The Effects of Customer Expectation and Perceived Service Quality on Customer Satisfaction

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ABSTRACT : *The effect of the antecedents of satisfaction on customer satisfaction is an issue still under debate in the academic literature. Thus, the primary goal of this article is to analyze the relationship between two of the most important antecedents of customer satisfaction (namely customer expectation and perceived service quality) and customer satisfaction . Data were collected through a survey, including samples of 250 customers from the 5 Banks in Damascus, Syria . Spss is used to test the hypotheses. The finding show that customer expectation and perceived service quality have a positive effect on customer satisfaction . Bank managers must know how improvement in service quality influences customer satisfaction and what expectation levels they might consider to increase consumer satisfaction which ultimately retains valued customers.*

KEYWORDS : *Customer Expectation , Perceived Service Quality, Customer Satisfaction.*

I. INTRODUCTION

In today's competition conditions, which factors cause customer satisfaction, which variables change customer satisfaction in which ways and how these variables can be managed, for which segments which activities can be designed are the main questions that marketing managers must consider. Especially, if it is considered that gaining new customers create four times more costs than protecting existing customers from leaving, it can be seen that answers to these questions carry great importance for the firms (Grönroos,1996).A key motivation for the growing emphasis on customer satisfaction is that high customer satisfaction lead to a stronger competitive position resulting in higher market share and profit (Fornell, 1992). Customer satisfaction is also generally assumed to be a significant determinant of repeat sales, positive word-of-mouth, and customer loyalty. Satisfied customers return and buy more, and they tell other people about their experiences (Fornell, et al., 1996).Nevertheless, the academic literature continues to debate the effect of the antecedents of satisfaction on overall consumer satisfaction. Therefore, the main goal of this article is to analyze the relationship between the main antecedents of consumer satisfaction in banks services namely customer expectation and perceived service quality and customer satisfaction . Understanding how customer expectation and perceived service quality both variables influence the formation of consumer satisfaction is of crucial importance in entrepreneurial management.

II. LITERATURE REVIEW

Consumer Satisfaction:

Consumers' satisfaction has been considered one of the most important constructs (Morgan et al. , 1996; McQuitty et al. , 2000), and one of the main goals in marketing (Erevelles and Leavitt, 1992). Satisfaction plays a central role in marketing because it is a good predictor of purchase behaviour (repurchase, purchase intentions, brand choice and switching behaviour) (Oliver ,1993; McQuitty et al. , 2000). Fornell (1992) define satisfaction as "Overall evaluation after purchase" ,Oliver(1997) offered deeper definition of satisfaction ,stating that satisfaction is "the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment". Finally kotler (1997) defines satisfaction as follows "satisfaction is a person's feeling of pleasure or disappointed resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations".Consumer satisfaction research began in the marketing field in the 1970s and is currently based on the "disconfirmation of expectations paradigm" (Cadotte et al., 1987). This paradigm says consumer brand evaluation involves comparing actual performance with some standard. Three outcomes are likely:

(1) Confirmation, where performance matches standards, leading to neutral feelings.
(2) Positive disconfirmation, where performance is deemed better than standard, resulting in satisfaction.

(3)   Negative disconfirmation, where performance is deemed worse than standard, resulting in dissatisfaction. Therefore, it is commonly accepted that to determine satisfaction or dissatisfaction, comparisons must be made between customers' expectations and the perceived performance of the product or service (Yi ,1990).

Customer expectation : Customer expectation are pretrial beliefs about a product or service (Olson &Dover ,1979). In the absence of any information ,prior expectation of service will be completely diffuse .In reality ,however, customer have many source of information that lead to expectation about upcoming service encounters with a particular company. These source include prior exposure to the service ,word of mouth ,expert opinion ,publicity, and communication controlled by the company (e.g., advertising ,personal selling ,and price) , as well as prior exposure to competitive services (Zeithaml ,Berry, and Parasuraman ,1993). In the pre purchase stage ,expectation influence consumer decisions on which brand or type of product or service to buy .During consumption can be effected can be the attitude of service personnel ,other customer and equipment .In the post purchase stage ,expectation from the basis of evaluations of satisfaction (oliver ,1980).

