

Linking Banking Service Quality to Customer Loyalty: Two Levels Perspective



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Abstract The present paper analyzes service quality, customer satisfaction, and customer loyalty in the retail banking context in North Macedonia, emphasizing the two levels perspective of customer loyalty, i.e. at bank and at employee level. A survey on a sample of 786 respondents was performed and further structural equation modeling was conducted. In the research model service quality dimensions and customer satisfaction were analyzed as crucial antecedents of customer loyalty on both levels (loyalty to bank and loyalty to employees). Additionally, customer satisfaction was analyzed as a mediator in the relationship between service quality dimensions and customer loyalty. The results revealed that loyalty to employee is significantly determined by intangibles, followed by pricing, both mediated by customer satisfaction. Loyalty to bank is directly influenced by tangibles, while only indirectly affected by intangibles and pricing through customer satisfaction. At the same time, customer satisfaction is a significant predictor of both types of loyalty, additionally mediating the relationship between loyalty to employees and loyalty to bank. The present study contributes to the research corpus in this area by providing more comprehensive understanding of customer loyalty and its antecedents. The two levels perspective of customer loyalty adds further to the value of this research.

Keywords Customer satisfaction · Loyalty to employee · Loyalty to bank · Retail banking · Service quality

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1 Introduction

Contemporary marketing perspectives are increasingly focusing on relationship building aspects (Olavarría-Jaraba et al., 2018) as a feature of defensive marketing strategies. In the banking sector, the increased competition and the homogeneity of products have led banks to focus on developing strategies for customer retention and loyalty. One of the alternative strategies is to deliver high service quality (Hossain et al., 2015) which is not only the key to success (Meesala & Paul, 2018), but also a driver of company performance (Caruana, 2002; Hu et al., 2009). Although today's banking sector is characterized by continuous technological advancements, the demand for personalized services is constant (PricewaterhouseCoopers, 2020) while the service quality remains the key for differentiation and for attaining competitive advantage (Asif et al., 2016; Alam & Noor, 2020).

The satisfactory level of service quality enhances customer retention and customer loyalty in terms of reducing complaints and price sensitivity, as well as by reducing the propensity to share negative word-of-mouth communication and to shift to competitors (Zeithaml, 2000). It is considered that "it is five times more expensive to acquire a new customer than to retain an existing customer" (Zeithaml, 2000, p. 75) and therefore loyal customers are crucial asset for any company (Shankar & Jebarajakirthy, 2019). Indeed, the importance of customer loyalty lies in the fact that it is associated with the continued survival of the company and the strong future growth, especially in the face of fierce competition and market saturation. Therefore, the relevance of customer loyalty and the need to understand this concept resulted in growing research attention (Caruana, 2002; Rai & Medha, 2013; Ferreira et al., 2015; Bhat et al., 2018), mainly focused on analyzing perceived service quality and customer satisfaction as antecedents of customer loyalty (Homburg & Giering, 2001; Caruana, 2002; Makanyeza & Chikazhe, 2017; Coetzee & Coetzee, 2019). Still, there is a lack of studies researching these concepts and their relationships in the context of retail banking in developing economies, contrary to the amount of work centered in developed countries, mostly in the USA and European banking context (Paul et al., 2016). Also, there are limited studies investigating the influence of service quality on customer loyalty analyzed as both person-to-person loyalty and person-to-company loyalty (Wong & Sohal, 2003), particularly in developing context. Since customers assess bank performance, largely, on the basis of their personal contact and employee interactions (Grönroos, 1990; Hossain & Leo, 2009), investigating loyalty at employee level becomes an important topic for analysis.

This study contributes to the previous research through addressing several gaps in existing literature at once. First, customer loyalty is analyzed at two levels: person-to-company level (bank level) and person-to-person level (employee level), as well as the relationship between them. This adds to the value of this research as authors are not aware of their application in the retail banking context. Next, this study analyzes the antecedents of customer loyalty in terms of service quality as a multidimensional concept and customer satisfaction. Finally, the mediating roles

of customer satisfaction and loyalty at interpersonal level are analyzed in the relationship between service quality dimensions and loyalty at company level.

