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Chaiyaset Promsri  
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**PERCEIVED SERVICE QUALITY, EMPHASIZING EMPATHY OF  
SERVICE PROVIDERS AND RETENTION OF CUSTOMERS IN A  
COMMERCIAL BANK IN BANGKOK, THAILAND**

**Dissertation**

**Presented in Partial Fulfillment of the Requirements for the Degree of**

**Doctor of Philosophy**

**Lynn University**

**By**

**Chaiyaset Promsri**

**2005**

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**Perceived Service Quality, Emphasizing Empathy of Service Providers and Retention  
of Customers in A Commercial Bank in Bangkok, Thailand**

**Chaiyaset Promsri, Ph.D.**

**Lynn University, 2005**

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**PERCEIVED SERVICE QUALITY, EMPHASIZING EMPATHY OF  
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**By Chaiyaset Promsri**

**August, 2005**

*Abstract*

Using emotional intelligence of service providers in the service industry has increasingly been considered as a strategy to satisfy and retain customers (Lynn, 2004). However, the research in this area is scant. This study is the first to examine and explore the relationship between service quality emphasizing empathy as emotional intelligence competence and customer retention in a commercial bank in Bangkok, Thailand.

The specific purposes of this explanatory quantitative study were (a) to describe banking customers of the specific commercial bank headquarters in terms of socio-demographic characteristics, their perceptions of service quality of service providers, and customer retention (behavioral intentions of customers to do business and length of time as a banking customer of the specific commercial bank headquarters), (b) to examine the relationships between socio-demographic characteristics, their perceptions of service provider empathy compared with other service quality dimensions and customer retention (behavioral intentions of customers and length of time as a banking customer of the specific commercial bank headquarters), (c) to examine the influence of customer socio-demographic characteristics and customer perceptions of service provider empathy compared with other service quality dimensions, in explaining customer retention, at the specific bank headquarters (behavioral intentions of customers and length of time as a banking

customer of the specific commercial bank headquarters), and (d) to generate implications for emotional intelligence training in customer retention strategies in the specific commercial bank.

In this research, service quality was measured by the banking customers' perceptions of service quality of service providers using five dimensions of the *SERVQUAL* (tangibles, reliability, responsiveness, assurance, and empathy). Retention of customers was measured by banking customers' behavioral intentions using the *9-item* and *12-item Modified Behavioral Intentions Battery* and length of time banking at the Headquarters bank. Four-hundred respondents participated in data collection. Using systematic sampling, they were approached to complete the survey questionnaire at the entrance located outside the specific commercial bank headquarters. Findings indicated that empathy of service providers, an emotional intelligence factor, was a significant explanatory variable of customer retention. However, the relationship was inverse: the lower the empathic skills of service providers, the more favorable the behavioral intentions of customers to do business with the bank, and in this case this was a significant explanatory variable. Recommendations for future research are discussed.

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## CHAPTER 1

### INTRODUCTION TO THE STUDY

#### Introduction and Background

For almost a decade, emotional intelligence has been an important component of strategy in the business arena. Goleman (1998) defines emotional intelligence (EI) as the ability to sense and use emotions to more effectively manage oneself and influence positive outcomes in relationships with others. Empathy, an emotional intelligence skill, is defined as “sensing what people are feeling, being able to take their perspective, and cultivating rapport and attunement with a broad diversity of people” (Goleman, 1998, p. 318). In today's competitive business environment, many companies focus on the importance of emotional intelligence in the workplace (Caruso & Salovey, 2004). Because of high levels of competition, many companies have been forced to place more focus on their current customers. The retention of customers is increasingly being perceived as an essential managerial concern, especially in the perspective of a saturated market or lower development of the quantity of new customers (Ahmad & Buttle, 2002). Products alone cannot attract customers and create new interactive business with the customer. Feelings take on economic value, or monetary worth, when they influence a customer's future behavioral intentions, such as returning, or never returning, to a place of business (Fox, 2001). Research shows that customers' behavioral intentions are a predictor of customer retention (Zeithaml, Berry, & Parasuraman, 1996). An unhappy customer who obtains poor service will typically tell 10-15 friends (Stock, 2001). In addition, Adams (2003) reports that about 91% of dissatisfied customers stop purchasing products or services from the company. This can cause the company to lose its customer base. Therefore, firms need to focus on customer retention as a powerful

instrument to obtain a strategic advantage and survive in today's highly competitive environment (Moir, 1997).

In order to survive in today's business environment, most recent research suggests placing an emphasis on service quality (Kandampully & Suhartanto, 2000; Min, Min, & Chung, 2002). Service quality is defined as the foundation of a comparison between customers' expectations and the perceived performance of service providers. Customers' expectations are defined as what customers want or desire based on their antecedent experiences with the firm. Customer expectations compared with actual service performance results in the assessment of quality that customers obtain from particular service providers (Johnson & Gustafsson, 2000).

In their research, Parasuraman, Zeithaml, and Berry (1991) described the inconsistency between customers' expectations and their perceived service performance in specific services. This called Gap 5. They subsequently developed the SERVQUAL model in order to measure service quality perception by customers. From the customer's viewpoint, Gap 5 is very important. (Pointers Consulting Limited, 2003). The dimensions of service quality focus on tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman, Zeithaml, & Berry, 1988). Outstanding service quality can lead to favorable behavioral intentions, which may result in improved customer retention (Zeithaml et al., 1996). Customer retention can be measured by the length of time as a customer. By analyzing information about a customer's tenure, the company is able to forecast customer duration and whether or not the customer is likely to stay loyal to the company (Meltzer, 2003). Customer retention could help a company increase its profitability and revenues as well as generate referred customers in the future (Zeithaml et al., 1996).

The Office of Consumer and Business Affairs (1998) in Australia suggested three stages that firms use to improve customer retention: listening to customer problems, coping with customers and their problems, and following up with customers after solving problem. In order to effectively use these three stages, service providers need to have empathy skills to understand customers' feelings. Empathy is one of the key dimensions of service quality measurement because the care and attention service providers offer their customers are important. Listening as an empathy skill is a part of providing excellent services to customers. Berry and Parasuraman (1997) indicated that service quality is directly affected by the way service providers listen and respond to customers.

Based on the American Customer Satisfaction Index (ACSI) report, the banking industry is one service category that has continued to decline in customer retention (Allred & Addams, 2000). Various banks are discovering a pressing need to adapt to a more competitive business strategy. Specifically, banks often find it crucial to create a more proactive method of seeking and retaining customers (Ridnour, Lassk, & Shepherd, 2001). Poor customer service of the bank can result in a loss of deposits from customers (McKinney, 2000). According to the Robyn Creating Winning Habits Center, almost 70% of customers who are improperly treated by service providers stop patronizing their businesses with those particular companies (Pulman, 2002). Typically, it costs 6-15 times, or more, to gain new customers than to retain loyal ones (Pulman, 2002). Furthermore, Reichheld (1996) indicated that when a banking institution increases its retention by 5%, results in an 85% aggregate increase in the net present value of the institution's branch deposits. Customer retention is one of the most important factors in attaining competitive success in service industries (Fox, 2001). In order to retain and increase customers for their



companies, service providers should develop their emotional intelligence skills to cope with disgruntled customers. Service providers not only need to provide outstanding service to customers, but also need to influence customers to purchase a product or service. Therefore, they need to develop some of the social awareness competencies as a part of their emotional intelligence competence, particularly empathy (Gowing, 2001). Empathy as a service quality dimension along with tangibles, reliability, responsiveness, and assurance, begins with awareness of customers' feelings (Parasuraman et al., 1988). According to Marshall (2001), people are able to influence their emotional intelligence, especially empathy, to better understand themselves and others, and then to form their actions to make success possible.

The American Bankers Association reported that banks in the U.S. typically spend \$3,500 to acquire a new customer (Microsoft Corporation, 2003). As a consequence of these high costs, retaining and developing the existing customer base becomes increasingly important (Microsoft Corporation, 2003). Service marketing literature explicitly shows the value of spending resources in building customer relationships and retention (Weinstein, 2002). From a bank's point of view, by using new technologies and products, the bank may successfully improve its customer service (Microsoft Corporation, 2003). However, technology and products, solely, cannot retain customers. Service providers must understand a specific customer's needs and find the best way to fulfill them. A bank's inability to meet customer needs may result in product discontent (Wilson, 2000).

There are several dimensions of behavioral intentions including loyalty, switch, pay more, external response, and internal response (Zeithaml et al., 1996). For example, when service quality is perceived to be poor by customers, they are

likely to say negative things, switch to another firm, spend less with the company, and complain to external agencies about the inferior service performance received (Zeithaml et al., 1996). On the other hand, if customers perceive service performance to be superior, they are likely to refer the service to others, say positive things about the service or company to others, and stay loyal to the service provider (Zeithaml et al., 1996). The customer's propensity to switch service providers (switching behavior) can cost a firm future revenue and decrease the market share and profitability of a company (Keaveney, 1995). Behavioral intentions are influenced by service quality and are an indicator of customer retention (Zeithaml et al., 1996). Hanson, Robison, and Siles (1996) found that 94% of 410 respondents in their study about customer relationships in retail banking, indicated their intention to stay with their current institution averaged 18 years. The length of time is a consequence that demonstrates behavior intentions of customers to continue to do business with the company (Meltzer, 2003). Also, the length of time could be perceived as an indicator of customer profitability (Garland, 2002).

In Asia, numerous banks were affected by the 1997 economic crisis, and there was no exception for the banking industry in Thailand (Watanagase, 2001). Various factors influenced the disastrous situation in the banking industry in Thailand. These included "ineffective corporate governance, inadequate supervision and regulation, and insufficient or in some cases inaccurate disclosure, which resulted in lax credit policies in banks and other financial institutions and misuse of funds in the corporate sector" (Watanagase, 2001, p. 148). As a result, many banks in Thailand needed to create and implement new strategies to survive. During the 1997 Asian economic crisis, the merger or acquisition with foreign banks emerged as the most common technique many Thai banks used in order to stay in business.

Customers who use a certain Thai commercial bank were selected for this present study. This bank acquired one specific bank and one financial institution in September 2004, as same as many banks in Thailand. In addition, as the banking industry in Thailand has dramatically changed because of economic crisis and rigorous competition, the Thai banking industry attempts to provide new strategies, offer attractive interest rate strategies, and deliver promotional campaigns to banking customers (Pukapan & Trisatienpong, 2001). However, these strategies are not enough and are perceived as short-term strategies (Wong & Perry, 1991). According to the selected bank's web site, it has expanded products and services, improved efficiency, attempts to recruit new customers and retain current customers, and has improving service quality as it primary goal.

According to Goleman (1998), using emotional intelligence skills in providing customer service can lead a company to long-term benefits. He indicates that empathy is the most important skill of emotional intelligence that service providers need to continuously develop. As a result, service providers' emotional intelligence is a significant issue to be explored in service industries, especially the banking industry. Consequently, the emphasis on perceived service quality of service providers at a Thai commercial bank, especially empathy as the most important emotional intelligence skill, needs to be explored in terms of its impact on customer retention. Customer retention can be measured by behavioral intentions and length of time that customer have been banking of customers at the specific commercial bank.

### **Purpose**

There is significant research to describe and measure emotional intelligence (EI) under leadership and salesperson performance conditions (Teng Fatt, 2002; Sojka & Deeter-Schmeiz, 2002). Numerous studies use emotional intelligence instruments

such as *The Emotional Competence Framework* developed by Goleman (1998) or *The Emotional Competence Inventory* developed by Boyatzis, Goleman, and Rhee (2000) to measure the EI of service providers. However, measuring customer perception of empathy (as an emotional intelligence skill) in banking service providers' and examining its impact on customer retention compared with the other four dimensions of service quality (tangible, reliability, responsiveness, and assurance), has not been reported in the literature. Empathy is the most important emotional intelligence skill and one of the five dimensions of the SERVQUAL. Customer retention can be measured by behavioral intentions and length of time that customers have been banking at a specific commercial bank. Findings can lead to implications for emotional intelligence training, as a component of customer retention strategies.

The expectation of this non-experimental, correlational and explanatory survey research is to achieve the following broad purpose: to explain the contribution of the SERVQUAL dimensions of empathy as an EI skill compared with other service quality dimensions (tangible, reliability, responsiveness, and assurance) of banking service providers, in explaining customer retention; and to examine this in a bank in Thailand. Specific purposes of this study are:

1. To describe banking customers of the specific commercial bank headquarters in terms of: (a) socio-demographic characteristics, (b) their perceptions of service quality of service providers, and (c) customer retention (behavioral intentions of customers to do business and length of time as a banking customer of the specific commercial bank headquarters).
2. To examine the relationships between socio-demographic characteristics, their perceptions of service provider empathy

compared with other service quality dimensions and customer retention (behavioral intentions of customers and length of time as a banking customer of the specific commercial bank headquarters).

3. To examine the influence of customer socio-demographic characteristics and customer perceptions of service provider empathy compared with other service quality dimensions, in explaining customer retention, at the specific bank headquarters (behavioral intentions of customers and length of time as a banking customer of the specific commercial bank headquarters).
4. To generate implications for emotional intelligence training in customer retention strategies for the specific commercial bank.

### **Definitions of Terms**

#### ***Independent Variable***

##### ***Dimension of Service Quality***

***Theoretical definition.*** Service quality is perceived by customers as “the degree and direction of discrepancy between customers’ service perceptions and expectations” (Parasuraman, Zeithaml, & Berry, 1985, Abstract section, para 1).

***Operational definition.*** In this study, service quality factors include five dimensions of the 22-item, *SERVQUAL* instrument (Assurance, Empathy, Reliability, Responsiveness, and Tangibles) developed by Parasuraman et al. in 1988 (p. 23). Part 2 of the survey questionnaire contains the *SERVQUAL* instrument (Appendix D)

***Assurance as a SERVQUAL dimension*** is defined as the “knowledge and courtesy of employees and their ability to inspire trust and confidence” (Parasuraman et al., 1988, p. 23). In this study, assurance is the understanding and politeness of the specific commercial bank’s service providers and their capability to encourage trust

and confidence as perceived by banking customers. Assurance is measured using 4 items of the assurance dimension of the 22-item *SERVQUAL*.

***Empathy as a SERVQUAL dimension*** is “the ability to tune into others’ feeling[s]” (Cook, Macaulay, & Coldicott, 2004, p. 198). It is an emotional intelligence competency. Emotional intelligence is “a set of skills hypothesized to contribute the accurate appraisal and expression of emotion in oneself and in others, the effective regulation in self and others, and the use of feeling to motivate, plan, and achieve in one’s life” (Salovey & Mayer, 1990, p. 185). The emotional intelligence competence model consists of 20 emotional intelligence competencies categorized into four groups. These groups are self-awareness, self-management, social awareness, and social skills (Boyatzis, Goleman, & Rhee, 2000). Empathy is a mandatory competence of the social awareness cluster, which is one of four emotional intelligence competencies (Boyatzis et al., 2000). In this study, empathy, as one of the emotional intelligence competencies, is measured using the 5 items of the empathy dimension of the *SERVQUAL*.

***Reliability as a SERVQUAL dimension*** is defined as the “ability to perform the promised service dependably and accurately” (Parasuraman et al., 1988, p. 23). In this study, reliability is the ability of banking service providers at a specific commercial bank headquarters to execute the promised service as perceived by the specific commercial bank headquarters’ banking customers. This is measured using 5 items of the reliability dimension of the 22-item *SERVQUAL*.

***Responsiveness as a SERVQUAL dimension*** is defined as the “willingness to help customers and provide prompt service” (Parasuraman et al., 1988, p. 23). In this study, responsiveness is the readiness of banking service providers at a specific commercial bank headquarters to provide punctual services as perceived by a specific

commercial bank headquarters' banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item *SERVQUAL*.

***Tangibles as a SERVQUAL dimension*** is defined as the “physical facilities, equipment, and appearance of personnel” (Parasuraman et al., 1988, p. 23). In this study, tangibles are facilities of the specific bank headquarters and the appearance of banking service providers at the specific commercial bank headquarters as perceived by the specific commercial banking customers. This is measured using 4 items of the tangible dimension of the 22-item *SERVQUAL*.

### ***Service Providers***

***Theoretical definition.*** Service providers are defined as firm employees who work closely with customers to facilitate and accommodate customers' needs while they are using the firm's services (Gittell, 2002).

***Operational definition.*** In this study, service providers are banking employees of the specific commercial bank headquarters in the position of tellers at the counter service on the first floor of the bank. Customers rate their perceptions of the service quality (using the *SERVQUAL*) of these service providers.

### ***Dependent Variables***

#### ***Customer Retention***

***Theoretical definition.*** Customer retention is defined as “engaging the customer in a fair and equitable marketing promise that encourages consolidation and growth of customer relationships for a lifetime -- and finally provides this missing piece to the marketing puzzle – retention” (The Harrison Company, 2003, ¶1).

***Operational definition.*** In this study, customer retention is measured by (1) the length of time banking at the specific commercial bank headquarters and (2) the probability to continue to do business with the specific commercial bank headquarters

using the *Behavioral Intention Battery* developed by Zeithaml, Parasuraman, and Berry in 1996 (Appendix D).

1. ***Customer retention: Length of time banking.*** In this study, the length of time is the duration that customers have been customers of the specific commercial bank headquarters (in months or years). The length of time banking at the specific bank headquarters is measured using the *Socio-Demographic Profile*, on Part 1 of the Survey.

2. ***Customer retention: Behavioral intentions.*** Behavioral intentions are defined as service performance perceived by customers, signaling whether to leave (spend less) or stay (spend more) with the particular company (Zeithaml et al., 1996). Questions encompassing the banking customers' intentions to do business (whether to stay or not to stay with the bank in the future) are measured using questions on the *Behavioral Intentions Battery* developed by Zeithaml, Parasuraman, and Berry in 1996. The original *BIB* has five dimensions (loyalty to the company, propensity to switch, willingness to pay more, positive problem response). Part 3 of this research project's survey (Appendix D) uses four dimensions (loyalty to the company, non-switching, willing to pay more, positive problem response). These four dimensions are measured by items from the *Modified Behavioral Intention Battery*.

***Loyalty as a behavioral intention dimension*** is a customer's intention or predisposition to buy products or service regardless of what happens to the company (Johnson & Gustafsson, 2000). In this study, loyalty is the intention of customers using a specific commercial bank headquarters to say positive things about the bank, refer the specific bank to their friends, encourage friends and relatives to do business with the specific commercial bank, and consider the specific commercial bank as their



first alternative for banking service. This is measured by 5 items of the *Modified Behavioral Intentions Battery*.

***Non-switching to competitors as a behavioral intention dimension*** is defined as the customer's intention not to change with a current service provider to another service provider. In this study, non-switching is the intention of the specific commercial bank headquarters' customers to do business with the specific commercial bank in the next few years. This is measured by 2 items of the *Modified Behavioral Intentions Battery*.

***Willing to pay more as a behavioral intention dimension*** is defined as the intention of a customer to continue to do business with the firm if the prices increase somewhat or pay a higher price than a company's competitors charge for the benefit a customer obtains from the firm (Zeithaml et al., 1996). In this study, willing to pay more is the intention of the specific bank's customers to continue to do business with the specific commercial bank if its prices increase somewhat or pay a higher price than the specific commercial bank's competitors charge for the benefit a banking customer obtain from the specific bank. This is measured by 2 items of the *Modified Behavioral Intentions Battery*.

***Positive problem response as a behavioral intention dimension*** is defined as the customer's intention to constructively respond to other customers if a customer experiences a problem with a firm's service (Zeithaml et al., 1996). In this study, positive problem response is the intention of the specific bank headquarters' customers to respond the positive problem response in Thailand if they experience a problem with the specific bank's service. This is measured by 3 items of the *Modified Behavioral Intentions Battery*.

## *Contextual, Intervening, or Mediating Variables*

### **Commercial Bank**

**Theoretical definition.** The commercial bank is defined as an establishment primarily involved in admitting demand and other deposits and making commercial, industrial, and customer loans (IBISWorld, 2003).

**Operational definition.** In this study, the commercial bank is the specific bank headquarters located in Bangkok, Thailand. The specific bank has approximately 46,403 customers based on the population of people who have opened saving accounts with the specific bank headquarters.

### **Socio-Demographic Variables of Customers**

Socio-demographic variables include age, gender, income, marital status, employment status, educational level, occupational level, and index of social status. These variables are measured using the *Socio-Demographic Profile* developed by the researcher, Part 1 of the survey questionnaire (Appendix D).

### **Justification**

This study is justified by considering its significance, the extent to which it is a researchable topic, and the feasibility of the study. This study has the potential to contribute to the body of knowledge about empathy as an emotional intelligence competency and service quality that may lead to understanding the need for customer service training focusing on these two areas in Thai commercial banks. Although emotional intelligence plays a vital role in today's business and many organizations place heavily emphasis on improving their employees' emotional intelligence competencies such as self-confidence, self-control, leadership, communication, and conflict management, there is little focus on empathy as the ability to understand people's feelings. Employees who have high emotional intelligence should also score

high on empathy tests (Rock, 2004). Among five dimensions of service quality: tangible, assurance, responsiveness, empathy, and assurance, empathy may be important for service providers. Empathy is the individual attention that service providers offer to customers. The sooner service providers are able to improve their empathy; the more likely they are able to help customers receive what they want (Cook, Macaulay, & Coldicott, 2004). Thus, it is rational to focus on empathy as a potential important dimension of emotional intelligence and customer retention.

Customer retention is the most common marketing strategy that companies attempt to implement in their businesses, as it is less expensive to retain existing customers than to obtain new customers (Reichheld & Sasser, 1990). Research suggests that customer retention is a focus on the behavioral intention to repeat-purchase behavior (Hennig-Thurau & Klee, 1997), and the improvement of service quality and customer relationship (Hanson et al., 1996). However, no research has explicitly explored the relationship between empathy and customer retention. Therefore, exploring the relationship between empathy as emotional intelligence skill and customer retention can add to the knowledge base.

Even though numerous studies clearly discuss the relationship between service quality and customer satisfaction and loyalty, which leads to customer retention, (Johnson & Gustafsson, 2000), no study was found that examined the relationship between each service quality dimension as provided in the *22-item SERVQUAL* instrument and the *Behavioral Intentions Battery*. The linkages of each dimension within both instruments have not yet been explored, especially the relationship between customer retention, which is measured by the *Behavioral Intentions Battery*. The Thai commercial bank may benefit from this study, as managers can apply findings of the study to improve service in each dimension, especially empathy

dimensions to determine whether service training is needed. Furthermore, the Thai commercial bank may benefit from the comparative nature of this study, which examines the contribution of service provider empathy, assurance, reliability, responsiveness, and tangibles to customer retention (behavioral intentions and length of time banking). Comparison of each service quality dimensions and customer retention may benefit the Thai commercial bank to use information for the improvement in relative areas. Although research showed that outstanding service quality leads to favorable behavioral intentions, which, in turn, leads to retention and profitability (Zeithaml et al., 1996), there is little research in the literature reporting the relationship between the length of time doing business with one company and customer retention measured by behavioral intentions in the literature.

This study is researchable because it asks scientific questions and has variables that can be measured. This study is feasible because it can be implemented in a reasonable amount of time, subjects are available, and concepts in the theoretical frameworks can be measured. Banking customers at the specific commercial bank headquarters are accessible for participation in this study. All variables can be analyzed by statistical analyses to answer research questions and hypothesis in this study. The cost of conducting this research is reasonable. Finally, this study implements procedures to protect rights of human subjects in research.

### **Delimitation and Scope**

1. The geographic area and setting is limited to the specific bank headquarters located in Bangkok, Thailand.
2. Banking customers are able to read, write, and speak Thai language, and they are 18 years or older.

3. Banking customers must be conducting “personal” banking (as opposed to banking for another, such as their employer).
4. Customer perceptions of service quality of banking service providers are limited to providers who work at the counter on the first floor of the bank who are responsible for service delivery of banking transactions such as deposits and withdrawals.
5. Banking customers agree to participate in the study and complete the questionnaire.

The delimitations in geographic area and to one bank are to promote study feasibility and, in some respects, to produce a more homogenous sample and setting. This reduces the impact of extraneous variables such as: customers who are under 18 years of age, foreign customers who use services at the bank and service providers who are in different departments other than the counter on the first floor. In order to achieve the desired sample size in this study, the public area outside the bank is the setting selected. Customer perceptions of service quality are delimited to customers who depart from the bank. Due to the different levels of English language competency of banking customers, participants need to be able to read Thai in order to complete the questionnaire. The questionnaire was translated from English into Thai. To protect the rights of participants, informed consent procedures were implemented.

Chapter 1 provided an introduction to the study about the customer perceived empathy and other dimensions of service providers and the retention of customers in a banking industry in Thailand. This introduction section discussed the importance of emotional intelligence focusing on empathy, five dimensions of service quality, and behavioral intentions and length of time banking as measures of retention. The

purpose of the study relating to a banking industry in Thailand and the specific bank is described. Definitions of terms both theoretical and operational definitions were presented for each variable are defined. The delimitations of the study are also identified. The study is justified because it is significant, researchable, and feasible. Chapter 2 presents the literature review, theoretical framework, research questions and hypothesis identified for this study about perceived empathy of service providers and retention of customers in a commercial bank in Bangkok, Thailand.

**CHAPTER 2**  
**LITERATURE REVIEW, THEORETICAL FRAMEWORK,**  
**AND RESEARCH QUESTIONS**

**Introduction**

In today's rapidly competitive environment, most service providers in service industries are likely to focus on their quality of service. They have spent a large percentage of the budget on this area because they have realized that products alone cannot attract customers to continue to do business with the company. Thus, service quality is likely to play an important role in many service industries, including a banking industry. Service quality may not help to distinguish one company from another in the same industry based on the type of industry (Cronin & Taylor, 1992). Therefore, the use of emotional intelligence competence to increase service quality is considered in many organizations including service companies. Emotional intelligence is important in a service industry because service providers need to be adaptive and able to deal with difficult customers (Weitz, Castleberry, & Tanner, 2000). Goleman (1995) may be the first person who suggested service providers use empathy when dealing with customers. Empathy is an imperative element of relationship. Service providers should have empathy skills in order to identify customers' needs and problems, then try to keep them satisfied by providing things they want (Sojka & Deeter-Schmeiz, 2002). However, the literature review concerning the relationship between empathy and perceived service quality of customers is scant, especially in the banking industry.

Customer retention has been consistently discussed in service marketing in past years (Appiah-Adu, 1999). The importance of customer retention is based on the notion that it is perceived as an indicator of market share and profitability (Appiah-Adu, 1999). Customer retention emphasizes the repetitive patronage (repeated

purchasing behavior) of customers, which is closely related to quality of service (Hennig-Turau & Klee, 1997). The notion that quality of service is a key indicator of customer retention has been investigated in the study by Zeithaml et al. (1996). They discovered a strong relationship between service quality and customer's behavioral intentions and showed that behavioral intentions are affected by quality of service. As one of the service quality dimensions, empathy may be a vital dimension that relates to customer retention at the aggregate level although literature in this area is scarce.

The literature review begins with an overview of the concept of customer satisfaction, retention, loyalty, service quality emphasizing empathy, emotional intelligence, and retention as multiple behavior intention factors. Also, this literature review provides a theoretical framework for this study, and the research questions to be answered as well as an explanatory hypothesis to be tested.

## **Literature Review**

### ***Customer Satisfaction and Customer Retention***

Customer service literature emerged in the early 1980's in the form of qualitative service research that identified and illustrated customer satisfaction and service quality. A significant expansion in service literature appeared in the 1990's especially in 1994, when a number of articles were published that focused on customer satisfaction and service quality (Severt, 2002).

Studies of customer behavior placed emphasis on customer satisfaction as the heart of the post purchase stage. Because positive customer satisfaction frequently leads to repeat purchases and constructive word-of-mouth advertising, this concept is vital to marketers. In saturated markets, firms have found that customer satisfaction is one of the most precious assets. Customer satisfaction serves as a deterrent to customer disloyalty, leading firms to customer retention (Markovic & Horvat, 1999). This relationship is explained by Rust and Zahorik in 1993, who stated that customer



satisfaction drives retention rates, leading to enhanced market share (as cited in Trubik & Smith, 2000).

The preeminent theory of customer satisfaction is the disconfirmation of the expectancy paradigm described by Oliver in 1980 (Bryant, Kent, Lindenberger, & Schreiher, 1998; Caruana, 2002; Ganesh, Arnold, & Reynolds, 2000). This theory suggests that the level of customer satisfaction may be established by comparing previously held expectations with perceived product performance. If performance exceeds expectations, a customer experiences positive confirmation and is satisfied, reinforcing his or her willingness to use the product or service again (Bryant et al., 1998; Ganesh et al., 2000). On the contrary, if performance fails to meet a customer's expectations, negative satisfaction occurs (Bryant et al., 1998).

Customer satisfaction is a function of expectations and disconfirmation, and predictive expectations are used as the standard of comparison. More important, in 1997, Oliver suggested that two underlying forces drive the expectancy-disconfirmation process: assimilation and contrast effects. Assimilation strategy implies a strong reliance on expectations in rendering satisfaction decisions, such that customers are considered to incorporate performance toward previously held expectations (as cited in Ganesh et al., 2000). On the other hand, distinguishing effects exhibit themselves in satisfaction judgments, as customers tend to overstate the perceived levels of performance. Due to such exaggeration, performance levels that surpass expectations tend to be rated greater than they really are (Ganesh et al., 2000).

“One of the key elements of business success and profitability is customer satisfaction, the more satisfied the customer, the more durable the relationship. And the longer this lasts, the more money the company stands to make” (Buchanan and Gillies, 1990, p. 523). In the past decade, marketing literature has examined the link between customer service performance and customer satisfaction. There are many

factors to support relationships between customers and service providers such as information technology (Mulligan & Gordon, 2002), customer orientation (Brown, Mowen, Donovan, & Licata, 2002), and service quality (Brian, 1996; Hallowell, 1996).

Hallowell (1996) conducted an empirical study using 12,000 retail-banking customers at 59 divisions to examine the hypothesized relationships between customer satisfaction and customer loyalty, which is related to profitability. Customer satisfaction was measured using a questionnaire that asked customers to evaluate their satisfaction with service and price. The results of this study supported the hypothesis that customer satisfaction is related to customer loyalty, leading to the positive relationship with profitability (Hallowell, 1996). Although Hallowell stated that customer loyalty might lead to customer retention, he did not explicitly define how customer retention is measured. At this point, Hallowell suggested doing further study on this topic in industries other than banking; however, Hallowell identified three of the difficulties encountered that researchers may avoid. The major limitation of this study was the inability to generalize, as this research presented an empirical analysis of only one retail bank.

