate, on a scale which sums to 100, the relative importance they attach to each.

The survey responses allow investigation of service quality in a number of ways. First, the dimensions of service quality can be ranked in order of importance from the customers' viewpoint. Second, an assessment is obtained of how customers rate each service quality dimension on the basis of their actual experience of the service organisation. Conclusions can then be drawn about the focus of the organisation. That is, how well it is performing in those factors regarded as most important by its customers. Third, disentangling customers'

general expectations from their perceptions of a particular organisation allows tracking of both features over time. The impact of management action on service quality can therefore be monitored and assessed. Further, understanding shifts in customer expectations may yield important information influencing the design, specification and development of the service under scrutiny along with other, perhaps related services of the organisation. Finally, identifying and quantifying the gaps in meeting customer expectations by service dimension will support better prioritisation by the organisation in developing future service improvements.

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Service quality (SQ) has become an important research topic because of its apparent relationship to costs (Crosby, 1979), profitability (Buzzell and Gale, 1987; customer satisfaction (Bolton and Drew, 1991), customer retention (Reichheld and Sasser, 1990), and positive word of mouth. SQ is widely regarded as a driver of corporate marketing and financial performance.

SERVQUAL is founded on the view that the customer's assessment of SQ is paramount.

This assessment is conceptualized as a gap between what the customer expects by way of SQ from a class of service providers (say, all opticians), and their evaluations of the performance of a particular service provider (say a single Specsavers store). SQ is presented as a multidimensional construct. In their original formulation Parasuraman et al. (1985) identified ten components of SQ

- Reliability
- Responsiveness
- Competence
- Access
- Courtesy
- Communication

- Credibility
- Security
- Understanding/knowing the customer
- Tangibles

In their 1988 work these components were collapsed into five dimensions: reliability, assurance, tangibles, empathy, responsiveness. Reliability, tangibles and responsiveness remained distinct, but the remaining seven components collapsed into two aggregate dimensions, assurance and empathy. Parasuraman et al. developed a 22-item instrument with which to measure customers' expectations and perceptions of the five RATER dimensions. Four or five numbered items are used to measure each dimension. The instrument is administered twice in different forms, first to measure expectations and second to measure perceptions.

Without question, SERVQUAL has been widely applied and is highly valued. Any critique of SERVQUAL, therefore, must be seen within this broader context of strong endorsement.

What follows is a discussion of several criticisms which have been leveled at SERVQUAL elsewhere or have been experienced in the application of the technology.

2.9 Theoretical Criticisms of SERVQUAL Model

Unfortunately, the conceptualization and measurement of service quality using SERVQUAL are not bereft of controversy. This controversy was given a major boost by Cronin and Taylor (1992). Subsequent works on service quality have raised many issues for both academics and practitioners by providing important but somewhat conflicting insights into the conceptual, methodological, analytical, and practical issues related to SERVQUAL and the service-quality concept (Cronin and Taylor, 1994; Teas, 1994; Newman, 2001; Angur *et al.*, 1999). For instance, some argue that measuring service quality using

SERVQUAL, which is based on performance-minus-expectations (or gaps), is inappropriate and suggest that SERVPERF, which is performance-only measurement, is a better method (Cronin and Taylor, 1992, 1994). Some researchers have questioned its dimensionality (Bouman and Van der Wiele, 1992; Carman, 1990; Mels *et al.*, 1997), and others have argued about its measurement of perception and expectation (Babakus and Boller, 1992; Brown *et al.*, 1993; Carman, 1990; Cronin and Taylor, 1992). A detailed discussion of the literature on SERVQUAL can be found in Llosa *et al.* (1998). However, the developers of SERVQUAL contend that the scale using the expectation/performance gaps method is a much richer approach to measuring service quality (e.g. Parasuraman *et al.*, 1985, 1988, 1994). They point out that service quality is a multidimensional rather than a unidimensional construct.

2.10 Paradigmatic Objections of SERVQUAL Model

Two major criticisms have been raised. First, SERVQUAL has been inappropriately based on an expectations-disconfirmation model rather than an attitudinal model of SQ. Second, it does not build on extant knowledge in economics, statistics and psychology.

SERVQUAL is based on the disconfirmation model widely adopted in the customer loyalty literature. In this literature, customer loyalty is operationalized in terms of the relationship between expectations and outcomes. If outcomes matches expectations, customer loyalty is predicted. If outcomes exceed expectations, then customer satisfaction may be produced. If expectations exceed outcomes, then customer disloyalty is indicated.

According to Cronin and Taylor (1992; 1994) SERVQUAL is paradigmatically flawed because of its ill-judged adoption of this disconfirmation model. "Perceived quality", they claim, "is best conceptualized as an attitude". They criticize Parasuraman *et al.* for their hesitancy to define perceived service quality in attitudinal terms, even though Parasuraman

et al. (1988) had earlier claimed that service quality was “similar in many ways to an attitude”. Iacobucci et al.’s (1994) review of the debate surrounding the conceptual and operational differences between service quality and customer loyalty concludes that the constructs “have not been consistently defined and differentiated from each other in the literature”. She suggests that the two constructs may be connected in a number of ways. First, they may be both different operationalizations of the same construct, “evaluation”. Second, they may be orthogonally related, i.e. they may be entirely different constructs. Third, they may be conceptual cousins. Their family connections may be dependent on a number of other considerations, including for example, the duration of the evaluation. Parasuraman et al. (1985) have described satisfaction as more situation- or encounter-specific, and quality as more holistic, developed over a longer period of time, although they offer no empirical evidence to support this contention. Service quality and customer loyalty may also be related by time order. The predominant belief is that service quality is the logical predecessor to customer loyalty, but this remains unproven. Cronin and Taylor’s critique draws support from Oliver’s (1980) research which suggests that service quality and customer loyalty are distinct constructs but are related in that satisfaction mediates the effect of prior-period perceptions of service quality and causes revised service quality perceptions to be formed. Service quality and customer loyalty may also be differentiated by virtue of their content. Whereas service quality may be thought of as high in cognitive content, customer loyalty may be more heavily loaded with affect (Oliver, 1993).

Cronin and Taylor suggest that the adequacy-importance model of attitude measurement should be adopted for service quality research. Iacobucci et al. (1994) add the observation that “in some general psychological sense, it is not clear what short-term evaluations of

quality and loyalty are if not attitudes". In turn, Parasuraman et al. (1994) have vigorously defended their position, claiming that critics seem "to discount prior conceptual work in the service quality literature", and suggest that Cronin and Taylor's work "does not justify their claim" that the disconfirmation paradigm is flawed.