The remainder of the paper is structured as follows: In the next section theoretical background about the analyzed concepts is provided. Further, the conceptual model and the research hypotheses are presented. Then the authors explain the research method used and the results from the study are presented. In the last section a discussion of the findings is provided, given the theoretical and practical implications and the research limitations of the study.

2 Theoretical Background

2.1 Customer Loyalty

Customer loyalty is a complex concept and there is no consensus among researchers regarding its conceptualization and operationalization. In the past, customer loyalty has been equated with customer retention (Zeithaml et al., 1996). Such conceptualization does not explain the psychological aspects and reasons for customer loyalty. Often, customers continue to buy from the company not because they have strong preferences, but simply because they are inert, have high costs to change the company, or because of some other barrier to change. In this regard, Dick and Basu (1994) point out that true loyalty is based not only on the high level of repurchase, but also on the positive relative attitudes of customers regarding the affective brand rating.

Oliver (2010) offered a comprehensive definition of customer loyalty as “a strong commitment to consistently repurchase/use a preferred product/service in the future, regardless of the environmental impact and marketing efforts that create the potential for behavioral change” (p. 432). The conceptualization of loyalty as a combination of behavioral and attitudinal dimensions has been supported by a number of authors (Bennett & Bove, 2002; Wong & Sohal, 2003).

In regard to this, the most commonly used measures for operationalization of customer loyalty are repurchase intentions (Cronin & Taylor, 1992; Fornell et al., 1996; Zeithaml et al., 1996; Bloemer et al., 1999); intentions to recommend the company to friends (Bei & Chiao, 2006; Baumann et al., 2007); price indifference, i.e. the willingness of customers to pay more (Fornell et al., 1996; Zeithaml et al., 1996; Bloemer et al., 1999); customer complaints (Bloemer et al., 1999; Zeithaml et al., 1996); word-of-mouth communication (Bloemer et al., 1999), etc.

Beyond this, Iacobucci and Ostrom (1996) and Reynolds and Arnold (2000) argued that loyalty built on individual-to-individual relationships is different than loyalty built on individual-to-firm relationships. Macintosh and Lockshin (1997) empirically demonstrated discriminant validity between commitment to salesperson, i.e. loyalty at interpersonal level and loyalty at store (company) level. Moreover, according to Beatty et al. (1996), given that in retail environment customers prefer personalized services, their primary loyalty is not to the store, but to the retail sales

employees. Prior studies suggested that loyalty to the salesperson is positively related to loyalty to the company in the retail context (Reynolds & Arnold, 2000; Wong & Sohal, 2003). Certainly, the interpersonal relationships play an important role in retail contexts and consequently in retail banking contexts.

2.2 *Service Quality*

Although service quality literature has evolved over the years, there is no precise definition that fully explains the concept of service quality. Nevertheless, it is generally accepted that service quality should be defined and measured from a customer perspective (Grönroos, 1984; Parasuraman et al., 1985; Rust & Chung, 2006; Golder et al., 2012) and that service quality is a multidimensional concept (Parasuraman et al., 1985, 1988; Cronin & Taylor, 1992; Kang & James, 2004).

Traditionally, the service quality theory is based on the literature about product quality and customer satisfaction (Brady & Cronin, 2001), and it actually derives from the expectancy disconfirmation paradigm (Oliver, 1980). The definitions of service quality generally come from the idea that this concept is the result of a comparison between the expectations of customers for the service and their perceptions of how the service is performed (Grönroos, 1984; Parasuraman et al., 1985, 1988; Lehtinen & Lehtinen, 1991; Caruana et al., 2000).

Based on the assumption that perceptions that exceed the expectations of customers will result in a positive disconfirmation and a satisfactory level of service quality Parasuraman et al. (1985, 1988) developed the SERVQUAL instrument which is the most widely applied in studies that measure service quality in different service sectors, as well as in banking (Gerhard et al., 1997; Caruana, 2002; Wei, 2009; Kheng et al., 2010; Kumar et al., 2010; Malik et al., 2011; Siddiki, 2011; Hanzae & Nasimi, 2012).

SERVQUAL comprises five service quality dimensions, i.e. (1) tangibles; (2) reliability; (3) responsiveness; (4) assurance; and (5) empathy (Parasuraman et al., 1988). Tangibles and reliability refer to the appearance and effectiveness of the company as a whole, while the other three dimensions have a personal component, because they reflect the behavior and attitude of the employees in the company. Regarding the relative importance of these dimensions, empirical evidence has shown that human performance plays a major role in consumer perceptions of service quality. Thus, reliability, which often depends on the human factor, is identified as the most important dimension, followed by responsiveness, assurance, and empathy (Parasuraman et al., 1988).