Previous research on customer retention by Moira (1997) indicated that customer retention rates in many service businesses are particularly difficult to measure, because many companies do not understand the significance of improving customer retention rates and the impact that this can have on profitability. The study by Duncan and Elliot study (2002) reported the link between superior customer service performance, customer retention, and profitability has become almost “a sine qua non in the marketing literature” (Literature review section, ¶ 2). They reported that the link to customer retention is not explicitly examined by the current research.

In contrast to this argument, prior research by Schlesinger and Heskett in 1991 indicated that more than two-thirds of customers stopped doing business because of inferior service (as cited in Krawitz, 1998). Furthermore, in the strong relationships among service providers' study, Gittell (2002) found that a more effective relationship with customers created by service providers could lead to an increase in customer satisfaction and loyalty. However, the sample in this study consisted of patients and care providers who were not in the financial industry, but in a healthcare service industry. The survey response rates of this study were high with 64% of patients and 51% of care providers responding respectively. This study presented a model that combines customer-provider and provider-provider relationships as two different sorts of service relationships, establishing a foundation for entering the relative impacts of these two sorts of service relationships (Gittell, 2002).

The limitation of this study was customer-provider relationships and customer outcomes were measured using the same survey. Therefore, the findings reported were likely to overstate the size of the effect of customer-provider relationships on customer outcomes (Gittell, 2002). However, the more novel configurations posed and tested in this study, relating the impact of provider-provider relationships on customer outcomes, were tested with data from two different tools. These instruments were "a customer assessment of outcomes" and "a provider assessment of nature of provider-provider relationships" (Gittell, 2002). In addition to these studies, prior research shows that customer satisfaction is a significant determinant of the customer's intention of repurchasing (Ganesh, et al., 2000).

### *Customer Retention*

Reichheld and Sasser (1990) stated that the longer a firm retains a customer, the more profit the customer generates. "The perceptible effects of companies' commitment to retaining customers were first published by Dawkins and Reichheld in

1990 who claimed that higher retention rate[s] leads to higher net present value of customers” (as cited in Ahmad & Buttle, 2002, p. 2). This is a result of numerous factors, including the effects of the higher costs of attracting new customers, increased cost of purchases over time, expanded number of purchases, a mutual understanding between the customer and the firm, and positive word-of-mouth (Trubik & Smith, 2000).

Ahmad and Buttle (2002) stated that the theoretical position regarding the management of customer retention appeared from three major viewpoints encompassing service marketing, industrial marketing, and general management. From the service marketing point of view, firms must improve customer service quality and satisfaction in order to retain customers (Ahmad & Buttle, 2002). The industrial marketing perspective promoted retaining customers by forging multi-level covenants comprising financial, social and structural agreements. From a general management perspective, some researchers proposed theoretical positions drawn from their observations and consulting experience (Ahmad & Buttle, 2002). DeSouza, in 1992, advocated retention measurement and preventing customer disloyalty by analyzing complaints and service data, and identifying and creating deterrents to customer switching (as cited in Ahmad & Buttle, 2002).

In order to succeed in retaining customers, Reichheld (1996) suggested pursuing the integration of strategies, such as define and measure retention, and seek loyalty by focusing on the quality of customers, not just the quantity. Additional strategies included changing the channels of distribution, reducing the number of undesirable customers through creative filtering, providing rewards to customer service representatives for retaining customers, paying for stability, not just conquests, using coupons to distinguish and reward customers who re-purchase, and designing programs to attract and keep the most valued customers

Customer retention allows the organization to gather rewards such as continuously repurchasing services from the same supplier, increasing the scale or scope of the correlation, and word-of-mouth recommendations, which offer free advertising. To enhance the overall effectiveness of customer retention, Appiah-Adu (1999) recommended that service firms seek to investigate both the length and depth of the relationship through cross-selling. Enhanced customer retention can lead the business to generate higher profits through increased sales, decreased costs for attracting new customers, satisfied price-sensitive customers, and reduced costs for customer services (Appiah-Adu, 1999).

Retaining customers is vital to a business. Bain & Company, a U.S. consulting firm is the pioneer firm to focus on the impact of customer retention on company profitability (as cited in Moira, 1997). Retaining customers is not only cheaper than finding new customers, but it is also more profitable for both supplier and buyer (Boles, Barksdale, & Johnson, 1997). Furthermore, Bulusu (2003) adds that companies that retain a high percentage of customers can improve their reputation, and easily attract new customers in the future. Customer retention is one of most important factors leading a company to increased profitability and revenue. Jones and Sasser stated that an increase in customer retention usually is associated with a higher level of customer satisfaction (as cited in Wilson, 2002). The Harrison Company (2003) defines customer retention as “engaging the customer in a fair and equitable marketing promise that encourages consolidation and growth of customer relationships for a lifetime -- and finally provides this missing piece to the marketing puzzle – retention” (¶ 1). Reichheld and Sasser (1990) found the proportion of the length of a customer’s relationship in service enterprises, including banks, has increased dramatically. At MBNA America, a 5% increase in customer retention increased the average customer value by 125%.

As it is difficult to find a suitable system to measure customer retention rates in service industries, many firms do not focus on retaining current customers. This can negatively impact profitability (Moir, 1997). However, some research has explored the importance of customer retention. For instance, Boles et al. (1997) examined the effect of the quality of a salesperson's relationship with a customer on the likelihood of retaining that customer's business. They hypothesized that customer intentions and willingness to continue doing business with the current supplier are associated with higher levels of relationship quality. The sample consisted of a Fortune 500 telecommunications firm. There were 315 buyers out of 1,100 who returned and completed questionnaires, representing a response rate of 29%. The participants were asked to rate the quality of the salesperson's relationship on a continuum (Likert Scale) of a survey. The scores ranged from 1 to 62 (Boles et al., 1997).

Survey respondents were divided into two groups based on self-ratings of their relationship qualities with the salesperson. ANOVA was used to test for significant differences in the average value for each group on three dependent measures (Boles et al., 1997). Three dependent measures were "willingness to refer", "willingness to recommend", and "intention to remain a customer." Research findings indicated that the quality of salespeople impacts the attitudes and intentions of customers. Results also demonstrated that customers who gave above average scores for their relationships with their sales representatives were more likely to remain customers (Boles et al., 1997).

The authors identified the limitations of this study, including the sample size and characteristics (customers were from only one supplier), thus the generalizability was limited. However, this sample size represented a number of different business segments. The second limitation was potential consequences of the buyer-salesperson

relationship, as this study measured only customer retention, rather than actual behavior. As this study measured customer intentions rather than actual behaviors, this study cannot ensure that customer intentions are really the predecessor of behavior, because customers may intend to proceed to buy from, or refer other customers to, that supplier. A limitation of this study is the focus on a company level only, which is a retailer.

Boles et al. (1997) indicated that a few studies explored the precursor of customers and sales representatives' correlation quality. Thus, future research may need to place additional focus on the relationships of customers and sales representatives, and customers and suppliers (Boles et al., 1997). For future research, recommendations by the authors are to include other customer beliefs and behaviors and to examine the various outcomes of relationship quality. In addition, the quality of the relationship may be the key component in customer retention. Therefore, Boles et al. (1997) suggest that future researchers intending to explain customer retention and loyalty to a supplier need to look beyond satisfaction as a forecaster of future buyer intentions.

### *Customer Loyalty*

Dick and Basu (1994) indicated that loyalty has two dimensions, which are attitude and behavior. There are four different loyalty classifications including 'true loyalty,' 'latent loyalty,' 'spurious loyalty,' and 'no loyalty,' each of which reflects a mixture of attitude and repeat patronage. "True loyalty" happens when customers have both an optimistic attitude of the service provider and demonstrate high intensity of repurchasing. "Latent loyalty" occurs when a customer has a positive attitude toward a firm's brand, more than its competitors' brands; however, a customer does not show a high support or repeat purchase because of some situational or environmental variable. "Spurious loyalty" occurs when a customer repeatedly

purchases a brand, but does not identify major distinctions among brands. This could happen when no choices in a group were available. Also, this could exist when the alternative is perceived as part of prior experiences and habits. Ultimately, “no loyalty” occurs in a category when customers perceive little differences between products, and there is a low incidence of repurchasing. Products or services switching are normal, and alternatives among them are basically produced based on some situational components.

Many researchers acknowledge the types or characteristics that structure loyal customers. Knox described four customer types consisting of ‘loyals’, ‘habituals’, ‘variety seekers’, and ‘switchers’ (as cited in Buttle & Burton, 2002). The first two are high-share, generally high-profit customers purchasing a narrow product range and displaying loyalty. “Variety-seekers” and “switchers” are customers who might benefit from customer service that promotes customer loyalty. Hoare identified additional customer types, which are ‘deal seekers’, ‘stockpilers’, ‘loyalists’ who purchase more of an item when on special offer, and ‘new market’ who try a special offer and continues to purchase after the promotion is over. Finally, in 1991, Pugh described four desirable characteristics that make up the loyal customer: “repeat purchasing, cross-product/service purchasing, and referral/word-of-mouth active and immune to competition” (as cited in Buttle & Burton, 2002, Literature Review section, ¶ 4).

“Customer loyalty is the extent to [which] your customers continue with key loyal behavior when competitors offer more attractive prices, products, and services” (Customer Loyalty Research Center, 2002, p. 2). According to Morris et al. in 1999, the foundations of customer loyalty are intimacy, trust, and commitment. To attain these foundations, firms must continually learn about their customers (as cited in Buttle & Burton, 2002). Customer loyalty is recognized as leading to profitability in



the long run (Cuccia, 2000). Although customer satisfaction seems to be a prerequisite for customer loyalty, it is insufficient to automatically lead to or ensure repeat purchase behavior or brand loyalty (Cuccia, 2000; Wilson, 2001). Nevertheless, customer loyalty directly connects to company growth, company profit, cost of servicing customers, the stability of company infrastructure, and employee satisfaction and turnover (Customer Loyalty Research Center, 2002).

Cuccia (2000) provides some techniques to help companies build customer loyalty. Those techniques are divided into three classifications: (a) customer dialogue including a loyalty index, attribute evaluation, complaint discovery, lost customer interviews, and thank you calls; (b) the customer relationship process encompassing end-users, and intermediaries; and (c) customer valuation analytics (Cuccia, 2000). Although these techniques are seemingly helpful to create customer loyalty in the future, Cuccia does not describe the organization that successfully builds customer loyalty by using these techniques to support such success.

Marketing literature defines customer loyalty in two different ways: attitudinal and behavioral (Hallowell, 1996). There are two valuable ways to report this sensitivity. The first is to examine the number of customers who alter their behavior as a result of competitive changes. The second is to examine profits associated with the change. This second measure can be weighed more with a large sample of customers (Customer Loyalty Research Center, 2002).

As mentioned previously in the customer satisfaction section, the study by Hallowell (1996) examined two hypotheses concerning the relationship between customer satisfaction and customer loyalty. Responses from 12,000 retail-banking customers at 59 divisions of the same bank were aggregated as customer satisfaction data in this research. All survey data were collected at the division level. The bank and a market research firm developed a four-page questionnaire. The questionnaire

surveyed each customer's satisfaction with service and price and asked as well for demographic information. Participants of this research were mature in age, with limited income sources. The collection of customer loyalty data included both retention (length of relationship) and cross-sell (depth of relationship) by each division. Profitability data for each division were given by the bank's treasury function.

In Hallowell's study, the hypothesized relationships were explored by the use of Ordinary Least Square (OLS) regression. There were two ways to test customer satisfaction in this research. The first indicator was composed of the responses to one question on the customer satisfaction survey. Respondents were asked to rate on a 7-point Likert-type scale the question: "Overall, how satisfied are you with... [The bank]?" The second indicator of customer satisfaction included gratification with service and price, and was created from theories discovered in the literature of service management such as Heskett, Jones, Loveman, Sasser, and Schlesinger in 1994 and Schneider and Bowen in 1995 (as cited in Hallowell, 1996). "These theories state that perceived value is a function of perceived quality and price, and that differing levels of perceived value result in differing levels of customer satisfaction" (Hallowell, 1996, Methodology section, ¶ 3).

Tests of customer loyalty were chosen because the measures reflected on both retention (length) and cross-sell (depth) of the bank and customer correlation. The regression results supported the inference of the positive customer satisfaction and customer loyalty relationship. Seven of eight regressions also supported the inference of a positive relationship between customer loyalty and the bank's profitability (Hallowell, 1996). Hallowell's findings supported service management literature about the linkages among customer satisfaction, customer loyalty, and profitability. In addition, marketing literature's behavioral argument relating the relationship

between customer satisfaction and customer loyalty also supported these findings (Hallowell, 1996). For future research, Hallowell (1996) suggested investigating other industries rather than banking, in order to strengthen external validity. Moreover, Hallowell also recommended that researchers focus on data aggregated in relatively similar industries over an extended period.

Outstanding service quality leads to favorable behavioral intentions, which leads to retention. Service quality also leads to continuing profits, increased expenses, payment of cost premiums, and generation of referred customers (Zeithaml et al., 1996). Zeithaml et al. (1996) stated that certain behaviors signal that customers are falsifying commitments with a firm. Customers demonstrate their favorable intentions such as admiring the company, conveying fondness, enhancing purchasing volume, paying premium readily, making positive comments about the firm to others, referring the firm to others, and keep buying when contented (Zeithaml et al., 1996). Various studies such as by Cronin and Taylor, in 1992, Anderson and Sullivan, in 1990, and Woodside, Frey, and Daly, in 1989 explored the relationship between service quality and more specific behavioral intentions (as cited in Zeithaml et al., 1996). Berry and Zeithaml, in 1991, found a positive and significant link between perceived service quality of customers and their intention to refer the firm to others (as cited in Zeithaml et al., 1996). In their 1998 study about university students, Parasuraman et al. found a positive relationship between service quality and behavioral intentions. Zeithaml et al. (1996) combined a list of particular indicators of favorable behavioral intentions in *Behavioral Intentions Battery* based on literature review and research findings. These specific indicators are making positive comments about the firm, recommending the firm to others, paying a price premium to the company, and remaining loyal to the firm (Zeithaml et al., 1996).

On the other hand, inferior service quality leads to unfavorable behavioral intentions, which causes customers to defect from the firms, leading to reduced expenditure, lost customers, and the enhanced costs of acquiring new customers (Zeithaml et al., 1996). Customers show unfavorable intentions such as leaving the firm, reducing spending patterns, making complaints to the seller and others outside of the company, and spending less amount of doing business with the company (Zeithaml et al., 1996). Zeithaml et al. (1996) noted that complaining is perceived as a mixture of deconstructive responses that stem from discontent and forecast or accompany defection. Singh, in 1988, stated that discontent leads to customer-complaining behavior. Singh, in 1988, classified complaining behavior into a three-dimensional typology including voice responses, private responses (negative word-of-mouth communication), and third-party response (taking lawful action) (Zeithaml et al., 1996). Based on different types of complaining and consideration of switching to competitors, Zeithaml et al. (1996) established specific indicators of unfavorable behavioral intentions in *Behavioral Intentions Battery*.

In a case study by Sirikit (2003) about the relationship between service quality and customer behavioral intentions in a Thai telecommunication industry, he used a Thai translated version of the *13-item Behavioral Intentions Battery (BIB)* developed by Zeithaml et al. (1996). Sirikit also used the *SERVQUAL* developed by Parasuraman et al. (1988) to measure service quality. Both instruments were translated into Thai. Reliability coefficients for these instruments were reported. Reliability coefficients for the five dimensions of the *SERVQUAL* exceeded .90 whereas the reliability coefficients for *BIB* ranged between .49-.92. The *BIB* dimension of loyalty had the highest alpha score (.92) while the dimension of switch had exhibited the lowest alpha score (.49). The author did not report whether this instrument is normal or reverse scored. The random sample consisted of current

customers who had previously used telecommunication services at least one day but were not necessarily on a subscriber list. Survey questionnaires were distributed to 550 customers, with a response of 484 usable responses. Socio-demographic characteristics of the sample were not reported. Four hypotheses were tested. Results showed a significant relationship between perceived service quality and behavioral intentions. This study found an inverse relationship between service quality and complaining behavior dimension of the *BIB*. For future research, the author suggested to explore the linkage between service quality and customer behavioral intention in other industries.

Tax and Brown (1998) noted that sometimes customers, who defect from a firm without explanation, later make destructive comments to others. The propensity of customers to switch can affect the firm's market share and profitability (Keaveney, 1995). However, the firm needs to understand that customers may switch to competitors because of their attraction to better service or higher quality service. Customers may only switch because of unsatisfactory service of the company (Keaveney, 1995).

In Zeithaml et al.'s research, four companies that provided service to end users were studied. The companies included a computer manufacturer, a retail chain, an automobile insurer, and a life insurer. Questionnaires were mailed to these four companies. After receiving questionnaires from researchers, the four companies distributed these questionnaires to their customers and asked them to complete the questionnaire. The overall response rate was 25%, with a response rate of 30% for the computer manufacturer, 22% for the retail chain, 24% for the auto insurer, and 17% for the life insurer (Zeithaml et al., 1996).

In this study, Zeithaml et al. (1996) developed two major hypotheses. The first hypothesis forecasted whether the service quality-relationship was positively

related to favorable behavioral intentions and inversely (negatively) related to unfavorable behavioral intentions. The second hypothesis forecasted that consumers who experience no service problems have positive behavioral intentions scores (highest for favorable intentions and lowest for unfavorable intentions). Customers with resolved service problems would have “halfway scores” while customers with unresolved service problems would have the worst scores (Zeithaml et al., 1996). To test this hypothesis, the sample was categorized into three groups of participants: those who experienced no recent service problem; those who experienced problems that were resolved; and those who experienced problems that were unresolved (Zeithaml et al., 1996).

Findings of their study provide robust empirical support for the perceptive notion that improving service quality can enhance favorable behavioral intentions and reduce unfavorable intentions (Zeithaml et al., 1996). They report methodological weaknesses. They found that the *Behavioral Intentions Battery* needs further improvement, even though the assessment tool was more complete than intentions scales used in their prior studies. Particularly, they suggested adding more items for three components, namely, switch, pay more, and external response to strengthen the reliability (Zeithaml et al., 1996).

In addition, further research is needed to emphasize the facets of the conceptual model not explored in their study, for instance, the relationship between behavioral intentions and remaining with the firm merits study (Zeithaml et al., 1996). In order to investigate this link (the association between behavioral intentions and remaining with or defecting from the company merits study), Zeithaml et al. (1996) suggested that future research should focus on panel data, longitudinal analysis with customers, and cross-sectional surveys asking customers about their previous and present providers. They also suggested that cross-sectional research might ask

customers to designate their actual behaviors, not only behavioral intentions. However, this kind of research needs to be supplemented with longitudinal research to confirm the direction of quality intention link (Zeithaml et al., 1996).

### *Service Quality*

Service quality has become an important tool in the service industry. According to Allred and Addams (2000), service quality is a significant issue in the service industry, and more importantly, for financial service providers, who have difficulty demonstrating to their customers the differentiation by products alone. Practitioners are interested in the concept of service quality, which has an advantageous effect on outcome performance for the company (Caruana, 2002).

Lehtinen and Lehtinen, in 1982, provided a three-dimensional view of service quality, which included “interaction,” “physical,” and “corporate” dimensions. At a higher level, and essentially from a customer’s viewpoint, quality is perceived as being two-dimensional, composed of technical and functional qualities (as cited in Caruana, 2002). The model proposed by Gronroos underlined the function of output quality and process quality as happening prior to, and resulting in, consequence quality. In this model, technical quality referred to the solution conveyed to the customer by a specialist. Functional quality was concerned with the outcome of the development delivered to the customer. This addressed both psychological and behavioral facets that cover the convenience to the provider, how service employees executed their duty, their communication, and how service was completed. Therefore, according to Gronroos, while output quality could frequently be assessed independently, the assessment of process quality was a more complex process (as cited in Caruana, 2002).

Generally, high service quality may be defined as consistently predicting and fulfilling customers’ needs and expectations. Attaining a high rank for service quality

is not a simple corporate objective, as the customer identifies quality levels, rather than the bank. Furthermore, customers could describe quality in slightly distinct ways, depending upon their age, education, income, wealth, life-style, etc. To adopt the service quality concept, a bank needs to place emphasis on customer-driven feedback in order to fulfill customer preference, rather than to count on its own observation of what customers need. Specifically, service providers must be encouraged to foster greater customer empathy, and management strengthened to allow an unprecedented level of employee autonomy at the point of sale. Autonomy, to this degree, may well be an essential requirement for customer service that is greater in terms of predicting and satisfying customer needs (Howcroft, 1991).

By definition, services are intangible and are also not easily duplicated (Khatibi, Ismail, & Thyagarajan, 2002). On the other hand, quality is differentiable and stems from customers' expectations (Khatibi et al., 2002). Therefore, companies need to "identify and prioritize customers' expectations of service quality and incorporate these expectations into a service process for improving quality" (Khatibi et al., 2002, Literature review section, ¶ 11). An increase in innovation in the banking industry has created more competition while limiting the variety of products (Seonmee & Brian, 1996). Therefore, banks have been forced to move toward customer-oriented strategies (Seonmee & Brian, 1996). Service quality has become the final factor distinguishing banks and determining their survival (Seonmee & Brian, 1996). When all companies offer similar or the same products to a customer, the differentiated financial provider was the one who made the customer feel appreciated and satisfied during the delivery of service (Barnes and Howlett, 1998).

The study by Parasuraman, Zeithaml, and Berry (1985) indicated that consumers used 10 determinants in an evaluation of the service quality process. They began with the most important determinants of service quality, including reliability,



responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and tangibles. In Parasuraman et al.'s 1994 model, consumers have a "zone of tolerance" enclosed by sufficient and preferred service levels. "If a service encounter does not meet their minimal performance criteria, then they become dissatisfied and develop a negative image of the service" (Bryant et al., 1998, Literature review section, ¶ 3).

Additionally, Sureshchandar, Rajendran, and Kamalanabhan, in 2001, identified five critical factors of service quality as critical from the customer's point of view. These factors are: "1) core service or service product, 2) human element of service delivery, 3) systematization of service delivery: non-human element, 4) tangibles of service- servicescapes, and 5) social responsibility" (Sureshchandar, Rajendran, & Anantharaman, 2002, Literature review section, ¶ 2).

Past research by Parasuraman et al. (1988) and Cronin and Taylor (1992) found that customer service quality positively influenced customer satisfaction. In their exploratory research, Parasuraman et al. (1985) proposed the criteria used by customers in evaluating quality of service. These were tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding, and access. These primary dimensions were later combined and condensed to five dimensions in their study in 1988. Parasuraman et al. (1988) conducted research on service quality by using both qualitative and quantitative methodologies. They followed generally accepted psychometric processes in instrument design. This led to the formation of the original "22-item *SERVQUAL*" tool, which is a widely used instrument. This instrument provides researchers with the ability to test the performance-expectation gap known as GAP 5, which is one of the gaps model of service quality. "The gap model positions the key concepts, strategies and decisions in delivering quality service in a manner that begins with the

customer and builds the organization's tasks around what is needed to close the gap between customer expectation and perceptions" (Zeithaml & Parasuraman, 2003, p. 29). Parasuraman et al. (1991) identified five key gaps that can arise in the development and delivery of customer service as follows:

**Gap 1** Discrepancy between customers' expectations and managers' perceptions of those expectations.

**Gap 2** Discrepancy between managers' perceptions of customers' expectations and service quality specifications.

**Gap 3** Discrepancy between service quality specifications and the service delivered.

**Gap 4** Discrepancy between the service provided and the service promised.

**Gap 5** Discrepancy between customers' expectations and their perceptions of service received.

These dimensions consist of reliability, responsiveness, empathy, assurance, and tangibles (Parasuraman et al., 1988). Reliability is the capability to execute the promised service consistently and correctly. Responsiveness is an ability to assist customers and provide quick service. Empathy is a concern and personal awareness that a service provider gives to customers. Assurance is the knowledge and politeness of service providers and their ability to motivate trust and confidence. Tangibles are physical facilities, equipment, and the individual appearance of service providers. The last two dimensions (assurance and empathy) include seven items used in original dimension of *SERVQUAL*, which included communication, credibility, security, competence, courtesy, understanding/knowing customers, and access dimensions. They condensed aspects of all ten dimensions originally conceptualized dimensions into five dimensions (Parasuraman et al., 1988).

The *SERVQUAL* instrument contains two sets of measures. One set measures customer expectations of the level of perceived service for a specific service industry. The second set of measures aims to measure the level of quality of service offered by a particular service firm as perceived by customers as a way of standardizing perceptions. In order to measure service quality (Q), Parasuraman et al. (1988) suggested that the expectation scores of customer (E) should be subtracted from their perception (P) scores ( $Q = P - E$ ). The higher the positive score (Q) the superior the service quality, and the lower or negative score indicates inferior service quality. The gap that is likely to occur between customers' expectations and perceptions of service is not only a measure of service quality, but also an indicator of customer contentment and discontentment. Parasuraman et al. (1988) stated that the *SERVQUAL* instrument could be utilized in various services without adaptation because the *SERVQUAL* has high reliability and validity. In their study, four companies participated in the original testing of the *SERVQUAL* instrument. Those four companies were a bank, a credit card company, a repair and maintenance company, and a long-distance telephone company. Fojt's finding (as cited in Rapert & Wren, 1998) showed evidence of a consistent positive relationship between quality and bottom-line performance. This significant finding, integrated with rich anecdotal evidence, emphasized the need for further examination of a correlation between quality and performance (as cited in Rapert & Wren, 1998).

Banes and Howlett (1998) adequately presented empirical evidence showing that quality relationships are likely to lead to customer retention, referrals, and long-term profitability. Their study purposely attempted to find customer perspectives of interactions with a financial service provider, and the factors leading to quality relationships. Research was conducted to test the satisfactory relationships between service providers and customers in the Canadian financial services industry. The

sample was selected from consumers in North America and Europe for clients in a variety of industries, including financial services. Banes and Howlett (1998) began with an interview from more than 40 proprietary firms in the sample. In the next step, 400 retail customers of financial service providers were surveyed through a national telephone survey. At this point, this design established good external validity as a fairly large population of retail customers was surveyed. The authors did not report how informed consent was implemented. As this study provided the option to respondents to complete the survey in English or French, the authors did not sufficiently address the reliability of the survey, which was offered to respondents in both English and French. The findings indicated that the affective dimensions of the service encounter best predict quality relationships (Banes & Howlett, 1998). Banes and Howlett (1998) recommended doing future research on “the causal sequence of service provider behaviors and consumer emotions” (Abstract section, para 1) because, from the financial service provider’s point of view, different components of the service encounter may create different affective responses for distinct groups of customers.

Lassar, Manolis, and Winsor (2000) attempted to explore the impact of service quality on customer satisfaction from two different methodological perspectives. They used a 22- item SERVPERF scale developed by Cronin and Taylor in 1992 and a 16-item Technical/Functional Quality models developed by Gronroos in 1983 to measure service quality in the international private banking. Data collection was from customers of an international private bank. Customers were asked to respond about the bank’s service quality. Customers were randomly selected from the bank’s customer list. As this international bank has customers in both the USA and South America, two surveys were used in both English and Spanish. This study provides an estimate of the reliability of the Spanish version of the questionnaire by having

reverse-translation to ensure congruency, and pilot tests were created for both versions (Lassar, Manolis, & Winsor, 2000). Cronbach's alpha for a 22-item SERVPERF (a performance-only version of the original SERVQUAL developed by Cronin and Taylor in 1992) instrument was reported with the range from 0.96 to 0.92. Cronbach's alpha for a 16-item Technical/Functional Quality was 0.96 for functional and 0.86 for technical quality. The results of this study indicated that the impact of functional quality on customer satisfaction was intensified as the number of service failure encounters decrease (Lassar, Manolis, & Winsor, 2000).

***The Relationship Between Service Providers, Customer Satisfaction,  
and Customer Retention***

Service providers are often the customer's first impression of an organization. Hiring or having the wrong people in the customer service area can lead to lower sales and a decrease in customer retention. Relationships between service providers and customers are important for achieving a high level of customer satisfaction and customer retention (Gittell, 2002). Banking service providers need to better understand their customers and try to predict, influence, and ascertain the purchasing behavior of customers (Beckett, Hewer, & Howcroft, 2000). Many service providers typically use three strategies to minimize customer defection including discounts, enhanced services, and additional services (Corporate Executive Board, 2001). However, many service companies spend numerous resources to attract new customers rather than focusing their attention on retaining existing customers (Moir, 1997).

According to Lundin's report (2000), results from consumers they interviewed showed a strong link between employee retention and quality of service as rated by the customer. These customers had recent customer service encounters in at least one of six industries: personal computing, banking, retail, telecommunications, investment

management, or property and casualty insurance. America Online conducted the interviews with 3,005 online consumers (Lundin, 2000). However, no data presented in this report supported the strength of the linkage between employee retention and quality of service.

Sharp found that loyal customers might also reduce marketing costs and raise barriers of entry to the market (as cited in Persersen & Nysveen, 2001). A recent study by Athanassopoulos, Gounaris, and Stathakopoulos (2001) found that customers tend to remain with their current service provider when rating customer satisfaction to be high. Athanassopoulos et al. (2001) hypothesized that “perceptions of high customer satisfaction are negatively related to switching behavior expressed either in term[s] of intention or decision to switch” (Literature Review Section, ¶ 21). In their study, data were collected from 793 customers of a commercial retail bank in Greece. Trained assistant researchers interviewed the respondents in order to enhance the reliability of the response. The questionnaire consists of 31 question-items that assessed distinct facets of the service encounter (Athanassopoulos et al., 2001). This research instrument included original questions representing the five dimensions of service quality presented in the *SERVQUAL* instrument, and items that searched for determining extra dimensions of customer satisfaction in the banking industry (Athanassopoulos et al., 2001).

However, the authors modified the scale of the original *SERVQUAL* instrument from a semantic differential scale to a 5-point Likert’s scale (it is an agreement/disagreement scale). The authors adequately described the intention of this study, which investigated the behavioral consequences of customer satisfaction. As this study did not test quality perceptions of any particular bank, participants were approached walking in the streets and in shopping centers. Surveys were collected at distinguishing locations and on different days in order to decrease location, date, and

time related response bias (Athanasopoulos et al., 2001). At this point, these respondents may not represent the customers of retail banks. These are different kinds of banks (and interviews may have been non-customers of commercial retail banks). This may weaken the external validity of this study, especially ecological validity. The limitations of this study relate to instrumentation, where some of the items were inadequate in terms of internal consistency, and additional items were needed to improve psychometric properties (Athanasopoulos et al., 2001). This limitation may lead to the question about construct validity of the questionnaire and whether this questionnaire adequately contains items that are needed to test two hypotheses in this study.

Moreover, the findings in this study were limited, because the sample represented only retail banks in Greece. Thus, replication may be needed in future research. These authors suggest including additional customer behaviors, such as loyalty and communication (Athanasopoulos et al., 2001). Since a convenience sample was used in this study, random sampling in future studies can strengthen generalizability. To further contribute to the body of knowledge about customer satisfaction, future research is recommended that examines the relationships between customer satisfaction and customer retention.

