

SERVICE BEYOND BANKING: A STUDY ON THE DETERMINANTS OF CUSTOMER PATRONAGE IN NIGERIAN DEPOSIT MONEY BANKS, WITH A FOCUS ON RIVERS STATE

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Abstract

In the fiercely competitive Nigerian banking industry, delivering quality services to customers is essential for retaining them. Dissatisfied customers may switch to other banks with better service offerings, causing banks to lose out on patronage. This study aimed to determine the relationship between service quality delivery and customer patronage in the Nigerian banking industry, specifically in Port Harcourt. The study used the dimensions of service quality - service responsiveness and service reliability - as espoused by Zeithaml et al. (2006), and customer patronage was measured through customer loyalty and referral. The Social Exchange Theory was used as the theoretical framework to explain human communication, relationship formation, bonding, and community building. The study used a correlation survey research design and administered questionnaires to 22 registered deposit money banks in Rivers State. The data collected were analyzed using Spearman Rank Order Correlation, and the results showed a significant relationship between service responsiveness, service reliability, and customer patronage. The study's findings further support existing literature that customers' satisfaction with service delivery influences their patronage of financial institutions.

Keywords: Service quality delivery, customer patronage, service responsiveness, service reliability.

INTRODUCTION

Banks are more likely in a position to catch the attention of new customers due to enhanced or excellent service quality as well as their capability to promote these improvements (Johnston & Clark, 2001). Rizan et al. (2014) posited that customer satisfaction completely depends on how the customer rates the quality of services provided to him or her in relation to his or her expectation. If the quality of services offered by a firm matches his or her expectations, the customer is said to be satisfied and vice versa. Daisy (2014) agreed with this point of view stating that a customer will be satisfied if the service rendered by a company matches his or her expectations, and dissatisfied if the services offered fall short of his or her expectation. When the customer is satisfied, it will lead to continuous patronage.

Customer patronage has been regarded as a fundamental determinant of long term customer behaviour. Ting (2004) submitted that the more satisfied customers are, the greater their patronage, the positive word of mouth generated through them and the financial benefits to the firms who serve

them. It is not surprising therefore that the fundamental aim of firms is to seek to manage and increase customer satisfaction at least in this era of competitive global banking.

Service quality delivery is designed to satisfy customers by means of innovating service delivery and as a result stretching out firms' service range. Banks should understand their targets and deal with these targets in a proper way. In order to attain excellent service positioning, service firms need to deliver services and products by means of distribution techniques in new innovative ways that make use of their unique competencies like knowledge and skills. In fact, the innovative usage of delivery methods is a lot more turning into a completely new resource for differentiation and innovation for firms (Wiertz, 2004; Chen & Huang, 2009).

Statement of the Problem

No doubt, the Nigerian banking industry is highly competitive and all key players in the industry are faced with the challenge of satisfying their customers with a view to retain them. The rate at which bank customers switch from one bank to another is very high. Adewoye (2013) identified the major reason behind the high switching rate of bank customers in Nigeria. According to him, many bank customers switch from one bank to another due to their dissatisfaction with the service delivery of banks. This implies that bank customers switch from one bank to another in search of more satisfactory service delivery. The frequency with which bank customers switch to other banks has become a cause of worry to the affected banks, and this situation presents a dilemma as many banks are now forced to revolutionize strategies to satisfy their customers, hence the need of this study—Service Quality Delivery and Customer Patronage—to proffer solution to banks.

Conceptual Framework

In this study, the service quality delivery is classified as the independent or predictor variable having its dimensions as service responsiveness and service reliability, while customer patronage is the dependent or criterion variable having its measures as customer loyalty and referral, as shown in Figure 1.1 below:

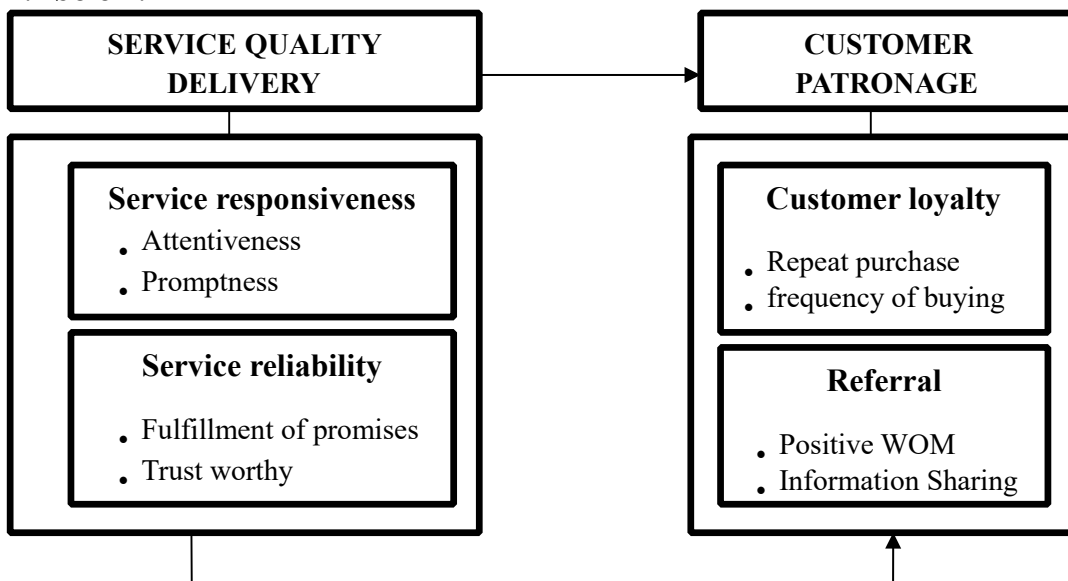


Fig.1.1: Conceptual Framework of Service Quality Delivery and Customer Patronage

Source: Parasuraman, Zeithami and Berry (1985)

Aim and Objectives of the Study

The main aim of this study is to ascertain the relationship between service quality delivery and customer patronage of deposit money banks in Port Harcourt. Specifically, this study is guided by the following objectives:

- i. To determine the extent of relationship between service responsiveness and customer patronage of deposit money banks in Port Harcourt.
- ii. To evaluate the extent of relationship between service reliability and customer patronage of deposit money banks in Port Harcourt.

Research Questions

The following research questions were formulated to guide the study:

- i. To what extent does service responsiveness relate with customer patronage of deposit money banks in Port Harcourt?
- ii. To what extent does service reliability relate with customer patronage of deposit money banks in Port Harcourt?

Research Hypotheses

The following hypotheses were developed to guide the study:

H₀₁: There is no significant relationship between service responsiveness and customer loyalty of deposit money banks in Port Harcourt.

H₀₂: There is no significant relationship between service responsiveness and referral of deposit money banks in Port Harcourt.

H₀₃: There is no significant relationship between service tangibility and customer loyalty of deposit money banks in Port Harcourt.

H₀₄: There is no significant relationship between service reliability and referral of deposit money banks in Port Harcourt.

REVIEW OF RELATED LITERATURE Concept of Service Quality Delivery

The conceptualization of service quality has its roots in the expectancy disconfirmation theory; so the evaluation of service quality delivery results from comparing the perception of service received to prior expectation of what the service should provide (Choi et al., 2004).

Service quality delivery is defined as the difference between customer expectation of the service delivery and the outcome of the delivery. If the service rendered by an organization meets customer expectation, the customer will consider the service to be of high quality delivery and when the customer expectation is not met by the service rendered, then the service delivery is said to be poor. Basically, the quality of service varies from one service industry to another but Parasurman et al. (2014) believes that the key determinants of service quality are tangibility, reliability, responsiveness, assurance and empathy. As said by VilhoRainsanen (2003), service quality is a focused evaluation that reflects the customers' perception of reliability, assurance, responsiveness, empathy and tangibility. Also service quality is determined by the difference between expected service and perceived service from companies to

customers (Zeithaml, 2000). Oliver (1993) submitted that quality is an easygoing precursor of consumer loyalty since organization quality is seen at the esteem based stature and satisfaction is seen to be an approach.

In marketing, the theory of business development and service management is necessary to understand the needs and wants of customers, what they evaluate and are really looking for (Gronroos, 1988; Kotler & Armstrong, 2007). The critical factor of business is customers' satisfaction that leads to loyalty, repurchase intention, and even to others via word of mouth (Kotler & Armstrong, 2007). Firms need to understand the experience of customers and their perception of the service used to provide better services in order to attain the satisfaction of current customers and acquire new customers. For this purpose, the firm needs a comprehensive model to measure the customers' perception on the service quality. This model must be able to make a tangible and measurable perception of customers about an intangible service which requires such a hard work and needs strong theoretical and empirical research.

Dimensions of Service Quality Delivery

Service quality delivery is dimensionalized using various variables. However, this study adopted the dimensions of service quality as espoused by Zeithaml et al. (2006). They dimensionalized service quality delivery using variables such as service responsiveness, service tangibility and service reliability. These dimensions are discussed below:

Service Responsiveness

This is the zeal to help customers and to provide prompt service delivery to customers. This dimension emphasizes attentiveness and promptness in dealing with customers' requests, complaints, and problems. Responsiveness is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs (Zeithaml et al., 2006).