A review of the literature suggest that consumers may use multiple types of expectation in their satisfaction evaluation process (Tse &Wilton,1988). However ,the types most often referred to are predictive expectation and normative expectation . Predictive expectation are generally define as consumer beliefs about the level of service that a specific service firm would be likely to offer. these expectations are frequently used as standard of service against which satisfaction judgment are made (Churchill & Surprenant,1982).Normative expectation are generally conceptualized as consumers ideals level of service which can be referred as desires too. this leads to following hypothesis :

H1: There is a positive relationship between customer expectation and customer satisfaction.

Service quality : Grönroos (1984) proposed the concept of service quality whereby service quality consists of two dimensions: technical quality which is the quality of what is delivered; e.g. the quality and effectiveness of loan procedures of the bank, and functional quality, which is the quality of how the service is delivered – the care and manners of the delivery personnel. Meanwhile, Fornell et al. (1996) defined two types of perceived quality, which are product quality and service quality. Perceived product quality is the evaluation of recent consumption experience of products while perceived service quality is the evaluation of recent consumption experience of associated service like customer service, conditions of product display, and the range of services and products. This study focuses on perceived service quality because the industry selected in this paradigm, i.e. banking industry, is a service industry (Levesque and McDougall, 1996).

Delivery of high service quality to customers offers businesses an opportunity to differentiate themselves in competitive markets (Yavas and Benkenstein, 2007). Service quality seems to lead to positive word-of mouth, lessening of complaint tendencies and continuity in bank-customer relationship (Caruana, 2002). Levesque and McDougall (1996) stated that high service quality results in customer satisfaction and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rates.Research by Cronin and Taylor (1992) validated prior research indicating that perceived service quality is an antecedent of customer satisfaction (Parasuraman, 1988; Parasuraman et al., 1985; Woodside et al., 1989). If clients' evaluations of past service quality is high, they will tend to evaluate the most recent service encounter as satisfactory. Based on Cronin and Taylor's (1992) asserted service quality was the antecedent of consumer satisfaction when the examined four service industries of banking, pest control ,dry-cleaning ,and fast food to investigate the relation of service quality to consumer satisfaction .This is study then proposes the impact of perceived service quality on customer satisfaction :
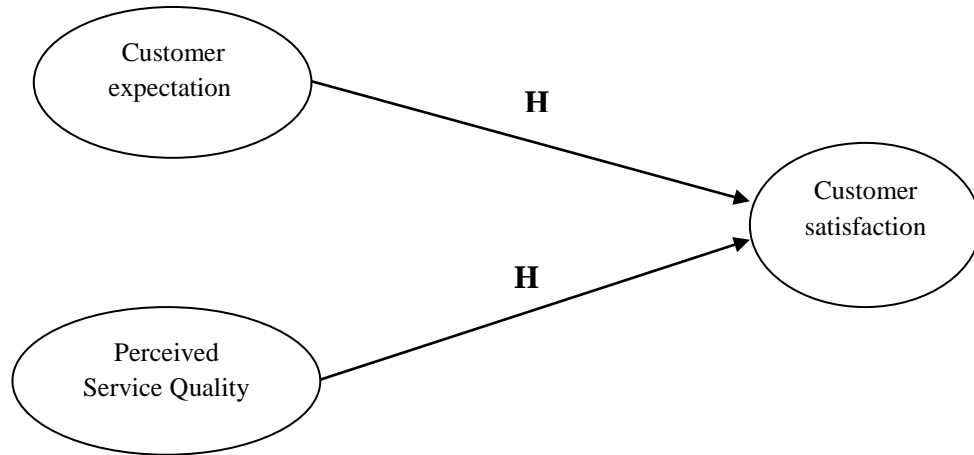
H2: There is a positive relationship between perceived service quality and customer satisfaction.