In another 1999 study, of 800 Sears Roebuck stores, the researcher reported that customer satisfaction and corporate revenue increased 1.3% and 5%, respectively, for every 5% increase in employee satisfaction (as cited in Treytl, 2002). Additionally, research on 52 branches of a large savings in U.S. bank by Brown and Mitchell in 1993 found that customer satisfaction was significantly related to the employee satisfaction variables of working climates, colleagues, atmosphere and access to timely information (as cited in Treytl, 2002). As a result, increased

satisfaction within the employee base of service providers can lead to improved service quality, customer satisfaction, and perhaps retention.

Mattila (1999) examined the role of culture and its influence on customer evaluations of services. The author contrasted Asian and Western travelers' perceptions of the service encounter in a hotel context, using sample size of 200. Asian travelers were from Hong Kong, Japan, Taiwan, Thailand, China, and South Korea and Western travelers were from Australia, Canada, the UK, the USA, and several Scandinavian nations. Of these respondents, 51% were Asian, and 41% were Western. The average ages of participants was 39 years old, and most were male. Almost half traveled for business purposes.

This study used five dimensions instrument developed by the author to measure customer evaluation of service providers. The five dimensions were mutual understanding, provision of extra attention, perceived authenticity in the interaction, competence of service provider, and meeting customer expectations. The author reported reliability of this instrument, using a coefficient alpha score (.0.88). Findings of this study indicated that customers with a Western cultural background rely more on tangible cues for service quality than customers with an Asian cultural background.

In addition to Mattila's study, Stauss and Mang (1999) found that cultural differences have a significant effect on service evaluation. Sultan and Simpson (2000) also found that the relative importance of SERVQUAL dimensions is significantly different for reliability and tangibility among cultural groups, but not for responsiveness, assurance, or empathy.



### *Customer Retention and the Banking Industry*

There are two areas of the operational environment in a bank – back-stage and front-stage. Back-stage emphasizes the efficiency that is necessary for operations not directly observable by customers. Front-stage operations, in contrast, have an effective focus, and consist of all those responsibilities and actions that occur at the “moments of truth”, or when customers interact directly with customer-contact staff. In general, technology-orientation fuels back-stage operations while people-orientation promotes front-stage operations. Therefore, the banking service business is partly carried out through technology, but mostly through people.

According to research, back-stage operations per se do not consequently lead directly to customer satisfaction, unless employees are completely familiar with the system and/or service, and customers are handled in a friendly manner by front-stage staff (Yavas & Yasin, 2001). Loyal customers, defined as those who will stay with the same bank, are likely to try new products with their bank and willingly recommend their banking service to others. Thus, customer loyalty is the sentimental connection to, or affection for, a company’s products or services above and beyond that of the competitors in the market-place (Fisher, 2001).

In today’s competitive environment, banks encounter a major challenge in combining the marketing activities needed both to gain new customers and to retain existing profitable ones (Walsh, 2002). The banking industry is defined as establishments primarily involved in admitting demand and other deposits and making commercial, industrial, and customer loans (IBISWorld, 2003). Currently, banking is one of many service industries where customer satisfaction research has increased focus (Narser, Jamal, & Al-Khatib, 1999). The main reason is because the banking sector is increasingly experiencing a growing level of competition. Lassar et al. (2000) supported this statement in their research elaborating that the banking industry

offered a proper setting for comparing models of service quality. The consequence of this increased competition led financial institutions to focus on increasing customer satisfaction and customer retention through improved quality of services (Naser et al., 1999). Prior research on bank service providers and customers found that service providers' morale was strongly related to customer satisfaction and customer retention; that is, when bank customers perceived front-line service providers to be happy with their work, these customers were more likely to be satisfied, and retained the bank (Allred, 2001). In order to maximize customer retention in banking, service providers need to pay close attention to customer needs and quality of service (Microsoft, 2003).

According to Moira (1997), service provider and customer perceptions of service quality were relevant to customer retention rates. Also, this study explored the relationship between employee and customer perceptions of service quality. Moira (1997) studied two large branches of a major retail bank. One retail bank had a high customer retention rate of 75%, while the second had a low customer retention rate of 60%. The retention rates were revealed after the research was undertaken (Moira, 1997). The rates were computed by separating all inactive and latent accounts and only including current checking account customers (Moira, 1997). Only one difference between these two banks was their customer retention rates, but they had similar geographic locations, size, number of employees, and socio-economic profile of customers. This study used mixed methods to collect the data. Two samples, employees and customers, were interviewed. All employees were interviewed using open-ended questions to describe the practices and criteria of their branches in providing service to customers. The researcher randomly selected customers from each branch and contacted them by phone to attain permission for the

interview. Twenty customers were interviewed about their opinions about branch service. Focus groups were conducted in a local hotel (Moira, 1997).

The findings of this research led to two major suggestions, to manage customer-employee correlations and to plan the structures and practices for conveying service to customers. Moira (1997) did not mention how many employees from each branch were interviewed, and how large those two branches were in terms of service providers. In this study, for the 20 customers who were randomly selected to provide their opinions about bank services, the choice of sampling strategy was perceived as a large sample for qualitative. However, the author did not provide a discussion of trustworthiness and credibility of the data.

Othman and Owen (2001) examined service quality in an Islamic bank in Kuwait adopting and measuring customer service quality. They proposed that cultural differences need to be accounted for in the front counter service encounter. The authors presented a new model to measure service quality called CARTER. This was modified from the SERVQUAL developed by Parasuraman et al. (1988). Each letter of CARTER represents one of six dimensions of service quality: Compliance, Assurance, Reliability, Tangibles, Empathy, and Responsiveness. The 34-item instrument showed high reliability of coefficient alphas, ranging from 0.70-0.89.

In their study, customers were asked to rate the significance of the proposed quality dimension according to the items within each dimension of the CARTER. Customers were also asked to rate their dissatisfaction and satisfaction with overall service quality of the Kuwait Finance House (State of Kuwait) using the scale items. Personal data about study participants was also obtained (gender, age, education, income, marital status, occupation, and place of work). Five hundred surveys were distributed to customers, 360 were returned. Males constituted the majority of respondents (81%). For occupation, the majority of the respondents were

professionals (22%). Eighty-two percent of the respondents were married, and 65% of respondents were between 30-50 years old. In terms of educational level, 71% of respondents held a bachelor's degree. The findings indicated that customers rated compliance, assurance, and responsiveness as the most important factors respectively while tangibles, reliability, and empathy were the least important factors. The study's findings also showed a strong relationship between service quality and customer satisfaction. The authors suggested a plan for the Kuwait Finance House to adopt service quality, and provided examples of training to improve service quality was adopted.

### ***Emotional Intelligence (EI)***

#### ***Roots of Emotional Intelligence***

The concept of emotional intelligence (EI) is not new. Langley (2000) found that Aristotle might have been the first person who mentioned the significance of emotion in human relationships. Aristotle notes "to be angry with the right person, to the right degree, at the right time, for the right purpose, and the right way" (as cited in Langley, 2000, Introduction section, ¶ 1). Cherniss (2000), an applied psychologist at Rutgers University, mentioned the historical roots of emotional intelligence in *Emotional Intelligence: What it is and Why it Matters* at the Annual Meeting of the Society for Industrial and Organizational Psychology. This psychologist stated that emotional intelligence is adapted from non-cognitive aspects of intelligence, referring to the three psychologists who saw non-cognitive aspects as important for adaptation and success.

In 1920, Thorndike was the first psychologist to identify roots of emotional intelligence in the concept of "social intelligence" (as cited in Cherniss, 2000). However, the work of Thorndike was mostly overlooked until 1983, when Howard Gardner proposed "multiple intelligences" and included "intrapersonal" and

“interpersonal” intelligences in the theory (as cited in Cherniss, 2000). Another psychologist, Wechsler, proposed “non-intellective” and “intellective” elements in early 1940 (as cited in Cherniss, 2000). Cherniss asserted that the current work on emotional intelligence builds upon a long tradition of research into the role of non-cognitive factors in helping people to succeed in both life and the workplace (Cherniss, 2000).

The term “emotional intelligence” first appeared in a 1990 article written by Mayer and Salovey (as cited in Kierstead, 1999). In 1995, Goleman wrote the international best-seller *Emotional Intelligence* (as cited in Goleman, 1998). Goleman adapted the Salovey and Mayer model to explore how to relate emotional intelligence to the workplace setting (Langley, 2000). More recently, Goleman collapsed five domains of emotional competencies, including self-awareness, motivation, self-regulation, empathy, and adeptness in relationships from *Working with Emotional Intelligence* into four domains, in *The Emotionally Intelligent Workplace* (Goleman, 2001a).

Many books define emotional intelligence. Mayer and Salovey (1997) defined emotional intelligence in *What is Emotional Intelligence* as “the ability to perceive accurately, appraise, and express emotion; the ability to access and/or generate feeling when they facilitate thoughts; the ability to understand emotion and emotional knowledge; and the ability to regulate emotions to promote educational and intellectual growth (p.10). Similarly, Weisinger (1998) defined emotional intelligence in *Emotional Intelligence at Work* as “an ability to make your emotions work for you by using them to help guide your behavior and thinking in ways that enhance your result” (p. xvi). In *Working with Emotional Intelligence*, emotional intelligence was referred to as “the capacity for recognizing our own feeling and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our

relationship” (Goleman, 1998, p. 361). People can use their emotional intelligence as a key to solve problems (Richardson, 2002). Weisinger (1997) and Goleman (1998) indicated that emotional intelligence can be enhanced and practiced.

### ***Evolution of Goleman’s Model of Emotional Intelligence***

Goleman (1998) provided five elements for learning practical skills of emotional competencies, which included self-awareness, motivation, self-regulation, empathy, and adeptness in relationships. However, in *The Emotionally Intelligent Workplace*, Goleman (2001a) provided a new model of emotional competencies, where five domains were collapsed into four dimensions: self-awareness, self-management, social awareness, and relationship management. Empathy is an important part of social awareness competence. This conceptual framework was refined from Goleman’s 1998 model. The first two domains are personal and the last two domains are social and concern an individual’s capability of managing relationships with others. Davis (2003) clarified the four dimensions:

Self-awareness is characterized by a deep understanding of one’s emotions, strengths and weaknesses, and ability to accurately and honestly self-assess. Self-management is about the control and regulation of one’s emotions, the ability to stay calm, clear and focused when things do not go [as]planned, the ability for self motivation and imitative. Social-awareness covers empathy for example, in the ability to consider someone’s feelings in the process of making intelligent decisions either on a one-to-one basis or as a group. Relationship management covers the ability to communicate, influence, collaborate and work with colleagues. (p. 2)

### ***Emotional Competencies***

Goleman’s (2001a) new model of emotional competencies applied the emotional concept to the workplace. Goleman stated that emotional competencies can

indeed be learned, and are related to two key areas in the emotional competence framework. These were “personal competence” – how to manage ourselves, and “social competence” – how to manage our relationships. Goleman divided “personal competence” into two domains, which are “self-awareness” and “self-management.” For “social competence”, Goleman subsumed “empathy” and “social skills” from the earlier model to “social awareness” and “relationship management” dimensions respectively (Goleman, 2001a). Goleman also indicated that on-the-job capabilities are translated, learned and measured by emotional competence indicating how much potential people have (Goleman, 2001a).

In their 2000 study, Boyatzis, Goleman, and Rhee presented the current version of the emotional intelligence framework, adapted from the statistical analyses of a sample of nearly six hundred respondents (as cited in Goleman, 2001a). Boyatzis et al. conducted a survey using the *Emotional Competence Inventory 360* (ECI 360) to enter the 20 EI competencies (as cited in Goleman, 2001a). The sample for their study consisted of almost 600 corporate managers, professionals and engineers, management, and social work graduate students (Goleman, 2001). “Respondents were asked to indicate the degree to which statements about EI-related behaviors—for instance, the ability to remain calm under pressure were characteristic of themselves” (Goleman, 2001a, p. 2).

Respondent ratings were compared to ratings made by those who worked with them. Study results supported the competencies nesting within each EI domain. Also, Goleman suggested that the difference between the “social awareness cluster and the relationship management cluster may be more theoretical than empirical” (Goleman, 2001a, p. 2). However, the researcher believed that it would be very helpful for other researchers to learn if Boyatzis et al. would explain in depth why these two clusters were likely to be more theoretical than empirical. Furthermore, even though this

study collected data from various career groups, additional study could include other careers, such as a service provider that represented the use of social competence in their work.

### *Measuring Emotional Intelligence*

Cherniss (2000) reported that there were several instruments that provide measures of emotional intelligence, but there has been little research on the predictive validity of measures of emotional intelligence. The first attempt to assess emotional intelligence in terms of a measure of well-being was developed by Bar-On in 1998 (as cited in Goleman, 2001b). Current research has identified new measures of emotional intelligence. There were at least six popular instruments presented by Cherniss (2000) in the *Annual Meeting of the Society for Industrial and Organizational Psychology* in 2000. Those six instruments include Bar-On's EQ-I, the Multifactor Emotional Intelligence Scale (MEIS), the Emotional Competence Inventory (ECI), EQ Map, a 33-item self-report measure, and Seligman's SASQ (Cherniss, 2000). For the MEIS test developed by Mayer, Salovey, & Caruso, the new version called MSCEIT was released to replace the MEIS in 2000 (Hein, 2000). "The Bar-On EQ-I is completely a self-report test. Like Bar-On's EQ-I, the Goleman ECI is a self-report test, but also asks others for their opinion of someone's abilities" (Hein, 2000, p. 2). In order to measure people's abilities, researchers need to consider using the MSCEIT as the only test available to measure actual ability (Hein, 2000).

Since emotional intelligence comprises a large set of abilities to test specific abilities, Cherniss suggested using Seligman's SASQ, which was designed to measure learned optimism (Cherniss, 2000). Additionally, Goleman suggested that a competence-based measure was more likely to bring an effective measure of emotional intelligence than a "pencil-and-paper" test (Dulewicz & Higgs, 1999). Another instrument to measure emotional competence of employees is "*Emotional*



*Competence Inventory 360*” (ECI 360) developed by Boyatzis and Goleman (Emmerling, 2003). The ECI 360 is an appraisal instrument that covers the full spectrum of the emotional competencies that matter most for star performance. This instrument is designed for use only as an improvement tool, not for employment or reimbursement decisions (Emmerling, 2003).

Fisher highlighted the problems of measuring self-awareness due to the difficulty that most people have when assessing their emotional intelligence because of not having a very clear sense of how they are perceived by other people (as cited in Dulewicz & Higgs, 1999). The 1999 study by Dulewicz and Higgs also identified the limitation of the competence-based measure in this respect. They described “the design of a new tailored instrument to measure emotional intelligence, which was piloted on 201 managers” (Abstract, ¶ 1) who attended MBA and DBA programs at Henley Management College in the U.K. during September 1998. The questionnaire was designed from the 1998 literature survey of emotional intelligence and relevant personal competence of this study. The questionnaire was reduced from the original 72 items in the 1998 study to 69 because of low part-whole correlations. The results of this methodological study indicated that a measure of emotional intelligence had been developed which is both reasonably valid and reliable (Dulewicz & Higgs, 1999). The authors recommended that the results of the emotional intelligence test should be used as a basis for discussion with an individual emotion. The study has demonstrated that the construct of emotional intelligence may be reliably and validly measured through a questionnaire, derived from a competence-based measure (Dulewicz & Higgs, 1999).

In addition, Fillion (2002) examined the construct validity of the two measures of emotional intelligence, which are MSCEIT, developed by Mayer et al. in 2000, and the BarOn-EQ-I, created by Baron in 1997. In this study, participants were assigned

to complete these two measures, a test-of cognitive ability (Wonderlic), and a behavioral simulation of interpersonal conflict resolution (B-PAD) to measure their interpersonal skills (Fillion, 2002). Findings indicated that EI was not related to interpersonal skills and cognitive capability.

### ***Emotional Intelligence and Service Providers: Empathy***

By definition, service providers are employees who engage in communication behaviors that enable them to identify a customer's specific needs and utilize their services to fulfill customers' needs (Zabava, 2001). This includes financial service providers due to working closely with customers to facilitate and accommodate customers' needs while using banking services. Communication behaviors are part of "social competence" (Goleman, 1998, 2001a) which also is related to social awareness. According to Waddler Productions (2002), self-awareness is the ability to know what customers are feeling at a given moment and to use those preferences to guide decision making. The findings of McBane (1995) indicated that empathy affects salespeople both positively and negatively, based on the survey response of "business-to-business" salespeople. These findings were based on the integration of a multidimensional conceptualization of empathy including perspective taking, empathic concern, emotional contagion, and controlling behaviors that has differently affected salesperson's performance. However, McBane (1995) argued that prior research, which supported the effectiveness of empathy, helps salespeople improve their performance.

In contrast to McBane's study, many researchers with studies about emotional intelligence indicated that empathy is the value of identifying people's needs and the accurate identification of emotional responses in others (Constantine, & Gainor, 2001; Goleman, 1998; Weisinger, 1998). Chapman (2002) also reported that empathy was likely to be a solid foundation for service providers to thoroughly understand and

effectively communicate with customers. Service providers use this competence to manage complaints and to retain customers (Chapman, 2002), and need to build upon the empathy competence to effectively serve customers (Jacobs, 2001); however, these are only propositions that need to be tested.

In addition, Goleman (1998) stated that a good service provider needs to practice emotional competence based on empathy; however, he did not provide adequate empirical evidence to support this proposition. As shown in *Emotional Intelligence*, Goleman (1998) provided empirical support for this proposition with only a limited number of interviews from business owners and service providers. Furthermore, the author did not discuss how many people were involved in those interviews. For example, based on an interview with one business owner, Goleman (1998) found that customers liked service providers who cared about customers' needs. This suggests that caring about customer's needs is one of the foundational skills of social awareness. Stronger designs are needed to provide the empirical evidence to support the notion that empathy is the most important competence of emotional intelligence that service providers need to practice.

In order to improve empathy in service providers, an organization should provide EI training to its employees. Typically, EI training is a long-term process; however, some EI training approaches about such things as empathy and anger can dramatically change employees' behavior (Kirch, Tucker, & Kirch, 2001). Kirch et al. (2001) identified many strategies that can be used in EI training in order to assist employees in recognizing other people's reactions. For example, employees can be asked to watch television with the sound off, and try to imagine what the actors are feeling in each scene. In addition to this strategy, since employees with a poor level of empathy are likely to consider themselves in a negative way, their employer needs to provide and explain clients' information about clients to employees prior to a client

meeting. This discussion with employees before a client meeting may help them learn how communication styles could affect the customer. Also, emphasizing the importance of customers to the company and the importance of proper interpersonal skills when communicating with customers can help employees be successful (Kirch et al., 2001)

Boyatzis, Goleman, and Rhee surveyed corporate managers, professionals, engineers, management, and social work graduate students in their 2000 study (as cited in Goleman, 2001a). Respondents were asked to ascertain their ability to control their emotions under pressure. However, the sample did not include service providers or employees who were involved with customer services, which need to manage emotions under pressure. Goleman (2001a) only discussed the related study of social awareness by McBane finding that “the study of an office supply and equipment vendor indicated that most successful members of the sales team were able to combine taking the customer’s viewpoint and showing appropriate assertiveness in order to steer the customer toward a choice that satisfied both the customer’s and the vendor’s needs” (as cited in Goleman, 2001a, p. 8).

The notion of emotional competence that “some service providers might be highly empathic, but not have yet learned the skills based on empathy that transfer into excellent customer service” (Goleman, 1998, p. 25) still needs to be supported by empirical studies of social awareness. The customer’s negative emotions should precipitate service providers’ abilities to properly handle the situation (Stock, 2001). If the service provider has not acquired a high level of emotional intelligence skills, the provider may have problems with customers, be unable to meet customers’ needs, and his or her employer may eventually lose customers. Stock (2001) also reported that service providers who have high emotional intelligence skills can easily cope

with perturbed customers, and are able to empathize with the upset customer. This allows them to effectively communicate and resolve problems.

The development of high emotional intelligence skills in service providers may lead to customer satisfaction, but not necessarily higher profitability (Stock, 2001). In order to increase emotional intelligence skills in service providers, providers need to practice enhancing the customer's experiences, creating a desire to return based on positive experiences with the providers, and contribute to the foundational customer retention strategy (Fox, 2001).

### ***The Relationship Between Empathy and Customer Retention***

According to the Office of Consumer and Business Affairs (1998) in Australia, companies can retain customers by handling customer complaints in three key stages: (a) taking details of the customer problems; (b) dealing with the customers and the problems; and, (c) following up after the problem. These three stages rely on using skills of empathy. As a result, service providers are carefully recruited and trained, so that they have the qualities, the skills, and the competence to cope with the pressures of their work, while offering appropriate levels of service.

Weinstein (2002) indicated that managers must prioritize creating and improving profitable customer retention strategies to compete successfully in today's market. In his study, Weinstein also suggested the use of segmentation and customer value as a major strategies instrument that can assist companies in this endeavor. According to Bulusu (2003), at least four famous customer retention strategies are used in today's companies. One example is the "loyalty program", which seems to be costly and cannot guarantee that the customers will not leave the company to do their business with others. The loyalty program approach attempts to retain customers with the promise of a certain benefit in exchange for their loyalty. Another method, called "smart" loyalty, tries to award benefits based on a demonstration of loyalty in

customers. The other two methods of customer retention are “segmentation” and “pyramid schemes” (Bulusu, 2003). However, Bulusu (2003) argued that all of these methods are costly, although some of them were already in place in large firms, and they are effective if they are used properly after appropriate analysis of the available data. Even though some studies discussed customer retention strategies, no study mentions the use of emotional intelligence as a fundamental tool, which may be less expensive than those strategies to gain new customers and retain the old ones.

### ***The Relationship Between Empathy and Customer Retention in Banking Industry***

The application of technology assists banks in improving the efficiency of their operation, whereas banking firms who focus on emotional intelligence are differentiated from other banking firms by developing customer-oriented strategies. Companies like MBNA of America are providing superior service, which includes identifying their customer expectations, focusing on service quality determinants, constantly improving the process as well as the outcome of service, determining the reasons customers defect, and searching for solutions to the causes of defection (Allred & Addams, 2000). As one important component of emotional intelligence, social awareness is likely to be used as one service strategy at MBNA. Based on a Diane Bailey Associates (DBA) report in 1997, one major bank with whom they worked recently had just reorganized its Customer Care telephone team. A high level of emotionally competent staff had been carefully selected to deal with complaints and problems directed to the company (DBA, 1997). Allred and Addams (2000) found that customers of other banks and credit unions closed accounts because of problems associated with reliability, responsiveness, competence, access, and communication. This customer disloyalty reflects the quality of service that needs to be improved by banking service providers in order to perform consistently.

In 1996, Levesque and McDougall indicated that bank selection criteria were the key indicators that impact customers' satisfaction toward their bank (as cited in Naser et al., 1999). According to past research of the banking industry, many factors affect customers' choices to do business with specific banks, such as location, recommendation of a friend, the bank's reputation, interest rates, products, and special service (as cited in Naser et al., 1999). However, these bank selection criteria mostly were dependent upon the age, gender, income, marital status, career, and cultural and educational background of a customer, as well as the type of bank (as cited in Naser et al., 1999). The study by Levesque and McDougall found that service quality, the competitiveness of interest rates, and location were essential to facilitate and accommodate customers. However, customers' attitudes toward banking service providers' skills and service quality were more important (as cited in Naser et al., 1999). Moreover, in their study, Levesque and McDougall also found that inadequate customer service was likely to lead to a decrease of customer satisfaction and a reduced willingness to recommend the service to a friend (as cited in Naser et al., 1999).

The prerequisite of high quality service may be a differentiation strategy. Service providers attempt to launch products that are distinctive when compared to rivals by offering a higher standard of service. The universality of banking products, however, suggests strongly that competitors will easily imitate service quality, like financial innovation. In the short term, the improvement of customer service will be critical in determining success. However, the cost of duplication of competitors' successful quality strategies can be very expensive and difficult to sustain to help create a considerable level of competitive advantage in the long-run (Howcroft, 1991). As a result, the infusion of emotional intelligence into customer service by banking service providers could lead to improve customer retention.

The banking industry in Thailand is quite small and includes 12 commercial banks, which can be categorized into three groups – Thai banks (private), International Thai banks, and Government-owned banks (Pukapan & Trisatienpong, 2001). The banking industry in Thailand has changed tremendously since the Asian economic crisis in 1997. Various factors influenced the disastrous situation in the Thai banking industry including, “ineffective corporate governance, inadequate supervision and regulation, and insufficient or in some cases inaccurate disclosure which resulted in lax credit policies in banks and other financial institutions and misuse of funds in the corporate sector” (Watanagase, 2001, p. 148). Consequently, numerous banks in Thailand needed to create and implement new strategies for their survival. Merger with, or acquisition, by foreign banks has been the most common strategy used by many banks to stay in the business. Moreover, many Thai banks try to use new strategies, offer attractive interest rate strategies, and deliver promotional campaigns to banking customers (Pukapan & Trisatienpong, 2001). However, these strategies have not been adequate and were perceived as short-term strategies (Wong & Perry, 1991).

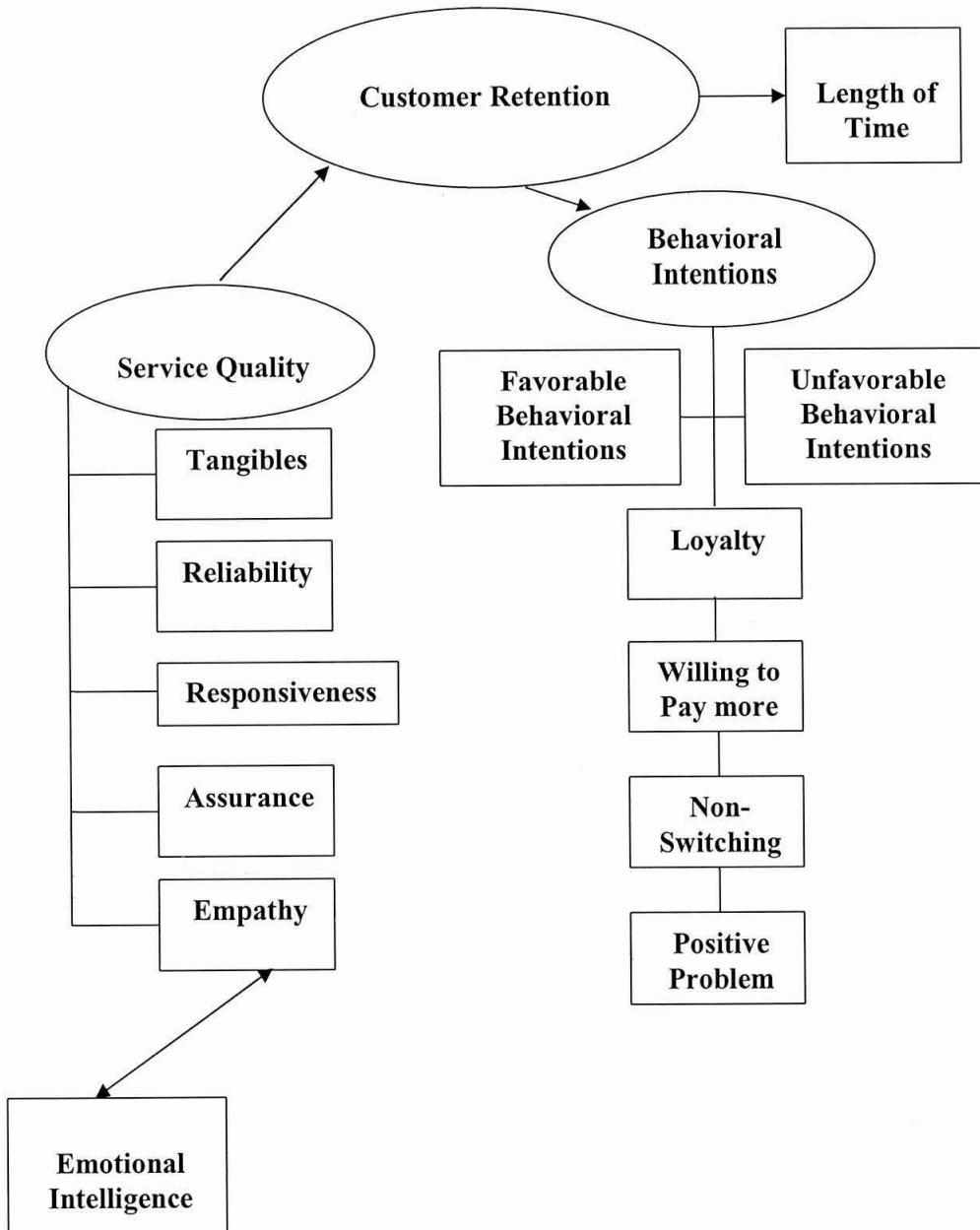
Since most banks offer similar products to their customers, they need to enhance service quality in order to attract their customer to stay with their banks. Therefore, many banks are likely to pay attention to customer service together with other factors that influence customers to use the bank (Microsoft Corporation, 2003). A Thai commercial bank is no exception from this statement. Compared with other customers, Thai consumers have an exclusive behavior from others, and prefer to receive a personal attention in service from the bank when having a contact rather than using a machine (Chaoprasert & Elsey, 2004). This emphasizes the importance of empathy when providing service to Thai banking customers. However, there is no empirical literature or evidence that improving service quality, especially empathy,



supports the concept of customer retention in a Thai commercial bank or the Thai banking industry.

### **Theoretical Framework for the Study**

The major theories that guide this study consist of service quality theory developed by Parasuraman et al. (1988), behavioral intentions to do business, both favorable and unfavorable behavioral intentions developed by Zeithaml et al. (1996), and emotional intelligence theory developed by Goleman (1998). The theoretical literature begins with the concept of customer services encompassing customer satisfaction, customer retention (behavioral intentions and length of time), customer loyalty, and service quality, emphasizing empathy, which is the major area for this study. Next, the theoretical literature on emotional intelligence of service providers emphasizing empathy is presented. The theoretical literature emphasizes two major arenas—service quality emphasizing empathy as part of emotional intelligence and customer retention (behavioral intentions both favorable and unfavorable behavioral intentions and length of time). A schematic model (See Figure 1) depicts the relationships among the major theories and variables in this study.



**Figure 1: Schematic model of variables in this study.**

Although the concept of customer service (in terms of satisfaction, loyalty, and retention) has been discussed in many studies for years, there is little that is new with theoretical development based on the theory cited in this review. While theories of service quality and customer satisfaction generally focus on various determinants, such as reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and tangibles, empathy has not been much

emphasized. Emotional intelligence theory, emphasizing empathy as one of competencies to help improve the quality of service and ultimately lead to retention of customers, is the main focus of theoretical framework in the study. According to Levesque and McDougall, loyal customers continue to do business with their chosen bank despite promotions from other service providers (as cited in Naser et al., 1999).