In other work, Cronin and Taylor (1994) comment that recent conceptual advances suggest that the disconfirmation-based SERVQUAL scale is measuring neither service quality nor consumer loyalty. Rather, the SERVQUAL scale appears at best an operationalization of only one of the many forms of expectancy-disconfirmation. A different concern has been raised by Andersson (1992). He objects to SERVQUAL's failure to draw on previous social science research, particularly economic theory, statistics, and psychological theory. Parasuraman et al.'s work is highly inductive in that it moves from historically situated observation to general theory. Andersson (1992) claims that Parasuraman et al. "abandon the principle of scientific continuity and deduction". Among specific criticisms are the following:

Firstly, Parasuraman et al.'s (1988) management technology takes no account of the costs of improving service quality. It is naïve in assuming that the marginal revenue of service quality improvement always exceeds the marginal cost. (Aubrey and Zimbler (1983).

Secondly, Parasuraman et al., (1988) collect SQ data using ordinal scale methods (Likert scales) yet perform analyzes with methods suited to interval-level data (factor analysis).

Thirdly, Parasuraman et al. are at the "absolute end of the street regarding possibilities to use statistical methods". Ordinal scales do not allow for investigations of common productmoment correlations. Interdependencies among the dimensions of quality are difficult to describe. SERVQUAL studies cannot answer questions such as: Are there elasticities among the quality dimensions? Is the customer value of improvements a linear or

non-linear function? Fourthly, Parasuraman et al., (1988) fail to draw on the large literature on the psychology of perception.

2.11 The Concept of Customer Loyalty

The concept of loyalty first appeared in the 1940s. In its earliest days loyalty was proposed as a uni-dimensional construct, which was related to the measurement perspective taken by the researcher. Two separate loyalty concepts evolved. Namely, “brand preference” (Guest, 1944, 1955) which was later referred to as attitudinal loyalty and “share of market” (Cunningham, 1956), which was later referred to as behavioural loyalty.

Nearly 30 years after loyalty first appeared in the academic literature researchers (e.g. Day, 1969) proposed that loyalty may be more complex and that it may comprise both attitudinal and behavioural loyalty. This bi-dimensional concept has since been combined and referred to as composite loyalty (e.g. Jacoby, 1971). The composite definition of loyalty has become the basis for much loyalty research that has since been undertaken (for examples see Jacoby and Kyner, 1973; Bloemer and Kasper, 1995; Bennett, 2001). The composite definition of loyalty considers that loyalty should always comprise favourable attitudes; intentions and repeat-purchase (see Jacoby and Chestnut, 1978). Some researchers (see Oliver, 1999) suggest that loyalty evolves and that there are stages of loyalty. Loyalty is not necessarily a series of hierarchical stages, and should not be considered to always comprise favourable attitudes, intentions and repeat-purchase as proposed by Jacoby and Chestnut (1978) and subsequently by Oliver (1999). Customers may exhibit or possess different degrees of loyalty across the loyalty different types of loyalty.

2.11.1 The Present View of Loyalty

In 1994, Dick and Basu subsequently identified the need to define the different manifestations of composite loyalty as separate dimensions. Following Dick and Basu's

(1994) conceptual model multi-dimensional views of loyalty emerged in the literature (for examples see Zeithaml *et al.*, 1996; Bloemer *et al.*, 1999; Narayandas, 1999; Yu and Dean, 2001).

2.11.2 The Future Views of Loyalty

In a personal sense loyalty is a feeling or an attitude of devoted attachment and affection. This feeling of loyalty tends to imply that a person feels an obligation to persevere with a personal relationship through good and bad times. A commercial setting involves a subtle change for the term “loyalty”. One of the main reasons for this change is customers can persevere in a commercial relationship without a feeling or an attitude of devoted attachment. These loyal behaviours demonstrate that the customer has faith in the brand. To put this in context think about a consumable product that you commonly purchase such as baked beans or a newspaper. Do you feel attached to a can of baked beans or a newspaper? There would be few who would agree that they are attached to a can of baked beans or a newspaper. Yet, when asked if you repeatedly purchase a brand of baked beans or a newspaper you may answer yes. This loyal behaviour is also of interest for marketers. We can now acknowledge that loyalty may be one or a combination of attitudinal and behavioural loyalty. Yet this may still provide a limited view of loyalty.

Therefore, this paper suggests that loyalty should be defined as: The state or quality of being loyal, where loyal is defined as a customer's allegiance or adherence towards an object.

Loyalty is the key to the longevity of any brand and one type of loyalty, namely word of mouth has recently been correlated with company growth (Reichheld, 2003). A useful starting point to examine what constitutes loyalty is to summarise the range of survey-based loyalty measures that have been used in previous studies. It is possible that each and every

customer has loyalty qualities or states in varying degrees, and that customer's have a different mix of loyalty qualities or states. Marketers can activate different loyal states or qualities in different ways. For example, word of mouth behaviours may be encouraged through reward programs while attitudinal loyalty may be encouraged through emotive advertising. This research suggests that the dominant views on loyalty remain too narrow. Old views of loyalty need to be expanded to encompass a far broader range of loyal states and qualities to benefit both customers and marketing managers.

Word of mouth is the most commonly used measure of loyalty and Reichheld (2003) has demonstrated that word of mouth measures correlate to company profits and growth. According to Reichheld (2003), word of mouth is a strong indicator of loyalty and growth because when customers recommend your service they are putting their reputation on the line. Intention to purchase and likelihood of purchase are the second most commonly used measures of loyalty in the academic literature. The loyalty concept needs some consensus and clarity. The analysis will be largely concerned with exploring the factorial structure of the loyalty concept and the "purity" of survey measures of loyalty.

The most widely accepted definition of loyalty is by Jacoby and Kyner (1973), who describe loyalty as the biased (i.e. non-random), behavioural response (i.e. purchase), expressed over time, by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (i.e. decision making, evaluation) processes. However, Oliver (1999) criticises this and similar definitions (Dick and Basu, 1994), based on the collective failure to provide a unitary definition and the reliance on three phases; cognition, affect and behavioural intention. These three phases lead to a deeply held commitment, predicting that consumers develop loyalty in a linear fashion. Oliver (1999) places greater emphasis on situational influences adding a fourth phase, action

characterized by commitment, preference and consistency while recognising the dynamic nature of the marketing environment. Thus he defines customer loyalty as "... a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts" (Oliver, 1999, p. 34). He does not distinguish between proactive loyalty and situational loyalty calculated by frequency of purchase. The consumer frequently buying the brand and settling for no other determines proactive loyalty. Situational loyalty is exhibited when the consumer purchases a product or service for a special occasion. This is particularly important within services, which are purchased annually. Thus customer loyalty is not uniquely concerned with frequency and depth of purchase (behavioural dimensions) of one brand over another, rather as the situation or opportunity arises.

