

Measurement of service quality in uk retail banking sector and its impact on cust...

[Business](#)



Service quality in UK retail banking sector LITERATURE REVIEW Service quality in retail banking sector Banks lend similar kinds of services. However, in terms of service quality, they could provide differences. Service quality deals with the assessment of how well a service that gets delivered to the customer meets the client's expectations. Service provided to the customer gets assessed with the aim of improving service and ensuring customer satisfaction. There is a strong relationship between service quality and the behavior of customers in the retail banking sector. Service quality can get measured by identifying the between customers expectations and perceptions of the performance of service. It has many dimensions that consist of: assurance, empathy, reliability, responsiveness and tangibility (Padhy 2009, p. 81). The employees must be able to perform the promised service accurately, and have the ability to convey trust and confidence. They should provide prompt services and individualized attention to customers. Importance of customer satisfaction in the current dynamic corporate environment is obvious. It influences customer's intentions to purchase again or gives them reason for intentions to switch. Happy customers are like free advertising (Naser & Jamal 2002, p. 164). This is because it is an era of mature and intensely competitive pressures. It is imperative that retail banks maintain a loyal customer base. This can only get done through improved service quality. Service quality banking in UK retail banking sector Banks provide services, and they have difficulties in managing them. Most banks in the UK have adopted service quality as a way of satisfying the customer. In the UK, the retail banking industry has more or less the same products and practitioners must pay close attention to superior service provision (Colgate

<https://assignbuster.com/measurement-of-service-quality-in-uk-retail-banking-sector-and-its-impact-on-customer-satisfaction-and-switching-behaviour-of-cu/>

& Hedge 2001, p. 215). This is because service quality influences customer decision making process and purchase retention. The UK banking industry is going through turbulent times. Banks are functioning increasingly under competitive pressures that arise from within the banking system. Banking systems in the UK are characterized by rapid change and increasingly sophisticated customers. It has become crucial that banks in the UK determine the service quality factors which are pertinent to the customers' selection process. Customers in the UK have greater difficulty in selecting one institution from another. The current problem that banks in the UK are facing is difficulty in the determination of customers' perception of service (Blanchard & Galloway 1994, p. 18). To gain and retain competitive advantages in the rapid changing public retail banking industry in the UK, it is vital for banks to understand fully what customers perceive to be the key dimensions of service quality. They must also find out the impacts that the dimensions of service quality have on customers' behavioral intentions. Factors affecting the level of service quality provided by UK retail banks

Customer satisfaction leads to loyalty in banking. Growing expectations of the customer and increased cost of customer acquisition are the key factors that affect service quality in retail banking. For management to provide services of high quality, it is vital to be aware of what the consumer perceives as service quality (Johnson & Gustafsson 2000, p. 79). Service quality deals with expectation and performance. This leads us to conclude that customers have certain expectations regarding their experience with a service provider. These expectations evaluate the quality level of the services the customers receive. Customers evaluate the manner in which a

<https://assignbuster.com/measurement-of-service-quality-in-uk-retail-banking-sector-and-its-impact-on-customer-satisfaction-and-switching-behaviour-of-cu/>

service gets delivered. Bank customers simply evaluate the services offered by making a comparison of their expectations with the banks performance in terms of service delivery (Karatepe, Yavas & Babakus 2005, p. 377).

Personnel related characteristics might also affect service quality. This is because they reduce the number of barriers which may affect customers trust in a particular financial institution. Bank personnel must show professionalism in their interactions and communication skills. Unless customers are able to understand the terms used by the retail bank employees, information received does not get considered valuable and the customer is then not convinced to end the buying process. Communication thus plays a vital role in service delivery process. Employees must try and use appropriate terms so as to inspire trust and confidence (Lassar, Manolis et al 2000, p. 249). Banks must also be aware that customers pay serious attention to the physical layout of equipment and other furnishings. This is because they seek physical comfort during their visits. Waiting areas hence become of great importance and ensure flow of operations. The cleanliness and general atmosphere of the banks also has an impact on the customer. This must all get considered as part of service quality. Satisfaction As customers experience the services of service quality, there is satisfaction. Customers need to experience a service in order to decide whether they are satisfied or not. Quality of service provides customers with a benefit that eventually derive satisfaction. Customer satisfaction combines affective and cognitive response to the service encounters. In retail banking, higher level of customer satisfaction can get measured by looking at the positive emotional state that results due to a positive interaction experience (Lenka,

<https://assignbuster.com/measurement-of-service-quality-in-uk-retail-banking-sector-and-its-impact-on-customer-satisfaction-and-switching-behaviour-of-cu/>

Suar & Mohapatra 2009, p. 57). There must be physical evidence of comfort and efficiency of the service provided. The main goal in customer satisfaction should be trust gaining and not an increase in sales. Customers expect to feel comfortable with the bank. References Blanchard, R. & Galloway, R., 1994. Quality in Retail Banking. *International Journal of Service Industry Management*, 5(5), pp. 5-23. Colgate, M. & Hedge, R., 2001. An investigation into the switching process in retail banking services. *International Journal of Bank Marketing*, 19(5), pp. 201-212. Guo, X., Duff, A. & Hair, M., 2008. Service quality measurement in the Chinese corporate banking market. *International Journal of Bank Marketing*, 26(5), pp. 305-327. Naser, K. & Jamal, A., 2002. Customer satisfaction and retail banking: Assessment of the key antecedents of customer satisfaction in retail banking. *International Journal of Bank Marketing*, 20(4), pp. 146 - 160. Johnson, M. D., and Gustafsson, A., 2000. *Improving customer satisfaction, loyalty, and profit: an integrated measurement and management system*, First Edition, Jossey-Bass Inc., California. Karatepe, O., M., Yavas, U., and Babakus, E., 2005. "Measuring service quality of banks: Scale development and validation", *Journal of Retailing and Consumer Services*, 12, 373-383. Lassar, W. M., Manolis, C., and Winsor, R. D., 2000. "Service quality perspectives and satisfaction in private banking", *Journal of Services Marketing*, 14, 244- 271. Lenka, U., Suar, D., and Mohapatra, P. K. J., 2009. "Service Quality, Customer Satisfaction, and Customer Loyalty in Indian Commercial Banks", *The Journal of Entrepreneurship*, 18, 47-64. Padhy, P. K., 2009. *Innovative Service Quality in the Banking Sector: An Assessment based on SERVQUAL Measures*. Muscat, *Service Industry: Challenges and Opportunities*

<https://assignbuster.com/measurement-of-service-quality-in-uk-retail-banking-sector-and-its-impact-on-customer-satisfaction-and-switching-behaviour-of-cu/>

International Conference. Ravichandran, K. & Mani, T. B., 2010. Influence of Service Quality on Customer Satisfaction Application of Servqual Model. International Journal of Business and Management, 5(4), pp. 117-124.