III. RESEARCH METHODOLOGY
Model ,Sampling design and data collection

Figure 1 provides a graphical summary of the conceptual framework that this study examines:

Figure 1
A Conceptual Framework For The Effect Of Customer Expectation And Perceived Service Quality On Customer Satisfaction

Data was collected through a survey of banks customers in Damascus, Syria . 7 banks in the city were invited to participate in the survey; 5 accepted the invitation. The sampling frame thus consisted of the customers of the volunteer banks only. A total of 300 survey forms were distributed. Among completed survey forms, excluding those with omissions or with randomly repeated answers, 250 usable responses were obtained, providing an acceptable level of response rate of 83 percent. Table (I) shows the community demographics .

Table I. Community demographics

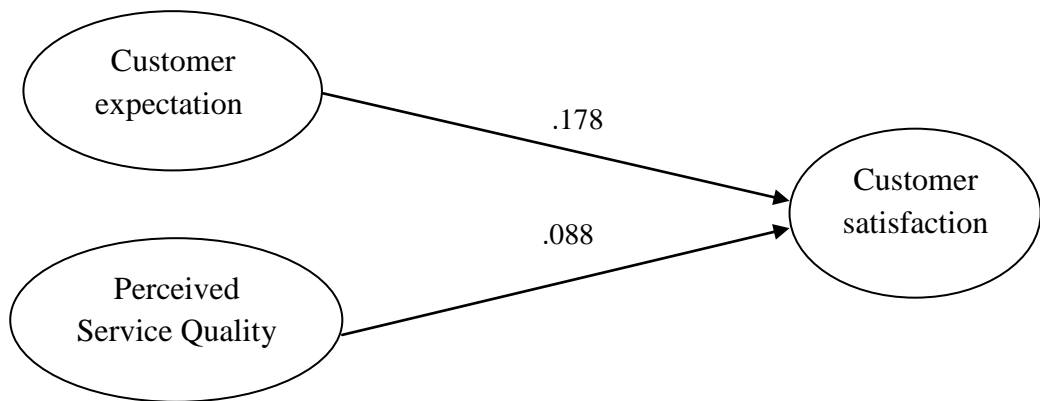|		**N**	**%**
Gender	Male	151	60.4
	Female	99	39.6
	Total	**250**	**100**
Income (SP)	None	16	6.4
	<10000	61	24.4
	10000-20000	87	34.8
	>20000	86	34.4
	Total	**250**	**100**
Age	20-25	42	16.8
	>25	208	83.2
	Total	**250**	**100**
Education level	Under graduate	23	9.2
	Post graduate	227	90.8
	Total	**250**	**100**

IV. METHOD OF DATA OBTAINMENT

The questionnaire items (Appendix) employed to collect data were adapted from Fornell et al. (1996)and Parasuraman et al. (1988). Each variable was measured using previously developed components of instruments that have demonstrated good psychometric properties. The study survey consisted of three sections: perceived service quality, measured using 22 items (SERVQUAL); customer expectations, measured using three items; customer satisfaction, measured using three items. Respondents are asked to indicate their agreement level of each item of the sections on the five-point Likert scale anchored by ˝strongly disagree (=1)˝ to ˝strongly agree (=5).˝.

Analysis of result

In this section we will evaluate the measurements scales used in the research and then we will use the regression analysis to proceed an estimation of the structural model. Figure 2 shows the estimation model with the standardized regression weights:

Figure 2. Theoretical model tested

We applied Cronbach's alpha statistic to measure the consistence of each item under the same construct (supplied by the SPSS).Table II reveals the composed reliability of independent and dependent variables. We can notice that all constructs have greater than the suggested value of 0.7 recommended by (Hair et al., 1998).

Table II. Construct reliability

Construct	Item number	Reliability
Customer Satisfaction	3	.807
Customer Expectation	3	.746
Perceived Service Quality	22	.910

Table III presents the result of the regression analysis. From the analysis of the determination coefficients of the structural equations show in table III, it was found that customer expectation has a positive effect on customer satisfaction (F = 54.143,significant at the p = 0.00) ,also perceived service quality has a positive effect customer satisfaction (F = 141.299 ,significant at the p = 0.00) .