Although the SERVQUAL dimensions represent five conceptually different aspects of service quality, they are interrelated (Parasuraman et al., 1991). In further research, the overlaps between the identified dimensions were found, especially between reliability, responsiveness, and empathy (Parasuraman et al., 1994; Gerhard et al., 1997; Yap & Sweeney, 2007; Wei, 2009). Despite the attempts of some authors to identify generic dimensions of service quality, empirical research shows

that service quality dimensions vary across different cultural (Malhotra et al., 2005) and service contexts (Babakus & Boller, 1992).

Some authors claim that SERVPERF scale which was developed based on SERVQUAL (Cronin & Taylor, 1992, 1994), using only perception items, has higher explanation power than SERVQUAL in measuring service quality (Babakus & Boller, 1992; Cronin & Taylor, 1992; Dabholkar et al., 2000). Although the SERVPERF has not reached the mass application of the SERVQUAL, a number of studies confirm the superiority of measuring service quality based solely on performance (Zeithaml et al., 1996; Cronin et al., 2000; Dabholkar et al., 2000; Lee et al., 2000; Andronikidis & Bellou, 2010). In this study, service quality is measured by using only perception items, i.e. SERVPERF instrument.

2.3 Customer Satisfaction

Customer satisfaction is a widely researched concept in consumer behavior and marketing studies (Hossain et al., 2015; Makanyeza et al., 2016) since it is an important aspect in building long-term relationships with customers (Ciunova-Shuleska & Palamidovska-Sterjadovska, 2019). Although customer satisfaction is analyzed as a separate construct from service quality (Dabholkar et al., 2000), they are highly related concepts. Regarding the time focus, it is generally considered that the nature of customer satisfaction is based on an individual transaction, while the service quality is a cumulative assessment (Cronin & Taylor, 1992; Oliver, 1981; Parasuraman et al., 1988). Moreover, some authors apply a cumulative perspective in analyzing customer satisfaction (Anderson & Fornell, 2000; Anderson et al., 1994), explaining it as “a full score based on the total experience related to buying and using a product or service over time” (Anderson et al., 1994, p. 54).

The customer satisfaction literature is based on the expectancy disconfirmation paradigm (Oliver, 1980) which means that when performance exceeds expectations, a positive disconfirmation occurs that leads to customer satisfaction, while performance that falls short of expectations results in a negative disconfirmation and customer dissatisfaction (Oliver, 1980). In addition, Oliver (2010) adds that customer satisfaction is an evaluation of the level of fulfillment of customer needs (satisfactory level, lower or higher level) provided through the product/service and its characteristics. Based on the cumulative perspective in analyzing customer satisfaction, it is explained as “a full score based on the total experience related to buying and using a product or service over time” (Anderson et al., 1994, p. 54).

3 Hypotheses Development

3.1 *Service Quality and Customer Satisfaction*

Service quality is the main antecedent of customer satisfaction (Wu, 2014) and the research studies done in the past confirmed the positive relationship between service quality and customer satisfaction in different industries (Lee et al., 2000; Gong & Yi, 2018; Ghobehei et al., 2019), as well as in the retail banking sector (Ladhari et al., 2011; Janahi & Al Mubarak, 2017). Beyond this, what should be analyzed is the intensity of the effects of specific service quality dimensions on customer satisfaction (Yilmaz et al., 2018).

Thus, the research of Awan et al. (2011) showed that functional quality is the main determinant of overall service quality and customer loyalty. The results of a study by Kheng et al. (2010) suggest that consumer satisfaction has a mediating effect on the relationship between the dimensions of service quality and customer loyalty, with a significant impact on reliability, empathy, and assurance. In general, the intangible aspects of service quality have a greater impact on customer satisfaction, while most studies point out that tangible elements are the least significant dimension of service quality (Siddiki, 2011) or have no significant impact on customer satisfaction in the banking sector (Baumann et al., 2007; Kheng et al., 2010; Hanzae & Nasimi, 2012). Reliability is often identified as the first or second most important dimension of service quality (Kheng et al., 2010; Kumar et al., 2010; Malik et al., 2011). Therefore, the following hypothesis is proposed:

H1. The specific dimensions of service quality are positively related to customer satisfaction.

