

# The Effect of Service Quality Dimensions on Customer Satisfaction: A Case Study of Saderat Bank of Iran

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## Abstract

Caring customer opinions and paying attention to its beliefs not only leads to organization attachment, but also causes the customer feels a component of the organization; therefore, such satisfaction may also be the key to bank achievement. Thus, the objective of the present research is to study the relationship between quality of service dimensions and customer satisfaction in different branches of Saderat Bank in Shiraz. This is an applied research in term of objective and is a survey in term of data collection. Data were collected through using questionnaire. Moreover, variables' reliability was examined using Cronbach alpha coefficient. Data analysis and research hypothesis testing were conducted using SPSS software and t-student and binominal tests. Research findings indicate that all quality of service dimensions (quality of Service, customer accessibility, service characteristic/feature, and considering customer complaints) influence customer satisfaction in Saderat Bank branches.

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**Keywords:** Customer relationship management (CRM), customer satisfaction, quality of service, Saderat Bank.

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Cite this article: Razminia, E., Mirsardoo, S., Shabani, S., & Shafiee, H. (2016). The Effect of Service Quality Dimensions on Customer Satisfaction: A Case Study of Saderat Bank of Iran. *International Journal of Management, Accounting and Economics*, 3(3), 202-210.

## Introduction

Rapid development of communication and information technology as well as commercial competition between organizations and enterprises in attracting and maintain customer as the main source of competitive advantage of the present world led to emerging of a new science (knowledge) known as 'customer relationship management' (CRM). Today, customers are highly important in organizations such that product-oriented organizations are substituted by customer-oriented organizations. In this regard, customer relationship management in organizations is a typical commerce strategy. Most successful organizations emphasize that maintaining a sustained customer relationship may keep them firm and pioneer in the competition arena. This strategy differs in different organizations respecting to customer and organization requirements (needs) (Roosta, 2001).

On the other hand, as several suppliers provide the products with relative similar quality, many customers often faced multiple choices (selections) purchasing the required goods and services. Therefore, other qualitative features are also considered beside a product's physical characteristics and appearance. Satisfied customers serve as firms' profit source. The firms incapable of customer satisfaction may not survive long-term in the market. Constant high quality product supply and excellent customer service delivery lead to creating competitive advantages for company including making competitive barriers, customers' loyalty, production and supplying of different products, reduced marketing costs. Therefore, maintaining and extending customer relationships and trying to satisfy customer in all stages may increase an organization efficiency and efficacy in realizing customer-oriented objectives and in long-term may bring a loyal customer base. In this regard, the objective of this research is to study the effect of quality of service dimensions on customer satisfaction in Saderat Bank branches in Shiraz.

## Research theoretical framework

AT present, service sector majorly contributes in market of many countries; for instance, Kotler (2003) expresses that 79% of total practitioners work in service sector and 76% of gross national product (GNP) of US economy obtained by service sector. In addition, as stated by OECD (Organization for Economic Cooperation and Development), over 70% of people around the world operate in service sector. Gronroos (2001) defines quality of services as the amount of contrast between customer perception of service and its expectation. Zeithaml (1984) explains quality of services as customer's comprehensive judgment on the dominant nature of service comparing similar services. And finally, Othman and Owen (2002) clarify quality of services as a level of discrepancy between customers' perception and expectations from services. Further, customer relationships management and customer satisfaction, in this domain, are highly significant. In

marketing literature, similar definitions of CRM are presented, some of which are mentioned as follows:

Customer attraction, enhancement and relationship (Berry, 1983). The general process of creating and maintaining profitable relationships with customer is performed by delivering paramount value to customer and its satisfaction (Kotler and Armstrong, 2004).

Customer relationship management is a set of methods providing a firm, coherent and integrated view (perspective) of customers in the whole business scope to ensure that each customer receives the highest level of services (Karakostas et al., 2005).

Today, marketing managements recognize that CRM concentrates on creating long-term and sustained relationships with customer that create value for both parties i.e. the customer and the firm. CRM is not merely a technology; rather, indeed, it is a strategic procedure (Nguyen et al., 2007).

There are several definitions of customer satisfaction by marketing theorists. Kotler defines customer satisfaction as a level in which a firm real performance meets customer expectations. He believes that if firm's performance meets customer expectations, the customer will satisfy; otherwise, he feels dissatisfaction. The highly accepted definition of customer satisfaction by many scholars is as follows: customer satisfaction is the result of comparing the expected performance prior purchase to the perceived, real performance and the paid cost (Beerli et al., 2004).