The theoretical literature on emotional intelligence by Goleman sufficiently provides a framework about emotional intelligence competencies, particularly empathy. The model of emotional competence explicitly consolidated four new domains into two categories, which are personal competence and social competence (Goleman, 2001a). This model leads to the use of social awareness as part of social competence, emphasizing empathy as an important skill for service providers.

The theoretical literature on service quality by Parasuraman et al. (1988), emotional intelligence developed by Goleman (1998), and the behavioral intentions theory both favorable and unfavorable behavioral intentions (Zeithaml et al., 1996) focusing on customer loyalty and retention provide the theoretical framework for this topic. Service quality theory focuses on five dimensions, which are assurance, empathy, reliability, responsiveness, and tangible (Parasuraman et al., 1988). The model of behavioral intentions places an emphasis on five dimensions including loyal, switch, pay more, and positive problem response.

### **Research Questions**

1. What are the specific bank headquarters banking customers': (a) socio-demographic characteristics, (b) their perceptions of service quality of service providers using the *SERVQUAL*, and (c) customer retention (behavioral intentions of customers to do business and length of time as a banking customer of the specific bank headquarters)?

2. What are the relationships between customers' socio-demographic characteristics, their perceptions of service providers' empathy compared with other *SERVQUAL* dimensions, and customer retention (behavioral intentions of customers and length of time as a banking customer of the specific bank headquarters)?
3. What are the contributions of customer socio-demographic characteristics in explaining customer retention (behavioral intentions of banking customers and length of time as a banking customer of the specific bank headquarters)?

### **Hypothesis**

1. Among banking customers of the specific bank headquarters in Thailand, perception of service provider empathy, assurance, reliability, responsiveness, and tangibles are significant explanatory variables of customer retention (behavioral intentions and length of time banking).

Chapter 2 presented a literature review of key concepts in this study. The main gap is the small amount of empirical literature examining the relationship between perceived service quality emphasizing empathy as part of the emotional intelligence competence and customer retention. A review of the literature on the banking industry in Thailand is scant. The theoretical framework focusing on service quality dimensions, emotional intelligence emphasizing empathy, and customer retention (behavioral intentions to do business and length of time banking), provides a synthesizing conceptual organization for this correlational and explanatory study. Chapter 3 presents the methodology used to answer the research questions and explanatory hypotheses.

## **CHAPTER 3**

### **METHODOLOGY**

The purpose of this chapter is to present the research methodology that addresses the research questions and hypothesis about service quality emphasizing the dimension of empathy and customer retention (behavioral intentions to do business and length of time banking) in a specific commercial bank headquarters in Bangkok, Thailand. Empathy is one emotional intelligence skill. The research questions and hypothesis evolved from gaps in the literature and the importance of empathy in retaining customers in service industries. Included in this chapter is a description of the research design, the sampling plan and setting, instrumentation, human subjects' procedures, data collection procedures, and methods of data analysis. This chapter concludes with an evaluation of the research methods that were used in this study.

#### **Research Design**

A correlational and explanatory survey research design was used to answer the research questions and test the hypothesis in this study. The design examined the relationships among the specific commercial bank headquarters customers' socio-demographic variables, customer perceptions of service quality dimensions emphasizing empathy as an emotional intelligence skill, customer retention examined by behavioral intentions of banking customers and the length of time banking with the specific commercial bank.

Based on the literature review, although numerous quantitative studies in the area of customer satisfaction, customer loyalty, customer retention, and service quality as well as emotional intelligence have been investigated, no study clearly examined emotional intelligence emphasizing empathy as an explanatory variable of customer retention, especially in the service industry. Furthermore, no study was

found that examined the relationship between SERVQUAL dimensions and behavioral intentions of customers to do business in a commercial bank in Thailand, using multiple regression methods.

The **dependent variable** of this study was customer retention defined by behavioral intentions of customers to do business, and length of time banking at the specific bank in months and years. Behavioral intention was measured using questions from the *Behavioral-Intentions Battery* developed by Zeithaml, Parasuraman, and Berry in 1996. **Independent variables** included customers' perceived service quality emphasizing empathy as an emotional intelligence skill of banking service providers, and socio-demographic characteristics of customers. Empathy, as one of the dimensions of service quality and an emotional intelligence skill of service providers was measured using the *SERVQUAL* instrument developed by Parasuraman, Berry, and Zeithaml in 1988.

This research design was used to describe, explore, and explain present circumstances encompassing cause-effect relationships (Gay, 1996). Correlational and explanatory survey research was conducted to confirm theoretical propositions about the SERVQUAL dimensions emphasizing empathy as an emotional intelligence, and its relationship to behavioral intentions to do business and length of time as indicators of retention. Correlational research was appropriate in this study because it "attempts to determine whether, and to what degree, a relationship exists between two or more quantifiable variables" (Gay, 1996, p. 15). However, the limitation of correlational and explanatory research was a weakness in providing the strength of causally associated variables that might be found in quasi-experimental research and experimental research (Salkind, 2000).

## **Population and Sampling Plan**

### ***Target Population***

In this study, the target population was customers who do personal banking in the banking industry in Thailand. There were approximately 12 national and international banks in Thailand that are public and private (included retail and wholesale banks). This study focused on customers doing personal banking at one private bank in Bangkok that had more than 400 branches across the country and internationally. More than 150 of the bank's branches were located in Bangkok, Thailand.

### ***Accessible Population***

The accessible population was limited to customers prior to their entry into the main headquarters of this Bangkok, Thailand bank. As of September 31, 2004, this bank had more than 8,000 employees after its acquisition. As a for-profit organization, the main objective of the bank is to make profit through provision of products and services for customers each year.

Across the country, all branches of this bank follow the same criteria when hiring employees. Service providers of the bank are salaried employees. They are required to work during regular hours of operation, overtime, and weekends, if they are needed. Hours of operation for most branches, particularly the headquarters, are 8:30 a.m. to 3:30 p.m., Monday through Friday (Thai Military Bank, 2002). Various training sessions are provided to all banking service providers prior to beginning their work. Furthermore, on-the-job and off-the-job training programs are provided to banking employees year round. The responsibility of banking service providers is to provide high quality service to customers, introduce new banking services, and assist customers with their banking needs. The banking service providers at the counter, also

called tellers, provide service to banking customers who want to deposit and withdraw money and/or pay bills.

During the 1997 Asian economic crisis, the merger or acquisition with foreign banks emerged, as the most common technique that many Thai banks used in order to stay in the business. The bank selected for this study acquired one specific bank and one financial institution in September 2004, and thus many banks in Thailand. According to the bank's web site, it has expanded products and services, improved efficiency, attempted to recruit new customers and retain current customers, and has improving service quality as its primary goal.

### *Eligibility Criteria and Systematic Sampling*

#### *Eligibility Criteria*

1. The geographic area and setting was limited to a public area, near the entrance to one specific bank headquarters in Bangkok, Thailand.
2. Banking customers were conducting "personal" banking (as opposed to banking for another person, such as their employer). They were about to enter the bank.
3. Banking customers agreed to participate in this study and to complete a questionnaire.
4. Banking customers were able to read, write, and speak Thai language, were 18 years or older, and they had to be Thai nationals.
5. Customer perceptions of service quality of banking service providers were limited to service provided by providers who work at the counter of the bank and were responsible for service delivery of banking transactions such as deposits and withdrawals.



6. The questionnaire was translated from English into Thai by using the reverse-translation method with an official endorsement from an expert who is fluent in both the Thai and English languages to ensure the consistency of the questionnaire.

### ***Systematic Sample (Probability)***

The sample was selected from customers who use counter services, using systematic sampling, a probability sampling plan. The use of systematic sampling is commonly used in research in which large populations are studied. Systematic sampling is “sampling in which individuals are selected from a list by taking every  $K^{\text{th}}$  name” (Gay, 1996, p. 122). The process of systematic sampling of subjects was choosing customers who departed the bank as they finished their banking businesses.

The rationale for the choice of a probability sampling plan is the opportunity that the sample represents the population (Salkind, 2000). This reduces the probability of sampling bias. Further, the use of probability sampling helps reduce sampling bias. Another advantage of the systematic sampling technique is to “ensure a high degree of representativeness and no need to use a table of random numbers” (Salkind, 2000, p. 94). Moreover, this sampling technique is less time-consuming when compared with other probability sampling designs.

Selecting an appropriate sample size in this study increased the generalizability of findings to the accessible population and decreases sampling error. Krejcie and Morgan noted that if a population size is about 50,000, an appropriate sample size should be about 381 (as cited in Gay, 1996). Therefore, in order to simplify determining what  $K$  equals, the desired sample size for this study was based on the number of customers using the bank during its operational hours of the bank in a month. Normally, three types of banking accounts at the specific commercial bank

are offered to the customers. They are a savings account, a checking account, and a fixed interest rate account. The specific commercial bank headquarters had approximately 46,403 customers based on the number of people that opened saving accounts with the bank. Thus, the appropriate number for this study's sample size should be about 381.

The data collection process was divided into two periods for each day based on operational hours of the bank: morning was from 8:30 a.m. to 12:00 a.m., and afternoon was from 12:00 p.m. to 3:30 p.m. As noted previously, the specific commercial bank usually opens from 8:30 a.m. to 3:30 p.m., 5 days a week. The approximate number of customers who used service at the counter on the first floor of the specific bank headquarters was about 50 per hour based on the queue number taken from an electronic machine. In one day, the specific bank had about 400 counter customers ( $50 \times 8 = 400$ ). Therefore, the specific bank had approximately 2,000 customers per week and 8,000 customers per month. In order to establish  $K$ , the size of the population was divided by the desired sample size, which in this case the researcher determined the population size at 8,000 based on the population who did interactive business with the bank for an entire month. The desired sample size was 400, which was large enough to answer the research questions and test the hypothesis, and was viewed to be feasible. Thus,  $K$  in this case was equal to 20 ( $8,000/400$ ) (Gay, 1996) for data collection over a month period. However, in order to enhance the feasibility of the systematic sampling plan, and complete data collection within a two-week period,  $K$  in this study was determined to be 10. As a result, every 10<sup>th</sup> person was selected over a two-week period, with the intent to obtain a sample of 400. To avoid one customer being selected more than once, in the event that he or she visited the bank more than one time during the data collection

process, the researcher and assistants asked the customer a filter question as to whether or not they had already completed the survey questionnaire. If the 10<sup>th</sup> customer had already completed the survey questionnaire, the next eligible customer was asked to complete the survey questionnaire instead. For all subsequent customers, an interval of 10 was used (or the 10<sup>th</sup> customer following the last eligible customer).

In this study, the first customer selected each study day, was a random start (between 1 and 10) followed by the next eligible 10<sup>th</sup> customer. The systematic sample was drawn by counting customers who departed the bank. The setting for data collection was the public area outside bank's headquarters in Bangkok, Thailand.

### ***Data Producing Sample***

By using the systematic sampling technique, a total of 765 subjects were selected (N=765). Of those selected, 400 agreed to participate, resulting in a response rate of 52%. All 400 subjects were used in the data analysis, however, the final data sample of usable forms for multiple regression analysis was 355.

### **Instrumentation**

The survey questionnaire used in this study contained three parts to measure the variables. Part 1 was the *Socio-Demographic Profile*, developed by the researcher. This part had questions about customer demographic data and length of time banking at the specific commercial bank, as a measure of customer retention. Part 2 measured customer perceptions of dimensions of service quality of the specific commercial bank headquarters' service providers, using the *22-item SERVQUAL* instrument developed by Parasuraman et al. in 1988. Part 3 contained questions used to measure behavioral intentions of banking customers as another indicator of retention, and was measured using items from the *Behavioral Intentions*

*Questionnaire* developed by Zeithaml et al. in 1996. This 3-Part questionnaire was a self-report survey completed by the selected sample of banking customers. Checklists, fill-in-the-blank, and a semantic differential scale, consisting of seven-points constituted the structure of this questionnaire. Together, all parts of the survey took about 20 minutes to complete.

### ***Part 1: Socio-Demographic Profile and the Length of Time Banking***

Part 1 encompassed a *Socio-Demographic Profile* of the customers and an item about the length of time banking at the specific bank as a measure of customer retention. A “checklist” for gender, education, marital status, employment status, and occupational level measured some socio-demographic variables. Length of time banking (dependent variable) was also included on this profile. Some questions were fill-in-the-blank, such as age and income.

The socio-demographic data were gathered in order to describe the sample, and to examine the relationships between socio-demographic variables and other variables in the study. Gender was categorized as “Male” and “Female”. Age was reported in years (fill-in-the-blank). Marital status contained five response categories, which are “Single/Never Married”, “Married”, “Separated”, “Divorced”, and “Widowed”. Employment status had four categories: full-time, part-time, not employed/not seeking employment; and unemployed/seeking employment. Income was reported as annual salary only if the participant was employed full-time (fill-in-the-blank).

Education and occupation followed Hollingshead’s scaled categories, which can then be used to determine social status or Index of Social Position (as cited in Miller & Salkind, 2002). The educational scale had seven “weighted” response categories: professional, four-year college graduate, one to three years of college, high

school graduate, ten to eleven years of high school, seven to nine years of school, and less than seven years of school. The occupational scale had seven “weighed” categories: higher executives, business managers, administrative personnel, and unskilled employees. Social status was measured by combining the weighted scores for education and occupation using Hollingshead’s 2-Factor Index on Social Status. This produced five classes (Index of Social Position): upper, upper-middle, middle, middle-lower, and lower (as cited in Miller & Salkind, 2002). One of the measures of retention was the length of time banking at the specific bank. This was measured in years (or months). Directions to banking customers to fill out Part 1 is as follows: “Please fill out every question by placing X mark in front of items that indicate your information” (see Appendix D).

## ***Part 2. Service Quality Dimensions- SERVQUAL***

### ***Description of the SERVQUAL***

Part 2 of the survey was the *SERVQUAL* instrument. Permission from the instrument developers was obtained (see Appendix D). This instrument measured five dimensions of service quality: tangibles, responsiveness, empathy, assurance, and reliability. Reliable and valid emotional intelligence instruments were available to measure self-perceived EI in service providers as well as customer perceptions of EI of service providers. While it was important to link EI scores of each banking service provider to each banking customer, this is not possible in this study since customers did not have the same service provider each time they did business at the bank. Therefore, customers evaluated service providers’ EI as a dimension of empathy as a group based on their experiences.

The *SERVQUAL* measures empathy, an important EI skill. Hence, the *SERVQUAL* was used to measure customers’ perceptions of service providers’

empathy as well as other service quality dimension. The *SERVQUAL 22-item instrument* consisted of five dimensions including tangibles (4 items), reliability (5 items), responsiveness (4 items), assurance (4 items), and empathy (5 items). This instrument used a “seven-point semantic differential scale with two bi-polar adjectives: “Strongly Agree” (7) on one pole, and “Strongly Disagree” (1) on the opposite pole. There was no neutral or middle selection, nor other verbal labels for scale points 2 through 6. “Scale values are reversed for negatively worded statements prior to data analysis” (Parasuraman et al., 1988, p. 17). Of the 22 items, questions 10, 11, 12, 13, 18, 19, 20, 21, 22 were negatively worded, and score values were reversed. Parasuraman et al. (1988, p. 23) described the definition for each dimension as follows:

“Tangibles: Physical facilities, equipment, and appearance of personnel” (p. 23).

“Reliability: Ability to perform the promised service dependably and accurately” (p. 23).

“Responsiveness: Willingness to help customers and provide prompt service” (p. 23).

“Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence” (p. 23).

“Empathy: Caring, individualized attention the firm provides its customers” (p. 23).

Directions to respondents are: This survey is about your feelings toward the bank headquarters. For each statement, please show the extent to which you believe the bank headquarters has the feature described by the statement. Please respond to each statement

If you *strongly agree* that the bank headquarters has that feature, please circle the number 7.

If you *strongly disagree* that the bank headquarters has that feature, please circle the number 1.

If your feelings are *somewhere in between strongly agree and strongly disagree*, please circle one of the numbers between a one and seven (2-6).

There are no right or wrong answers - all we are interested in is a number that best shows your perceptions about the bank

### ***Reliability and Validity of the SERVQUAL***

The psychometric properties of this instrument have been scrutinized in numerous studies. The evidence provided broad confirmation for the validity and reliability of this instrument (Jabnoun, Hassan, & Tamimi, 2003). The reliabilities and factor structures designated that the 22-item scale of *SERVQUAL* had sound and stable psychometric properties when it was initially used in the original study (Parasuraman et al., 1988). Additionally, by design, the interactive procedure maintained items that were normal and pertinent to all service firms covered in their study. However, by the same token, this process may have removed some “good” items that were related to some but not all firms. Consequently, while *SERVQUAL* could be used in its current structure to evaluate and compare service quality across a wide variety of firms or departments within a firm, suitable adaptation of the *SERVQUAL* may be advantageous when only a single service is examined (Parasuraman et al., 1988).

Parasuraman et al. (1988) also stated that each question in the *SERVQUAL* could be accordingly rephrased for consistency with the particular service area that is to be measured. The *SERVQUAL* has been used to appraise a firm’s quality along with each of the five service dimensions by averaging the distinction scores on items making up the dimension. The *SERVQUAL* could also provide an overall measure of service quality in the form of an average score across all five dimensions.

*SERVQUAL* has been limited to present or past customers of an organization because significant responses to the perception statements require respondents to have some knowledge and experience with the company being investigated. Within these limitations, a variety of potential applications are available (Parasuraman et al., 1988). In this study, the *SERVQUAL* instrument was translated into Thai language.

**Reliability.** In a study by Parasuraman et al. (1985), the *SERVQUAL* was used to collect data in four distinctive companies including a bank, a credit card company, a maintenance services company, and a long-distance telephone company. The reliabilities were high across all four of these companies, with the possible exception of a few values pertaining to the tangible dimension (Parasuraman et al., 1985, p. 24). The total scale reliability, using coefficient alpha of four samples, was close to .9, a high indicator of internal consistency among the scale items. Focusing on the bank, the reliability coefficients (alphas) of each dimension were high, except tangibles. The reliability coefficients (alphas) of each dimension used to collect data in the bank were .52, .80, .72, .84, and .71 for tangible, reliability, responsiveness, assurance, and empathy, respectively. Parasuraman et al. (1988, 1991) have reported that the reliability estimates have the highest regression coefficients for assurance, and responsiveness had the second highest coefficients. Empathy and tangibles had the lowest coefficients. A study about the relationship between service quality and customer behavioral intentions in a Thai telecommunication industry by Sirikit (2003) used Thai translated version of *SERVQUAL* to measure service quality. This study showed a high reliability for each dimension of the service quality scale, which exceeded .90. Therefore, this instrument is adequate to be used in this study. Coefficient alphas for all *SERVQUAL* dimensions were reported in this present study.



**Validity.** The validity of the scale was empirically evaluated by examining its convergent validity such as the relationship between *SERVQUAL* scores and answers to a question where customers were asked to provide an overall quality rating for the firm they were evaluating. Parasuraman et al. (1988) noted that the “*SERVQUAL*’s validity was further assessed by examining whether the construct measured by it was empirically associated with measures of other conceptually related variables” (p. 30). According to Gay (1996), if the coefficient is high, the instrument has good concurrent validity. Furthermore, several other studies have used the *SERVQUAL*, and indicated that *SERVQUAL* had generally good validity (Jabnoun, Hassan, Al-Tamini, 2003; Lassar, Manolis, & Winsor, 2000; Sayasonti, 2005; Sirikit, 2003; Sureshchandar, Rajendran, & Anantharaman, 2002) (See Appendix D).

### ***Part 3. Customer Retention – Behavioral Intentions Battery***

#### ***Description of the Behavioral Intentions Battery With Modification***

Part 3 contained the *Behavioral-Intentions Battery* developed by Zeithaml et al. in 1996 (Appendix D). The intent of using this instrument was to measure customer intentions to do business at the specific bank as indicators of customer retention. On the basis of factor analysis of this 13-item instrument, five dimensions of behavioral intentions to do business were identified by Zeithaml et al. (1996): loyalty to the company (5 items), propensity to switch (2 items), willing to pay more (2 items), external response to a problem (3 items), and internal response to a problem (1 item). Each dimension item was measured on a seven-point semantic differential scale (1 = not at all likely, and 7 = extremely likely) to measure customer (Zeithaml et al., 1996). The subjects responded to a set of statements that represented their intention toward a particular organization.

Directions to participants are: This survey is about your intentions toward the bank headquarters. For each statement, please show the

extent of your intended behavior by picking one of the 7 numbers next to each statement. Please respond to each statement.

If you are *extremely likely* to do that behavior, please circle the number 7.

If you are *not at all likely* to do that behavior, please circle the number 1.

If your intended behaviors are *somewhere in between extremely likely or not at all likely*, please circle one of the numbers in between a one and seven (2-6).

There are no right or wrong answers –we are interested in a number that shows your intended behaviors regarding the bank

### ***Reliability and Validity of the Behavioral Intentions Battery***

***Reliability.*** For the “*Behavioral-Intentions Battery*”, Zeithaml, et al. (1996) indicated that the instrument had established internal consistency with alphas ranging from .93 to .94 when used in four distinctive companies including a computer manufacturer, a retail chain, an automobile insurer, and a life insurer. The external-response scale had evidenced by alphas of at least .6 based on the criteria of Nunnally in 1978 (as cited in Zeithaml et al., 1996). However, scales with two-item (switch and pay more) had weaker alphas because of the limited number of items, and coefficient alpha values have fallen below .6 (Zeithaml et al., 1996). The coefficient alpha score for loyalty was high.

This was confirmed by the study by Jong and Ruyter (2004) to measure customer loyalty. Jong and Ruyter (2004) found that Cronbach’s alpha was .85 for the total scale, confirming reliability. The study by Sirikit (2003) also supported that loyalty dimension on Thai translated version of behavioral intentions scale had evidenced high level of reliability coefficient (.92). Sirikit’s study (2003) also showed that complaining behavior dimension had high level of reliability (.82). However, for switch and pay more dimensions, Sirikit’s study reported that

coefficient alpha scores were below .70. Nunnally (1978) suggested removing dimensions with reliabilities below .7. However, it had been recommended that there was a need to increase the number of items for the other three factors to improve the reliability of the separate factors (Zeithaml et al., 1996).

The 13 items for the total *Behavioral Intentions Battery* had produced high satisfactory estimates of reliability. Due to occasionally weak reliability and inconsistent alphas with the external response item reported in the literature, item 13 was deleted in this study. Items 10, 11, and 12 were renamed the Positive Problem Response dimension. The five dimensions of the original instrument were condensed into four dimensions: Loyalty, Non-Switching to Competitors, Willing to Pay More, and Positive Problem Response. This was further explained in the discussion of the validity of the *Behavioral Intentions Battery*.

In this study, the instrument was translated into Thai. Coefficient alpha for items that contained the term “switch” resulted in less than adequate coefficient alphas. Chapter 4 presents the analysis of the coefficient alphas for each subscale to contribute to the knowledge base.

**Validity.** In their study, Jong and Ruyter (2004) used the *Behavioral Intentions Battery* developed by Zeithaml et al. in 1996 to measure loyalty intentions in the bank. It was the original instrument, not a translated version. Principal component analysis demonstrated high construct validity ( $\geq .87$ ) even though one factor was removed with factor loadings for all items. Zeithaml et al. (1996) indicated the deletion of item 13 from the BIB scale because it was meaningless. Also this item did not fall with either the favorable or unfavorable intentions in factor analysis. The interpretation of the internal response, the fifth dimension with one item (complaining to the company's employees if a service problem was experienced), was not clear.

Literature reported that customers more favorably disposed toward a company might be more likely to complain internally to give the company a second chance (Zeithaml et al., 1996). On the other hand, dissatisfied customers with an unfavorable perception of the company might be more likely to complain internally to relieve their disappointment. The ambiguous interpretation of this element and its being represented by just one item, weakens its meaningfulness on conceptual and psychometric foundations. As a result, Zeithaml et al. (1996) deleted item 13 of BIB measure from all consequent analyses.

### ***Modification of the Behavioral Intentions Battery in this Study***

Several modifications were made to the *Behavioral Intentions Battery* in this present study. The researcher determined that the process of reversing and interpreting score items lacked clarity, and therefore, developed interpretations of scores for this instrument. If the *BIB* developers aimed to have favorable behavioral intentions associated with high scores, and unfavorable behavioral intentions associated with low scores, why would they not also reverse score for the external response items as they did for “propensity to switch”? Moreover, if the instrument developers wanted “loyalty to a company” and “willing to pay more” to be associated with high scores associated with favorable behavioral intentions, and “propensity to switch” and “complain” associated with high scores of unfavorable behavioral intentions, why did they not reverse score the “propensity to switch”?

Because of the lack of clarity in reverse scoring methods, this research therefore reversed scored 5 items instead of 2 items, according to the original instrument. These items included 6, 7, 10, 11, and 12. Reverse scoring reported as 1=7, 2=6, 3=5, 4=4, 5=3, 6=2, and 7=1. The researcher deleted item 13 in this study. In this way, high scores in all of the items, and respective dimensions were associated

with favorable behavioral intentions toward the bank. Lower scores in any of the items, and respective dimensions were associated with unfavorable intentions. This resulted in “renaming some of the dimensions” and a revision to scoring of the BIB.

For the purposes of this study and interpretation of the BIB data:

1. A high score in any item is a favorable intention to do business and a low item score is unfavorable.
2. A high dimension score is favorable to do business and a low dimension score is unfavorable
3. A high “average” dimension score (range 1-7) is favorable and a low dimension “average” score is unfavorable.
4. Two of the dimensions have been renamed to reflect the reverse scoring. The behavioral intention dimension of “Switching” has been renamed “Non-Switching to Competitors” and “External Response” has been renamed “Positive Problem Response” (where high scores are associated with favorable intentions to do business).
5. Item 13 has not been included in analyses.

As a result of reverse scoring, renaming dimensions, and clarification of how data were interpreted, a table of changes is presented. Table 1 summarizes the modifications of the *Behavioral Intentions Battery* including item and dimension analysis associated with favorable and unfavorable intentions (see Table 1).

**Table 1**

*Modification of the Behavioral Intentions Battery with Item and Dimension Analysis for Favorable and Unfavorable Intentions*

Dimensions of the Behavioral Intentions Battery	Dimension Item Number and Item	Item Scoring, Item and Dimension Average (1 to 7 scale) where: Unfavorable = 1-4 Favorable => 4-7	Score Range	Dimension and Total Score Analysis: Unfavorable and Favorable
<b>Loyalty</b>	<b>5 Items</b>			
	1. Say positive things about <b>bank</b> to other people.	No Change		
	2. Recommend <b>bank</b> to someone who seeks your advice.	No Change		
	3. Encourage friends and relatives to do business with <b>bank</b> .	No Change		
	4. Consider <b>bank</b> your first choice to buy services.	No Change		
	5. Do more business with <b>bank</b> in the next few years.	No Change		
		<b>Dimension Average = Score/5</b>	<b>5-35</b>	<b>Unfavorable = 5-20 Favorable: =&gt; 20-35</b>
<b>Non-Switching to Competitors</b>	<b>2 Items</b>			
	6. Do less business with <b>bank</b> in the next few years.	Reverse Scored		
	7. Take some of your business to a competitor that offers better prices.	Reverse Scored		
		<b>Dimension Average = Score/2</b>	<b>2-14</b>	<b>Unfavorable = 2-8 Favorable: =&gt; 8-14</b>
<b>Willing to Pay More</b>	<b>2 Items</b>			
	8. Continue to do business with <b>bank</b> if its prices increase somewhat.	No Change		
	9. Pay a higher price than competitors charge for the benefits you currently receive from <b>bank</b> .	No Change		
		<b>Dimension Average = Score/2</b>	<b>2-14</b>	<b>Unfavorable = 2-8 Favorable: =&gt; 8-14</b>
<b>Positive Problem Response</b>	<b>3 Items</b>			
	10. Switch to a competitor if you experience a problem with <b>bank's</b> service.	Reverse Scored		
	11. Complain to other customers if you experience a problem with <b>bank's</b> service.	Reverse Scored		
	12. Complain to external agencies, such as the Better Business Bureau, if you experience a problem with <b>bank's</b> service.	Reverse Scored		
		<b>Dimension Average = Score/3</b>	<b>3-21</b>	<b>Unfavorable = 3-12 Favorable: =&gt; 12-21</b>
<b>Total Score</b>	<b>12 Items</b>	<b>Average BIB = Score/12</b>	<b>12-84</b>	<b>Unfavorable = 12-48 Favorable: =&gt; 48-84</b>

In addition to these changes, it was determined that if there were low alphas in the translated form of any dimension item analysis would occur, further scale revisions would result. In summary, coefficient alphas were reported for the total *SERVQUAL* and *Modified Behavioral Intentions Battery* and subscales to provide estimates of reliability. Correlation coefficients between these two instruments and their subscales were analyzed to further establish criterion related to validity (concurrent). A 12-item *Modified Behavior Intentions Battery* was further correlated with the single item, length of time banking at the specific commercial bank, to establish criterion related to validity (concurrent) (see Appendix D).

#### **Procedures: Ethical Considerations and Data Collection Methods**

1. This study used a 3-part survey: the *Socio-Demographic Profile*, the *SERVQUAL*, and the *Behavioral-Intentions Battery* (Appendix D), as the data collection instruments. The researcher received permission to use the instruments for the data collection from the instrument developers via electronic mail (Appendix G).
2. As all respondents were Thai, the questionnaire was translated from English into Thai by using the reverse-translation method with an official endorsement from an expert who is fluent in both the Thai and English languages to ensure the consistency of the questionnaire. The certification letter for translated parts of the survey *Socio-demographic Profile*, the *SERVQUAL*, and the *Behavioral-Intentions Battery* (Appendix C) are provided.
3. An application for the IRB was submitted. Because this study was conducted in a foreign country, it was a full board review. The special aspects of this full board review complied with CFR (45 CFR 46 101 [h]).

The requirements for IRB at Lynn University exceeded those required in Thailand. The requirement of a review board is needed for a foreigner who plans to conduct research in Thailand. A student who studies in a university outside the country is exempted from this regulation. (See reference regarding regulation on the permission for a foreign researcher). “The student who studies in a university outside the country, but plans to conduct the research in Thailand is waived from this regulation because they have the regulations for the foreign researcher only.” (National Research Council of Thailand, 2004). Upon approval of Lynn University’s IRB, the data collection process was initiated (See Appendix F)

4. Customers were contacted outside the bank in a public area. Therefore, there was no need to contact the selected bank for data collection approval.
5. If the 10<sup>th</sup> person did not choose to participate in this study, the researcher and assistants selected the next person. The researcher continued to count every 10<sup>th</sup> person from the last person who chose to participate.
6. The principal researcher was unable to collect the data outside the bank everyday; therefore, some assistance was needed. Ten assistants were selected from graduate students in universities in Thailand. The researcher trained data collectors. Eligibilities to become a data collector in this study were successful completion of research design and statistic classes at the college level and status as a graduate student. The researcher verified this information using a prospective data collector’s university transcript. These assistants were compensated after the completion of the data collection process. Training procedures, with attention to the protection of



human subjects, were provided to data collectors. Training began approximately one week prior to the data collection process. Features of this special training included how to collect data by using systematic sampling and human subject protection. The researcher and all assistants selected available days for data collection.