3.2 *Service Quality and Customer Loyalty at Two Levels*

Often, customer loyalty is implicitly analyzed as a dependent variable in service quality models (Fornell et al., 1996) and number of studies investigated and confirmed the positive relationship between service quality and customer loyalty (Boonlertvanich, 2019; Prentice & Kadan, 2019; Alam & Noor, 2020).

Previous studies investigated the influence of service quality on customer loyalty analyzing the direct relationship (Bloemer et al., 1999; Zeithaml et al., 1996; Wong & Sohal, 2003), as well as the indirect relationship (by inclusion of customer satisfaction as intermediary) (Dabholkar et al., 2000; Caruana, 2002; Baumann et al., 2007). Some authors have come to the conclusion that service quality, both directly and indirectly, affects customer loyalty, i.e. their intentions for behavior (Cronin et al., 2000; Varki & Colgate, 2001; Bou-Llusar et al., 2001; Bei & Chiao, 2006).

Wong and Sohal (2003) and Bloemer et al. (1999) focused on the effect of individual dimensions of service quality on loyalty. Bloemer et al. (1999) concluded

that individual dimensions of service quality have different importance in explaining individual dimensions of loyalty (word-of-mouth communication, intentions for repurchase, price sensitivity and customer complaints) in different service sectors.

Specific to the study of Wong and Sohal (2003) is that they analyzed customer loyalty at the company level and at the interpersonal level (loyalty to service staff). Thus, research has shown that the material aspects of service quality are the most important predictor of loyalty at the company level, while empathy is the most important predictor of loyalty at the interpersonal level. Therefore, this research investigates the relationship between the service quality dimensions and loyalty at interpersonal level and at bank level, i.e. direct relationships between service quality dimensions and loyalty at bank level and loyalty at interpersonal level are included in the conceptual model.

H2. The dimensions of service quality are positively related to customer loyalty to bank.

H3. The dimensions of service quality are positively related to customer loyalty to employee.

3.3 Customer Satisfaction and Customer Loyalty at Two Levels

The positive relationship between customer satisfaction and loyalty was confirmed in previous studies (Mohtasham et al., 2017). Namely, Palamidovska-Sterjadovska and Ciunova-Shuleska (2017) confirmed the relationships among service quality, customer satisfaction and loyalty, respectively in the North Macedonian mobile service sector. Additionally, the findings of Al-Hawari et al. (2009) and Ladhari et al. (2011) supported the strong impact of service quality on customer retention in the context of traditional banking.

Reynolds and Arnold (2000) empirically proved that loyalty to salesperson is a significant antecedent to loyalty to company and that customer satisfaction influences both loyalty to employee and loyalty to company. Additionally, Macintosh and Lockshin (1997) also suggested that commitment (loyalty) to the salesperson is positively associated with loyalty at company level. Given this prior research the following hypotheses are developed:

H4. Customer satisfaction is positively related to loyalty to bank.

H5. Customer satisfaction is positively related to loyalty to employee.

H6. Loyalty to the employee is positively related to loyalty to bank.

3.4 The Mediating Role of Customer Satisfaction

The influence of service quality on customer loyalty is investigated through the mediating role of customer satisfaction (Dabholkar et al., 2000; Caruana, 2002; Baumann et al., 2007). There is empirical evidence that customer satisfaction mediates the relationship between service quality and loyalty (Cronin et al., 2000; Dabholkar et al., 2000; Caruana, 2002; Al-Hawari et al., 2009; Kheng et al., 2010; Ladhari et al., 2011; Makanyeza & Chikazhe, 2017; Moslehpour et al., 2018). Therefore, in this study, first the indirect effects of service quality dimensions on loyalty to employee through customer satisfaction are tested. Then, the indirect effects of service quality dimensions on loyalty to bank through customer satisfaction are tested; as well as the indirect effects of customer satisfaction on loyalty to bank through loyalty to employee.

