

Customers' Emotional Reactions as Significant Predictors Towards Excellent Customer Service Experiences

¹Anizah Zainuddin and ²Shereen Noranee

^{1,2}Center for Postgraduate and Professional Studies,
Faculty of Business Management,
Universiti Teknologi Mara (UiTM), Shah Alam, Malaysia

Abstract

This study examines the role of customers' emotional reactions in the context of customer service experiences. It investigates how retail banking customers' emotional responses to retail banking services to affect their overall banking experience. In the context of retail banking, excellent customer service experiences could be interpreted as just meeting the expectations of the retail banking customers, not any sort of exceeding or failing short of the expectations. Most of the banks try to achieve competitive advantage by taking the responses of the retail banking customers beyond the level of 'just service satisfied' towards 'exceeding their service expectations'. Therefore, this study attempts to fill this gap by examining the relationship between customers' emotional reactions and excellent customer service experiences in banking sector. Structured questionnaires were distributed to 320 retail banking customers using purposive sampling technique in the area of Klang Valley. The instruments used for data collection for all variables in the study includes bank image, emotional reactions, bank service quality value, personal contact value and excellent customer service experiences were adapted from various studies using five point likert scale. The results suggest that emotional reactions, bank service quality value and personal contact value had a moderate relationship with excellent customer service experiences. This study identifies the types of efforts that can be implementing in helping banking sector caused by retail banking customers' emotional responses.

Key Words: Customers' Emotional Reactions; Customer Service Experiences; Retail Banking

1.0 INTRODUCTION

It was unquestionable that customer service experience has become crucial in banking and financial industry. For banks to maintain and achieve what they have now, they need to provide the best experiences to their customers. In addition, improvisation in customer service experience has become a precedence agenda to many services providers (Klaus et al., 2012). Rajnish et al. (2017) mentioned that customer service experience is a commitment provided by service providers to the customer by offering product or service that satisfied customer. Data from Bank Negara Malaysia prove that there are 23 licensed commercial banks in Malaysia. These banks offered standardized products and services to their customers, thus make competition becoming more competitive to the extent that innovative products and services offered have very short life cycle. Levy & Hino (2016) described that many issues such as strong and intensive business competition, high marketing costs, lack of financial knowledge among staffs, and effect to lack of trust among customers as well as customers' switching intentions have led banking providers to change the way they perceived their marketing strategy. Shalon et al (2015) revealed that banks are now nurturing more to transaction-based relations establishment such as focusing on customers' emotional attachment feelings in maintaining the bond with their customers. Levy & Hino (2016) in their study discovered that customers' emotional connection have an effect to their customer attachment due to the fact that the relationship and trust in customers', build unique sense of value as a result, customer become loyal. These emotional attachments go beyond general service quality and generate strong customer relationships.

2.0 STATEMENTS OF THE PROBLEM

In Malaysia, it was observed that banks procedures have changed drastically over the past decades due to many reasons such as advances in IT, deregulation and globalization. It was observed that in order to reduce margins in traditional banking activities, banks need to merge. Data from Bank Negara Malaysia (BNM, 2013) revealed that, banking merger exercise has resulted in the consolidation of 51

banking institutions into 10 banking group. However, despite of the greater benefits obtained from economies of scale, through greater investment in technology and more substantive pool of skilled staff; the banking merger exercise has trigger other issues. The Financial Mediation Bureau (FMB) reported that in 2015, the number of enquiries and complaints received by FMB through various channels generally have increased in 2014 but slightly lower in 2015 (Table1).

Table 1: Number of Enquiries and Complaints Received by FMB from 2012-2015

Channel	2012	2013	2014	2015
Enquiries via Phone Calls	3614	3940	3985	3105
Enquiries/Complaints via Walk-Ins	181	351	403	176
Enquiries/Complaints via Email/Letter/Fax	1166	1500	1124	1003
Total	4961	5797	5512	4284

Source: The Financial Mediation Bureau (FMB) (2015)

Complaints were actually hard to control as it affect retail banking customers' emotional feelings directly. The most essential factor in providing an excellence service experience is by understanding the retail banking customer expectations throughout the whole banking process. The expectation of a customer can be vary on a situation basis. It is also differs from customer to customer. In other words, expectation can be very high where there are a lot of alternatives to meet the retail banking customer need. As a results, enhancing excellent customer service experience in the banking industry offer new demanding episode to the banks management specifically in Malaysia.