Many practitioners and academics have called for greater knowledge and understanding in relation to the process of developing customer loyalty (Oliver, 1999; Knox and Walker, 2001; Tsaur *et al.*, 2002). This knowledge could lead to better ways of segmenting customers according to their phase within the process and management strategy adapted to the relationship-based needs of different levels of customer loyalty. Customers who are at various phases of customer loyalty development may call for differentiated strategies (Palmer *et al.*, 2000; Knox and Walker, 2001; Rowley, 2005) for example if showing differing forbearance in the event of a service failure (Mueller *et al.*, 2003; McMullan and Gilmore, 2003) or increased competition (Shoemaker and Lewis, 1999). The relationship between competition and loyalty becomes more intense as the level of competition rises, especially in the services sector where there is a wide range of choices and rapidly emerging innovative products and services (Stevens, 2000). To date, however, the academic and practical knowledge of the determinants of customer loyalty are insufficient to address these

objectives (James and Petrick, 2004). Therefore, this study sought to establish the level of loyalty and then identify the role of mediating effects in customers' loyalty development.

It is commonly known that there is a positive relationship between customer loyalty and profitability. Reichheld and Sasser (1990) found that when a company retains just 5 percent more of its customers, profits increase by 25 percent to 125 percent. Their study caught the attention of both practitioners and researchers, arousing a great interest in customer loyalty. Gould (1995) helped consolidate the interest in loyalty through his research that supported Reichheld and Sasser's work. Today, marketers are seeking information on how to build customer loyalty.

The increased profit from loyalty comes from reduced marketing costs, increased sales and reduced operational costs. Loyal customers are less likely to switch because of price and they make more purchases than similar non-loyal customers (Reichheld and Sasser, 1990). Loyal customers will also help promote your product. They will provide strong word-of-mouth, create business referrals, provide references, and serve on advisory boards. Raman (1999) states, loyal customers serve as a "fantastic marketing force" by providing recommendations and spreading positive word-of-mouth; those partnership-like activities are the best available advertising a company can get. Loyal customers increase sales by purchasing a wider variety of the products and by making more frequent purchases. Finally, loyal customers cost less to serve, in part because they know the product and require less information. They even serve as part-time employees. For example loyal customers have been observed in hotels, telling other guests about the great restaurants in the hotels. In casinos, customers explain games and how the player's club works to other customers. Passengers on planes have explained the lightning system or the audio/visual system to other passengers. Therefore loyal customers not only require less information themselves,

they also serve as an information source for other customers. Building customer loyalty is one of the biggest challenges for most industry (Yesawich, 1997).

2.12 Customer Loyalty within the Context of Non-Bank Financial Institution

Customer loyalty is a prime determinant of long-term financial performance of firms (Jones and Sasser, 1995). This is particular true for service firms where increased loyalty can substantially increase profits (Reichheld and Sasser, 1990; Reichheld, 1996). Service firms focus on achieving superior value, an underlying source of competitive advantage (Woodruff, 1997). For service firms the challenge is identifying the critical factors that determine customer satisfaction and loyalty.

Some of the motives behind organizational investment in customer relationship building include, access to privileged information on customer needs and wants (Ndubisi, 2004), mutual rewards (Rapp and Collins, 1990), cost reduction and increase in profitability, etc. Reichheld (1993) reported that a 5 per cent increase in customer retention typically grew the company's profit by 60 per cent by the fifth year. It has been argued that long-term relationships where both parties over time learn how best to interact with each other lead to decreasing relationship costs for the customer as well as for the supplier or service provider.

The importance of relationship marketing is being recognized to a growing extent. Kotler (1992) concluded that companies must move from short-term transaction-oriented goal to long-term relationship-building goal. Webster (1992) in an analysis of the current developments in business and in marketing reported that “there has been a shift from a transaction to a relationship focus” and “from an academic or theoretical perspective, the relatively narrow conceptualization of marketing as a profit-maximization problem, focused on market transactions or series of transactions, seems increasingly out of touch with an

emphasis on long-term customer relationships and formation and management of strategic alliances". Ndubisi (2003) argued that the only real sustainable business growth strategy is through a mutual symbiotic relationship with customers, which enables a business to understand their needs more clearly and to create and deliver superior value. Kavali *et al.* (1999) had earlier indicated that relationship marketing is about healthy relationships characterized by trust, equity, and commitment.

Prior studies have documented several underpinnings of relationship marketing, for example, trust (Ndubisi, 2004; Morgan and Hunt, 1994), commitment (Chan and Ndubisi, 2004; Morgan and Hunt, 1994), conflict handling (Ndubisi and Chan, 2005), and communication or sharing of secrets (Ndubisi and Chan, 2005; Morgan and Hunt, 1994; Crosby *et al.*, 1990). These have been linked to customer loyalty and examine for non- bank customers.

2.13 The Impact of Service Quality on Customer Loyalty

The marketing literature generally makes us believe that service quality in fact leads to Customer satisfaction. The prominent ones are the "disconfirmation school of service quality" lead by Parasuraman, Zeithaml and Berry and "the perception school of service quality" personified by Cronin and Taylor. The difference of view between these two schools of thought has ignited a heated debate with respect to the definition and measurement of service quality.

Customer loyalty, as Buttle (1996) suggests, commitment to customers and service quality enhance satisfaction, which leads to close and successful relationships. If we admit that it is more profitable holding on to existing customers than winning new customers (Berry, 1995; Vavra, 1995), the firm will try to achieve the satisfaction of their existing customers

providing them incentives such as discounts, free products or fidelity cards. These loyalty programs are structured marketing efforts, which reward, and therefore encourage, loyal behavior. Concretely, Sharp and Sharp (1997) state that loyalty program customers should show changes in repeat-purchase loyalty which are not evident amongst non-program members: decreased switching to non-program brands, increased repeat-purchase rates, increased used frequency or greater propensity to be exclusively loyal.