4 Methodology

4.1 Study 1

In the study 1 an exploratory factor analysis (EFA) was conducted for data reduction and for refining the generated inventory of items on a sample of 208 private clients of banks in North Macedonia. The inventory refinement resulted in a reliable and valid instrument for measuring North Macedonian banking service quality, encompassing both functional and technical aspects of service quality. Functional aspects of service quality were measured with SERVPERF (Cronin & Taylor, 1992) while technical aspects were adapted from Lassar et al. (2000). Three key constructs were identified as end results of EFA: (1) intangibles (2) pricing and (3) tangibles with 13 items with stable factor loadings. Further, confirmatory factor analysis (CFA) was performed to assess the proposed three-dimensional structure of service quality and to further examine the validity.

The obtained factor structure of service quality construct is in line with the findings of Gerhard et al. (1997), Wei (2009), and Yap and Sweeney (2007) where the five SERVQUAL dimensions were grouped into two, tangibles and intangibles. Additionally, in this study pricing emerged as a unique dimension referring to the technical service quality. Consequently, the first three hypotheses H1, H2, and H3 were subdivided into three sub-hypotheses for each, in order to explain the relationship of intangibles, pricing and tangibles to customer satisfaction, loyalty to bank and loyalty to employee, respectively. All research hypotheses guiding this work are illustrated in Fig. 1.

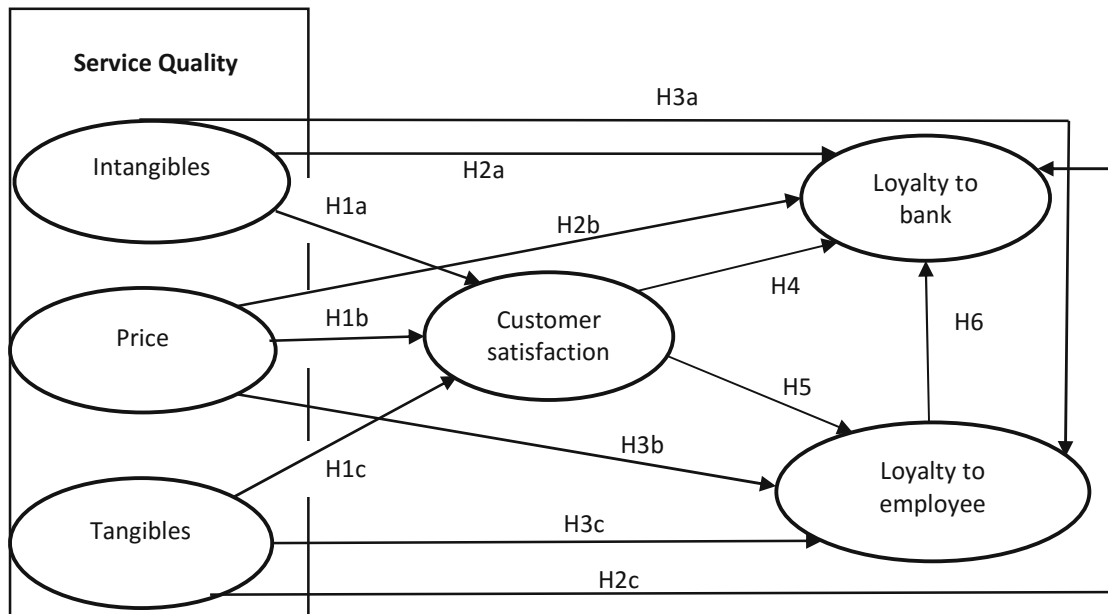


Fig. 1 Conceptual model and hypotheses. Source: authors own study

4.2 Study 2

In this study convenience sampling was applied for data collection through field survey of retail banking clients in North Macedonia. The respondents were intercepted and asked to answer the questionnaire during the period September–December 2019. A total number of 870 questionnaires were obtained and after data cleaning 786 effective responses were held.

The questionnaire consisted of two parts. The first part was designed to measure customers’ perceptions of bank’s service quality performance, based on the study 1. The second part of the survey included items measuring customer satisfaction, loyalty to bank and loyalty to employee, adapted from the previously reviewed literature. Items measuring customer satisfaction were adapted from the study of Fornell et al. (1996); loyalty to bank was measured using items derived from the studies of Bloemer et al. (1999) and Zeithaml et al. (1996), while loyalty to employee’s items were adapted from the study of Wong and Sohal (2003). All the items were measured on a seven-point Likert scale, ranging from 1—strongly disagree to 7—strongly agree. The original items which were in English were first translated into Macedonian and afterwards back-translated into English. Sample structure in terms of demographics is presented in Table 1.