Voima, P., 2013; Heinonen et al., 2013; Helkkula et al., 2012; Luoh & Tsaur, 2011; Tynan., 2010; Otto et al., 2000). Previous studies revealed that customer service expectations vary from person to person, time to time; and are generally considered as desires or wants from customers. Since customers have a range of service expectations rather than a single ideal level of service expectations, a zone of tolerance would be confined by desired service (the level that customers believe can and should be delivered), and adequate service (the minimum service level customers are willing to accept).

3.0 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This section is devoted to discuss the previous empirical research done in relation to the study.

Excellent Customer Service Experience

Customer service experience can be defined as the subjective personal reactions and feelings by consumers when using a service. Customer service experience has been found to have important influences on the consumer evaluation of and satisfaction with a given service (Wilder et al., 2014; Grönroos, C., &

Customers' Emotional Reactions

Retail customers who are in a positively emotional condition have been shown to evaluate products more positively than individuals in neutral or negative emotional conditions (Wang et al, 2012; Lloyd and Luk, 2011; Smith & Rajnish et al., 2017, 2002). This signify that retail customers who experience a strong emotional response to service dissatisfactions are likely to perceive service dissatisfactions less favorably than retail customers who are in a more positive emotional condition. Emotional reactions here are referring to feeling that result in physical and psychological changes that stimulus behavior. The physiology of emotion is closely

linked to arousal of the nervous system with various conditions and strengths of arousal relating, apparently, to particular emotions.

Image

Image is an attitude that echoes a combination of product, place and people characteristics. However, from the perspective of a company, image is features or attributes that come to the mind when customers hear the name of an organization (Nguyen and Leclerc, 2011, Flavián & Torres., 2005). Image has two principal components which are functional and emotional. The functional component was related to tangible dimensions that can be identified and measured by customers, while the emotional component is associated with the psychological aspects by individual experiences with the bank. The functional component is related to those tangible characteristics that can easily be measured, such as the physical environment offered by the bank such as conducive counter and waiting place, automated teller machine are easily available everywhere, easy or customer friendly user for online banking and product facilities procedure. The emotional element is associated with those psychological dimensions that are manifested by feelings and attitudes towards an organization. These feelings are derived from the numerous experiences with an organization and from the processing of information on the attributes that constitute functional gauge of image.

H1: Bank image positively predicts excellent customer service experience

Emotional Reactions

In the past, emotions have been focus on the context of service phase. Muller et al. (1991) argued that they are present in all instances of an episode or part which is first phase or episode is in the pre-purchase phase, interaction phase and in the post-purchase phase. This phase's conquered conceptualization can be enlarged in a relationship perspective. A relationship consists of several phases in which the post-

purchase reactions serve as input into the next pre-purchase phase. At the same time, there may also be an evaluation mechanism where the customer makes an overall assessment of the relationship in terms of both its cognitive and emotional components. Oliver and Westbrook's study (1993) on automobiles implicitly takes a relationship oriented perspective when the authors recommended that there is varying circumstance for emotional experiences during the car buying and consumption process. Emotions can obviously be studied both on a phase and a relationship level. Studies have suggested that the emotions expressed by person might be directly affect the emotions expressed by another person through the process of emotional contagion; as an example like an automatically mimicked and synchronized facial expressions, vocalizations, postures and movements of another person, which subsequently converge into emotions.

H2: Emotional Reactions show by bank staff positively predicts excellent customer service experience

Service Quality Value

Service quality is imitated in a consumer's evaluative perception of an encountered service (Cronin & Taylor, 1992). Parasuraman et al., (1985) proposed that service quality is to be considered as "similar to an attitude," which means the operationalization could be improved represented by an attitude-based conceptualization. Zeithaml et al., (1996) suggested that consumers judge the quality of the services grounded on their perceptions of the technical outcome provided, the process by which the outcome is delivered, and the quality of the physical surroundings where the service is delivered. Good execution on these features would result in extremely perceived service quality for the company. Research in service quality in banking sector has focused mostly on the concept of service quality in terms of consumers' perceptions relative to expectations. SERVQUAL is a gage for gaging quality using this principle. It is theoretically based, and developed using a methodology, whereas most other measurements of service quality are derived for a particular service.