Market performance refers to: the improvement of the firm's market position, that is, building product awareness and penetration in the market; shaping customers' perceptions of the organization and their products (Srivastava *et al.*, 1999); and the rise in customer loyalty and retention (Evans and Laskin, 1994):

- Market position (either awareness or penetration), should be the first consequence of programs and activities addressed to attract customers; it could be considered as consumers' cognitive answer to the signals the firm sends to the market. However, Sharp and Sharp (1997) demonstrate that loyalty programs have no impact on the market share. The result of loyalty programs would be an increase in repeat-purchase loyalty without the expected degree of increase in penetration.
- Customers' perception of the firm's image represents consumers' affective answer to the firm's marketing activities. Attraction and loyalty programs can shape customers' perceptions about the firm or the service it provides. If the customer has an image of friendly relationship, personalized treatment or service quality, we could say that a certain loyalty program has had success. Otherwise, if the customer frequents a service provider only because of promotions, price reductions and advertising, attraction programs have been successful, but loyalty programs probably have failed.

- Finally, loyalty is the result of activities that look for interaction and customers' repeat-purchase and implies a behavioral answer. Expectations of positive reinforcements induce relational behaviors. There is not unanimity about the effect of loyalty programs on loyalty. Szmigin and Bourne (1998) suggest that customers are, in the main, promiscuous when it comes to relationships with firms. Many customers do not really want a long-term approach and act out of self-interest, getting more for less.

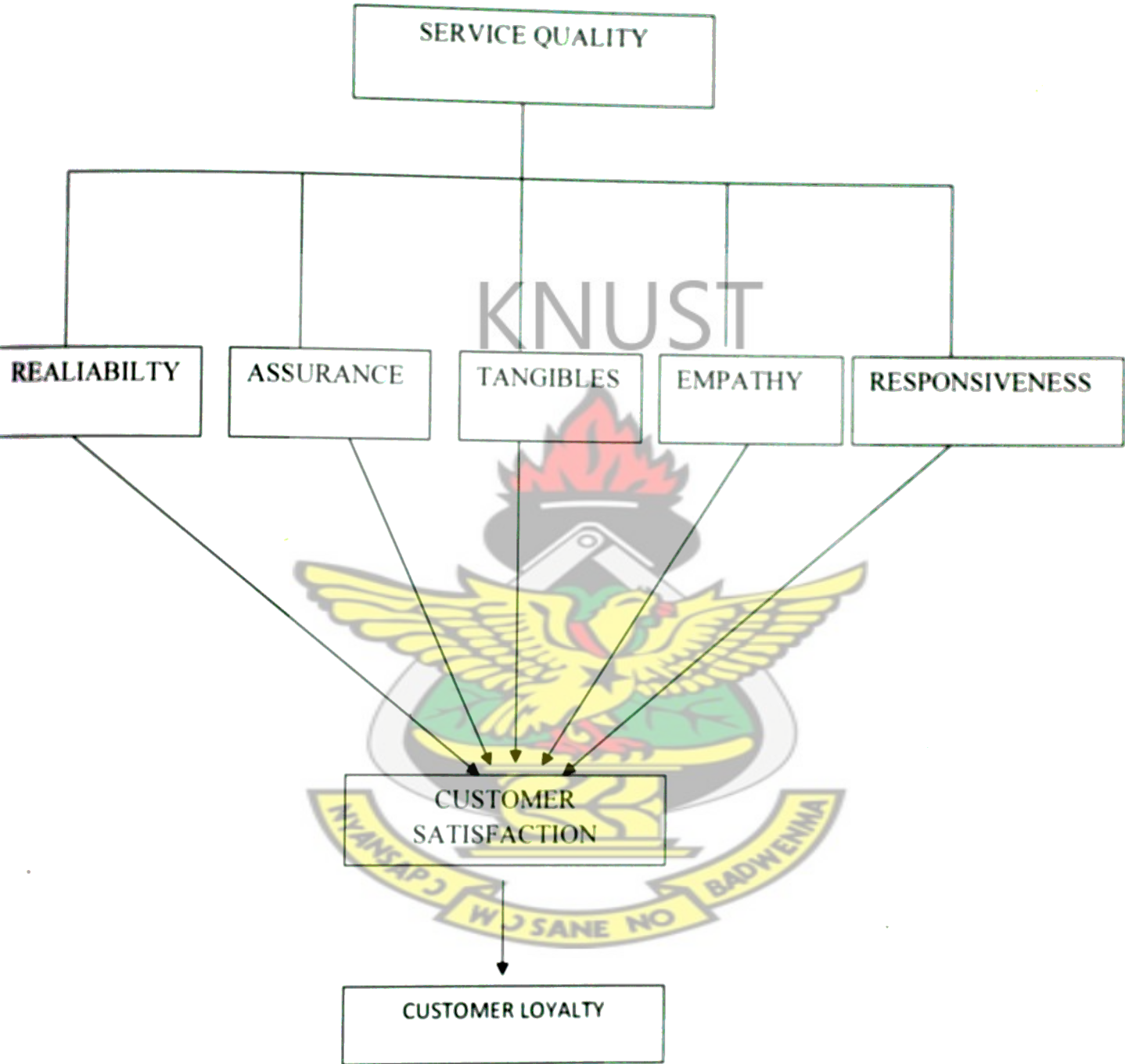
On the other hand, economic performance alludes to the firm's benefit, incomes and profitability that are related, directly and indirectly, to the firm's relational strategy. Attraction and loyalty programs should have direct effects on economic performance. What is more, there is an indirect effect as far as market performance impacts directly on economic results. It has been demonstrated that it is far less expensive to retain a customer than to acquire a new one (Reichheld and Sasser, 1990) and that the longer the customer stays with a firm, the more profitable the relationship is to the firm. In fact, a close and long-lasting relationship with customers usually implies a reduction in service costs (the firm becomes more knowledgeable about its clients' needs and thus able to provide better service at a lower cost) and marketing costs (in that the firm needs to spend less on convincing customers to repeat buying) and, in consequence, an improvement in profitability (Reinartz and Kumar, 2000; Sharp and Sharp, 1997; Sharma *et al.*, 1999). Sharp and Sharp (1997) add that loyalty gives something of a guarantee of future earnings. If a loyalty program increases the certainty of future income flows, through decreasing the risk of losing customers, then it may have a real, and perhaps substantial, impact on shareholder value without affecting current revenue or market share levels.

2.14 Conceptual Framework of the impact of Service Quality on Customer Loyalty

Service Quality has become an important research topic because of its apparent relationship to costs (Crosby, 1997), profitability (Buzzell and Gale, 1987: customer loyalty (Bolton and Drew, 1991). Recent research has yielded five dimensions by which customers evaluate service quality. These service quality dimensions are Reliability, Assurance, Tangibles Empathy and Responsiveness. All these listed dimensions of service quality can be used to assess the impact of service quality on customer loyalty as depicted by the diagram below. These elements then lead to customer satisfaction which then leads to customer loyalty in the long run. When customers are satisfied with the company's services they tend to be loyal to the company.