To excel on the dimension of responsiveness, the company must view the process of service delivery and the handling of requests from the customer's point of view rather than from the company's point of view (Zeithaml et al., 2006). It highlighted that the responsiveness of willing employees involves telling customers exactly when things will be done, giving them undivided attention, promoting services, and responding in accordance with their requests. This requires the eagerness of workers to give benefit. In dealing with customers' requests or orders, firms need to be diligent in offering their services. In responsiveness, hotels need to offer their services from customers' view point rather than the hotels' perspective (Zeithami et al., 2006).

Service Reliability

Being reliable is key in service organizations. Reliability is defined as the ability to perform the promised service dependably and accurately. In its broadest sense, reliability means that a bank delivers on its promises—about delivery, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes (Zeithami et al., 2006).

Reliability is vital to make customers to trust that the company will perform what it has promised to deliver. It also attracts credibility to the company. The ability to perform the service dependably and

accurately is important, for example, the consistency in meeting service promises which could include timing in terms of completing tasks and prompt appointments. Reliability covers such things as being efficient in check-in process, showing on time performance for scheduled bookings. Reliability refers to the ability to deliver expected standards at all times, how the organization handles customer services problems, performing right services at the first time, providing services within the promised time and maintaining an error-free record (Zeithami et al., 2006).

Measures of Customer Patronage Customer Loyalty

Loyalty refers to the repeated use of companies' products and services by customers and the consistent purchase pattern even in changing business scenarios (Toyese, 2014). Customer loyalty is the likelihood that existing and previous customers will continue purchasing from a specific company. Marketing and customer service departments of many companies spend significant resources on customer loyalty. In other words, they give great attention to retaining existing customers. Oliver (2009) defines loyalty as "a deeply held commitment to rebuild and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviours."

Referral

Customer referral programs are a form of stimulated WOM that provides incentives to existing customers to bring in new customers. An important requirement for such programs is that individual purchase or service histories are available so the firm can ascertain whether a referred customer is indeed a new one, rather than an existing or a former customer (Schmitt et al., 2011).

Referral programs have three distinctive characteristics. First, they are deliberately initiated, actively managed, and continuously controlled by the firm, which is impossible or very difficult with organic WOM activities such as spontaneous customer conversations and blogs. Second, the key idea is to use the social connections of existing customers with non-customers to convert the latter. Third, to make this conversion happen, the firm offers the existing customer a reward for bringing in new customers (Schmitt et al., 2011).

Theoretical Framework

The research is anchored on Social Exchange Theory.

Social Exchange Theory (SET)

Social Exchange theory (SET) has its origin traceable to behavioural psychology (Skinner, 1950). The social exchange theory holds that a basic motivation for interaction is the seeking of rewards and avoidance of punishment (Enerson, 1978). As such, social exchange theory argues that attitudes and behaviours are determined by the rewards of interaction minus the penalty. This implies that rewarding customers for a particular positive action leads to intention to repurchase. The theory mainly uses a cost-benefit framework and comparison of alternatives to explain how human beings communicate with one another, how they form relationships and bonds, and how communities are formed through communication exchange (Homans, 1958). The theory states that individuals engage in behaviors they find rewarding and avoid behaviors that have too high a cost. In other words, all social behaviors are based on each actor's subjective assessment of the cost benefit of contributing to a social exchange.

Though obvious, for more research is needed to test the validity of such groupings, segmenting users as to their exchange behaviors has a certain level of face validity.

Empirical Review

S/N	Author and Date	Title	Location	Findings
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1	Oladele et al. (2019)	"The influence of facilities on customer patronage amongst selected hotels"	quality SouthWestern region Nigeria	Findings showed that of quality of facilities is positive and significantly related to customer patronage of hotels and it was concluded that customer patronage is a function of the good access road, constant electricity, constant water supply, basic security facilities and convenient parking space.
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2	Amadi-Ofu (2018)	E-service quality and Port patronage of Harcourt deliveries by increasing their outlines infrastructures which will stimulate willingness and actual purchase <u>electronically or online.</u>		The study findings were customer service firms airlines should improve on the services
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3	Akekue-Alex and Kalu (2016)	Positioning strategies and customer patronage of State between all positioning strategies (customer assortment and customer patronage).	Rivers	The result revealed that there was no significant fast food firms relationship expectation location, service quality and
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METHODOLOGY

This study adopted the correlation survey research design. The target population of this study comprised 22 registered deposit money banks in Rivers State through the Central Bank of Nigeria. Given a population of 22 banks, which is less than thirty (30), the study adopted a census approach and undertook a study of the entire 22 banks with a focus on the staff (marketing and sales personnel). To generate data for the study, two hundred and twenty (220) copies of questionnaires were given to the twenty-two registered banks in the frame of ten (10) copies per bank. The questionnaire was structured in a four (4) point likert scale. The data collected through the questionnaire were analyzed using Spearman Rank Order Correlation through the aid of SPSS, version 21.0.