Adaptations of SERVQUAL have also been used to deliver the base from which measurement of quality in banking sectors has developed. An imperative contribution stemming from all this work to measure service quality is that there are numerous dimensions, rather than a single one, which together determine consumers' perceptions. SERVQUAL was used to measure consumers' perceptions of quality in different services. An all-embracing definition of service quality in banking sector is disreputably difficult to produce (Parasuraman et al., 1985; Mattsson, 1994; Rajnish et al., 2017 & Drew, 1991; Camén et al., 2011). Parasuraman et al., (1985) labeled service quality in banking sector as the capability of an organization to meet or exceed customer expectations.

H3: Bank service quality value positively predicts excellent customer service experience

Personal Contact Value

Social bonding theory refer to human beings are naturally incline if there are no restraint. An individual's social bonds to his/her environment exercise as an actual "control" of an individual inclination to recognized four elements of the bond that makes individual follow the conventional track in society (Wilson, 1995). The prime element is an individual's affective bonding to an institution in his/her communications with society. For young generations, the main social connections of interest include the family and school where he/she studies norms and skills. The next element is the commitment to conventional social values and the cost of discarding such values. The last two elements are related to involvement in conventional activities such as school activities and one's belief system. The closer an individual's trust is to the common value system treasured in a society; the less likely an individual is going to be associated with different behaviors. Social bonding can be defined as to the human side of the service, plus personal contacts liking and trust. Wilson (1995) refers personal contacts as the degree of mutual personal relationship and liking shared by a buyer and a seller. Personal contacts involve of elements that are emotional or

affective in nature, such as familiarity, friendship and personal confidence (Rodríguez & Wilson, 2002). Personal contacts are formed during social communications between individuals, leading to their strong connection. Given that, it can be determined that staying in touch with clients, learning about their needs and keeping positive relationships with them are of great reputation for banks (Chiu et al., 2005).

H4: Personal contact value show by bank staff positively predicts excellent customer service experience

4.0 RESEARCH APPROACH

The suggested research hypotheses from this study was testing using cross-sectional analysis or transversal study of retail banking customers who reside in three major cities in Klang Valley. A total of 350 survey forms were distributed using purposive sampling. Among completed survey forms, excluding those with omissions or with randomly repeated answers, 320 usable responses were obtained, providing an acceptable level of response rate of 91.4 percent. Among the 320 respondents, 56.3 percent (N=180) were female and 43.7 percent (N=140) were male.

The instruments used for data collection for all variables in the study such as bank image, emotional reactions, bank service quality value, personal contact value and excellent customer service experience were adapted from various studies (Wilder et al., 2014; Grönroos & Voima, 2013; Heinonen et al., 2013; Helkkula et al., 2012; Luoh & Tsaur, 2011; Tynan., 2010; Otto et al., 2000). Each variable was measured using previously developed components of instruments that have demonstrated good psychometric properties. The measure contains 33 items measuring as image (5 items), emotional value (5 items), service quality value (6 items), personal contact value (6 items) and excellent customer service experience (5 items). The reliability value of our study data was between 0.843 (bank image), 0.899 (emotional reactions), 0.887 (bank service quality value), 0.915 (personal contact value) and 0.905 (excellent customer service experience) respectively. If

we compare our reliability value with the standard value alpha of 0.7 advocated by Cronbach (1951), a more accurate recommendation (Nunnally & Bernstein's, 1994) or with the standard value of 0.6 as recommended by Bagozzi & Baumgartner (1994), researchers discovered that the scales used are highly reliable for data analysis. Validation procedures involved initial consultation with expert researchers. The experts also judged the face and content validity of the questionnaires as adequate. Based on their comments, some contents and words were revised to make the meaning clear. Hence, researchers satisfied content and construct validity. In order to spot the underlying structure or dimensions in the variables used in this study, principal component factor analyses with varimax rotation were first employed. This is due to the fact that factor analysis able to distinguish whether a common factor or more than a single factor is present in the responses to the items. This is vital as to understand the underlying structure in the data matrix, to identify the most parsimonious set of variables as well as to establish the goodness of measures for testing the hypotheses (Hair, Black, Babin, Anderson & Tatham, 2006). In assessing the