7. The researcher was present to supervise for eight hours (8:30 a.m. – 3:30 p.m.) during each assistant's initial data collection day. To ensure that every 10<sup>th</sup> person was surveyed, the researcher had ten assistants who assisted in distributing informed consent letters, the survey, and collection of the survey under the initial supervision of the researcher.
8. Informed Consent Procedures: Participants were provided with an explanation of the dissertation research. If they were interested in participating, the subjects were provided with the Informed Consent form and all questions were answered. Participants were anonymous and there were no identifiers; therefore, no consent form was signed.
9. If a subject agreed to participate, the trained data collectors gave the survey form on a "clip board" to the subject, and moved away so the subject could complete the survey in private. If a subject had questions, the trained data collectors answered them.
10. Each survey was coded with a number, and there were no personal participant identifiers. To ensure anonymity, survey forms were completed in private, placed in an envelope by the respondent, and then the respondent put the survey in a "mail box" with a "slit". Data will be stored in a locked depository box for a period of five years, and then will be destroyed.

11. The data collection process was conducted within two weeks in front of the specific commercial bank headquarters located in Bangkok after the researcher received IRB approval for data collection.
12. The start date was March 15<sup>th</sup>, 2005, and data collection was completed on March 28<sup>th</sup>, 2005.
13. At the completion of data collection, the principal investigator submitted the Lynn University IRB Report of Termination of Project.

### **Evaluation of Ethical Aspects of the Study**

1. An IRB application was submitted. Because this study was conducted in a foreign country (Thailand), there was a full board review. The special aspects of this full board review complied with CFR (45 CFR 46 101 [h]).
2. Approval of Lynn University's IRB helped assure that this study adhered to procedures to protect human subjects.
3. Informed Consent was presented in this study. Participants were provided an explanation of the dissertation research. If they were interested in participating, they were provided the Informed Consent letter (Appendix B).
4. Respondents were notified that all data collected from the banking customers was anonymous.
5. A number coded each survey, and there were no participant identifiers.
6. Ten assistants involved in gathering data in this study were qualified with research experience and were provided training to understand this study. They assisted in distributing an informed consent letters and surveys, and with collection of the completed survey. Ten assistants were selected from graduate students in several universities in Thailand.

7. The data were kept confidential and stored electronically on “password protected” computers. The completed questionnaires are being kept in a locked filing cabinet. To further protect the identity of the participants, anonymity was maintained. The data are stored in a locked depository box for a period of five years, and then will be destroyed.
8. The IRB was notified of the end of the study.

According to this evaluation of ethical aspects, this research study is considered ethical for this study.

### **Methods of Data Analysis**

The data were analyzed by using SPSS for Windows version 11.0. Various statistical procedures such as frequency distributions, reliability estimates, correlational analyses, and multiple regression analyses were used to answer the research questions and test hypothesis (univariate, bivariate, and multivariate statistics). For research question #1, descriptive statistics including measures of central tendency, variation, and frequency distributions describe the specific bank headquarters banking customers’: (a) socio-demographic characteristics, (b) their perceptions of service quality of service providers using the SERVQUAL, and (c) customer retention (behavioral intentions of customers to do business and length of time as a banking customer of the specific bank headquarters).

For research question #2, Pearson  $r$  correlation coefficients, independent  $t$ -test, and ANOVA explore the relationship between customer socio-demographic characteristics, their perceptions of service provider empathy compared with other SERVQUAL dimensions, and customer retention (behavioral intentions of customers and length of time as a banking customer of the specific bank headquarters).

For research question #3, two separate multiple regression models examine the contributions of customer socio-demographic characteristics and customer perceptions of service provider empathy compared with other SERVQUAL dimensions, in explaining customer retention. The purpose was to compare the relative impact of empathy compared with other SERVQUAL dimensions using two different measures of customer retention. The first model examined the contributions of customer socio-demographic characteristics and customer perceptions of service provider empathy compared with other SERVQUAL dimensions, in explaining customer retention using behavioral intentions of customers banking customer of the specific bank headquarters. The second model examined the contributions of customer socio-demographic characteristics and customer perceptions of service provider empathy compared with other SERVQUAL dimensions, in explaining customer retention using length of time as a banking customer of the specific bank headquarters. Multiple regressions were used to examine the relationships among variables, and also the extent to which they were linked and could explain the dependent variable (Gay, 1996).

To test the hypothesis, the two separate multiple regression analyses were used to explore the relationships between service provider dimensions and two different dependent variables that measure retention. The hypothesis is among banking customers of the specific bank headquarters in Thailand, perceptions of service provider empathy, assurance, reliability, responsiveness, and tangibles are significant explanatory variables of customer retention (behavioral intentions and length of time banking).

Other analyses using SPSS for providing additional estimates of data quality included: reporting coefficient alphas for the *SERVQUAL* and *Modified Behavioral*

*Intentions Battery* to provide estimates of reliability for each total scale and subscales. Pearson  $r$  correlation coefficients between these two instruments would further establish criterion related validity (concurrent). The *Behavioral Intentions Battery* was further correlated with the single item, length of time banking at the specific bank, to establish criterion related validity (concurrent).

### **Evaluation of Research Methods**

This study was examined for internal validity and external validity by addressing the strengths and weaknesses of research methods. Strengths and weaknesses of this study's design were addressed systematically as follows:

1. The strength of using a quantitative research method in this study was to generalize the large population when collecting data (Gay, 1996).
2. The instruments selected had evidence of good estimates of reliability and validity, contributing to the study's internal validity, if linguistic and cultural differences do not affect the reliability and validity.
3. Correlational research was a strength to the study's internal validity because it "attempts to determine whether, and to what degree, a relationship exists between two or more quantifiable variables" (Gay, 1996, p. 15).
4. The weakness of correlation and explanatory research was in providing the strength of causally associated variables that might be found in quasi-experimental research and experimental research (Salkind, 2000).
5. The strength in using systematic sampling technique in this study was the appropriateness and feasibility because the list of banking customers was confidential and not available to the researcher to use simple random sampling.

6. Another strength of probability sampling using systematic sampling is decreasing sample bias (selection bias of participants being selected) and providing a representative sample of the accessible population. This strengthens the ability to generalize study findings (external validity) (Salkind, 2000).
7. The setting was the weakness in external validity (ecological validity) of this study because one Thai commercial bank headquarters might not represent an entire Thai banking industry. Also, customers were limited only to the ones who used the service at the counter. This might not reflect the overall perceived service quality of a commercial bank headquarters.
8. Every effort was made to approximate a random sampling using systematic sampling. To avoid one customer being selected more than once (selection bias), in case that he or she might visit the Thai specific bank headquarters more than one time during the data collection process, the researcher and assistants asked the customer whether or not he/she had already completed the survey questionnaire. Finally, based on systematic sampling that every 10<sup>th</sup> person was selected, some customers did not want to participate. Therefore, while the sampling plan was random and a strength, the final data-producing sample was self-selected (those that chose to participate) and included a selection bias.
9. The period of data collection, completed within two weeks, was perceived as a strength, and limited introduction of other extraneous valuable associated with time.

10. As data collection happens in a rushed environment, situational contaminants might affect responses, and thus threaten the internal validity of the study.
11. For data analysis, statistical procedures considered in this study were appropriate to answer the research questions and test the hypothesis of this study. This helped to strengthen the internal validity of the study with respect to measurement of variables.

Chapter 3 presented the research methodology that addressed the research questions and hypothesis about service quality emphasizing the dimension of empathy and customer retention (behavioral intentions to do business and length of time banking) in a banking industry in Thailand. This chapter included a description of the proposed research design, the sampling plan and setting, instrumentation, human subjects' procedures, data collection procedures, and methods of data analysis. Chapter 4 presents the results of this study.

## CHAPTER 4

### RESULTS

The results of this study about perceived service quality emphasizing empathy of service providers and the retention of customers in Bangkok, Thailand is presented. Chapter 4 describes the socio-demographic characteristics of the sampled customers, analysis of the research questions and test of the hypothesis, and other findings from this study. Descriptive and inferential statistics are provided as methods of data analyses for the socio-demographic characteristics, service quality and the behavioral intention measures and to answer the research questions and hypothesis testing.

#### **Research Question 1**

What are the specific headquarters banking customers': (a) socio-demographic characteristics, (b) perceptions of service quality of service providers using the SERVQUAL, and (c) customer retention (behavioral intentions of customers to do business and length of time as a banking customer of the specific bank headquarters)?

#### ***Socio- Demographic Characteristics of the Sample***

The *Socio-Demographic Profile* provided information about the background of each respondent. Table 2 presents the frequency distribution of the gender, age, and marital status of banking customers. As shown in Table 2, personal factors of sample respondents showed that the sample was predominantly female (56.5%). The mean age was 36.48 and ranged from 18 to 72, with a median of 36 years. The largest group of respondents was aged 36-45 years (38.8%). The smallest age group was 56 and over (4.8%), with 71% of the sample between ages 26-45. The largest group of respondents was married (50.6%). The second largest group of marital status was single (44.8%).



Table 2

*Socio-Demographic Characteristics of Banking Customers by Gender, Age, and Martial Status*

<b>Demographic Variables</b>	<b>Number</b>	<b>Valid Percentage</b>	<b>Mean</b>	<b>Median</b>
<b>Gender</b>				
Male	174	43.5%		
Female	226	56.5%		
Total	400	100.0%		
<b>Age</b>				
			36.48	36.0
18-25	60	15.3%		
26-35	126	32.2%		
36-45	152	38.8%		
46-55	35	8.9%		
56-65	6	1.5%		
Over 65	13	3.3%		
Total	392	100.0%		
<b>Martial Status</b>				
Single	178	44.8%		
Married	201	50.6%		
Separated	5	1.3%		
Divorced	6	1.5%		
Widowed	7	1.8%		
Total	397	100.0%		

Table 3 presents the frequency distribution of the participant's employment status, income, occupation, educational status, and social status. Most of the respondents were employed "full-time" (92.7%). Only 2% of the sample reported "not employed". Personal income was measured in Thai Baht (THB). At the time of the study (March, 15 - 28, 2005), USD\$1 equaled approximately THB 38. Annual income was reported, only if respondents were employed full-time. The mean annual income of respondents was THB 284,427.15, and ranged from THB 100,001 to 300,000, the mean and the median were THB 240,000, with the majority represented annual income of THB 200,001-300,000 (36.5%).

For occupation, the majority of the sample participants were "clerical and sales worker" (65.5%) and administrative personnel (23.3%). The smallest

occupational group was “skilled manual employee” (0.6%). There were no customers in the “machine operators” and “unskilled employees”. In terms of the highest level of education, the largest group was “four-year college graduate (bachelor’s degree) (74.5%). The second largest group was “graduate professional training” (15.5%). For social status, using Hollingsheads Index of Social Position (ISP) which combines educational and occupational scale scores, the majority group was “middle class” (67.5%) and “upper-middle” (23.2%). The mean ISP score was 32.49 (middle class).

Table 3

*Socio-Demographic Characteristics of Banking Customers by Employment Status, Income, Occupation, Educational Level, and Social Status*

Demographic Variables	Number	Valid Percentage	Mean	Median
<b>Employment Status</b>				
Full-time	367	92.7%		
Part-time	11	2.8%		
Not employed	8	2.0%		
Unemployed	10	2.5%		
Total	396	100.0%		
<b>Income</b>				
Less than 100,000	40	12.0%	284,427	240,000
100,001-200,000	89	26.8%		
200,001-300,000	121	36.5%		
300,001-400,000	38	11.5%		
400,001-500,000	18	5.4%		
More than 500,000	26	7.8%		
Total	332	100.0%		
<b>Hollingshead's Occupation Scale</b>				
(Scale Score 1-7)			3.5	4
1. Senior Executive	16	4.5%		
2. Business Manager	22	6.2%		
3. Administrative Personnel	82	23.2%		
4. Clerical and Sales Workers	232	65.5%		
5. Skilled Manual Employee	2	.6%		
6. Machine Operator	0	0.0%		
7. Unskilled	0	0.0%		
Total	354	100.0%		
<b>Hollingshead's Educational Scale</b>				
(Scale Score 1-7)			1.98	2
1. Graduate	62	15.5%		
2. Four-Year College	298	74.5%		
3. Partial College	31	7.8%		
4. High School	6	1.5%		
5. Partial High School	2	0.5%		
6. Junior High School	0	0.0%		
7. Less than seven years	1	0.2%		
Total	400	100.0%		
<b>Hollingshead Index of Social Position (ISP)</b>				
(Occupational Scale * 7) + (Educational Scale * 4) =			32.49	3 (36)
1. Upper (11-17)	15	4.2%		
2. Upper-middle (18-31)	99	28.0%		
3. Middle (32-47)	239	67.5%		
4. Lower-middle (48-63)	1	0.3%		
5. Lower (64-77)	0	0.0%		
Total	354	100.0%		

### *Customers' Perceptions of Service Quality of Service Providers*

Banking customers were asked to complete the 22-item of *SERVQUAL* developed by Parasuraman et al. (1988). The *SERVQUAL* contains five dimensions of service quality measurement. Each item was rated on a 7-point semantic differential scale ranging from “strongly disagree” (1) to “strongly agree” (7). Table 4 presents the percent distribution of response categories of *SERVQUAL*, item means, and dimension score.

The 22 *SERVQUAL* scale had a total score range between 22 and 154. The average *SERVQUAL* total score was 91.38, with a range of 63 to 112, and an average item mean of 4.15. The highest rated dimension was assurance and the lowest rated dimension was responsiveness. For the 4-item of the tangibles dimension, the total dimension score was 17.98, with a possible range of 4 to 28, and an average item score of 4.53. For the 5-item of the reliability dimension, the total dimension score was 22.18, with a possible range of 5 to 35, and an average item score of 4.50. For the 4-item of the responsiveness dimension, the total dimension score was 13.33, with a possible range of 4 to 28, and an average item score of 3.40. For the 4-item of the assurance dimension, the total dimension score was 19.28, with a possible range 7 to 28, and an average item score of 4.79. For the 5-item of the empathy dimension, the total dimension score was 18.64, with a possible range of 5 to 35, and an average item score of 3.72. Empathy was the second lowest rated *SERVQUAL* dimension.

As shown in Table 4, the highest rated item on the total scale was in the assurance dimension: “The behavior of employees of bank instills confidence in customers” (5.16). The lowest rated item was “Employees of bank give you prompt service” (3.21), of the responsiveness dimension. This item also had the highest percentage of low ratings assigning a 1 or 2 (31%). “Bank performs the service right

the first time”, for the responsiveness dimension had the highest percentage ratings of 6 or 7 (35%).

Table 4

*Customers’ Perceptions of Service Quality of Service Providers: Tangibles, Reliability, Responsiveness, Assurance, and Empathy (N=355)*

	Response Categories Percent Distribution							Mean	
	Strongly Disagree			Strongly Agree					
	1	2	3	4	5	6	7		
<b>Tangibles</b>									
1.	Bank has modern-looking equipment.	3.8%	5.3%	18.5%	26.6%	24.3%	10.3%	11.3%	4.38
2.	Bank’s physical facilities are visually appealing.	2.8%	2.0%	12.0%	23.4%	30.3%	17.6%	12.0%	4.77
3.	Bank’s employees appear neat.	5.3%	5.8%	16.8%	28.6%	22.6%	11.3%	9.5%	4.30
4.	Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.	1.0%	3.3%	11.8%	30.8%	27.4%	17.9%	7.7%	4.65
Dimension Score (Range 4-28)								17.98	
<b>Reliability</b>									
5.	When bank promises to do something by a certain time, it does so.	7.6%	7.8%	14.9%	25.4%	23.7%	12.6%	8.1%	4.20
6.	When you have a problem, bank shows a sincere interest in solving it.	3.0%	7.1%	13.9%	25.4%	24.7%	14.1%	11.8%	4.51
7.	Bank performs the service right the first time.	2.0%	5.0%	11.5%	23.1%	23.3%	17.3%	17.8%	4.84
8.	Bank provides its services at the time it promises to do so.	3.8%	5.8%	16.1%	27.5%	25.7%	12.1%	9.1%	4.38
9.	Bank insists on error-free records.	1.0%	6.3%	12.7%	26.4%	27.4%	18.8%	7.4%	4.59
Dimension Score (Range 5-35)								22.18	
<b>Responsiveness</b>									
10.	Employees tell you exactly when services will be performed.	12.0%	15.8%	27.3%	22.6%	17.3%	3.3%	1.8%	3.34
11.	Employees of bank give you prompt service.	13.8%	17.3%	28.0%	22.0%	14.3%	3.5%	1.3%	3.21
12.	Employees of bank are always willing to help you.	11.5%	18.5%	24.5%	25.3%	13.8%	2.5%	4.0%	3.35
13.	Employees of bank are never too busy to respond to your request.	1.0%	2.8%	35.1%	45.3%	14.5%	1.3%	0.0%	3.73
Dimension Score (Range 4-28)								13.33	
<b>Assurance</b>									
14.	The behavior of employees of bank instills confidence in customers.	1.3%	2.0%	5.8%	22.0%	26.0%	25.8%	17.3%	5.16
15.	You feel safe in your transactions with bank.	2.5%	4.3%	12.5%	23.3%	24.0%	20.3%	13.3%	4.76
16.	Employees of bank are consistently courteous with you.	2.3%	4.3%	10.3%	28.3%	28.3%	20.1%	6.5%	4.62
17.	Employees of bank have the knowledge to answer your questions.	0.0%	0.5%	6.8%	32.3%	48.5%	11.8%	0.3%	4.65
Dimension Score (Range 4-28)								19.28	
<b>Empathy</b>									
18.	Bank gives you individual attention.	13.6%	18.6%	21.9%	25.6%	11.8%	5.5%	3.0%	3.32
19.	Bank has operating hours convenient to all its customers.	5.5%	9.0%	20.3%	29.0%	19.0%	9.5%	7.8%	4.06
20.	Bank has employees who give you personal attention.	9.8%	14.3%	20.0%	29.8%	14.5%	6.5%	5.3%	3.65
21.	Bank has your best interests at heart.	10.3%	13.3%	26.3%	30.5%	13.8%	2.8%	3.3%	3.45
22.	Employees of bank understand your specific needs.	0.0%	4.8%	27.0%	45.2%	19.4%	3.3%	0.3%	4.16
Dimension Score (Range 5-35)								18.64	
Average Item Score for Total SERVQUAL								4.15	
Total SERVQUAL Score (range 63-112)								91.38	

## *Customer Retention at the Specific Bank Headquarters*

### *Behavioral Intentions of Customers to Do Business*

Respondents were asked to complete the *Behavioral Intentions Battery (BIB)* developed by Zeithaml et al. (1996). The *Modified Behavioral Intentions Battery* contains 4 dimensions of behavioral intention measurement. Each item had 7-point “likelihood” semantic differential scale ranging from “Not at all likely” (1) to “Extremely likely” (7). Only 12 items of the BIB were used, with a possible total score range was between 7 and 51. The average BIB total score for this sample was 51.06, with a range of 12 to 84, and an average item mean of 4.13. Based on the total dimension score, 39.5% of the sample had unfavorable behavioral intentions to do business with the bank, and 60.5% had favorable behavioral intentions. The highest rated dimension was loyalty and the lowest rated dimension was “willing to pay more”. For the 5-item of the loyalty dimension, the dimension score was 23.5, with a possible range of 5 to 35, an average item score of 4.69, and 67% had favorable behavioral intentions. For the 2-item of the dimension of “non-switching to competitors”, the dimension score was 7.97, with a possible range of 2 to 14, an average item score of 3.99, and 36.7% had favorable behavioral intentions. For the 2-item of the dimension of willing to pay more, the dimension score was 7.88, with a possible range of 2 to 14, an average item score of 3.94, and 37.7% had favorable behavioral intentions. For the 3-item of the dimension of “positive problem response”, the dimension score was 11.75, with a possible range of 3 to 21, an average item score of 3.91, and 37.2 % had favorable behavioral intentions.

Table 5

*Modified of the Behavioral Intentions Battery Analysis: Item and Dimension Analysis of Favorable and Unfavorable Intentions (N=355)*

<b>Loyalty</b>	Item Mean Range	Dimension Average Range	Dimension Total Score	Percent Unfavorable Intentions	Percent Favorable Intentions
	1-7	1-7	5-35	5-20	>20-35
		4.69	23.46	33%	67%
1. Say positive things about <b>bank</b> to other people.	4.73				
2. Recommend <b>bank</b> to someone who seeks your advice.	4.89				
3. Encourage friends and relatives to do business with <b>bank</b> .	4.79				
4. Consider <b>bank</b> your first choice to buy services.	4.51				
5. Do more business with <b>bank</b> in the next few years.	4.54				
<b>Non-Switching to Competitors</b>	Item Mean Range	Dimension Average Range	Dimension Total Score	Percent Unfavorable Intentions	Percent Favorable Intentions
	1-7	1-7	2-14	2-8	>8-14
		3.99	7.97	63.3%	36.7%
6. Do less business with <b>bank</b> in the next few years.	3.58				
7. Take some of your business to a competitor that offers better prices.	4.39				
<b>Willing to Pay More</b>	Item Mean Range	Dimension Average Range	Dimension Total Score	Percent Unfavorable Intentions	Percent Favorable Intentions
	1-7	1-7	2-14	2-14	>8-14
		3.94	7.88	62.3%	37.7%
8. Continue to do business with <b>bank</b> if its prices increase somewhat.	4.11				
9. Pay a higher price than competitors charge for the benefits you currently receive from <b>bank</b> .	3.77				
<b>Positive Problem Response</b>	Item Mean Range	Dimension Average Range	Dimension Total Score	Percent Unfavorable Intentions	Percent Favorable Intentions
	1-7	1-7	3-21	3-12	>12-21
		3.91	11.75	62.8%	37.2%
10. Switch to a competitor if you experience a problem with <b>bank's</b> service.	3.20				
11. Complain to other customers if you experience a problem with <b>bank's</b> service.	4.41				
12. Complain to external agencies, such as the Better Business Bureau, if you experience a problem with <b>bank's</b> service.	4.14				
<b>Total Behavioral Intentions Battery</b>		Average BIB Score	Total BIB Score Range	Percent Unfavorable Intentions	Percent Favorable Intentions
		4.13	12-84	12-48	>48-84
			51.06	39.5%	60.5%

### ***Length of Time Banking***

Table 6 presents the frequency distribution, mean and median for length of time banking at the bank. As shown in Table 6, more than 30% of respondents had been customers for 16 or more years, with the majority (28.1%) conducting their personal banking at the bank in the range of 11-15 years. The mean number of years was 12.667, and median was 12 years. Only 6.4% of the sample has conducted their personal banking at the bank for less than one year. Therefore, the sample of customers appeared to be long-term customers.

Table 6

#### ***Length of Time as a Banking Customer***

	<b>Number</b>	<b>Percentage</b>	<b>Mean in Years</b>	<b>Median in Years</b>
<b>Length of Time</b>			12.667	12.0
Less than 1 year	23	6.4%		
1-5 years	72	19.9%		
6-10 years	51	14.1%		
11-15 years	102	28.1%		
16-20 years	63	17.4%		
More than 20 years	51	14.1%		
Total	362	100.0%		

### **Research Question 2**

What are the relationships between customer socio-demographic characteristics, their perceptions of service providers empathy compared with other *SERVQUAL* dimensions, and customer retention (behavioral intentions of customers and length of time as a banking customer of the specific bank headquarters)?

#### ***Correlation Matrix Between Socio-demographic Characteristics (Age, Income, Education, Occupation, and Social Status) and the SERVQUAL Dimensions, BIB Dimensions, and Length of Time Banking***

As shown in Table 7, Pearson *r* correlation coefficients were used to examine the functional relationships between two variables. For *SERVQUAL* dimensions, a



weak positive relationship was demonstrated between assurance and income ( $r = .14$ ,  $p \leq .05$ ). For BIB dimensions, there was a weak positive relationship between loyalty and income ( $r = .12$ ,  $p \leq .05$ ). For “positive problem response”, a weak inverse relationship was shown with age ( $r = -.11$ ,  $p \leq .05$ ). For length of time banking, there were two positive and two negative correlations. A strong positive relationship was found between length of time banking at the bank and age ( $r = .64$ ,  $p \leq .01$ ). The relationship between length of time banking and income resulted in a strong positive relationship ( $r = .54$ ,  $p \leq .01$ ). Length of time banking was shown to be inversely related to Hollingshead’s occupational scale categories, but the relationship was weak ( $r = -.26$ ,  $p \leq .01$ ). A weak, inverse relationship was also found between length of time banking and social status ( $r = -.29$ ,  $p \leq .01$ ). Because Hollingshead’s *Occupational Scale* and *Index of Social Position* assigned low numbers to higher occupational categories and to higher social status, these findings were interpreted to mean that better occupational categories and higher social status were positively associated with length of time banking.

Table 7

*Pearson r Correlation Matrix: Correlation Between SERVQUAL Dimensions, BIB Dimensions, Length of Time Banking, and Age, Income, Education, Occupation, and Social Status (N=355)*

	Age	Income	Education	Occupation	Social Status
<b>SERVQUAL Dimensions</b>					
Tangibles	.054	.022	.033	-.017	-.006
Reliability	.040	.051	-.061	-.044	-.040
Responsiveness	-.035	-.099	.034	.083	.083
Assurance	.088	.139*	-.040	-.032	-.020
Empathy	-.083	-.088	.009	.076	.078
<b>BIB Dimensions</b>					
Loyalty	.083	.122*	.011	-.089	-.097
Non-Switching to Competitors	-.034	.010	-.013	-.013	.000
Willing to Pay More	.021	.070	-.030	-.049	-.021
Positive Problem Response	-.109*	-.106	.040	.018	.018
Length of Time Banking	.643**	.546**	-.089	-.264**	-.290**

\*  $p \leq .05$  \*\*  $p \leq .01$  \*\*\*  $p \leq .001$

***Gender Comparisons for the SERVQUAL Dimensions, BIB Dimensions, and Length of Time Banking***

The *t*-test is often used to determine if the means of two sample distributions differ significantly from each other. In this study, the independent sample *t*-test was used to compare the mean dimension scores for the *SERVQUAL* and *BIB*, and length of time banking in years, according to gender (males and females). As shown in Table 8, analyses of *t*-tests revealed that males scored significantly higher in *SERVQUAL* dimensions of tangibles ( $t = 1.59, p \leq .05$ ), reliability ( $t = 1.33, p \leq .05$ ), and assurance ( $t = 1.29, p \leq .05$ ). Females scored significantly higher in responsiveness and empathy *SERVQUAL* dimensions ( $p \leq .05$ ). For both males and

females, assurance and tangibles were the highest rated *SERVQUAL* dimensions, and responsiveness and empathy were the lowest rated dimensions.

Table 8

*Comparison of the Mean Scores for SERVQUAL Dimensions, BIB Dimensions, and Length of Time Banking According to Gender: Independent t- tests (N= 355)*

<b>Variable</b>	<b>Male Mean (N=153)</b>	<b>Female Mean (N =202)</b>	<b>t</b>
<b>SERVQUAL Dimensions</b>			
Tangibles	4.73	4.51	1.59*
Reliability	4.52	4.33	1.33*
Responsiveness	3.42	3.59	-1.30*
Assurance	5.02	4.85	1.29*
Empathy	3.62	3.82	-1.46*
<b>BIB Dimensions</b>			
Loyalty	4.78	4.65	0.98
Non-Switching to Competitors	4.17	4.17	-.025
Willing to Pay More	4.18	4.12	0.42
Positive Problem Response	3.92	3.95	-0.38
<b>Length of Time Banking in Years</b>	4.02	3.53	2.97**

\*  $p \leq .05$  \*\*  $p \leq .01$  \*\*\*  $p \leq .001$

For the *BIB* dimensions, for both males and females, loyalty was the highest rated *BIB* dimension, and positive problem response was the lowest rated dimension. For length of time doing business with the bank, males had significantly higher time in years, than females ( $t= 2.97$ ,  $p \leq .01$ ), however, this was approximately only a 6-month difference.

## *Marital Status and Employment Status and the SERVQUAL:*

### *ANOVA and Post Hoc Comparisons*

ANOVA statistics using a five group comparison of marital status (single, married, separated, divorced, and widowed) and a four group comparison of employment status (full-time, part-time, not-employed, and unemployed) were used to examine differences in each dimension of *SERVQUAL* and each dimension of *BIB*. Where there were significant differences (significant *F*-values), post hoc tests were conducted using the Least Significant Difference (LSD) and the more rigorous Scheffe test to detect which groups were different.

The sample primarily consisted of single and married participants (marital status) and fulltime employees (employment status), which affects pairwise comparisons within these groups. For the *SERVQUAL*, differences in dimension scores according to marital status were found for the dimension of reliability and assurance (see Tables 10 and 12). For the *BIB*, differences in dimension scores according to marital status were found for the dimension of loyalty (see Table 15). For the *SERVQUAL*, no differences in dimension total scores according to marital and employment status were found (see Table 14). For the *BIB*, there were no differences found in dimension total scores according to employment status (see Table 19). A more detailed description of these findings follows.

As shown in Table 9, for the *SERVQUAL* dimension of “tangibles”, ANOVA showed no differences according to marital status. ANOVA showed a significant difference according to employment status ( $F= 2.65, p = .05$ ), however, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise employment status comparisons. Using the less rigorous LSD post hoc

test, and despite the small sample size in part-time respondents had significantly higher scores on tangibles than full-time respondents ( $p=.01$ ).

Table 9

*ANOVA and Post Hoc Comparisons of Significant Differences in SERVQUAL: Tangibles According to Marital Status and Employment Status*

Variable	Tangibles Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N=355)</b>		1.284	.28 <sup>a</sup>		
Single (N=160)	4.53				
Married (N=177)	4.62				
Separated (N=5)	5.00				
Divorced (N=6)	5.17				
Widowed (N=7)	5.43				
<b>Employment Status (N=355)</b>		2.65	.05		
Full-time (N=329)	4.57				
Part-time (N =10)	5.60				
Not employed (N= 7)	4.57				
Unemployed (N=9)	5.11				
Part-time >Full-time				ns <sup>a</sup>	.011

<sup>a</sup> Not Significant

As shown in Table 10 for the SERVQUAL dimension of “reliability”, ANOVA showed a significant difference according to marital status ( $F= 4.34$ ,  $p =.002$ ), however, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise marital status comparisons except for widowed and married ( $p =.001$ ). Using the less rigorous LSD post hoc test, and despite the small sample size in three marital categories, single ( $p=.05$ ), divorced ( $p=.02$ ), and widowed ( $p=.001$ ) respondents had significantly higher scores on reliability than married participants. Furthermore, ANOVA showed a significant difference according to employment status ( $F= 3.62$ ,  $p = .01$ ). Using the less rigorous LSD post

hoc, part-time ( $p = .02$ ) respondents had significantly higher scores on this dimension than full-time. However, this was not significant using the more rigorous Scheffe.