Nowadays, an organization success or failure is determined based on customers' satisfaction of the products or services. Customer satisfaction causes increased customer loyalty; and consequently, loyal customers pay more costs for buying organization's products or services, encourage others to purchase from the organization and opt for higher costs in buying the organization products. Increased repurchasing may reduce customers' complaints. Satisfied customers are less sensitive to price, purchase further, and are less influenced by competitors and more loyal.

Jamal and Naser (2002) clarify customer satisfaction as a customer attitude or feeling about a product or service following it is used. They express that customer satisfaction is the main result of marketer activity serving as the connector in various steps of consumer's purchase behavior. For instance, if customers are satisfied by particular services, they probably would repurchase. Satisfied customers also presumably talk about their experiences with other people; as a result, they will be involved in positive word of mouth advertising; whereas, dissatisfied customers may probably disconnect from the firm and be involved in negative word of mouth promotions. Moreover, behaviors such as repurchasing and word of mouth promotions directly influence a firm's survival and profitability (Jamal & Naser, 2002).

Nowadays, people live in a context increasingly moves toward service-based economy. Services are no more negligible component of the economy; rather, they are considered as the heart of value in economy. The new concept of service delivering to customers embraces new definitions such that services are no more delivered by a small

unit in the organization headquarters; rather, the whole organization, from top managers to ordinary staffs all play a role in meeting (satisfying) the existing and potential customers' requirements. Customers are the world's focus. Management scholars regard customer satisfaction as firms' management significant responsibilities and priorities such that seniors' requirement of constant and sustained loyalty to customer satisfaction is taken as the success prerequisite.

One important requirement of progress in organizations and firms is to prioritize customer satisfaction. Yonggui Wang et al (2003), in a study on China banking industry, presented a model for the relationship between the quality of services and bank reputation. According to research findings, five dimensions of quality of services directly influence bank reputation. Further, bank reputation plays a significant role in determining purchasing and re-purchasing behaviors as well as customers' loyalty.

Brady and Robertson carried out a cross-cultural study to investigate the relationship between the quality of services and customer satisfaction. They intended to determine that whether the satisfaction and quality of services do similarly influence behavioral outcomes such as loyalty and verbal communication in different service context. Research results showed that in both communities- US and Ecuador- the quality of services, as an antecedent to customer satisfaction, leads to customer satisfaction. They claimed that the quality of services comprehensively and extensively precedes customer services in all communities. Moreover, this research also demonstrated that the quality of services better predicts the change in the behavioral outcomes comparing customer satisfaction (Brady & Robertson, 2001). According to earlier statements and research literature, research hypotheses are defined as follows:

#### *Research main hypothesis*

There is a significant relationship between quality of service dimensions and customer satisfaction in different branches of Saderat Bank.

#### *First sub-hypothesis*

There is a significant relationship between the quality of services and customer relationships in different branches of Saderat Bank.

#### *Second sub-hypothesis*

There is a significant relationship between customers' access to the delivered services by Saderat Bank branches and its customer satisfaction.

#### *Third sub-hypothesis*

There is a significant relationship between the feature of delivered services by Saderat Bank branches and customer satisfaction.

#### *Fourth sub-hypothesis*

There is a significant relationship between dealing with complaints and customers' satisfaction in Saderat Bank branches.

#### **Research methodology**

This study is an applied research in term of objectives and a survey in term of data collection. Research data were collected by a 25-item questionnaire surveying customers' opinions.

#### *Data analysis method*

Data were analyzed through SPSS software, and research hypotheses were tested by binominal and sample t-tests. In addition, model reliability was verified using Cronbach alpha coefficient. Primary filed data were collected by a5-scale Lykert questionnaire.

#### *Research statistical population and sample (participants)*

Research statistical populations were customers of Saderat Bank branches in Shiraz that were randomly selected by access random sampling method. Regarding indefinite statistical population, sample volume of 385 individuals was also measured by Cochran formula.

$$n = \frac{nt^2 pq}{nd^2 + t^2 pq}$$

327 of 385 distributed questionnaires were finally analyzed.

#### *Questionnaire reliability and validity*

The questionnaire's content validity was verified through face validity by using the opinions of experienced customer orientation experts and professionals. Questionnaire reliability was obtained through internal consistency and using Cronbach alpha coefficient 0.7546 indicating that the questionnaire reliability is accepted.

#### **Research findings**

#### *Main hypothesis*

**H<sub>0</sub>:** Applying customer relationship management in Saderat Bank branches does not influence customer satisfaction.

**H<sub>1</sub>:** Applying customer relationship management in Saderat Bank branches influences customer satisfaction.

The results of hypotheses testing by binominal test are shown in Table 1.