Fig. 2.1 Conceptual Framework of the impact of Service Quality on Customer Loyalty



Adopted from Parasuraman et al. (1986).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter talks about how data that will be used for this work is collected. It also gives an exposition about how the data collected will be analyzed.

3.2 Target Population

The target population was composed of customers of the two branches of Cedi Trust Financial Services Ltd, whose core business is to provide access to microcredit facilities to the community they serve. The branches are located Kumasi and Tema. The company had in all 720 customers and all of the customers constituted the population size for the study.

3.3 Sampling Technique

A simple random sampling was used to select the branch that was used for the study. By this method all the branches were written on a piece of paper and one of them was picked without replacement. The customers in the branch chosen were also selected randomly to answer the questionnaire as and when they entered the banking hall. In addition, it is quantitative, in that it relates to numbers or accounts. Its principal objective is that, it is useful for its wide coverage. A sample size of 150 customers is used for the study.

3.4 Data Collection

Data was collected using a questionnaire. The questionnaire comprised of 22-item, Proposed by researchers Parasuraman *et al.* (1988) and a 5 point likert SERVQUAL scale Proposed by Babakus and Mangold (1992) on the grounds that it would reduce the “frustration level” of client respondents, increase response rate and response quality, demographics, and an

overall customer loyalty. SERVQUAL measures service quality as five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. These dimensions are defined as follows:

- *Reliability*: Ability to perform the promised service dependably and accurately;
- *Responsiveness*: Willingness to help customers and provide prompt service;
- *Assurance*: Knowledge and courtesy of employees and their ability to inspire trust and confidence;
- *Empathy*: Caring, individualized attention the firm provides its customers;
- *Tangibles*: Physical facilities, equipment, and appearance of personnel.

From the above discussions it can be concluded that Customer Loyalty (C_L) can be mathematically represented as:

$C_L = f(R, A, T, E, Re)$, where;

C_L = Customer loyalty

R = Responsiveness

A = Assurance

T = Tangibles

E = Empathy

Re = Reliability



3.5 Hypotheses

H1₀: Reliability has a positive impact on Customer Loyalty.

H1₁: Reliability has a negative impact on Customer Loyalty.

H2₀: Responsiveness has a positive impact on Customer Loyalty.

H2₁: Responsiveness has a negative impact on Customer Loyalty.

H3₀: Assurance has a positive impact on Customer Loyalty.

H3₁: Assurance has a negative impact on Customer Loyalty.

H4₀: Tangibles has a positive impact on Customer Loyalty.

H4₁: Tangibles has a negative impact on Customer Loyalty.

H5₀: Empathy has a positive impact on Customer Loyalty.

H5₁: Empathy has a negative impact on Customer Loyalty.

3.6 Data Analysis

The data collected was analyzed using the following statistical techniques:

• Regression Analysis

This statistical technique was used to assess the relationship between the independent variables (R,A,T,E,R) and the dependent variable (C_L).

• Analysis of Variance (ANOVA)

This statistical technique was used to test whether there are differences in the loyalty across the independent variables (R,A,T,E,R).

• Coefficient of Determination (R²)

This technique was used to test how on the whole all the independent variables (R,A,T,E,R) put together explains the dependent variable (C_L).

• T- Test

This statistical technique was used to explain how significant each independent variable (R,A,T,E,R) is in explaining the dependent variable (C_L).

• Crosstabs

This technique was used to compare number of responses and their percentages for each of the independent variable with the dependent variable.

- **Spearman's Rank Correlation Matrix**

This is used to detect the presence of multicollinearity. Multicollinearity occurs when the independent variables overlap with respect to the information they provide in explaining the variation in the dependent variable.

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CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of the results collected from the field. The chapter also goes further to discuss the data analyzed. Out of the 150 questionnaires issued to the customers of Cedi Trust Financial Services Ltd, 120 constituting 80% responded.

4.2 Demographic Analysis of Customers of Cedi Trust Financial Services

This section describes the gender and age distribution pattern of the customers of Cedi Trust Financial Services. It further compares the pattern of the gender and age distributions.

4.2.1 Gender Distribution of Respondents

Table 1

SEX	FREQUENCY	PERCENTAGE %
MALE	36	30
FEMALE	84	70
TOTAL	120	100

Source : Data collected from field survey of Cedi Trust Financial Services

From table 1 above it shows that, there is a female dominance over the males; that is to say, the male sample of respondents was 30% as against 70% of females. This result is not surprising as the customers who visit Cedi Trust Financial Services Ltd are predominantly female.

4.2.2 Age Distribution of Respondents

Table 2

AGE	FREQUENCY	PERCENTAGE %
18 – 28	19	15.83
29 – 38	27	22.50
39 – 48	48	40.00
49 and above	26	21.67
TOTAL	120	100

Source: Data from field survey

Table 2 gives the age distribution of the customers of Cedi Trust Financial Services Ltd. This finding revealed that majority of the customers who transact businesses with Cedi Trust Financial Services Ltd are between the ages of 39 - 48. The company offers credit facilities to its customers that is why majority of the customers who assess these products are people at the peak stage of their ages.

4.2.3 Crosstab of Gender and Age Group

Table 3

Gender		Age group				Total
		18-28	29-38	39-48	48 and above	
Female	Count	19	26	34	5	84
	% of Total	15.83%	21.67%	28.33%	4.17%	70.0%
Male	Count	0	1	14	21	36
	% of Total	.0%	.83%	11.67%	17.50%	30.0%
Total	Count	19	27	48	26	120
	% of Total	15.83%	22.50%	40.00%	21.67%	100.0%

Source: Data from Field Survey

From Table 3 above, gender as against age distribution of respondents have been shown. In all 70% of the respondents were females and 30% were males. The table also shows that out of the total respondents, ages between 18 - 28 were 15.83%, 29-38 were 22.50%, and 39-48 were 40.00% and 49 and above were 21.67%. All these results confirm the female dominance of Cedi Trust Financial Services Ltd's customers.

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4.3 Analysis of the Quality of Service Offered by Cedi Trust Financial Services

This section analyzes the quality of service offered by Cedi Trust Financial Services using the five SERVQUAL variables.

4.3.1 Analysis of Reliability in Assessing Service Quality of Cedi Trust Financial Services

Table 4

Reliability	feel neutral	16
		13.3%
	somewhat satisfied	70
		45.0%
	Satisfied	34
		28.3.0%
Total		120
		100.0%

Source: Data from field survey

The table 4 above shows the level of reliability of service offered by Cedi Trust Financial services. It can be observed that 73.3% of the total respondents are satisfied with the level of reliability of service. This shows that the level of service quality in terms of reliability of service is very high.