Table 10

*ANOVA and Post Hoc Comparisons of Significant Differences in SERVQUAL: Reliability According to Marital Status and Employment Status*

Variable	Reliability Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N=355)</b>		4.34	.002		
Single (N=160)	4.52				
Married (N=177)	4.24				
Separated (N=5)	4.00				
Divorced (N=6)	5.50				
Widowed (N=7)	5.86				
Single > Married				ns <sup>a</sup>	.05
Divorced > Married				ns <sup>a</sup>	.021
Widowed > Single				ns <sup>a</sup>	.009
Widowed > Married				.001	.001
Widowed > Separated				ns <sup>a</sup>	.016
<b>Employment Status (N=355)</b>		3.62	.01		
Full-time (N=329)	4.35				
Part-time (N =10)	5.30				
Not employed (N= 7)	5.29				
Unemployed (N=9)	5.11				
Part-time > Full time				ns <sup>a</sup>	.025

<sup>a</sup> Not Significant

As shown in Table 11 for the SERVQUAL dimension of “responsiveness”, ANOVA did not show a significant difference according to marital status ( $F= 1.95$ ,  $p = .10$ ). ANOVA showed a significant difference according to employment status ( $F= 2.58$ ,  $p = .05$ ). Using the less rigorous LSD post hoc, full-time ( $p = .05$ ) respondents had significantly higher scores on this dimension than part-time. The

more rigorous Scheffe test showed no significant differences in a pairwise employment status comparison.

Table 11

*ANOVA and Post Hoc Comparisons of Significant Differences in SERVQUAL: Responsiveness According to Marital Status and Employment Status*

Variable	Responsiveness Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N=355)</b>		1.95	.10 <sup>a</sup>		
Single (N=160)	3.54				
Married (N=177)	3.56				
Separated (N=5)	3.80				
Divorced (N=6)	2.67				
Widowed (N=7)	2.57				
<b>Employment Status (N=355)</b>		2.58	.05		
Full-time (N=329)	3.57				
Part-time (N =10)	2.80				
Not employed (N= 7)	2.71				
Unemployed (N=9)	3.22				
Full-time > Part-time				ns <sup>a</sup>	.048

<sup>a</sup> Not Significant

As shown in Table 12 for the SERVQUAL dimension of “assurance”, ANOVA showed a significant difference according to marital status ( $F= 2.58$ ,  $p = .04$ ), however, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise marital status comparisons. Using the less rigorous LSD post hoc test, and despite the small sample size in two marital categories, widowed participants had significant higher scores than single ( $p=.006$ ) and married ( $p=.008$ ). Furthermore, ANOVA showed a significant difference according to employment status ( $F= 3.89$ ,  $p = .009$ ). However, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise

employment status comparisons. Using the less rigorous LSD post hoc test, and despite the small sample size in two employment categories, not employed ( $p=.03$ ) and unemployed ( $p=.04$ ) respondents had significantly higher scores on assurance than full time respondents.

Table 12

*ANOVA and Post Hoc Comparisons of Significant Differences in SERVQUAL: Assurance According to Marital Status and Employment Status*

Variable	Assurance Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N=355)</b>		2.58	.037		
Single (N=160)	4.85				
Married (N=177)	4.91				
Separated (N=5)	5.20				
Divorced (N=6)	5.67				
Widowed (N=7)	6.14				
Widowed > Single				ns <sup>a</sup>	.006
Widowed > Married				ns <sup>a</sup>	.008
<b>Employment Status (N=355)</b>		3.89	.009		
Full-time (N=329)	4.86				
Part-time (N =10)	5.60				
Not employed (N= 7)	5.86				
Unemployed (N=9)	5.67				
Not employed > Full-time				ns <sup>a</sup>	.03
Unemployed > Full-time				ns <sup>a</sup>	.04

<sup>a</sup> Not Significant

As shown in Table 13 for the SERVQUAL dimension of “empathy”, ANOVA did not show a significant difference according to marital status ( $F= 1.19, p =.10$ ). ANOVA showed a significant difference according to employment status ( $F= 2.81, p = .03$ ). However, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise employment status comparisons. Using



the less rigorous LSD post hoc test, and despite the small sample size, full-time ( $p=.03$ ) respondents had significantly higher scores on empathy than respondents that were not employed.

Table 13

*ANOVA and Post Hoc Comparisons of Significant Differences in SERVQUAL:  
Empathy According to Marital Status and Employment Status*

Variable	Empathy Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N=355)</b>		1.19	.10 <sup>a</sup>		
Single (N=160)	3.78				
Married (N=177)	3.77				
Separated (N=5)	3.80				
Divorced (N=6)	2.83				
Widowed (N=7)	2.86				
<b>Employment Status (N=355)</b>		2.81	.03		
Full-time (N=329)	3.79				
Part-time (N =10)	3.10				
Not employed (N= 7)	2.86				
Unemployed (N=9)	3.33				
Full-time > Not employed				ns <sup>a</sup>	.04

<sup>a</sup> Not Significant

For the total score of the SERVQUAL, ANOVA showed no significant differences according to marital status and employment status. This is shown in Table 14.

Table 14

*ANOVA and Post Hoc Comparisons of Significant Differences in SERVQUAL: Tangibles, Reliability, Responsiveness, Assurance, and Empathy (Total Score) According to Marital Status and Employment Status*

Variable	SERVQUAL Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N=355)</b>		1.324	.260 <sup>a</sup>		
Single (N=160)	91.34				
Married (N=177)	90.74				
Separated (N=5)	93.60				
Divorced (N=6)	97.43				
Widowed (N=7)	97.43				
<b>Employment Status (N=355)</b>		2.00	.113 <sup>a</sup>		
Full-time (N=329)	90.87				
Part-time (N =10)	94.82				
Not employed (N= 7)	93.75				
Unemployed (N=9)	95.40				

<sup>a</sup> Not Significant

***Marital Status and Employment Status and the Behavioral Intentions Battery:***

***ANOVA and Post Hoc Comparisons***

As shown in Table 15 for the BIB dimension of “loyalty”, ANOVA showed a significant difference according to marital status ( $F= 3.51$ ,  $p =.008$ ), however, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise marital status comparisons. Using the less rigorous LSD post hoc test, and despite the small sample size in two marital categories, divorced participants had significantly higher scores than single ( $p=.003$ ) and married ( $p=.01$ )

respondents on the loyalty dimensions. ANOVA showed no significant differences according to employment status, as shown in Table 15.

Table 15

*ANOVA and Post Hoc Comparisons of Significant Differences in BIB: Loyalty According to Marital Status and Employment Status*

Variable	Loyalty Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N = 355)</b>		3.51	.008		
Single (N = 160)	4.54				
Married (N = 177)	4.78				
Separated (N = 5)	5.20				
Divorced (N = 6)	6.00				
Widowed (N = 7)	5.29				
Divorced > Single				ns <sup>a</sup>	.003
Divorced > Married				ns <sup>a</sup>	.012
<b>Employment status (N = 355)</b>		.814	.487 <sup>a</sup>		
Full-time (N = 329)	4.68				
Part-time (N = 10)	5.00				
Not employed (N = 7)	4.71				
Unemployed (N = 9)	5.22				

<sup>a</sup> Not Significant

As shown in Table 16 for the BIB dimension of “non-switching to competitors”, ANOVA did not show a significant difference according to marital status ( $F= 1.71, p =.14$ ). ANOVA showed no significant differences according to employment status ( $F= .60, p =.61$ ).

Table 16

*ANOVA and Post Hoc Comparisons of Significant Differences in BIB: “Non-Switching to Competitors” According to Marital Status and Employment Status*

Variable	Switch Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N = 355)</b>		1.71	.14		
Single (N = 160)	4.26				
Married (N = 177)	4.06				
Separated (N = 5)	4.20				
Divorced (N = 6)	4.00				
Widowed (N = 7)	5.14				
<b>Employment status (N = 355)</b>		.604	.613 <sup>a</sup>		
Full-time (N = 329)	4.18				
Part-time (N = 10)	4.20				
Not employed (N = 7)	3.57				
Unemployed (N = 9)	4.33				

<sup>a</sup> Not Significant

As shown in Table 17 for the BIB dimension of “willing to pay more”, ANOVA showed no significant differences according to marital status ( $F= .931$ ,  $p =.44$ ). Furthermore, ANOVA revealed no significance differences according to employment status ( $F= .97$ ,  $p =.40$ ).

Table 17

*ANOVA and Post Hoc Comparisons of Significant Differences in BIB: Willing to Pay More According to Marital Status and Employment Status*

Variable	Pay More Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N = 355)</b>		.93	.44 <sup>a</sup>		
Single (N = 160)	4.12				
Married (N = 177)	4.12				
Separated (N = 5)	4.80				
Divorced (N = 6)	4.83				
Widowed (N = 7)	4.57				
<b>Employment status (N =355)</b>		.97	.40 <sup>a</sup>		
Full-time (N = 329)	4.12				
Part-time (N = 10)	4.40				
Not employed (N = 7)	4.43				
Unemployed (N =9)	4.78				

<sup>a</sup> Not Significant

As shown in Table 18 for the BIB dimension of “positive problem response”, ANOVA showed no significant differences according to marital status ( $F= .40$ ,  $p =.75$ ). Furthermore, ANOVA showed no significant differences according to employment status ( $F= .42$ ,  $p =.73$ ).

Table 18

*ANOVA and Post Hoc Comparisons of Significant Differences in BIB: Positive Problem Response According to Marital Status and Employment Status*

Variable	Positive Problem Response Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N = 355)</b>		.46	.75 <sup>a</sup>		
Single (N = 160)	3.92				
Married (N = 177)	3.97				
Separated (N = 5)	3.60				
Divorced (N = 6)	3.83				
Widowed (N = 7)	3.71				
<b>Employment status (N = 355)</b>		.42	.73 <sup>a</sup>		
Full-time (N = 329)	3.92				
Part-time (N = 10)	4.20				
Not employed (N = 7)	4.00				
Unemployed (N =9)	3.89				

<sup>a</sup> Not Significant

As shown in Table 19 for total score of the BIB, ANOVA showed a significant difference according to marital status ( $F= 2.47$ ,  $p =.04$ ), however, post hoc comparisons using the more rigorous Scheffe test, showed no significant differences in pairwise marital status comparisons. Using the less rigorous LSD post hoc test, divorced respondents had significantly higher scores on total score of BIB than single participants ( $p=.005$ ) and married participants ( $p = .008$ ). However, ANOVA showed no significant differences according to employment status ( $F= 1.26$ ,  $p =.28$ ).

Table 19

*ANOVA and Post Hoc Comparisons of Significant Differences in BIB: Loyalty, Non-Switching, Willing to Pay More, and Positive Problem Response According to Marital Status and Employment Status*

Variable	BIB Mean	F	p	Post Hoc Comparisons	
				p Scheffe	p LSD
<b>Marital Status (N = 355)</b>		2.47	.04		
Single (N = 160)	4.27				
Married (N = 177)	4.31				
Separated (N = 5)	4.40				
Divorced (N = 6)	5.17				
Widowed (N = 7)	4.71				
Divorced > Single				ns <sup>a</sup>	.005
Divorced > Married				ns <sup>a</sup>	.008
<b>Employment status (N = 355)</b>		1.26	.28 <sup>a</sup>		
Full-time (N = 329)	4.30				
Part-time (N = 10)	4.70				
Not employed (N = 7)	4.14				
Unemployed (N = 9)	4.56				

<sup>a</sup> Not Significant

### Research Question 3

What are the contributions of customer socio-demographic characteristics in explaining customer retention (behavioral intentions of banking customers and length of time as a banking customer of the specific bank headquarters)?

#### *Socio-demographic Characteristics in Explaining Customer Retention*

##### *Measured by Behavioral Intentions*

Multiple regression analysis was used to examine the relationship between seven socio-demographic variables (gender, age, marital status, employment status, income, education, and occupation) and the dependent variable of customer retention, measured by the 9-item *Modified Behavioral Intentions Battery*. As shown in Table

20, the  $F$  value (1.225) for the overall regression equation was not significant ( $p=.289$ ). The adjusted  $R^2$  (coefficient of determination, adjusted for sample size and the number of predictor variables) indicates the regression equation using the seven socio-demographic variables explained less than 1% (.006) of the variation in behavioral intentions. To analyze the individual predictors, the  $t$ -statistic, which is the regression coefficient divided by the standard error ( $b/SE$ ), was only significant for marital status ( $t= 2.121, p=.035$ ). However, in terms of relative importance, marital status was only the third most important predictor variable ( $\beta=.136$ ), based on the value of the beta ( $\beta$ ) coefficient, following age ( $\beta =-.16$ ), which was inversely related to behavioral intentions, and income ( $\beta =.139$ ), which was positively related to behavioral intentions.

Table 20

*Multiple Regression for Socio-Demographic Variables Explaining Customer Retention, Measured by the 9-item Modified Behavioral Intentions Battery*

<b>Explanatory Variable</b>	<b><math>b</math></b>	<b>SE</b>	<b><math>t</math></b>	<b>BETA (<math>\beta</math>)</b>	<b><math>p</math></b>
<b>Socio-demographic</b>					
Gender	-.119	.117	-1.018	-.063	.310
Age	-.142	.080	-1.766	-.160	.078
Marital Status	.167	.079	2.121	.136	.035
Employment Status	.005	.138	.420	.028	.675
Income	.009	.065	1.531	.139	.127
Educational Level	-.002	.104	-.249	-.015	.804
Occupation	.003	.092	.360	.028	.719
<b>N=355</b>					
<b><math>F=1.225</math></b>	<b>df=7</b>	<b><math>p&lt;.289</math></b>	<b><math>R^2=.030</math></b>	<b>Adjusted <math>R^2=.006</math></b>	



## *Socio-demographic Characteristics in Explaining Customer Retention,*

### *Measured by Length of Time Banking*

Multiple regression analysis was used to examine the relationship between seven socio-demographic variables (gender, age, marital status, employment status, income, education, and occupation) and the dependent variable of customer retention, measured by length of time banking. As shown in Table 21, the  $F$  value (30.65) for the overall regression equation was significant ( $p=.0001$ ). The adjusted  $R^2$  (coefficient of determination, adjusted for sample size and the number of predictor variables) indicated the regression equation using the seven socio-demographic variables explained 44% (.443) of the variation in length of time banking. To analyze the individual predictors, the  $t$ -statistic, which is the regression coefficient divided by the standard error ( $b/SE$ ), was significant for age ( $t= 7.917, p=.000$ ), marital status ( $t= 2.127, p=.034$ ), employment status ( $t= 3.309, p=.001$ ), and income ( $t= 2.643, p=.009$ ). In terms of relative importance of these predictors, based on the values of the beta ( $\beta$ ) coefficients, the order of importance was age ( $\beta=.571$ ), income ( $\beta=.195$ ), employment status ( $\beta=-.172$ ), and marital status ( $\beta=.104$ ). In terms of the sign of the relationship (+/-) for employment status, full-time employment was assigned a lower coding number than unemployed or part-time (accounting for a negative sign in the regression model); and, marital status was categorical data. In summary, age, income, and degree of employment were positively associated with customer retention, along with marital status. These were significant explanatory variables of customer retention, measured by length of time banking at a headquarters bank in Bangkok.

Table 21

*Multiple Regression for Socio-Demographic Variables Explaining Customer Retention Measured by Length of Time Banking*

<b>Explanatory Variable</b>	<b>b</b>	<b>SE</b>	<b>t</b>	<b>BETA (<math>\beta</math>)</b>	<b>p</b>
<b>Socio-demographic</b>					
Gender	.005	.142	-.353	-.017	.725
Age	.768	.097	7.917	.571	.000
Marital Status	.203	.095	2.127	.106	.034
Employment Status	-.541	.163	-3.309	-.172	.001
Income	.213	.081	2.643	.195	.009
Educational Level	-.169	.121	-1.395	-.067	.164
Occupation	.154	.112	.085	1.383	.168
<b>N=355</b>					
<b>F=30.65</b>	<b>df=7</b>	<b>p&lt;.000</b>	<b>R<sup>2</sup>=.453</b>	<b>Adjusted R<sup>2</sup>=.443</b>	

### Hypothesis

Among banking customers of the specific bank headquarters in Bangkok Thailand, perception of service provider empathy, assurance, reliability, responsiveness, and tangibles are significant explanatory variables of customer retention (behavioral intentions and length of time banking).

#### *SERVQUAL Dimensions in Explaining Customer Retention,*

##### *Measured by Behavioral Intentions*

The hypothesis that among banking customers of a bank headquarters in Bangkok Thailand, perception of service provider empathy, assurance, reliability, responsiveness, and tangibles are significant explanatory variables of customer retention, was partially supported. The regression model was significant in explaining customer retention measured by the total score on nine items of the *Modified Behavioral Intentions Battery*. Only four of the five *SERVQUAL* dimensions were significant explanatory variables; and, contrary to the proposition that perceived

empathy provided by banking service providers would be positively related to customer retention, findings show empathy was inversely related to customer retention measured by the *Modified Behavioral Intentions Battery*.

As shown in Table 22, the  $F$  value (42.57) for the overall regression equation was significant ( $p = .0001$ ). The adjusted  $R^2$  (coefficient of determination, adjusted for sample size and the number of predictor variables) indicates the regression equation using the five *SERVQUAL* dimensions explained 41% (.41) of the variation in behavioral intentions. To analyze the individual predictors, the  $t$ -statistic, which is the regression coefficient divided by the standard error ( $b/SE$ ), was significant for four of five dimensions: tangibles ( $t= 4.64, p=.000$ ), reliability ( $t= 2.533, p=.012$ ), assurance ( $t= 2.526, p=.012$ ), and empathy ( $t= - 2.924, p=.004$ ). In terms of relative importance of these predictors, based on the values of the beta ( $\beta$ ) coefficients, the order of importance was tangibles ( $\beta=.295$ ), empathy ( $\beta=-.197$ ), assurance ( $\beta=.186$ ), and reliability ( $\beta=.180$ ). In summary, tangibles, reliability, and assurance were positively associated with customer retention. However, empathy was inversely associated with customer retention. These four variables were significant explanatory variables of customer retention, measured by behavioral intentions for a headquarters bank in Bangkok.

Table 22

*Multiple Regression for SERVQUAL Dimensions Explaining Customer Retention, Measured by 9-item Modified Behavioral Intentions Battery*

<b>Explanatory Variable</b>	<b><math>b</math></b>	<b>SE</b>	<b><math>t</math></b>	<b>BETA (<math>\beta</math>)</b>	<b><math>p</math></b>
Tangibles	.217	.047	4.640	.295	.000
Reliability	.126	.050	2.533	.180	.012
Responsiveness	.0009	.060	.162	.013	.871
Assurance	.144	.057	2.526	.186	.012
Empathy	-.155	.053	-2.924	-.197	.004
<b>N= 355</b>					
<b><math>F= 42.57</math></b>	<b>df= 6</b>	<b><math>p=.000</math></b>	<b><math>R^2 = .423</math></b>	<b>Adjusted</b>	<b><math>R^2 = .413</math></b>

*SERVQUAL Dimensions in Explaining Customer Retention,*

*Measured by Length of Time Banking*

As reported, the hypothesis that among banking customers of a bank headquarters in Bangkok Thailand, perception of service provider empathy, assurance, reliability, responsiveness, and tangibles are significant explanatory variables of customer retention, was partially supported. As shown in Table 23, using length of time banking as the dependent variable, the *F* value (.719) for the overall regression equation was not significant ( $p = .634$ ). The adjusted  $R^2$  (coefficient of determination, adjusted for sample size and the number of predictor variables) indicated the regression equation using the five *SERVQUAL* dimensions explained less than 1% (.005) of the variation in length of time banking. To analyze the individual predictors, the *t*-statistic, which is the regression coefficient divided by the standard error ( $b/SE$ ), was not significant for any of these variables. In terms of relative importance of these predictors, based on the values of the beta ( $\beta$ ) coefficients, the order of importance was assurance ( $\beta = .126$ ) and reliability ( $\beta = -.122$ ). The least important, based on the values of the beta ( $\beta$ ) coefficients, was tangibles ( $\beta = .21$ ). In summary, tangibles, reliability, responsiveness, assurance, and empathy were not significant explanatory variables of customer retention measured by length of time banking for a headquarters bank in Bangkok.

Table 23

*Multiple Regression for SERVQUAL Dimensions Explaining Customer Retention, Measured by Length of Time Banking*

Explanatory Variable	<i>b</i>	SE	<i>t</i>	BETA ( $\beta$ )	<i>p</i>
Tangibles	.002	.102	.242	.021	.809
Reliability	-.137	.109	-1.257	-.122	.210
Responsiveness	.007	.132	.532	.057	.595
Assurance	.154	.123	1.248	.126	.213
Empathy	-.002	.116	-.237	-.022	.813
N=355					
<i>F</i> =.719	df=6	$p < .634$	$R^2 = 0.14$	Adjusted $R^2$ = -.005	

## Other Findings

### *Estimates of Reliability Using Cronbach's Coefficient Alpha*

#### *Cronbach's Coefficient Alpha for Internal Consistency for the SERVQUAL*

As shown in Table 24, the five *SERVQUAL* dimensions for the total scale resulted in good internal consistency, evidenced by alpha .86. In this study, the 4-item tangibles scale had a coefficient alpha of .85. The 5-item scale measuring reliability had a coefficient alpha of .87. For the responsiveness scale, the coefficient alpha was .86. The 4-item assurance scale had a coefficient alpha of .88. The last component, empathy scale, had a coefficient alpha of .83.

Table 24

*Cronbach's Coefficient of the Five SERVQUAL Dimensions and Total Scale (Thai Version) (N=355)*

<b>Dimensions</b>	<b>Number of Items</b>	<b>Coefficient Alphas</b>
Tangibles	4	.8524
Reliability	5	.8703
Responsiveness	4	.8555
Assurance	4	.8801
Empathy	5	.8350
Total Scale	22	.8586

#### *Cronbach's Coefficient Alpha for the 12-item Modified Behavioral-Intentions*

##### *Battery*

As shown in Table 25, the "non-switching competitors" dimension had evidenced a low coefficient alpha (.53) based on Nunnally (1978) suggested. Also, the "positive problem response" component had exhibited low coefficient alpha (.50).

Table 25

*Cronbach's Coefficient of the 12-item Modified Behavioral-Intentions Battery and Total Scale (Thai Version) (N=355)*

<b>Dimensions</b>	<b>Number of Items</b>	<b>Coefficients Alphas</b>
Loyalty	5	.8791
Non-Switching Competitors	2	.5396
Willing to Pay More	2	.7271
Positive Problem Response	3	.5011
Total Scale	12	.6517

***Cronbach's Coefficient Alpha for the 9-item Modified Behavioral-Intentions Battery***

In regression analysis, only the 9-item Modified Behavioral Intentions Battery was used, due to low coefficient alphas. As shown in Table 26, the “non-switching competitors” dimension was removed because of a low coefficient alpha in this study. Also, the “positive problem response” component was limited to items 11 and 12 only due to low coefficient alpha for item 10, deleting item 10 resulted in an alpha score of .70. Alphas of 9-item Modified Behavioral-Intentions Battery range from .70-.88. The total scale had an alpha of .79. The 5-item loyalty had the strongest coefficient alpha compared with other dimensions, supported by alpha of .88. Nunnally (1978) indicated that if alpha values exceed .7, it was considered acceptable. As a result, “willing to pay more” scale has an acceptable alpha, which was .73. The alpha value of this component was greater than the original *BIB* developed in 1996, where the alpha value fell below .6. For the 2-item “positive response” dimension, alpha was .70, which was considered acceptable.

Table 26

*Cronbach's Coefficient of the 9-item Modified Behavioral-Intentions Battery and Total Scale Used in Regression Models (Thai Version) (N=355)*

<b>Dimensions</b>	<b>Number of Items</b>	<b>Coefficients Alphas</b>
Loyalty	5	.8791
Willing to Pay More	2	.7271
Positive Problem Response	2	.7000
Total Scale	9	.7977

***Correlation Matrix Between SERVQUAL Dimensions, BIB Dimensions,  
and Length of Time Banking***

Pearson  $r$  correlation coefficients were used to examine the functional relationships between two variables. As shown in Table 27, for the *SERVQUAL* tangibles dimension, positive relationships were demonstrated with the *BIB* dimensions of loyalty ( $r = .47, p \leq .0001$ ), non-switching to competitors ( $r = .17, p \leq .0001$ ), willing to pay more ( $r = .34, p \leq .0001$ ), and positive problem response ( $r = .21, p \leq .0001$ ). For the *SERVQUAL* reliability dimension, positive relationships were shown with the *BIB* dimensions of loyalty ( $r = .48, p \leq .0001$ ), non-switching to competitors ( $r = .25, p \leq .0001$ ), and willing to pay more ( $r = .38, p \leq .0001$ ). For the *SERVQUAL* assurance dimension, a strong positive relationship was found with the *BIB* loyalty dimension ( $r = .57, p \leq .0001$ ) and a weak positive relationship with non-switching ( $r = .14, p \leq .01$ ), and willing to pay more ( $r = .35, p \leq .0001$ ).

For the *SERVQUAL* responsiveness dimension, a strong inverse relationship was shown with the *BIB* loyalty dimension ( $r = -.54, p \leq .0001$ ) and a weak inverse relationship was exhibited with non-switching behaviors ( $r = -.18, p \leq .001$ ) and willing to pay more ( $r = -.38, p \leq .0001$ ). For the *SERVQUAL* empathy dimension, a strong, inverse relationship was found with the *BIB* loyalty dimension ( $r = -.57, p \leq .0001$ ) and a weak, inverse relationship with non-switching ( $r = -.21, p \leq .0001$ ), and willing to pay more ( $r = -.43, p \leq .0001$ ).

For length of time banking, there were no relationships between all SERVQUAL dimensions and length of time banking. On the other hand, there were no relationships between length of time banking and any BIB dimensions except dimension of loyalty ( $r = .13, p \leq .05$ ).

Table 27

*Pearson r Correlation Matrix: Correlation Among SERVQUAL Dimensions, BIB Dimensions, and Length of Time Banking (N = 355)*

	<b>BIB Loyalty</b>	<b>BIB Non- Switching</b>	<b>BIB Willing to Pay More</b>	<b>BIB Positive Problem</b>	<b>Length of Time Banking</b>
<b>SERVQUAL Dimensions</b>					
Tangibles	.471****	.175***	.340****	.218****	.054
Reliability	.478****	.249****	.380****	.005	.031
Responsiveness	-.538****	-.176***	-.381****	-.028	-.043
Assurance	.570****	.142**	.350****	.030	.090
Empathy	-.557****	-.218****	-.426****	-.058	-.057
<b>Length of Time Banking</b>	.133*	-.006	.064	-.105	

\*  $p \leq .05$  \*\*  $p \leq .01$  \*\*\*  $p \leq .001$  \*\*\*\*  $p \leq .0001$

Chapter 4 presented the results of data analyses including descriptive statistics, correlation matrixes, *t*-tests, ANOVAs, multiple regression analyses, and Cronbach's Coefficient Alpha of the *SERVQUAL* and the *Modified Behavioral-Intentions Battery*. Findings showed that the major respondents were female (56.5%). The majority of respondents were aged 36-45 years (38.8%). Most of respondents were employed "full-time" (92.7%). The majority represented annual income of THB 200,001-300,000 (36.5%). For occupation, the majority of the samples were "clerical and sales workers" (65.5%). In terms of the highest level of education, the largest group was "four-year college graduate (bachelor's degree) (74.5%)". For social status, using Hollingsheads Index of Social Position (ISP) which combines educational and occupational scale scores, the majority group was "middle class" (67.5%).



A 12-item Modified Behavioral Intentions Battery was used in the survey. For regression analyses, a 9-item Modified Behavioral Intentions Battery was used where dimensions had at least a .7 alpha. For the 22-item *SERVQUAL* scale, the highest rated dimension was assurance and the lowest rated dimension was responsiveness. For the 12-item Modified Behavioral-Intentions Battery, based on the total dimension score, 39.5% of the sample had unfavorable behavioral intentions to do business with the bank, and 60.5% had favorable behavioral intentions. The majority of respondents (28.2%) had conducted their personal banking at the bank in the range of 11-15 years.

Based on the correlation matrix, a strong positive relationship was found between length of time banking at the bank and age ( $r = .64, p \leq .01$ ). The relationship between length of time banking and income resulted in a strong positive relationship ( $r = .54, p \leq .01$ ). Analyses of *t*-tests revealed that males scored significantly higher than females in *SERVQUAL* dimensions of tangibles ( $t = 1.59, p \leq .05$ ), reliability ( $t = 1.33, p \leq .05$ ), and assurance ( $t = 1.29, p \leq .05$ ). For length of time doing business with the bank, males had significantly higher time in years, than females ( $t = 2.97, p \leq .01$ ), however, that was approximately only a 6-month difference.

Based on ANOVA for the *SERVQUAL*, differences in dimension scores according to marital status were found for two dimensions of *SERVQUAL*, which are reliability and assurance. Assurance had a higher score than reliability for marital status. For the *BIB*, difference in dimension scores according to marital status was only found for the dimension of loyalty. Overall, findings indicated that socio-demographic variables (age, income, degree of employment, and marital status) were significant explanatory variables for length of time banking but not for customer retention, using the 9-item Modified Behavioral Intentions Battery. Furthermore,

*SERVQUAL* dimensions of tangible, reliability, assurance, and empathy were significant explanatory variables of the *9-item Modified Behavioral Intentions Battery* but not for length of time doing business at the bank. Moreover, responsiveness was not significant explanatory variable, and empathy was inversely related to behavioral intentions. Chapter 5 provides a discussion of the findings in terms of interpretations, implications, conclusion, and recommendations.