DATA ANALYSIS AND RESULTS Questionnaire Distribution and Retrieval

No. of Questionnaire Issued	No. of Questionnaire Returned	%
220	195	75

Source: Survey data, 2022

From the table, it was observed that out of the two hundred and two (220) copies of questionnaires administered to the respondents, one hundred and ninety-five (195) copies were returned, which represents 75% collection rate.

Bivariate Analysis

Test of Hypothesis One (1)

There is no significant relationship between service responsiveness and customer loyalty of deposit money banks in Rivers State.

Correlations

		Service Responsiveness	Customer Loyalty
Service Responsiveness	Correlation Coefficient	1.000	.667
	Spearman's rho	.	.219
Customer Loyalty	N	195	195
	Correlation Coefficient	.667	1.000
	Sig. (2-tailed)	.219	.
	N	195	195

Source: SPSS Output, 2022

The result from the SPSS analysis shows the relationship between service responsiveness and customer loyalty. Spearman's correlation coefficient indicates a strong association between these two variables ($P=0.667$). The test of significance indicates that with $P .219 > 0.05$, we can reject the null hypothesis which states that, there is no significant relationship between service responsiveness and customer loyalty of deposit money banks in Rivers State.

Test of Hypothesis Two (2)

Ho₂: There is no significant relationship between of service responsiveness and referral of deposit money banks in Rivers State.

Correlations

		Service Responsiveness	Referral
Service Responsiveness Spearman's rho Referral	Correlation Coefficient	1.000	.973**
	Sig. (2-tailed)	.	.005
	N	195	195
	Correlation Coefficient	.973**	1.000
	Sig. (2-tailed)	.005	.
	N	195	195

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output, 2022

The result from the SPSS analysis showed the relationship between service responsiveness and referral. Spearman's correlation coefficient indicates a strong association between these two variables ($P=0.973$). The test of significance indicates that with $P < 0.01$, we can reject the null hypothesis that states that there is no significant relationship between service responsiveness and referral of deposit money banks in Rivers State.

Test of Hypothesis Three (3)

There is no significant relationship between service reliability and customer loyalty of deposit money banks in Rivers State.

Correlations

			Service reliability	Customer loyalty
Correlation Service reliability Coefficient Sig. (2-tailed) N Spearman's rho Correlation Coefficient Customer loyalty Sig. (2-tailed) N			1.000	.791
			.	.111
			195	195
			.791	1.000
			.111	.
			195	195

Source: SPSS Output, 2022

The result from the SPSS analysis showed the relationship between service reliability and customer loyalty. Spearman's correlation coefficient indicates a strong association between these two variables ($P=0.791$). The test of significance indicates that with $P > 0.05$ we can reject the null hypothesis which states that there is no significant relationship between service reliability and customer loyalty of deposit money banks in Rivers State.

Test of Hypothesis Four (4)

Ho₄: There is no significant relationship between service reliability and referral of deposit money banks in Rivers State.

Correlations

		Service Reliability	referral
Service Reliability	Correlation Coefficient	1.000	1.000**
	Sig. (2-tailed)	.	.
	N	5	5
	Spearman's rho		
Referral	Correlation Coefficient	1.000**	1.000
	Sig. (2-tailed)	.	.
	N	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output, 2022

The result from the SPSS analysis showed the relationship between service reliability and referral. Spearman's correlation coefficient indicates a very strong association between these two variables ($P=0.1000$). The test of significance indicates that with $P < 0.01$, we can reject the null hypothesis that states that there is no significant relationship between service responsiveness and referral of deposit money banks in Rivers State.

Discussion of Findings Service Responsiveness

The tested hypotheses revealed a strong and significant relationship on customer loyalty and referral. We therefore rejected the null hypothesis and accepted the alternate hypothesis. This finding was supported by Parasuraman et al. (1985), who submitted that service responsiveness requires the eagerness of workers to give benefits.

Service Reliability

The tested hypotheses showed a strong and significant effect on customer loyalty and referral. With this result, the null hypothesis was rejected and the alternate hypothesis was accepted. This finding was supported by Amadi-Ofu (2018) who said that service firms should improve on the service deliveries, which will stimulate willingness, trust and actual purchase.

CONCLUSION

The study sought to establish a relationship between service quality delivery and customer patronage of deposit money banks in Port Harcourt. The study therefore concluded that effective service quality delivery is a panacea for customer patronage. Dimensions of service quality delivery and customer patronage as used in the study were discussed elaborately. The result of the test of hypotheses shows that service quality delivery has a strong, positive and significant relationship with customer patronage. Thus, customer patronage is as a result of service responsiveness and service reliability.

Recommendations

1. Deposit money banks in Nigeria, particularly those in Rivers State should be responsive in terms of their service delivery as it would enhance customer patronage.
2. Deposit money banks in Rivers State should provide quality and reliable services as it would increase customer retention and customer referral.

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