4.3.2 Analysis of Assurance in assessing Service Quality of Cedi Trust Financial Services

Table 5

Assurance	feel neutral	36
		30.0%
	satisfied	44
		36.7%
		40
Total		120
		100.0%

Source: Data from field survey

The table 5 above shows the level of assurance of service offered by Cedi Trust Financial services. It can be observed that 70% of the total respondents are satisfied with the level of assurance of service. This shows that the level of service quality in terms of assurance of service is very high.

4.3.3 Analysis of Appearance in Assessing Service Quality of Cedi Trust Financial Services

Table 6

Overall Appearance	somewhat satisfied	Count	56
		% of Total	46.7%
	satisfied	Count	64
		% of Total	53.3%
Total		Count	120
			100%

Source: Data from field survey

The table 6 above shows the level of appearance of service offered by Cedi Trust Financial services. It can be observed that 100% of the total respondents are satisfied with the level of appearance of service. This shows that the level of service quality in terms of appearance of service is very high.

4.3.4 Analysis of Empathy in assessing Service Quality of Cedi Trust Financial Services

Table 7

Level of Empathy	somewhat dissatisfied	46
		38.3%
	feel neutral	38
		31.7%
	somewhat satisfied	16
		13.3%
Total	satisfied	20
		16.7%
		120
		100.0%

Source: Data from field survey

The table 7 above shows the level of **reliability of service** offered by Cedi Trust Financial services. It can be observed that 70% of the total respondents are dissatisfied with the level of empathy of service. This shows that the level of service quality in terms of empathy of service is very low.

4.3.5 Analysis of Responsiveness in assessing Service Quality of Cedi Trust Financial Services

Table 8

Level of Responsiveness	somewhat dissatisfied	54
		45%
	feel neutral	31
		25.8%
	somewhat satisfied	15
		12.5%
Total	satisfied	20
		16.7%
		120
		100.0%

Source: Data from field survey

The table 8 above shows the level of responsiveness of service offered by Cedi Trust Financial services. It can be observed that 70.8% of the total respondents are dissatisfied with the level of responsiveness of service. This shows that the level of service quality in terms of responsiveness of service is very low.

4.4 Impact of Service Quality on Customer Loyalty

Table 9: Regression Analysis of Service Quality and Customer Loyalty

	Unstandardized		Standardized	T	Significant
	Coefficients		Coefficients		
	Beta	Std. Error	Beta		
(Constant)	0.37	0.14		0.235	0.815
Reliability of Service	0.41	0.101	0.397	4.122	0.000
Loyalty with assurance of service	-.0328	.046	-.035	-.693	0.492
Loyalty with the overall appearance	0.206	.089	.255	3.451	.001
Loyalty with level of empathy	-.114	.018	-.021	-.791	.433
Loyalty with level of responsiveness	.314	.050	.425	6.330	.000

Dependent Variable: Customer Loyalty.

Source: Field Survey of Cedi Trust Financial Services Ltd.

The table 9 above shows the coefficients for each independent variable representing an estimate of the average change in the dependent variable for a one-unit change in the independent variable, all other independent variables remaining constant. The Beta values show the coefficients of the independent variables.

The coefficient of reliability of service is 0.41, this means that holding all the other independent variables constant, a 1% change in reliability of service will change the overall customer loyalty by 0.41%. The significance value for this variable is 0.00. This variable is significant in explaining the overall customer loyalty level because the significance value is less than 0.05.

The coefficient of assurance of service is -0.328; the meaning is that, the variable has a negative relationship with the overall customer loyalty. (They move in the opposite direction). A 1% increase in assurance of service will reduce the overall customer loyalty by 0.32% holding all the other independent variables constant. The significance value for this variable is 0.492. This variable is not significant in explaining the overall customer loyalty level because the significance value is greater than 0.05.

The coefficient of appearance of service is 0.206; this means that holding all the other independent variables constant, a 1% change in appearance of service will change the overall customer loyalty also by 0.206%. The significance value for this variable is 0.01. This variable is significant in explaining the overall customer loyalty because the significance value is less than 0.05.

The coefficient of empathy of service is -0.114, this variable has a negative relationship with the overall customer loyalty. (They move in the opposite direction). A 1% increase in the level of empathy of service will reduce the overall customer loyalty by 0.14%, holding all the other independent variables constant. The significance value for this variable is 0.433. This variable is not significant in explaining the overall customer loyalty because the significance value is greater than 0.05.

The coefficient of responsiveness of service is 0.314; this means that holding all the other independent variables constant, a 1% change with the level of responsiveness of service will change the overall customer loyalty in the service quality also by 0.314%. The significance value for this variable is 0.00. This variable is significant in explaining the overall customer loyalty in because the significance value is less than 0.05.

These discussions above have a great importance in a critical analysis of the quality of service offered by Cedi Trust Financial Ltd and its impact on customer loyalty.

4.4.1 Testing of Hypothesis

From the Regression Analysis of Service Quality and Customer Loyalty (table 9), the outlined hypothesis can be tested. The results show that Reliability, Responsiveness and Appearance have significant values of less than 0.05. These confirm that they have positive impact on customer loyalty. In this sense, the null hypothesis will be accepted. Assurance and Tangibles recorded significant values of greater than 0.05, which point to the fact that, they have a negative impact on customer loyalty. In this instance, the alternative hypothesis is accepted as against the null hypothesis.

Table 10: Regression Statistics of Service Quality and Customer Loyalty

R	R Square	Adjusted R Square	Std. of Error of the Estimate
.976	.986	.974	.98

Predictors: (Constant), customer loyalty with the level of responsiveness, customer loyalty with the level of empathy, customer loyalty with the level of appearance, customer loyalty with the level of assurance of service and customer loyalty with the level of reliability.

Source: Field Survey of Cedi Trust Financial Service Ltd

The table 10 above shows the regression statistics. The R Squared column in the table is the coefficient of determination. This is used to determine the proportion of variation in the

dependent variable that is explained by the dependent variable’s relationship to all the independent variables in the model.

From the table above it can be observed that the R squared value is 0.986 (98.6%). This means that 98.6% of the variations in the overall customer loyalty can be explained by a linear relationship of the five independent variables (R,A,T,E,R).