Table 1 Demographic characteristics of bank customers in the study 2

Demographics	<i>N</i>	%
<i>Age (average)</i>	37.3	
<i>Gender</i>		
Male	257	42.60
Female	346	57.40
<i>Education</i>		
Primary	7	1.20
Secondary	244	40.50
University level	332	55.10

Source: own work

5 Analysis and Results

In the main study an integrated model of customer loyalty was developed and tested by performing three steps. First, CFA was performed for testing the measurement model. Second, the structural model was created and the proposed relationships in the model were tested. Finally, mediation analysis was performed.

The previously identified three service quality constructs together with the three dependent variables: (1) customer satisfaction (2) loyalty to bank and (3) loyalty to employee were used to develop and validate the conceptual model. The loyalty to bank and loyalty to employee were analyzed as separate variables.

Structural equation modelling (SEM) was applied as an analytical approach to data analysis. Maximum likelihood estimation technique was used which generates the smallest possible residual covariance matrix. In the data analysis the two-stage procedure suggested by Anderson and Gerbing (1988) was followed. The testing for linearity and multicollinearity showed that the key assumptions for multivariate analysis are satisfied as required precondition to test the structural model.

5.1 Measurement Model

The measurement model incorporates six constructs in total, i.e. three constructs that measure service quality: (1) intangibles (I) (2) pricing (P) and (3) tangibles (T). The three other constructs were added to the model in order to measure the impact of service quality on performance: (1) customer satisfaction (CS) (2) loyalty to bank (LB) and (3) loyalty to employee (LE). The validity of the measurement model was examined through confirmatory factor analysis (CFA). The final model consisted of 16 items, measuring the six constructs. All model-fit indices are above the recommended threshold values ($\chi^2/df = 1.98$, GFI = 0.96, AGFI = 0.94, NFI = 0.96, CFI = 0.98, and RMSEA = 0.04). The obtained factor loadings for the measurement model are presented in Table 2.

Table 2 Statistics of construct items

Constructs/Items	FL	CR	AVE	Mean	SD
Intangibles		0.86	0.60		
I1: When you have a problem, my bank shows a sincere interest in solving it.	0.77			5.25	1.48
I2: My bank performs the service right the first time.	0.76			5.39	1.36
I3: Employees in my bank give you a prompt service.	0.79			5.41	1.50
I4: Employees in my bank are never too busy to respond to your request.	0.77			5.07	1.49
Pricing		0.80	0.67		
P1: The costs of services in my bank are acceptable and appropriate.	0.83			4.73	1.59
P2: My bank has favorable interest rates of credit and deposit products.	0.80			4.40	1.61
Tangibles		0.82	0.60		
T1: My bank has modern looking equipment.	0.74			5.64	1.25
T2: My bank's physical facilities are visually appealing.	0.80			5.36	1.33
T3: My bank's reception desk employees are neat appearing.	0.77			5.79	1.30
Customer satisfaction		0.93	0.82		
CS1: Overall customer satisfaction from the bank services.	0.93			5.45	1.19
CS2: Evaluation of the clients' expectations fulfillment.	0.91			5.36	1.26
CS3: Evaluation of bank service from the perspective of "ideal" service wanted from the clients.	0.87			5.11	1.33
Loyalty to bank		0.87	0.78		
LB1: Recommendation of the bank services to relatives and friends.	0.92			5.57	1.46
LB2: The intention to use the services from the same bank in future.	0.84			5.78	1.44
Loyalty to employee		0.91	0.92		
LE1: Loyalty to sales representative of the bank.	0.87			4.64	1.76
LE2: Intention to use in future the services from own bank representative.	0.96			4.74	1.69

Notes: FL, factor loading; CR, composite reliability; AVE, average variance extracted; SD, standard deviation

Source: own work

The results obtained by testing the convergent validity suggest that all items loadings are above 0.70, the composite reliability exceeds 0.70 and the average variance extracted (AVE) for each construct is above 0.50. Hence, the proposed research model can be recommended as an acceptable model (Table 2).