Table 1. Main hypothesis test result

Factor	Grouping	Number	Observed ratio	Test ratio	SIG
Customer satisfaction	Group 1 $\leq$ 3	235	0.72	50	0.000
	Group 2 $<$ 3	92	0.28		

Regarding statistical test results and according to the significant observed number zero that is less than the significant level of 0.05; thus, the null hypothesis is rejected at 95%. Therefore, it concludes that the two factors are dependent and influence each other.

*Testing first sub-hypothesis*

**H<sub>0</sub>**: Quality of service in Saderat Bank branches does not influence customer satisfaction.

**H<sub>1</sub>**: Quality of service in Saderat Bank branches influences customer satisfaction.

The results of one sample t-test on the quality of services are as shown in Table 2.

Table 2 First sub-hypothesis test result

Factor	Test Value = 3								
	No.	Mean	Mean SD	t	df	Sig.	MD	$\alpha = 0.5$	
Quality of service	327	3.124	0.301	4.155	326	0.000	0.012	0.703	0.189

According to t-test statistics of 4.155 and since significance level is less than 0.05; thus, the alternative hypothesis indicating that there is a relationship between these two factors is maintained.

*Testing second sub-hypothesis*

**H<sub>0</sub>**: Customers' accessibility to the services delivered by Saderat Bank branches does not influence customer satisfaction.

**H<sub>1</sub>**: Customers' accessibility to the services delivered by Saderat Bank branches influences customer satisfaction.

The results of one sample t-test of service accessibility factor are presented in Table 3.

Table 3 Second sub-hypothesis test result

Factor	Test Value = 3								
	No.	Mean	Mean SD	t	df	Sig.	MD	$\alpha = 0.5$	
Service accessibility	327	3.3285	0.4689	6.805	326	0.000	0.3294	0.2265	0.4145

As significance level is smaller than 0.05; thus, the null hypothesis is rejected and the alternative hypothesis is maintained.

*Testing third sub-hypothesis*

**H<sub>0</sub>:** The feature of services delivered by Saderat Bank branches does not influence customer satisfaction.

**H<sub>1</sub>:** The feature of services delivered by Saderat Bank branches influences customer satisfaction.

The results of one sample t-test are shown in Table 4.

Table 4 Third sub-hypothesis test result

Factor	Test Value = 3								
Service feature	No.	Mean	Mean SD	t	df	Sig.	MD	α= 0.5	
	327	3.052	0.587	2.64	326	0.008	0.149	0.39	0.271

Since significance level is less than 0.05; therefore, the factors influencing each other is accepted. According to confidence distance, it may be stated that null hypothesis is rejected by 95% confidence.

*Testing fourth sub-hypothesis*

**H<sub>0</sub>:** Dealing with customers' complaints in Saderat Bank branches does not influence customer satisfaction.

**H<sub>1</sub>:** Dealing with customers' complaints in Saderat Bank branches influences customer satisfaction.

Table 5 shows the results of one sample t-test of dealing with customers' complaints.

Table 5 Fourth sub-hypothesis test result

Factor	Test Value = 3								
Dealing with complaints	No.	Mean	Mean SD	t	df	Sig.	MD	α= 0.5	
	327	2.958	0.451	0.735	326	0.049	-0.339	- 0.118	0.048

Since significance level is less than 0.05; therefore, the null hypothesis is rejected at 95% confidence distance. Thus, dealing with customers' complaints and customer satisfaction influence each other.

**Discussion and conclusion**

One of the most important issues that organizations encounter in the present competitive conditions is to know the level of customer satisfaction and customers' opinions about organization performance, products and services. This is extremely critical in service organizations delivering intangible product to customers. Banks are one of the major monetary and financial market units mainly supply financial sources through equipped sources and directing and assigning them to various public and private



economic projects. Therefore, in the difficult competition context, timely and organized relationship with customers is the most proper way of increased sale and at the same time decreased costs. Hence, customer relationship management process (that is indeed customers' information gathering and integration process for more effective and purposed utilization) plays an effective role.

According to prior analysis, it may be stated that:

1. According to respondents, there is a direct, significant relationship between CRM and customer satisfaction in Saderat Bank branches in Shiraz.
2. According to respondents, in Saderat Bank branches in Shiraz:
  - Quality of service in Saderat Bank branches influences customer satisfaction.
  - Accessibility to services delivered by Saderat Bank branches influences customer satisfaction.
  - Service feature in Saderat Bank branches influences customer satisfaction.
  - Dealing with customers' complaints in Saderat Bank branches does not influence customer satisfaction (they have poor influence).

### **Further recommendations**

1. To share the knowledge among Saderat Bank staffs in order to enhance staffs' knowledge of customers and to more rapidly understand customers' needs
2. To hold workshops for staffs' empowerment in customer relationships
3. To reward staffs based on their performances in meeting customers' requirements and delivering successful services

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