Table III. Result of the structural model

Structural Equations	R²	B	F	Sig	Result
Customer Expectation ⟶ Customer Satisfaction	0.18	0.178	54.143	0.00	Supported
Perceived Service Quality ⟶ Customer Satisfaction	0.36	0.088	141.299	0.00	Supported

V. CONCLUSIONS AND IMPLICATIONS

The research results indicate that customer expectation has significant positive effect on customer satisfaction also perceived service quality has significant positive effect on customer satisfaction . The finding in this study consists with results of previous researches (Fornell et al ,1996; Chan et al ,2003; Lien-Ti Bei & Yu-Ching Chiao ,2001).It is critical for marketers to find out about their customers' expectations in advance because a failure to meet or exceed these expectations could lead to dissatisfaction and defection. In some instances, customers have well-formed expectations—for example, when they have a great deal of experience with a particular service or product. In other instances, expectations may be ill-defined, in which case asking customers to state expectations might help formulate or even create them. Banks should understand customer expectation to take effective actions to narrow the gap between customer expectation and recovery performance. Moreover ,The results of the current study illustrate that banks can at least assess five dimensions of service quality to ascertain the level of services provided, and to determine which dimensions need improvement. In addition , banks needs to strengthen customers' confidence and paying attention to the views of customers, their needs and problems they may encounter to reach a higher level of service. Bank managers also need effective recruitment and training program to: a) ensure that employees offer professional services, b) pay more attention to customer needs, and c) void revealing customer information to marketers.

VI. LIMITATION AND FUTURE RESEARCH

The study has been carried out in the Damascus city, where the income level and population density is very high as compare to rest of Syria except the other metropolitan cities; hence, the results are not necessarily generalizable for the whole country or other countries.This research focused on two variable (customer expectation, service quality) and its effect on customer satisfaction. However, the research did not study the association between customer satisfaction and retention of customers. Additional research may well explore the relationship between these two constructs. Moreover , we suggested that future research can investigate this study in other service organization.

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APPENDIX. QUESTIONNAIRE, VARIABLE ITEMS

Customer satisfaction :

[1]   Overall, how satisfied are you with bank services?

[2]   Considering your expectations, to what extent have these bank services fallen short or exceeded your expectations?

[3]   How close are the services offered by this provider to your ideal bank services?

Customer expectation :

[4]   What were your overall expectations of the quality of bank services?

[5]   What were your expectations of the extent to which these bank services would meet

[6]   your personal requirements?

[7]   What were your expectations of the reliability of these bank services?

Service quality (SERVQUAL):

Tangibles

[8]   Excellent banks have modern looking equipment

[9]   An excellent banks physical facilities are visually appealing

[10]   An excellent banks reception desk employees are neat in appearance

[11]   An excellent banks credit cars, cheques and similar materials are visually appealing

Reliability

[12]   When an excellent bank promises to do something by a certain time, it does so

[13]   When customers have problems employees in an excellent bank will be sympathetic and reassuring

[14]   An excellent bank performs the service right the first time

[15]   An excellent bank provides its services at the time it promises to do so

[16]   An excellent bank insists on error-free records

Responsiveness

[17]   Employees in an excellent bank tell you exactly when the services will be performed

[18]   Employees in an excellent bank give you prompt services

[19]   Employees in an excellent bank are always willing to help you

[20]   Employees in an excellent bank are never too busy to respond to customers questions

Assurance

[21]   Employees in an excellent bank insist confidence in customers

[22]   Employees in an excellent bank provide sufficient trust to customers placing confidence in employees in this respect.

[23]   Employees in an excellent bank always respect customers

[24]   Employees in an excellent bank have necessary knowledge to answer customers questions.

Empathy

[25]   An excellent bank gives customer individual attention

[26]   An excellent bank has working hours suitable for all customers

[27]   An excellent bank has employees who give customer personal attention

[28]   An excellent bank has customers best interest at heart

[29]   The employees of an excellent bank understand customer specific needs