The analyses also support discriminant validity, showing that the square roots of the AVE for each construct reach or exceed the value of 0.50 and the square roots of the average variance extracted (on the diagonal, in bold) are greater than the correlations between constructs (Fornell & Larcker, 1981) (Table 3).

Table 3 Discriminant validity

Constructs	LB	T	RR	P	CS	LE
Loyalty to bank (LB)	0.884					
Tangibles (T)	0.717	0.774				
Intangibles (I)	0.756	0.740	0.775			
Pricing (P)	0.574	0.548	0.486	0.817		
Customer satisfaction (CS)	0.827	0.669	0.772	0.619	0.908	
Loyalty to employee (LE)	0.598	0.461	0.581	0.500	0.633	0.921

Note: Square roots of the average variance extracted are presented on the diagonal in bold and compared to the correlations between constructs

Source: own work

Table 4 Standardized regression coefficients within the structural model

Hypotheses			Standardized regression coefficient	Hypotheses outcome
CS	<---	I	0.57***	H1a: Supported
LB	<---	I	0.15*	H2a: Supported
LE	<---	I	0.29***	H3a: Supported
CS	<---	P	0.30***	H1b: Supported
LB	<---	P	0.03 ^{ns}	H2b: Not supported
LE	<---	P	0.19***	H3b: Supported
CS	<---	T	0.08 ^{ns}	H1c: Not supported
LB	<---	T	0.22***	H2c: Supported
LE	<---	T	-0.10 ^{ns}	H3c: Not supported
LB	<---	CS	0.49***	H4: Supported
LE	<---	CS	0.36***	H5: Supported
LB	<---	LE	0.08*	H6: Supported

Notes: ns = non-significant, *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Source: own work

5.2 Structural Model

Overall model-fit indices with $\chi^2/df = 1.98$, GFI = 0.96, AGFI = 0.94, NFI = 0.96, CFI = 0.98, and RMSEA = 0.04 satisfy the required thresholds and support the adequacy of the structural model. The R^2 , i.e. the explained proportion of variation in each latent dependent variable (CS, LE, and LB) exceeds 0.50, indicating that overall's model fit is good.

Further, gender, age, and level of education were used as control variables to all the dependent variables. The values of all of the coefficients between the control variables and dependent variable were insignificant, suggesting that the level of customer satisfaction and loyalty is not under the influence of gender, age, and level of education.

Table 4 shows the standardized regression coefficients, significance level, and hypothesis outcome. The results show that three of the tested relationships (H2b,

H1c, and H3c) were insignificant. All of the remaining hypotheses were confirmed, proving positive and significant relationships between the investigated constructs. Thus, H1a, H3a, H1b, H3b, H2c, H4, and H5 are confirmed at $p < 0.001$, while H6 and H2a are confirmed at $p < 0.05$.

First, both intangibles and pricing significantly affect customer satisfaction. These results indicate that intangibles and pricing have strong impact on customer satisfaction comparing to the impact of tangibles, which was proven to be insignificant. Second, intangibles positively and directly impact loyalty to employee and loyalty to bank. Intangibles have stronger impact on loyalty to employee (0.29^{***}) comparing to loyalty to bank (0.15^{*}). A significant positive relationship is confirmed between tangibles and loyalty to bank (0.22^{***}), indicating that the material aspects have strong impact on the loyalty to bank. Pricing significantly affects loyalty to employee (0.19^{***}), but not loyalty to bank. Third, customer satisfaction significantly affects both loyalty to employee (0.36^{***}) and loyalty to bank (0.49^{***}). This is a confirmation that the customer loyalty (to employees or to bank) is strongly determined by satisfaction. Finally, loyalty at interpersonal level has positive and significant relationship to loyalty at bank level (0.08^{*}), indicating that the loyalty to the bank is highly determined from the relationship and loyalty which customers develop to the bank employees.