Table 11: Analysis of Variance of Service Quality and Customer Loyalty

	Sum of Squares	DF	Mean Square	F	Sig.
Regression	17.102	5	3.420	361.103	0.00
Residual	.418	44	.009		
Total	17.520	49			

Predictors: (Constant), customer loyalty with the level of responsiveness, customer loyalty with the level of empathy, customer loyalty with the level of appearance, loyal customer loyalty with the level of assurance, customer loyalty with the level of reliability

- a. Dependent Variable: customer loyalty Source: Field Survey of Cedi Trust Financial Service Ltd

The table 11 above shows Analysis of Variance (ANOVA). The ANOVA F-test is a method for testing whether the regression model explains a significant proportion of the variation in the dependent variable (and whether the overall model is significant). The model does explain a significant proportion of the variation in the dependent variable when the p-value is less than the given alpha level (α).

The table 11 above indicates a significance value of 0.000 which is less than the given alpha value of 0.05. The conclusion therefore is that the regression model does explain a significant proportion of the variation in the overall customer loyalty level in service delivery.

This means that any changes in the (R, A, T, E, R) will significantly affect overall customer loyalty level.

4.5 Crosstab of Reliability of Service and Customer Loyalty

Table 12

			Customer Loyalty			Total
			feel neutral	somehow Loyal	Loyal	
Reliability	feel neutral	Count	8	8	0	16
		% of total	6.70%	6.70%	.0%	13.4.0%
	somehow	Count	0	58	0	58
		% of total	.0%	48.3%	.0%	48.3%
	Loyal	Count	10	0	36	46
		% of total	8.3%	.0%	30%	38.3%
Total		Count	18	66	36	120
		% of total	15%	55%	30%	100.0%

Source: Field Survey of Cedi Trust Financial Services Ltd

From the table 12 above, it can be observed that customer loyalty level has been plot against Reliability of service. The table shows that customers who feel neutral about the reliability of the service and also feel neutral about customer loyalty are 16 constituting 13.4% of the total sample size whereas nobody felt neutral about the reliability of service and was somehow loyal or even loyal with the overall service delivery.

Another observation of the table shows that customers who are somehow loyal with the reliability of the service and also feel neutral about customer loyalty is 8 constituting 6.7% of the total sample size whereas 58 constituting 48.3% of the total sample size were recorded for those who are somehow loyal with the reliability of service and also somehow loyal with the overall service delivery. Nothing was recorded for those who are somehow loyal with the reliability of service and also loyal with the overall service delivery.

The table 12 also shows customers who are loyal with the reliability of the service and feel neutral and somehow loyal with the overall service delivery to be zero but records 46 constituting 38.3% of the total sample size been loyal with reliability of the service and also loyal with the overall service delivery.

4.6 Crosstab of Appearance of Service and Customer Loyalty

Table 13

			Customer Loyalty			Total	
			feel	somehow			
			neutral	loyalty	Loyal		
Overall Appearance	somehow	Count	16	62	0	78	
		% of Total	13.3%	51.7.0%	.0%	65.0%	
	loyal	Count	2	2	38	42	
			% of Total	1.7%	1.7%	31.70%	42.0%
		Loyal	Count	2	2	38	42
				% of Total	1.7%	1.7%	31.70%
Total		Count	18	64	38	120	
		% of Total	15%	53.30%	31.7%	100.0%	

Source: Field Survey of Cedi Trust Financial Services Ltd

From the table above, it can be observed that customers' loyal level has been plot against overall appearance the service. The table shows that customers who are somehow loyal about the overall appearance of the service and also feel neutral about the overall service delivered to them are 18 constituting 15% of the total sample size. 64 customers constituting 53.3% were somehow loyal with the overall appearances of the service and was somehow loyal with the overall service delivery. Nothing was recorded for those who were somehow loyal with the overall appearance of the service and also loyal with overall service delivery.

Another observation from the table shows that customers who are loyal with the overall appearance of the service and also feel neutral and somehow loyal about the overall service delivery is zero in each case whereas 38 constituting 31.7% of the total sample size were recorded for those who are loyal with the overall appearance of the service and also loyal with the overall service delivery.

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4.7 Crosstab of Responsiveness and Customer Loyalty

Table 14

Responsiveness			Customer Loyalty			Total
			feel neutral	somehow loyal	Loyal	
	somehow disloyal	Count	9	0	0	9
		% of Total	7.5%	.0%	.0%	7.5%
	feel neutral	Count	0	6	0	6
		% of total	0%	5.0%	0%	5.0%
	somehow loyal	Count	0	61	0	61
		% of total	.0%	50.8%	.0%	50.8%
	Loyal	Count	0	2	42	44
		% of total	0%	1.7%	35.0%	36.7%
	Total	Count	9	69	42	120
		% of total	7.5%	57.5%	35%	100.0%

Source: Field Survey of Cedi Trust Financial Service Ltd

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From the table above, it can be observed that customers' loyalty has been plotted against the level of responsiveness of the service. The table shows that customers who are somehow disloyal about the responsiveness of the service and also somehow loyal and loyal about customer loyalty is zero in each case whereas 9 constituting 7.5% for those who feel neutral about the service.

Customers who felt neutral to comment on the responsiveness of the service recorded zero for those who feel neutral and loyal with the overall service delivery whereas those who were somehow loyal with the service were 6 constituting 5.0% of the total sample size. Customers who were somehow loyal with the responsiveness of the service delivery and are also somewhat loyal with the overall service delivery are 61 constituting 50.8% of the total sample size. Customers who were somehow loyal with the responsiveness of service and also felt neutral and loyal with the overall service quality recorded zero in each case. Another observation from the table shows that customers who are loyal with the responsiveness of the service and also feel neutral recorded zero. However, customers who are loyal with the responsiveness and also somehow loyal about the overall service delivery is 2 constituting 1.7% of the total sample size. 42 customers constituting 35.0% of the total sample size were recorded for those who are loyal with the responsiveness of the service and also loyal with the overall service delivery.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter seeks to summarize the major findings of service quality variables that influence the overall customer loyalty level in Cedi Trust Financial Service Ltd. The chapter goes ahead to give recommendations based on the findings and also gives a conclusion on the discussions.

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5.2 Summary of Findings and Recommendations

In respect of the satisfaction level of the quality of service offered by Cedi Trust Financial Services, it was found that reliability, assurance and appearance were very high with the respective percentages; 73.3%, 70.0% and 100%. However, empathy and responsiveness which are also variables of assessing service quality were very low.

Although customer loyalty and service quality are considered as entirely different concepts, existing research illustrate their association and in the current study, satisfaction with reliability of service, which explains 41.8% emerged the most important determinant of overall customer loyalty of Cedi Trust Financial Service Ltd. This was followed by responsiveness and tangibles which had 31.4% and 30.6% respectively.