## CHAPTER 5

### DISCUSSION

Using emotional intelligence of service providers in the service industry has increasingly been considered as a strategy to satisfy and retain customers (Lynn, 2004). However, research in this area is scant. This study is the first to examine and explore the relationship between service quality emphasizing empathy and customer retention in a commercial bank in Bangkok, Thailand. The specific purposes of this explanatory quantitative study were (a) to describe banking customers of the specific commercial bank headquarters in terms of socio-demographic characteristics, their perceptions of service quality of service providers, and customer retention (behavioral intentions of customers to do business and length of time as a banking customer of the specific commercial bank headquarters); (b) to examine the relationships between socio-demographic characteristics, their perceptions of service provider empathy compared with other service quality dimensions and customer retention (behavioral intentions of customers and length of time as a banking customer of the specific commercial bank headquarters); (c) to examine the influence of customer socio-demographic characteristics and customer perceptions of service provider empathy compared with other service quality dimensions, in explaining customer retention, at the specific bank headquarters (behavioral intentions of customers and length of time as a banking customer of the specific commercial bank headquarters); and (d) to generate implications for emotional intelligence training in customer retention strategies in the specific commercial bank.

In this research, service quality was measured by banking customers' perceptions of service quality of service providers through five dimensions of *SERVQUAL* (tangibles, reliability, responsiveness, assurance, and empathy).

Retention of customers was measured by banking customers' behavioral intentions using the *9-item* and *12-item Modified Behavioral Intentions Battery* and length of time banking at Headquarters bank. Four-hundred respondents participated in data collection. Using systematic sampling, subjects were approached to complete the survey questionnaire at the entrance located outside the specific commercial bank headquarters. Findings indicated that empathy of service providers, an emotional intelligence factors, was a significant explanatory variable of customer retention. However, the relationship was inverse: the lower the empathic skills of service providers, the more favorable the behavioral intentions of customers to do business with the bank, and in this case this was a significant explanatory variable. Chapter 5 presents a discussion about the interpretations, limitations, implications, recommendations, and conclusions in this study about perceived service quality emphasizing empathy of service providers and the retention of customers in a headquarter bank in Bangkok, Thailand.

### **Interpretations**

#### ***Banking Customers of the Specific Commercial Bank Headquarters and Socio-Demographic Characteristics***

Based on the data collected in the *Socio-Demographic Profile*, the major banking customers of this study were female. The majority group of banking customers was between the age of 26 and 45 years. This group was considered to be working people and those from a young generation. For marital status, more than half of banking customers were married, and nearly a half were single. Most banking customers were full-time employees, with many working as clerical or sales workers. Their salary was considered average as indicated by the majority annual average income of THB 200,001-300,000. This means that average banking customers

received approximately THB 20,000 monthly. Most banking customers obtained a bachelor's degree. This also means that most of banking customers at this specific commercial bank headquarters were middle class according to Hollingshead's ISP categories (as cited in Miller & Salkind, 2002).

Demographic findings about age in this study were consistent with the study by Hallowell (1996), who surveyed each customer's satisfaction with service and price and asked as well for demographic information. Participants were mature in age, with limited income sources (Hallowell, 1996). This study did not support Hallowell's (1996) sample on the limited income sources.

According to Othman and Owen's (2001) study about customer service quality in an Islamic bank in Kuwait, this study's demographic findings were not consistent with Othman and Owen in terms of gender and occupational status. Their study indicated that males were the majority of respondents whereas this study found females were the largest group of respondents. Also, Othman and Owen found that the majority of respondents were professionals (22%) whereas this study found clerical and sales workers to be the largest single group. For marital status and age, this study was consistent with Othman and Owen's (2001) study, which found that 82% of respondents were married and 65% of respondents were between 30-50 years old. Findings in this study were also consistent with Othman and Owen's findings in terms of the educational level of the sample. However, this study was the first study that examined the relationship between service quality emphasizing empathy and customer retention in a commercial bank in Bangkok, Thailand. This study's demographic characteristics of Thai banking customers was new, and contributed to the body of knowledge.

### *Banking Customers' Perceptions of Service Quality of Service Providers*

According to Parasuraman et al. (1988), service quality consists of five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Tangibles are physical facilities, equipment, and the individual appearance of service providers. Assurance is the knowledge and politeness of service providers and their ability to motivate trust and confidence. Reliability is the capability to execute the promised service consistently and correctly. Responsiveness is an ability to assist customers and provide quick service. Empathy is a concern and personal awareness that a service provider gives to customers.

In this study, each *SERVQUAL* item was rated on a 7-point scale. In addition, the average rating for each dimension was also reported based on the 7-point scale: Assurance (4.79), Tangibles (4.53), Reliability (4.50), Empathy (3.72), and Responsiveness (3.40). Favorable mean scores of service quality can be interpreted as scores that are equal or greater than a 4.0 (See Table 4).

Banking customers perceived assurance as the highest rated dimension experienced with service providers. This means banking customers perceived that service providers had sufficient knowledge of banking service and provided courtesy to them. Furthermore, banking customers viewed service providers with confidence in doing business with the bank as service providers were able to provide trust and confidence to customers.

Ratings for reliability in this study were also favorable (4.52). This finding was inconsistent with Parasuraman et al's (1988) findings that reliability was considered the highest rated dimension as perceived by customers in all industries in their study (bank, credit card company, repair and maintenance company, and long-distance telephone company). In this present study, reliability was the third highest

rated dimension. This finding was also inconsistent with Othman and Owen's (2001) study who reported that reliability was the second lowest rated dimension.

On the other hand, in this study, banking customers viewed responsiveness of service providers as the lowest rated dimension. This means banking service providers gave less than satisfactory prompt service to their customers (item mean below 4.0). This was inconsistent with Othman and Owen's (2001) study where responsiveness was the third highest rated dimension.

"Tangibles" was the second highest rated dimension in this present study. This finding was also inconsistent with Parasuraman et al's (1988) findings that tangibles were the lowest rated dimension in their study about four industries, including banking. This study's finding was also inconsistent with Othman and Owen's (2001) findings where tangibles were the lowest rated dimension. According to Parasuraman et al. (1988), a lower score of service quality indicated inferior service quality, thus responsiveness of service providers of specific commercial bank headquarters was the lowest rated dimension, followed by empathy as the second lowest.

### ***Customer Retention at the Specific Bank Headquarters***

#### ***Behavioral Intentions of Customers to Do Business***

In this study, 12 items of the *Modified Behavioral Intentions Battery* were rated on a 7-point scale. In addition, the average rating for each dimension was also reported based on the 7-point scale: Loyalty (4.69), Non-Switching to Competitors (3.99), Willing to Pay More (3.94), and Positive Problem Response (3.91). Favorable mean scores of customer intentions to do business could be interpreted as scores that were equal or greater than a 4.0. Furthermore, based on the total score and each dimension of the *12-item Modified Behavioral Intentions Battery*, a range of scores

for favorable and unfavorable intentions were analyzed (see Table 5). The finding of loyalty having the highest favorable score was consistent with the findings of Zeithaml et al. (1996). However, this same finding was inconsistent with Zeithaml's (1996) findings that the dimension of switch (in this case, non-switching to competitors) was rated lowest. For the total scale score, customer behavioral intentions to do business with the bank revealed that more than half of the banking customers (60.5%) had favorable behavioral intentions to do business with the bank. However, in only one of the dimensions (loyalty), more than half of banking customers (67%) had favorable behavioral intentions to do business with the bank. In this study, banking customers rated their perceived service quality of banking employees to be favorable (60.5%), thus the behavioral intention (total score) was rated favorable (4.13).

Although Zeithaml et al. (1996) used the BIB to measure the favorable and unfavorable behavioral intentions of customers; they reported favorable and unfavorable scores in a comparative way, separating customers who had experienced no service problem and those who had experienced service problems. Thus, this finding did not confirm Zeithaml et al.'s (1996) study in terms of favorable and unfavorable behavioral intentions. Moreover, this present study was the first to explore the favorable and unfavorable behavioral intentions in Thailand. Although Sirikit's (2003) study in a telecommunication industry in Thailand used the BIB to measure customer behavioral intentions, there was no report regarding favorable and unfavorable behavioral intentions. This present study also found that banking customers had conducted their personal banking at the bank for approximately 12 years. More than half of banking customers were considered long-term customers. This finding was inconsistent with Hanson, Robison, and Siles's (1996) results that



94% of 410 respondents had long term relationship (18 years average) with organization, in their study about customer relationships.

***The Relationships Between Banking Customers' Socio-Demographic Characteristics, Perceptions of Service Provider Empathy Compared with Other Service Quality Dimensions and Customer Retention***

This study examined relationships between socio-demographic characteristics and perceived service quality of service providers, and customer retention. The findings indicated that banking customers with high incomes, perceived that banking employees provided sufficient assurance to them. Based on the relationship between assurance and income, this led to loyalty of banking customers. This study also found that the age of banking customers was associated with a positive problem response.

To compare the perception of service quality between male and female banking customers, this study found that female customers perceived that banking service providers had higher responsiveness and empathy than male customers' perception. This means that banking employees tended to provide female customers better service in these two areas. Both male and female customers perceived that the bank provided sufficient equipment and facilities to them (tangibles). Also, from their perspective, service providers provided trust and confidence to conduct business with the bank. This supported Howcroft's (1991) proposition that customers could describe quality in slightly distinct ways, depending upon their age, education, income, wealth, life-style, etc. There were no differences in any *Behavioral Intentions Battery* dimensions according to gender. This supported Zeithaml et al.'s (1996) findings since they did not show the differences in *BIB* between males and females in terms of gender. This present study also found that male customers had conducted business with the bank for a longer period of time than females. To offer a

possible explanation for this finding, the nature of this specific bank was originally established to serve military officers, who are mostly males, and many may have remained with the bank after serving with the military.

The relationship between marital status and employment status and service quality showed perceived service quality dimensions except tangibles differed according to the marital status of customers. On the other hand, findings demonstrated reliability and responsiveness dimensions of service quality differed according to employment status of customers. Few studies report the relationships between socio-demographic variables, and service quality, thus this study provides new knowledge in this area.

According to Zeithaml et al. (1996), excellent service quality leads to favorable behavioral intentions. In this study, three of five dimensions of service quality provided by the banking employees were perceived by customers to be favorable. Thus, the finding supported Zeithaml et al.'s (1996) proposition that service quality leads to favorable behavioral intentions. The finding also supported Boles et al.'s (1997) who found that the quality of salespeople impacts the attitudes and intentions of customers. Results also demonstrated that customers who gave above average scores for their relationships with their sale representatives were more likely to remain customers (Boles et al., 1997).

#### ***Socio-demographic Characteristics in Explaining Customer Retention Measured by Behavioral Intentions and Length of Time Banking***

The findings show that banking customers with different marital status tend to have different behavioral intentions for doing business with the bank. Single and married people were likely to think differently about their intention to do business with the bank. This supported Dick and Basu's (1994) proposition that latent loyalty

occurs when a customer had a positive attitude toward a firm's brand, more than its competitors' brands; however, a customer did not show a high support or repeat purchase because of some situational or environmental variable. In this study, marital status could be perceived as situational or environmental variable that influences customer behavioral intentions. Moreover, this study found that customers' age, income, marital status and degree of employment influenced customer retention. This finding was inconsistent with Hanson, Robison, and Siles's (1996) findings about customer relationship in retailing bank, which indicated the intention to stay with their current institution had about 18 years average time with institution.

***SERVQUAL Dimensions in Explaining Customer Retention, Measured by Behavioral Intentions and Length of Time Banking***

For regression equations, the findings showed that customer perception of service quality influenced customer retention measured by *9-item Behavioral Intentions Battery*. Four dimensions of service quality influenced customer behavioral intentions. This partially supported Berry, and Zeithaml's findings, in 1991, on positive and significant links between perceived service quality of customers and their intention to refer the firm to others (as cited in Zeithaml et al., 1996). This also confirms the proposition by Zeithaml et al (1996) that outstanding service quality leads to favorable behavioral intentions. This study's findings also confirmed Moira's (1997) proposition that service provider and customer perceptions of service quality were relevant to customer retention.

Regarding the dimension of empathy, findings indicated that empathy of service providers, an emotional intelligence factor, was a significant explanatory variable of customer retention measured by the *9-item Modified Behavioral Intentions Battery*. However, the relationship was inverse: The lower the empathic skills of

service providers, the more favorable behavioral intentions of customers to do business with the bank. The findings of this study did not confirm the concept of the importance of emotional competence in service provision espoused by Goleman and Chapman. Goleman (1998) indicated that “some service providers might be highly empathic, but not have yet learned the skills based on empathy that transfer into excellent customer service” (p. 25) and Chapman’s (2002) proposition that service providers need to use empathy to manage complaints and to retain customers, were not confirmed.

This finding did not confirm Banes and Howlett’s (1998) proposition that quality relationships (empathy) were likely to lead to customer retention, referrals, and long-term profitability. This finding is also inconsistent with Gittel’s (2002) findings that a more effective relationship with customers created by service providers (empathy) could lead to an increase in customer satisfaction and loyalty. According to Howcroft (1991), to adopt the service quality concept, a bank needed to focus on customer-driven feedback in order to fulfill customer preference, rather than to count on its own observation of what customers need. Specifically, service providers must be encouraged to foster greater customer empathy, and management strengthened to allow an unprecedented level of employee autonomy at the point of sale. Autonomy, to this degree, might well be an essential requirement for customer service that was greater in terms of predicting and satisfying customer needs (Howcroft, 1991). This study’s findings did not confirm Howcroft’s (1991) proposition.

According to Pukapan and Trisatienpong (2001), most Thai banks attempted to use new business strategies, offer attractive interest rates strategies, and deliver promotional campaigns to banking customers. However, these strategies were not adequate and were perceived as short-term strategies (Wong & Perry, 1991). Since

most banks offered similar products to their customers, they needed to enhance service quality in order to attract customers to stay with the bank. Therefore, many banks were likely to pay attention to customer services together with other factors that influence their customers to use the bank (Microsoft Corporation, 2003). A Thai commercial bank was no exception. Compared with other customers, Thai consumers have a greater preference for receiving receive personal attention in service from a bank when having contact rather than using banking machines (Chaoprasert & Else, 2004). This emphasized the importance of empathy when providing service to banking customers. However, this study's findings did not confirm this proposition because Thai banking customer behavioral intentions were negatively affected by empathy of service providers.

Rather, these findings might better confirm Keaveney's (1995) proposition that a firm needs to understand that customers may switch to competitors because of their attraction to better service or higher quality service. Customers did not switch because of unsatisfactory service of the company (Keaveney, 1995). The findings found that Thai banking customers were negatively affected by empathic service providers and would rather have service qualities associated with tangibles, reliability and assurance.

This phenomenon about inverse relationship of empathy and customer retention, measured by behavioral intentions can be explained. By definition, empathy is the ability to consider someone's feelings in the process of making intelligent decisions either on a one-to-one basis or as a group. However, in a rushed situation, banking customers do not seemingly pay attention to the empathy of service providers. As customers may not have an opportunity to use the service with the same service providers every time they come to the bank, they may focus on other

factors of service quality rather than the empathy of service providers. Moreover, according to Levesque and McDougall, bank selection criteria (location, recommendation, products, and image) were the key factors that affect customers' satisfaction toward their bank (as cited in Naser et al., 1999). According to past research of the banking industry, many factors affect customers' choices to do business with specific banks, such as location, recommendation of a friend, the bank's reputation, interest rates, products, and special service (as cited in Naser et al., 1999). These might be the priority factors that influenced Thai banking customers to stay with the bank, and customers may find that empathy of service providers is not necessary.

These might be cultural differences of Thai banking customers compared to other groups. As a result, findings partially supported Mattila (1999) who indicated that customers with a Western cultural background rely more on tangible cues than Asian ones as this study showed high tangibles with Thai banking customers. Findings might also support the proposition by Strauss and Mang (1999) that cultural differences have a significant affect on customer service evaluation. Findings also supported Sultan and Simpson (2000) that the relative importance of SERVQUAL dimensions are significantly different for reliability and tangibility, but not for responsiveness, assurance, or empathy. In addition, questionnaire language translation might be problematic and lead to different interpretations of the meaning of questions. For length of time banking, the finding did not support Meltzer's (2003) proposition that length of time is a consequence of service quality that demonstrated behavior intentions of customers to continue to do business with a company.

***Cronbach's Coefficient Alpha for the Five dimensions of SERVQUAL  
and the Modified Behavioral-Intentions Battery***

The reliability coefficients of the five dimensions of *SERVQUAL* (Thai version) were consistent with the original version conducted by Parasuraman et al. (1988). Even though Cronbach's coefficient of the total scale of the original *SERVQUAL* had very high internal consistency (.92) based on Nunnally's (1978) analysis, the Cronbach's coefficient of the total scale for the Thai version *SERVQUAL* was considered as having high internal consistency (.85). This supports Parasuraman et al's (1988) findings that the *SERVQUAL* instrument could be utilized in various services without adaptation because the *SERVQUAL* has high reliability and validity. This also was consistent with the study by Sirikit (2003) that the Thai translated version of *SERVQUAL* had high level of reliability (.90).

For the *12-item Modified Behavioral Intentions Battery*, the finding showed low internal consistency of the total scale (.65). For the *9-item Modified Behavioral Intentions Battery*, the Thai version showed high internal consistency of loyalty (0.87). This was consistent with the original version, which had excellent internal consistency of the 5-item loyalty (alphas ranged from 0.93-0.94 across four companies including computer manufacturer, retail chain, automobile insurer, and life insurer) (Zeithaml et al., 1996). In this study, for the Cronbach's coefficient of dimensions of *Behavioral Intentions Battery*, the Thai version showed similar consistency to the original version, especially after "non-switching behaviors" were removed from the Thai version for the multiple regression testing. This was done because the coefficient alphas fell below the threshold of 0.7 that Nunnally (1978) suggested.

In this study, the Behavioral Intentions Battery was condensed to three dimensions: loyalty, willing to pay more, and positive problem response. This supported Yu and Dean's (2001) findings regarding the use of *Behavioral Intentions Battery*. They modified the original instrument by condensing five dimensions in *BIB* to four factors (positive word of mouth, complaining behavior, switching behavior, and willingness to pay more). Yu and Dean (2001) removed item 5, "Do more business with the XYZ in the next few years" because they believed that the lack of clarity of this item might confuse respondents. However, this study's finding did not support Yu and Dean's (2001) findings regarding alpha score of "willing to pay more", which was only 0.45. In the present study, "willing to pay more" resulted in alpha of .73.

Zeithaml et al. (1996) suggested that three dimensions (switch, pay more, external response) needed to have additional items added the scale to increase the alpha score is supported. Furthermore, issues regarding the reliability of the *Behavioral Intentions Battery* continue in this study. This might have been due to translating items with the item "switch" into Thai because the words "switch" and "change" have been used interchangeably in Thai. This might lead respondents to misunderstand the original meaning. This was consistent with Sirikit's (2003) study, which had an alpha score for the "switch" dimension of 0.49. In this present study, the alpha score of the "switch" dimension was 0.54. The revised scoring of Behavioral Intentions Battery items (See Table 1) appeared more feasible to implement with clear improvement in interpretation of scores.



*Correlation Among SERVQUAL Dimensions, BIB Dimensions,  
and Length of Time Banking*

The tangibles dimension demonstrated positive relationships with loyalty, non-switching competitors, willing to pay more, and positive problem response. This was consistent with Sirikit's (2003) findings that tangibles showed strong positive relationship with loyalty. However, this was inconsistent with Sirikit's (2003) findings that tangibles dimension had no relationship with the other dimensions of behavioral intentions. The reliability dimension showed positive relationships with loyalty, non-switching competitors, and willing to pay more, but not for the positive problem response dimension. This was inconsistent with Sirikit's (2003) findings that reliability had no relationships with the other dimensions of behavioral intentions. The responsiveness dimension exhibited inverse relationships with loyalty, non-switching competitors, and willing to pay more, except for positive problem response. This was inconsistent with Sirikit's (2003) findings that reliability had no relationships with the other dimensions of behavioral intentions. The assurance dimension showed positive relationships with loyalty, non-switching competitors, and willing to pay more, and no relationship with positive problem response. This finding was only consistent with Sirikit's (2003) finding for his switch dimension. The empathy dimension demonstrated an inverse relationship with loyalty, non-switching to competitors, and willing to pay more, but not for the positive problem response dimension. This finding was inconsistent with Sirikit's (2003) findings that empathy had positive relationship with willing to pay more dimension, and inverse relationship with complain behavior. Zeithaml et al. (1996) reported a strong relationship between overall service quality and behavioral intentions. Thus, these findings partially supported Zeithaml et al.'s (1996) study.

## Practical Implications

1. Thai banking administrators could place greater emphasis on improving tangibles, reliability, and assurance, as this study found them to be significant explanatory variables of behavioral intentions of banking customers.
2. Until there are empirical studies, Thai banking management at the specific commercial bank headquarters may want to focus less on improving empathy of banking service providers as this was a significant explanatory variable of customer behavioral intentions to do business, but empathy was inversely associated with customer retention as measured by behavioral intentions.
3. Even though overall favorable behavioral intentions of customers were greater than unfavorable behavioral intentions, only the dimension of loyalty was favorable. Therefore, the other three dimensions: non-switching competitors, willing to pay more, and positive problem response should become a focus for the Thai bank administrators.
4. The specific Thai bank headquarters could launch different campaigns or promotions for customers who are married and single. These campaigns could offer a special interest rate for married customers who want to borrow money for mortgages. Other program promotions could be to offer special interest rates for single customers who deposit money every month, or special interest rates for educational loan.
5. The specific Thai bank headquarters could develop a training plan that strengthens the bank's service quality in terms of tangibles, responsiveness, and assurance.

6. Based on the findings that the middle class is the major population of the bank doing counter businesses, the bank may choose to find the strategies that further stimulate their loyalty such as special interest rates for loans and deposits.

### **Conclusions**

1. Tangibles, reliability and assurance dimensions of service quality are significant explanatory variables of Thai banking customer retention measured by behavioral intentions. These have been consistently confirmed in the literature, with other samples and service industries. These dimensions can be major areas for the Thai banking administrators to target to strengthen customer retention.
2. Responsiveness and empathy as dimensions of service quality may not be important factors influencing customer retention for the Thai bank customers.
3. Empathy as a dimension of service quality may inversely affect customer retention of Thai banking customers.
4. Customer preferences for service quality may vary cross-cultural variations.
5. Perceptions of service quality dimensions in Thai banking service providers differ according to select customer socio-demographic characteristics including gender, age, marital status, employment status, occupation, education, income, and social status.
6. Overall favorable behavioral intentions of customers were greater than unfavorable behavioral intentions, but only the dimension of loyalty was favorable. The other three dimensions are the major areas for Thai

banking administrators to focus.

7. Favorable and unfavorable behavioral intentions of customers differ according to select socio-demographic characteristics including gender, age, marital status, employment status, occupation, education, income, and social status.
8. Thai banking customers showed loyalty to the bank. They will recommend their friends, families, and relatives doing business with the bank based, on their perception of service quality.
9. The *Modified Behavioral Intentions Battery* needs to be used with caution. Additional items are needed to increase internal consistency of the instrument. Translation must be redone to resolve a potential lack of clarity of meaning of select items.
10. Length of time banking cannot be explained by service quality dimensions or behavioral intentions, and, therefore, may not be a measure of customer retention for a Thai bank. It can only be explained by socio-demographic variables of marital status, age, income, and employment status.

### **Limitations**

1. The present study appears to be one of the more comprehensive studies about service quality and customer retention, particularly in a Thai bank, with instruments having acceptable reliability and validity, a sufficient sample size, probability sampling, and sound data analyses. However, this study has the following limitations
  - 1.1 The design is non-experimental which threatens internal validity.

1.2 Instruments were translated. While satisfactory reliability estimates were found for the *SERVQUAL* in this study, the Behavioral Intentions Battery which was modified from the original version due to scoring interpretation and reliability issues resulted in persistent reliability issues in this study. In order to promote this study's internal validity, only nine of the 13 items with satisfactory reliability estimates were used in regression analyses. It is unknown whether reliability issues were related to the "theoretical aspects of the *BIB*", cultural variations in participants and country about behavioral intentions, or issues in translation.

1.3 Furthermore, the findings of a significant inverse relationship between the *SERVQUAL* empathy dimension (emotional intelligence) and customer retention (measured by behavioral intentions of customers), and the finding of no significant relationship between the *SERVQUAL* dimension of responsibility and customer retention, disconfirms propositions about service quality and customer retention (Banes & Howlett, 1998; Boles et al., 1997) and does not support prior studies (Gittell, 2002). These findings threaten the internal validity of this study.

1.4 Translations of the Behavioral Intentions Battery may have been affected by interpretation of the term "switch", as non-switching items 6 and 7, had lower reliabilities.

2. Participants were limited to those that do business on the first floor of the bank. Findings can not be generalized to service quality and customer retention for other banking services.
3. The research was conducted at the specific commercial bank headquarters in Bangkok, Thailand. While systematic sampling was used, findings may only be generalized to similar Thai banks, with similar customer characteristics and counter services.

### **Recommendations for Future Study**

1. Conduct a factor analysis of the *Modified Behavioral Intentions Battery*, using this study's data, in a secondary analysis study.
2. Modify the *Behavioral Intentions Battery*.
  - a. Add additional items for non-switching to competitors and positive problem response to increase internal consistency of the scale and follow with conducting a factor analysis.
  - b. Do not use item #13.
  - c. Examine the feasibility of a revised scoring method of the *Modified Behavioral Intentions Battery*, where higher scores are associated with favorable intentions toward the service industry, and lower scores are associated with unfavorable intentions toward the industry.
  - d. If there is a translation of the *Behavioral Intentions Battery*, it needs to be revised by dropping the term "switching" and using "changing" as the interpretation of the term "switch" may have affected reliability (item 10).

- e. Conduct cross-cultural methodological studies using the *Modified Behavioral Intentions Battery*, comparing reliability and different factor structures (factor analysis) across cultures.
3. Conduct MANOVA with this study's data in a secondary analysis with multiple independent and multiple dependent variables: the five dimensions of the *SERVQUAL* and socio-demographic variables serve as the independent variables, and three reliable dimensions of the *Modified Behavioral Intentions Battery* serve as the dependent variables.
4. Conduct cross-cultural studies using the *SERVQUAL*, comparing perceptions of the importance of each *SERVQUAL* dimension by culture. Reliability estimates can be compared as well.
5. Upon developing a more reliable and valid *Modified Behavioral Intentions Battery*, the procedures of this study can be replicated using a larger sample and including other branches of this specific commercial bank in Thailand to strengthen generalizability of findings about the relationships between service quality and customer retention.
  - a. In addition to multiple regression, factor analysis and MANOVA can also be used. This will strengthen the internal validity of study findings.
  - b. A follow-up study could be replicated to include a random sample of all commercial banks in Thailand, to further strengthening external validity. Comparative analyses can be performed as well.
  - c. This study can be replicated in different industries in Thailand.
6. Conduct a qualitative study to explore the perception of banking customers regarding empathy of service providers.

7. Conduct a quantitative study by using a valid and reliable instrument to measure emotional intelligence of service providers in other service industries, and the impact of EI on customer retention in Thailand.
8. Conduct a causal-comparative study to compare perceived service quality of long term banking customers and a short term banking customers.
9. Future studies should be focused on the relationship between customer retention and other factors that can affect customers to do business with the bank such as location, interest rates, products, the bank's reputation, and special services, etc.



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## Appendix A

### Authorization for Voluntary Consent



Lynn University

**THIS DOCUMENT SHALL ONLY BE USED TO PROVIDE AUTHORIZATION FOR  
VOLUNTARY CONSENT**

**PROJECT TITLE:** Perceived Service Quality, Emphasizing Empathy of Service Providers and Retention of Customer in Bangkok, Thailand Bank.

Project IRB Number: 2005-001 Lynn University 3601 N. Military Trail Boca Raton, Florida 33431.

**Directions for the Participant:**

I, Chaiyaset Promsri, am a doctoral student at Lynn University. I am studying Global Leadership, with a specialization in Corporate and Organizational Management. Part of my education is to conduct a research study. You are being asked to participate in my research study.

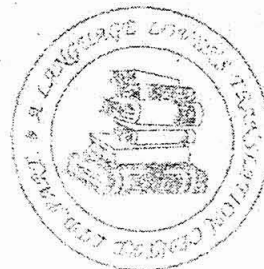
Please read this carefully. This form provides you with information about the study. The Principal Investigator (Chaiyaset Promsri or his representative) will answer all of your questions. Ask questions about anything you don't understand before deciding whether or not to participate. You are free to ask questions at any time before, during, or after your participation in this study. Your participation is entirely voluntary and you can refuse to participate without penalty or loss of benefits to which you are otherwise entitled.

**PURPOSE OF THIS RESEARCH STUDY:** The study is about the quality of service of banking service providers and customer retention in a Bangkok bank. There will be approximately 400 people participating in this study. These are customers of the bank who do personal banking. Banking Customers must be at least 18 years and older. Customers are people who enter the bank to do personal banking. Banking customers must be able to fluently read, speak, and write in Thai.

**PROCEDURES:** You will first complete a *background survey*. Then you will be asked to complete a 22-item survey about your *perceptions of service quality* provided by service providers in the bank (SERVQUAL) and a 13-item survey of your *intentions to do business* at the bank (Behavioral Intentions Battery). These surveys should take about 15 minutes to complete. If necessary, the researcher (Chaiyaset Promsri) or representative can help you in completing the surveys.

**POSSIBLE RISKS OR DISCOMFORT:** This study involves minimal risk. You may find that some of the questions are sensitive in nature. In addition, participation in this study requires a minimal amount of your time and effort.

Institutional Review Board for the Protection of Human Subjects  
Lynn University  
3601 N. Military Trail Boca Raton, Florida 33431



**POSSIBLE BENEFITS:** There may be no direct benefit to you in participating in this research. But knowledge may be gained which may help increase the quality of service provided in banking.

**FINANCIAL CONSIDERATIONS:** There is no financial compensation for your participation in this research. There are no costs to you as a result of your participation in this study.

**ANONYMITY:** This survey will be anonymous. You will not be identified and data will be reported as "group" responses. Participation in this survey is voluntary and return of the completed survey will constitute your informed consent to participate.

**RIGHT TO WITHDRAW:** You are free to choose whether or not to participate in this study. There will be no penalty or loss of benefits to which you are otherwise entitled if you choose not to participate.

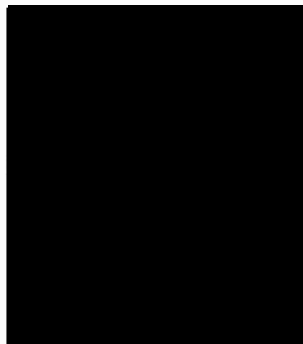
**CONTACTS FOR QUESTIONS/ACCESS TO CONSENT FORM:** Any further questions you have about this study or your participation in it, either now or any time in the future, will be answered by Chaiyaset Promsri (Principal Investigator) who may be reached at: 665-116-6157 and Dr. Joan Scialli, faculty advisor who may be reached at: [REDACTED] For any questions regarding your rights as a research subject, you may call Dr. Farideh Farazmand, Chair of the Lynn University Institutional Review Board for the Protection of Human Subjects, at 001-[REDACTED] If any problems arise as a result of your participation in this study, please call the Principal Investigator (Chaiyaset Promsri) and the faculty advisor (Dr. Joan Scialli) immediately.