The results obtained in this study are in the same line with the previous research, showing that tangibles are the least important service quality dimension in creating customer satisfaction (Baumann et al., 2007; Siddiki, 2011; Hanzae & Nasimi, 2012). Also, intangibles in terms of human performance proved to have greater impact on customer satisfaction, as Siddiki (2011) suggested. Intangibles are also significant determinant of loyalty at both levels which is in line with the previous findings of the importance of this service quality aspect (Malik et al., 2011). Interesting result was obtained regarding pricing which proved to be significant when related to customer satisfaction and loyalty at employee level, but not with bank loyalty. The explanation behind such result is that more flexible and fair pricing rates are perceived by customers to be acquired through their personal relationship with the specific bank employees, resulting in higher loyalty at this level. At the same time, tangibles are the most important determinant of bank loyalty while they are completely unimportant in the relations to loyalty at employee level.

Customer satisfaction showed strong influence on loyalty to bank and loyalty to employee. Also the influence of interpersonal loyalty on bank loyalty was significant, showing that customer's retention is strongly related with the personal relations developed with the bank employees in the process of using the service. This is in line with the suggestions of Bove and Johnson (2000) that interpersonal relationship between customers and employees is a cheap means for building true loyalty.

5.3 Mediation Analyses

In the process of testing the mediation the approach of Zhao et al. (2010) was followed, suggesting that the key indicator in showing mediation is that “indirect effect is significant” (p. 200). The bootstrapping procedure was used which gives opportunity to test multiple mediators simultaneously between independent and dependent constructs. Following the recommendations from the same study, 5000 bootstrap samples at the 95% confidence level were applied.

The testing results showed that intangibles (0.203***) and pricing (0.106***) have indirect effects on loyalty to employee, whereas tangibles have neither direct nor indirect effect on loyalty to employee. Hence, complementary mediation was confirmed for intangibles and pricing, while no mediation was found for tangibles. Further, the results showed significant indirect effect of intangibles and pricing on loyalty to bank (0.319***, 0.17***, respectively), mediated by customer satisfaction. Again, a complementary mediation was confirmed, meaning that both direct and indirect effects exist and point at the same direction. Regarding the tangibles as a dimension of service quality, the direct effect was significant (0.22***) while the indirect effect was insignificant (0.036^{ns}), suggesting that no mediation was found. At the end, the indirect effect of customer satisfaction on loyalty to bank was tested through loyalty to employee and the results (0.03*) showed that significant complementary mediation is confirmed.

The results from testing the mediation effects showed that pricing and intangibles have significant indirect effect on both types of loyalty, at bank and employee level. The mediating role of customer satisfaction is confirmed in this study as in the previous ones (Makanyeza & Chikazhe, 2017; Moslehpour et al., 2018). Also, loyalty to employee is a significant mediator in the relationship between customer satisfaction and bank loyalty. This is in line with suggestions of Wong and Sohal (2003) that loyalty should be measured at two levels: interpersonal level and company level. The mediating role of loyalty to employee confirmed its significance as construct in measuring the relationship between service quality and loyalty to bank. Even more, creating loyalty to employee is a valid way for enhancing customer satisfaction and consequently customer loyalty.

6 Conclusion

The findings of the present study offer several theoretical and practical implications and give significant insight for future scholars and marketing managers in measuring the impact of service quality on customer satisfaction and loyalty. First, measuring the loyalty at both company level and employee level can provide broader and deeper understanding of the forces which have influence on customer retention. Also, the results from the study provide valuable insight about the importance of loyalty to employee in achieving higher customer retention. Moreover, the pricing,

on which customers are usually highly sensitive, has strong effect on customer satisfaction, but does not have significant direct impact on loyalty at company level. This should increase the awareness of marketing managers that intangibles and loyalty to employee are more important in achieving higher rate of customer retention compared to pricing. In this regard, the banks must provide high service quality and to ensure that employees are highly motivated to provide excellent customer experience thus building long-lasting employee-customer relationships which will result in higher loyalty to bank.

Several limitations need to be mentioned about this study. First of all, the data sample includes only retail clients. It would be interesting to extend the research study in future by including business clients as well. Second, the data sample is only from retail banking industry and from one country. Expanding the research study by including other industries or conducting a cross-country analysis might reveal some interesting results. Third, the service quality constructs included in the model are not exhaustive, but are only those which were identified through the procedure of instrument refinement. Fourth, a probabilistic sampling method can provide more valid and credible results comparing to the non-probabilistic sampling method used in this research. Regarding the possibilities for future research, some other concepts may be incorporated and analyzed in order to further develop the integrated approach of customer loyalty modelling.

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