However, there is a negative relationship between overall customer loyalty and both empathy and assurance of service of Cedi Trust Financial Service Ltd. Meanwhile these variables do not explain the variations in the overall service delivery of Cedi Trust Financial Ltd since they are not statistically significant.

It is recommended that since customers of Cedi Trust Financial Services Ltd put much premium on reliability of service delivery in determining their loyalty with the overall service, more attention should be placed on the ability to perform the promised service dependably and accurately if they intend to increase overall customer loyalty through quality service delivery.

Other areas that should also receive a substantial attention are the willingness to help customers and perform prompt services. Appearance of physical facilities, equipment, personnel, and communication materials should also be on the priority list. These areas also account for a significant variation in the satisfaction of the overall service delivery.

If the firm aspires to increase the overall loyalty level of its customers, then expenditure on empathy and assurance of service should be reduced since they do not influence the overall customer loyalty and these resources channeled into performing accurate and prompt service. In addition, improvements should be made on the appearance of physical facilities, equipment, personnel, and communication materials.

5.3 Managerial Implication

Whenever the managers of Cedi Trust Financial Service Ltd are seeking to maintained customer loyalty, the results of this study suggest that they have to improve on their ability to perform a promised service dependably and accurately and also be willing to help customers and perform prompt services and improve appearance of physical facilities, equipment, personnel, and communication materials. This study will help the managers to channel scarce resource needed to maintain a customer loyalty to the correct areas that will have the needed impact. This study will also help train the employees of Cedi Trust

Financial Services Ltd on the things that customers consider as determining factors of their loyalty.

The Empathy and Assurance dimensions seem to work in opposite direction to increasing customer loyalty. These dimensions should not be ruled out completely. A close monitoring of customers will be highly recommended to ascertain any changes in their demands since today's customer is much more complex and very dynamic.

5.4 Limitation and Conclusion

Because of the considerable discourse on the SERVQUAL scale, it is important to note the limitations of the measure, as discussed earlier. However, despite the controversy surrounding SERVQUAL, the current study provides critical information for Cedi Trust Financial Service Ltd since results of the current study emphasize the importance of reliability, tangibles and responsiveness as key determinants of perceived service quality and overall customer loyalty of Cedi Trust Financial Service Ltd in the delivery of its services.

Thus, even though the study was limited to five SERVQUAL dimensions, the strong and consistent results identified here reinforce the critical nature of reliability, tangibles and responsiveness in influencing customer perceptions of service delivery.

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SCHOOL OF BUSINESS

THIS QUESTIONNAIRE IS DESIGNED TO ASSESS THE IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY IN THE NON-BANK FINANCIAL INSTITUTIONS. IT WILL BE USED FOR ACADEMIC PURPOSES ONLY AND THE NECESSARY CONFIDENTIALITY WILL BE ADHERED TO.

Please answer the questions that follow by ticking **only one** answer in each question. Please tick () your preferred answer.

1. Gender a. Male () b. Female ()
2. Age Group a. 18- 28 () b. 29-38 () c. 39-48 () d. 49 and above ()
3. How long have you been a customer of this institution? a. Less than 1 year ()
- b. 1-5 years () c. 5 years and above ()

RELIABILITY

4. Are you loyal with the way a promise to perform a task by a certain time is kept?
- a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. loyal
5. Are you loyal with the way services are Performed correctly at the first time?
- a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. loyal
6. Are you loyal with the way this institution insist on error-free records?
- a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. loyal
7. Employees telling customers exactly what services will be performed.

a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal

8. Employees telling customers exactly how services will be performed

a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. loyal

9. How will you rate your level of loyalty when it comes to you receiving reliable services

from Cedi Trust Financial Service. a. Disloyal b. Somehow disloyal c. Feel neutral d.

Somehow loyal e. loyal

ASSURANCE

10. The behaviour of employees instilling confidence in their customers

a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal

11. Do you feel safe in your transactions with this company? a. Unsafe b. Somehow unsafe

c. Feel neutral d. Somehow safe e. Very safe

12. Are you loyal with the level of employee's courtesy towards you?

a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal

13. Do you think employees have adequate knowledge to answer your questions related

to the service? a. Not Knowledgeable b. Somehow Knowledgeable c. Feel neutral

d. Somehow Knowledgeable e. Knowledgeable

14. Are you loyal with the level of assurance received from Cedi Trust Financial Services

Ltd with regard to services you receive? a. Disloyal b. Somehow disloyal c. Feel neutral d.

Somehow loyal e. loyal

TANGIBLES

15. How modern in your opinion are the equipment used by this institution (e.g. computers

etc.) a. old fashion b. Somehow old fashion c. Feel neutral d. Somehow modern e. modern

16. Are you loyal with the visual appeal of the physical facilities (such as seating, office appeal)? a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
17. Are you loyal with the appearance of employees of this institution (e.g. dressing etc.)? a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
18. Are you loyal with the visual appearance of materials associated with the service (such as pamphlets and statements)? a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
19. In your opinion how will you rate your level of loyalty with regard to the level of appearance of Cedi Trust Financial Service? a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal

EMPATHY

20. Are you loyal with the level of individual attention giving to you? a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
21. Is the operating hours convenient to you? a. inconvenient b. Somehow inconvenient c. Feel neutral d. Somehow convenient e. convenient
22. Employees giving customers personal attention a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
23. Having the customer's best interest at heart a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
24. Do you think that the employees understand your specific needs as a customer a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal
25. Are you loyal with the overall empathy shown to you in receiving services from Cedi Trust Financial Services? a. Disloyal b. Somehow disloyal c. Feel neutral

d. Somehow loyal e. Loyal

RESPONSIVENESS

26. Do you think employees of this institution show sincere interest in solving your problem? a. Insincere b. Somehow Insincere c. Feel neutral d. Somehow Sincere e. Sincere

27. Are you loyal with the way employees give you prompt service a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal

28. Are employees always willing to help you? a. Not willing b. Somehow willing c. Feel neutral d. Somehow willing e. Very willing

29. Are employees too busy to respond to your requests a. Too busy b. Somehow busy c. Feel neutral d. Somehow not busy e. Not busy

30. Are you Loyal with the level of responsiveness provided by Cedi Trust Financial Service? a. Disloyal b. Somehow disloyal c. Feel neutral d. Somehow loyal e. Loyal

OVERALL SATISFACTION LEVEL

31. Are you satisfied with the overall service delivered to you a. Extremely dissatisfied b. Somewhat dissatisfied c. Feel neutral d. Somewhat satisfied e. Extremely satisfied.

32. In your opinion what do you think will make you loyal with the services you receive if your answer in Q26 above is different from (d) or (e)

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