A copy of this consent form will be given to you.

**INVESTIGATOR'S AFFIDAVIT:** have carefully explained to the subject the nature of the above project. The person participating has represented to me that he/she is at least 18 years of age, and that he/she does not have a medical problem or language or educational barrier that precludes his/her understanding of my explanation. I hereby certify that to the best of my knowledge the person participating in this project understands clearly the nature, demands, benefits, and risks involved in his/her participation.

\_\_\_\_\_  
Signature of Investigator

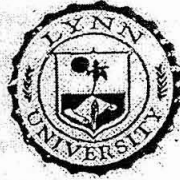
Date of IRB Approval: 3/04/05





**Appendix B**

**Authorization for Voluntary Consent (Thai Version)**



มหาวิทยาลัยลินน์

ให้ใช้เอกสารฉบับนี้ในการให้อனுยาค  
เพื่อการยินยอมโดยสมัครใจเท่านั้น

ชื่อโครงการ : การรับรู้คุณภาพการให้บริการ มุ่งเน้นความเข้าใจ ของพนักงานบริการ และการคงอยู่ของลูกค้าในธุรกิจ  
ธนาคาร ในกรุงเทพฯ ประเทศไทย  
หมายเลขคณะกรรมการทบทวนโครงการของสถาบัน : 2005-001 มหาวิทยาลัยลินน์ เลขที่ 3601 มิลิทารี เทรล เหนือ  
โบคาเรตัน มลรัฐ ฟลอริดา 33431

คำแนะนำสำหรับผู้เข้าร่วม

ข้าพเจ้า รัชตฤกษ์ พรหมศรี เป็นนักศึกษาระดับปริญญาเอก ณ มหาวิทยาลัย ลินน์ ข้าพเจ้ากำลังศึกษาอยู่ในสาขาการเป็นผู้นำแห่ง  
ยุคโลกาภิวัตน์ โดยเลือกวิชาเอก การจัดการธุรกิจ และองค์การ ทั้งนี้ การศึกษาส่วนใหญ่เน้นการค้นคว้าการศึกษาวิจัย ซึ่งท่านกำลัง  
ได้รับการร้องขอให้เข้าร่วมในการศึกษาวิจัยของข้าพเจ้านี้

โปรดอ่านข้อความต่อไปนี้เป็นอย่างดีโดยละเอียด แบบสำรวจความคิดเห็นฉบับนี้ จะให้ข้อมูลเกี่ยวกับการศึกษา โดยผู้ทำวิจัยหลัก  
(นาย รัชตฤกษ์ พรหมศรี หรือคิมเทน) จะตอบคำถามของท่านทุกข้อ ซึ่งท่านจะถามคำถามเกี่ยวกับเรื่องใดก็ได้ที่ท่านไม่เข้าใจ ก่อน  
จะตัดสินใจว่าจะเข้าร่วมหรือไม่ ท่านมีอิสระที่จะถามคำถามได้ทุกเมื่อ ก่อน ระหว่าง หรือหลัง การเข้าร่วมในการศึกษานี้ การเข้า  
ร่วมของท่าน จะเป็นไปด้วยความสมัครใจทั้งสิ้น และท่านสามารถปฏิเสธการเข้าร่วม โดยมีต้องชำระค่าปรับ หรือสูญเสีย  
ผลประโยชน์ใดๆ ซึ่งท่านมีสิทธิได้รับ

วัตถุประสงค์ของการศึกษาวิจัยครั้งนี้ : การศึกษานี้ เกี่ยวกับคุณภาพการให้บริการของพนักงานบริการด้านการธนาคาร  
และการคงอยู่ของลูกค้าของธนาคารแห่งหนึ่งในกรุงเทพฯ โดยจะมีผู้เข้าร่วม การศึกษาประมาณ 400 คน กลุ่มบุคคลดังกล่าว เป็น  
ลูกค้าของธนาคารที่ประกอบธุรกรรม ส่วนตัวด้านการธนาคาร ทั้งนี้ ลูกค้าของธนาคาร จะต้องมีอายุอย่างน้อย 18 ปี ขึ้นไป  
และมารธนาคารเพื่อประกอบธุรกรรมส่วนตัวด้านการธนาคาร อีกทั้ง ยังต้องสามารถอ่าน พูด และเขียนภาษาไทยได้เป็นอย่างดี

ขั้นตอน : ท่านจะต้องกรอกแบบสำรวจประวัติความเป็นมาเป็นอันดับแรก จากนั้น ใ้กรอกแบบ  
สำรวจจำนวน 22 รายการ เกี่ยวกับทัศนคติที่ท่านมีต่อคุณภาพของบริการ ที่ได้รับจากพนักงานบริการของธนาคาร (คุณภาพการ  
บริการ : SERVQUAL) รวมทั้งแบบสำรวจเจตนาใน การประกอบธุรกรรมที่ธนาคารของท่าน (ประมวลเจตนาในการแสดง  
พฤติกรรม : Behavioral Intention Battery) จำนวน 13 รายการ อนึ่ง แบบสำรวจดังกล่าว ควรใช้เวลาในการกรอกประมาณ 15 นาที  
หากจำเป็น ผู้วิจัย (นาย รัชตฤกษ์ พรหมศรี) หรือคิมเทน อาจช่วยเหลือท่านในการกรอกแบบสำรวจ

ความเสี่ยง หรือความลำบากใจอันอาจเกิดขึ้นได้ : การศึกษาในครั้งนี้ เกี่ยวข้องกับความเสี่ยง น้อยที่สุด ท่านอาจจะพบว่า  
คำถามบางข้อ มีลักษณะละเอียดอ่อน นอกจากนี้ การเข้าร่วมใน การตอบแบบสอบถามนี้ จะไม่รบกวน เวลาและความร่วมมือของ  
ท่านน้อยที่สุด

ประธานกรรมการทบทวนโครงการ เพื่อการคุ้มครองผู้เข้าร่วมโครงการของสถาบัน  
แห่งมหาวิทยาลัย ลินน์  
3601 มิลิทารี เทรล เหนือ โบคาเรตัน มลรัฐ ฟลอริดา 33431

**ผลประโยชน์ที่อาจได้รับ:** อาจจะไม่มียieldประโยชน์โดยตรงใดๆ ที่ท่านจะได้รับจากการ เข้าร่วมการวิจัยครั้งนี้ อย่างไรก็ตาม ท่านก็อาจได้รับความรู้ ซึ่งอาจช่วยเพิ่มคุณภาพของบริการที่มีการจัดหาให้ในด้านการณ์การ

**ค่าตอบแทนในรูปแบบของตัวเงิน :** ไม่มีการชดเชยใดๆ ในรูปตัวเงินสำหรับการเข้าร่วมงานวิจัยในครั้งนี้ และจะไม่มีการจ่ายใดๆ ให้กับท่านสำหรับการเข้าร่วมการศึกษาในครั้งนี้

**การปิดบังชื่อ:** ในการสำรวจความคิดเห็นในครั้งนี้ จะไม่มีการเปิดเผยชื่อผู้เข้าร่วมโครงการ ท่านจะไม่ได้รับการระบุสถานภาพ และจะมีการรายงานข้อมูลในรูปแบบของคำตอบ “กลุ่ม” การเข้าร่วมการสำรวจความคิดเห็นในครั้งนี้ เป็นไปด้วยความสมัครใจ และการตัดสินใจแบบสำรวจความคิดเห็นที่กรอกข้อความแล้ว จะถือเป็นการแจ้งความยินยอมในการเข้าร่วมงานวิจัยครั้งนี้

**สิทธิในการถอนตัว:** ท่านมีอิสระในการเลือกที่จะเข้าร่วม หรือไม่เข้าร่วมการศึกษานี้ก็ได้โดยจะไม่มีค่าปรับ หรือการสูญเสียผลประโยชน์ใดๆ ที่ท่านมีสิทธิได้รับ หากท่านเลือกที่จะไม่เข้าร่วม

**การติดต่อเพื่อสอบถาม/ขอรับแบบแสดงความยินยอม :**

คำถามเพิ่มเติมใดๆ ที่ท่านมีเกี่ยวกับงานวิจัยนี้ หรือ การที่เข้าร่วมการศึกษานี้ ไม่ว่าจะในขณะที่ หรือเมื่อใดก็ตามในโอกาสหน้า จะได้รับการตอบจาก นาย ชัยเสฏฐ์ พรหมศรี (ผู้ทำวิจัยคุณภาพการบริการ) ซึ่งอาจติดต่อได้ที่หมายเลขโทรศัพท์ 665-116-6157 และ ดร. โจน ธิยาธิ อาจารย์ที่ปรึกษาประจำคณะ ซึ่งอาจติดต่อได้ที่หมายเลขโทรศัพท์ 001-1-(561) 237-7215 สำหรับคำถามใดๆ เกี่ยวกับสิทธิของท่านในฐานะผู้เข้าร่วมงานวิจัย ท่านอาจโทรติดต่อ ดร. ฟารีเคห์ ฟาราสมานด์ ประธานกรรมการทบทวนโครงการ เพื่อการคุ้มครองผู้เข้าร่วม โครงการของสถาบันแห่งมหาวิทยาลัยลินิน ได้ที่หมายเลขโทรศัพท์ 001-1-(501) 237-7847 หากเกิดปัญหาใดๆ อันเนื่องมาจากการที่ท่านเข้าร่วมการศึกษานี้ กรุณาโทรติดต่อผู้ทำวิจัย (นายชัยเสฏฐ์ พรหมศรี) และอาจารย์ที่ปรึกษาประจำคณะ (ดร. โจน ธิยาธิ) โดยทันที

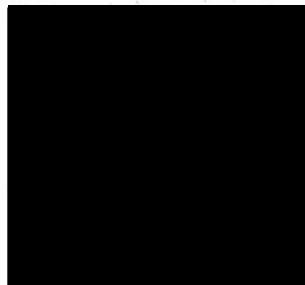
ท่านจะได้รับสำเนาแบบแสดงความยินยอมฉบับนี้ เป็นจำนวนหนึ่งชุด

**คำให้การของผู้ทำวิจัย:** ได้ริบชเกี่ยวกับลักษณะของโครงการข้างต้นต่อผู้เข้าร่วมโครงการอย่างละเอียดชัดเจน ผู้เข้าร่วมได้แสดงต่อข้าพเจ้าว่า ตนมีอายุอย่างน้อย 18 ปี และไม่มีปัญหาด้านสุขภาพ หรืออุปสรรคด้านภาษา หรือด้านการศึกษา ซึ่งปิดกั้นความเข้าใจที่ผู้เข้าร่วมมีต่อคำอธิบายของข้าพเจ้า โดยหนังสือฉบับนี้ ข้าพเจ้าขอรับรองว่า ความผู้เข้าร่วมโครงการนี้ เข้าใจลักษณะความต้องการ ผลประโยชน์และความเสี่ยงต่างๆ ที่เกี่ยวกับการเข้าร่วมตอบแบบสอบถามนี้ของตัวอย่างชัดเจน

ลายมือชื่อของผู้ทำวิจัย

วัน เดือน ปี ที่ได้รับอนุมัติจากคณะกรรมการทบทวนโครงการของสถาบัน :

3104/05 7.7.



**Appendix C**

**Certification of Translation**



28 February, 2005

To Whom It May Concern,

This is to certify that the translation version of the Consent Form and the following instruments: "Socio-Demographic Profile and the Length of Time Banking", "The SERVQUAL Instrument", and "The Behavioral Intention Battery" is true and correct to the original documents.

Sincerely,

Mr. Rangsi SAPPHAYATOSOK

**Appendix D**  
**Three-Part Survey Instrument**

## Three-Part Survey

### *Part 1: Socio-Demographic Profile and the Length of Time Banking*

**Directions:** Please respond to questions 1-7 by placing an X mark next to the items, to best describe you. For Questions #2, #5, and #8, please fill in the bank.

- 1) **Gender (Check one):**  Male  Female
- 2) **Age** \_\_\_\_\_
- 3) **Martial status(Check one):**  
 Single/Never Married  Married  Separated  
 Divorced  Widowed
- 4) **Employment status (Check one):**  
 Full-time  Part-time  
 Not employed/not seeking employment  Unemployed/seeking employment
- 5) **Income** (annual salary) only if employed full-time \_\_\_\_\_ Baht.
- 6) **Identify the highest level of education from the list below: (Check one):**  
 1. Graduate Professional Training (MA, MS, ME, MD, DDS, PHD, LLD)  
 2. Four-year college graduate (Bachelor's Degree)  
 3. Partial College: One to three years of college or business school  
 4. High school graduate  
 5. Partial High School (completed the tenth or eleventh grade)  
 6. Junior High School (completed the seven to nine years of school)  
 7. Less than seven years of school
- 7) **Identify Your Occupation from the list below: (Check one)**  
 1. Senior Executive, Proprietor of Large Sized Business (Value \$100,000 or more), or Major Professional (including Physician, Dentist, Lawyer, Engineer, CPA Accountant, or University Teacher)  
 2. Business Managers, Proprietors of Medium Sized Businesses and Other Professionals (including Pharmacist, Social Worker, Nurse, or Primary/Secondary School Teacher)  
 3. Administrative Personnel, Proprietors of Small Sized Businesses and Semi-Professionals (including travel agents, reporters, or lab assistants)  
 4. Clerical and Sales Workers and Technicians  
 5. Skilled Manual Employee  
 6. Machine Operator and Semi-Skilled Employee  
 7. Unskilled employee  
 8. Other: Please write in your occupation \_\_\_\_\_
- 8) Please report the **length of time** you have conducted personal banking at the specific commercial bank headquarters in Months and Year: \_\_\_\_\_

*Part 2: SERVQUAL*

**Directions:** This survey is about your feelings toward the **Specific Commercial Bank Headquarters**. For each statement, please show the extent to which you believe the **Specific Commercial Bank Headquarters** has the feature described by the statement. Please respond to each statement

If you *strongly agree* that the **Specific Commercial Bank Headquarters** has that feature, please circle the number 7.

If you *strongly disagree* that the **Specific Commercial Bank Headquarters** has that feature, please circle the number 1.

If your feelings are *somewhere in between strongly agree and strongly disagree*, please circle one of the numbers between a one and seven (2-6).

There are no right or wrong answers - all we are interested in is a number that best shows your perceptions about the **Specific Commercial Bank Headquarters**.

	Strongly Disagree			Strongly Agree			
1. Bank has modern-looking equipment.	1	2	3	4	5	6	7
2. Bank's physical facilities are visually appealing.	1	2	3	4	5	6	7
3. Bank's employees appear neat.	1	2	3	4	5	6	7
4. Materials associated with the service (such as pamphlets or statements) are visually appealing at Bank.	1	2	3	4	5	6	7
5. When Bank promises to do something by a certain time, it does so.	1	2	3	4	5	6	7
6. When you have a problem, Bank shows a sincere interest in solving it.	1	2	3	4	5	6	7
7. Bank performs the service right the first time.	1	2	3	4	5	6	7
8. Bank provides its services at the time it promises to do so.	1	2	3	4	5	6	7
9. Bank insists on error-free records.	1	2	3	4	5	6	7
10. Employees of Bank tell you exactly when services will be performed.	1	2	3	4	5	6	7
11. Employees of Bank give you prompt service.	1	2	3	4	5	6	7
12. Employees of Bank are always willing to help you.	1	2	3	4	5	6	7
13. Employees of Bank are never too busy to respond to your request.	1	2	3	4	5	6	7
14. The behavior of employees of Bank instills confidence in customers.	1	2	3	4	5	6	7
15. You feel safe in your transactions with Bank.	1	2	3	4	5	6	7
16. Employees of Bank are consistently courteous with you.	1	2	3	4	5	6	7
17. Employees of Bank have the knowledge to answer your questions.	1	2	3	4	5	6	7
18. Bank gives you individual attention.	1	2	3	4	5	6	7
19. Bank has operating hours convenient to all its customers.	1	2	3	4	5	6	7
20. Bank has employees who give you personal attention.	1	2	3	4	5	6	7
21. Bank has your best interests at heart.	1	2	3	4	5	6	7
22. Employees of Bank understand your specific needs.	1	2	3	4	5	6	7

Adapted from *The SERVQUAL* developed by Parasuraman, Berry, and Zeithaml in 1988.



**Part 3: The Behavioral Intention Battery**

**Directions:** This survey is about your intentions toward the **Specific Commercial Bank Headquarters**. For each statement, please show the extent of your intended behavior by picking one of the 7 numbers next to each statement. Please respond to each statement.

If you are *extremely likely* to do that behavior, please circle the number 7.

If you are *not at all likely* to do that behavior, please circle the number 1.

If your intended behaviors are *somewhere in between extremely likely or not at all likely*, please circle one of the numbers in between a one and seven (2-6).

There are no right or wrong answers –we are interested in a number that shows your intended behaviors regarding the Specific Commercial Bank.

	Not At All Likely			Extremely Likely			
	1	2	3	4	5	6	7
1. Say positive things about <b>Bank</b> to other people.	1	2	3	4	5	6	7
2. Recommend <b>Bank</b> to someone who seeks your advice.	1	2	3	4	5	6	7
3. Encourage friends and relatives to do business with <b>Bank</b> .	1	2	3	4	5	6	7
4. Consider <b>Bank</b> your first choice to buy services.	1	2	3	4	5	6	7
5. Do more business with <b>Bank</b> in the next few years.	1	2	3	4	5	6	7
6. Do less business with <b>Bank</b> in the next few years.	1	2	3	4	5	6	7
7. Take some of your business to a competitor that offers better prices.	1	2	3	4	5	6	7
8. Continue to do business with <b>Bank</b> if its prices increase somewhat.	1	2	3	4	5	6	7
9. Pay a higher price than competitors charge for the benefits you currently receive from <b>Bank</b> .	1	2	3	4	5	6	7
10. Switch to a competitor if you experience a problem with <b>Bank</b> 's service.	1	2	3	4	5	6	7
11. Complain to other customers if you experience a problem with <b>Bank</b> 's service.	1	2	3	4	5	6	7
12. Complain to external agencies, such as the Better Business Bureau, if you experience a problem with <b>Bank</b> 's service.	1	2	3	4	5	6	7
13. Complain to <b>Bank</b> 's employees if you experience a problem with <b>Bank</b> 's service.	1	2	3	4	5	6	7

Adapted from *The Behavioral Intention Battery* developed by Zeithaml, Berry, and Parasuraman in 1996.

**Appendix E**  
**Three-Part Survey Instrument (Thai Version)**

แบบสอบถามเกี่ยวกับคุณภาพการให้บริการของธนาคารและความตั้งใจที่จะใช้บริการของธนาคาร

นำ แบบสอบถามนี้ประกอบด้วยชุดคำถาม 3 ส่วน

1 เกี่ยวกับประวัติของผู้ตอบแบบสอบถาม ขอความกรุณาท่านตอบแบบสอบถามข้อ 1-7 โดยทำเครื่องหมาย X หน้าหัวข้อที่ตรงกับตัวท่านมากที่สุด สำหรับคำถามข้อที่ 8 ให้เติมตัวเลขลงในช่องว่าง

1.  ชาย  หญิง

2.  ปี

3. สถานภาพสมรส:

โสด/ไม่เคยแต่งงาน  แต่งงาน  แยกกันอยู่

หย่าร้าง  หม้าย

4. สถานภาพทางการทำงาน

งานประจำ  งานทำไม่เต็มเวลา

ไม่ได้ทำงาน/ไม่ได้กำลังหางาน ว่างงาน/กำลังหางาน

5. รายได้ (ต่อปี) ในกรณีที่ทำงานประจำ \_\_\_\_\_ บาท

6. ระดับศึกษา:

ระดับปริญญาโทขึ้นไป

ปริญญาตรี

ปี 1 ถึง ปี 3 ในระดับมหาวิทยาลัย

มัธยมศึกษาปลาย (สำเร็จมัธยมศึกษาปีที่ 6)

ระดับมัธยมศึกษาแต่ไม่จบมัธยมศึกษาปีที่ 6

ระดับมัธยมต้น

ต่ำกว่ามัธยมต้น

7. อาชีพ:

ผู้บริหารระดับสูง/เจ้าของกิจการขนาดใหญ่/ผู้ทำงานวิชาชีพในระดับสูง

ผู้จัดการ/เจ้าของกิจการขนาดกลาง/ผู้ทำงานวิชาชีพในระดับกลาง

หัวหน้างาน/เจ้าของกิจการขนาดย่อม/ผู้ทำงานวิชาชีพในระดับเล็ก

พนักงานขาย/ผู้ชำนาญในวิทยาการทางด้านใดด้านหนึ่ง/เจ้าของธุรกิจขนาดเล็ก

พนักงานที่ใช้ทักษะ

พนักงานที่ใช้ทักษะบางส่วนในการควบคุมเครื่องมือ

พนักงานที่ไม่ใช้ทักษะ

8. ระยะเวลา (เดือน/ปี) ที่คุณได้เปิดบัญชีกับทางธนาคาร \_\_\_\_\_

**ส่วนที่ 2** เกี่ยวกับความคิดเห็นของผู้ตอบแบบสอบถามที่มีต่อพนักงานบริการหน้าเคาท์เตอร์ฝาก-ถอน กรุณาตอบคำถามที่ท่านคิดว่าพนักงานของธนาคารได้ปฏิบัติต่อท่านโดยเลือกตัวเลข 1-7 ในแต่ละข้อความที่ตรงกับความรู้สึกของท่านมากที่สุด

ถ้าท่านเห็นด้วยอย่างยิ่งว่า ได้มีการให้บริการในเรื่องนั้น ให้ท่านวงกลมหมายเลข 7

ถ้าท่านไม่เห็นด้วยอย่างยิ่งว่า ได้มีการให้บริการในเรื่องนั้น ให้ท่านวงกลมหมายเลข 1

ท่านสามารถเลือกตัวเลขระหว่าง 1-7 ได้ ขึ้นอยู่กับความรู้สึกเห็นด้วยหรือไม่เห็นด้วยของท่าน ไม่มีคำตอบที่ถูกหรือผิด สิ่งที่คุณทำวิจัยต้องการคือตัวเลขที่สะท้อนถึงความรู้สึกของท่านที่มีต่อการให้บริการในแต่ละข้อ

	ไม่เห็นด้วย อย่างยิ่ง					เห็นด้วย อย่างยิ่ง	
	1	2	3	4	5	6	7
1. ธนาคารมีอุปกรณ์ที่ทันสมัย	1	2	3	4	5	6	7
2. ธนาคารมีสาขารูปโภคที่ดึงดูดใจ	1	2	3	4	5	6	7
3. พนักงานธนาคารมีการแต่งกายที่สุภาพเรียบร้อย	1	2	3	4	5	6	7
4. ธนาคารมีวัตถุประสงค์ประกอบการให้บริการที่ดึงดูดใจ	1	2	3	4	5	6	7
5. เมื่อธนาคารสัญญาที่จะทำอะไรบางอย่างในเวลาที่เหมาะสม พนักงานสามารถทำได้ตามที่สัญญา	1	2	3	4	5	6	7
6. เมื่อท่านมีปัญหา ธนาคารแสดงความจริงใจในการแก้ปัญหา	1	2	3	4	5	6	7
7. ธนาคารมีการบริการที่ดีและถูกต้องในครั้งแรก	1	2	3	4	5	6	7
8. ธนาคารสามารถให้บริการภายในเวลาที่ได้สัญญาไว้	1	2	3	4	5	6	7
9. ธนาคารไม่เคยสร้างข้อผิดพลาดในการทำธุรกิจกับท่านเลย	1	2	3	4	5	6	7
10. พนักงานธนาคารสามารถบอกท่านได้ว่า การบริการจะปฏิบัติเมื่อใด	1	2	3	4	5	6	7
11. พนักงานธนาคารให้บริการอย่างรวดเร็วทันที่ทันใจ	1	2	3	4	5	6	7
12. พนักงานธนาคารมีความเต็มใจที่จะช่วยเหลือ	1	2	3	4	5	6	7
13. พนักงานธนาคารไม่เคยที่จะไม่วางที่จะช่วยท่านเมื่อท่านขอเรื่อง	1	2	3	4	5	6	7
14. พฤติกรรมของพนักงานธนาคารสร้างความเชื่อมั่นให้แก่ท่าน	1	2	3	4	5	6	7
15. ท่านรู้สึกปลอดภัยเมื่อทำธุรกรรมกับทางธนาคาร	1	2	3	4	5	6	7
16. พนักงานธนาคารมีความสุภาพ อ่อนโยนกับท่านอย่างสม่ำเสมอ	1	2	3	4	5	6	7
17. พนักงานธนาคารมีความรู้เพียงพอที่จะตอบคำถามท่าน	1	2	3	4	5	6	7
18. ธนาคารให้ความสนใจเป็นรายบุคคล	1	2	3	4	5	6	7
19. เวลาทำการของธนาคารมีความสะดวกสบายแก่ลูกค้าทุกคน	1	2	3	4	5	6	7
20. ธนาคารมีพนักงานที่ให้ความเอาใจใส่ท่านเป็นการส่วนตัว	1	2	3	4	5	6	7
21. ธนาคารมีความสนใจต่อท่านอยู่ในใจเสมอ	1	2	3	4	5	6	7
22. พนักงานธนาคารเข้าใจถึงความต้องการที่แน่นอนของท่าน	1	2	3	4	5	6	7

ส่วนที่ 3 เกี่ยวกับความตั้งใจของผู้ตอบแบบสอบถามที่มีต่อธนาคาร กรุณาเลือกตัวเลข 1-7 ในแต่ละข้อความที่สะท้อนความตั้งใจของท่านที่มีต่อธนาคารมากที่สุด

ถ้าท่านวงกลมหมายเลข 7 หมายความว่าท่านมีแนวโน้มอย่างมากที่จะทำพฤติกรรมนั้นกับธนาคาร

ในทางตรงกันข้าม ถ้าท่านวงกลมหมายเลข 1 หมายความว่าท่านไม่มีแนวโน้มเลยที่จะทำพฤติกรรมนั้นกับธนาคาร

ท่านสามารถเลือกตัวเลขระหว่าง 1-7 ได้ ขึ้นอยู่กับระดับแนวโน้มของท่านที่จะทำหรือไม่ทำพฤติกรรมในข้อนั้นต่อธนาคาร ไม่มีคำตอบที่ถูกต้องหรือผิด สิ่งที่คุณาวัยต้องการคือตัวเลขที่สะท้อนถึงความรู้สึกของท่านที่มีต่อการให้บริการในแต่ละข้อ

ไม่เห็นด้วย  
อย่างยิ่ง

เห็นด้วย  
อย่างยิ่ง

1. ท่านจะพูดสิ่งดีเกี่ยวกับธนาคารต่อบุคคลอื่น	1	2	3	4	5	6	7
2. แนะนำธนาคารให้กับบุคคลอื่นที่เข้ามาปรึกษาท่าน	1	2	3	4	5	6	7
3. กระตุ้นให้เพื่อนหรือญาติมาใช้บริการหรือทำธุรกิจกับธนาคาร	1	2	3	4	5	6	7
4. พิจารณาธนาคารเป็นที่แรกในการใช้บริการ	1	2	3	4	5	6	7
5. ทำธุรกิจกับทางธนาคารมากขึ้นในช่วง 2-3 ปีข้างหน้า	1	2	3	4	5	6	7
6. ทำธุรกิจกับทางธนาคารน้อยลงในช่วง 2-3 ปีข้างหน้า	1	2	3	4	5	6	7
7. ใช้ธุรกิจกับธนาคารอื่นถ้าข้อเสนอดีกว่า	1	2	3	4	5	6	7
8. ยังคงใช้บริการธนาคารต่อไป ถ้าธนาคารเพิ่มข้อเสนอ	1	2	3	4	5	6	7
9. บริการที่ได้รับจากทางธนาคารในปัจจุบันมีค่าใช้จ่ายมากกว่าธนาคารคู่แข่ง	1	2	3	4	5	6	7
10. เปลี่ยนไปใช้บริการธนาคารอื่น ถ้าท่านมีปัญหาเกี่ยวกับทางธนาคาร	1	2	3	4	5	6	7
11. ท่านจะบ่นให้ลูกค้าคนอื่นฟัง ถ้าท่านมีปัญหาเกี่ยวกับทางธนาคาร	1	2	3	4	5	6	7
12. ท่านจะบ่นให้หน่วยงานที่เกี่ยวข้องกับธนาคารฟัง ถ้าท่านมีปัญหาเกี่ยวกับทางธนาคาร	1	2	3	4	5	6	7
13. ท่านจะบ่นให้พนักงานของธนาคารฟัง ถ้าท่านมีปัญหาเกี่ยวกับทางธนาคาร	1	2	3	4	5	6	7

**Appendix F**  
**IRB Approval**

*[Faint, illegible text, likely a stamp or signature]*



Principal Investigator: Chaiyaset Promsri

Project Title: Perceived Service Quality, Emphasizing Emphaty of Service Providers and Retention of Customers in a Banking Industry in Thailand

IRB Project Number 2005-001 :  
APPLICATION AND PROTOCOL FOR REVIEW OF RESEARCH INVOLVING HUMAN  
SUBJECTS OF NEW PROJECT: Convened Full-Board

**IRB ACTION by the CONVENED FULL BOARD**

Date of IRB Review of Application and Research Protocol 03/04/05

IRB ACTION: Approved  Approved w/provision(s)  Not Approved  Other

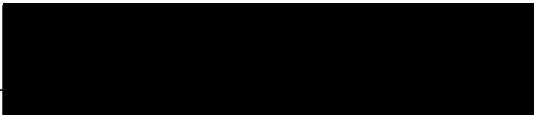
COMMENTS

Consent Required: No  Yes  Not Applicable  Written  Signed

Consent forms must bear the research protocol expiration date of 03/04/06

Application to Continue/Renew including an updated consent is due:  
For a Convened Full-Board Review, two Months prior to the due date for renewal

Name of IRB Chair (Print) Farideh Farazmand

Signature of IRB Chair  Date: 3/04/05

C.c. Dr. Joan Scialli

Lynn University  
3601 North Military Trail  
Boca Raton, Florida, 33431-5598

## Appendix G

### Permission Letter from Instrument Developers

*[Faint, illegible text, likely a watermark or bleed-through from the reverse side of the page.]*



**Subject:** RE: SERVQUAL and BIB Permission

**Date:** Mon, 29 Nov 2004 09:36:24 -0500

**From:** "Zeithaml, Valarie" [REDACTED]  View Contact Details

**To:** "Chaiyaset Promsri" [REDACTED]

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You have my permission to use the two instruments. You actually do not need permission because the scales are in the public domain.

Valarie A. Zeithaml  
Associate Dean for the MBA Program  
Roy and Alice H. Richards Bicentennial Professor of Marketing  
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[REDACTED]

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04/10/06 39800