validity of the customers' emotional reactions dimensions such as bank image, emotional reactions, bank service quality value and personal contact value principle components factor analysis was conducted. Initially, there were 25 items for the scale with different number of items for the four dimensions; which is bank image (6 items), emotional reactions (6 items), bank service quality value (6 items) and personal contact value (7 items). The results revealed that only 22 items formed four structures equivalent to the original structures (Table 2). The KMO measure of sampling adequacy for the customers' emotional reactions scale is .906, indicating that the items were interrelated. Bartlett's Test of Sphericity indicates a significant value (approx. chi-square 2954.129, $p < .01$) showing the significance of the correlation matrix and appropriateness for factor analysis. In addition, the individual MSA value range from .633 to .922 demonstrating that the data matrix was suitable to be factor analysed. Results of factor analysis with varimax rotation indicated the existence of four factors with initial eigenvalues greater than one that explains 79% of total variance. The results of a scree test also provided support for a four-factor solution.

Table 2: Principal Component Factor Analyses for Customers' Emotional Reactions

	Component			
	1	2	3	4
BIm1	.879			
BIm3	.870			
BIm4	.834			
BIm2	.805			
BIm5	.784			
Er3		.851		
Er2		.845		
Er1		.794		
Er6		.684		
Er4		.665		
BSqv2			.822	
BSqv3			.817	
BSqv5			.811	
BSqv4			.802	
BSqv1			.800	
BSqv6			.789	
Pcv5				.789
Pcv2				.780
Pcv3				.725
Pcv1				.710
Pcv6				.701
Pcv4				.700
% variance explained	27.854	22.411	19.230	9.812
MSA				.633-.922
KMO				.906
Bartlett's Test of Sphericity	Approx. Chi-Square			2954.129
	Df			171
	Sig			.000

The first factor comprises five items with loading which ranged from .784 to .879. This factor mainly embraces the image of the retail banking portrays by retail banking customers, thus, the original name was retained. One item was removed due to high cross loadings or it loaded differently from the original conceptualization. The second factor was extracted with factor loadings with ranged from .665 to .851. This factor consisted of five items which reflected the overall assessment of the relationship in terms of both its cognitive and emotional components which labeled as emotional reactions; therefore, the original name was also retained. One item was removed due to high cross loadings or it loaded differently from the original conceptualization. The third factor reflects the consumer's

evaluative perception of an encountered bank service or bank service quality value, comprising six items with factor loadings with ranged from .789 to .822. The original name for the third factor was also retained. Finally, the fourth factor contains six items with factor loadings ranged from .700 to .789. This factor relates to the personal contact value or social bonding; thus the name was maintained. One item was removed due to high cross loadings or it loaded differently from the original conceptualization.

In determining the unidimensionality of the excellent customer service experience variable, principal component factor analyses was performed too. The results are displayed in Table 4.

Table 4: Principal Component Factor Analyses for Excellent Customer Service Experience

		Component
		1
ECSE2		.875
ECSE3		.851
ECSE1		.732
ECSE4		.728
ECSE5		.717
% variance explained		61.811
MSA		.890 - .922
KMO		.928
Bartlett's Test of Sphericity	Approx. Chi-Square	1205.206
	Df	45
	Sig	.000

The KMO measure of sampling adequacy for the customers' shopping satisfaction in general scale is .928 indicating that the items were interrelated. Bartlett's Test of Sphericity indicates a significant value (approx. chi-square 1205.206, $p < .01$) showing the significance of the correlation matrix and appropriateness for factor analysis. Nonetheless, the individual MSA value range from .890 to .922 demonstrating that the data matrix was suitable to be factor analysed. Results of factor analysis with varimax rotation indicated the existence of one factor with initial eigenvalues greater than one that explains 60% of total variance. The results of a scree test also provided support for a four-factor solution. The finding revealed that the existence of one factor with 5 items.

Correlation Analysis

Results of correlation analysis indicate that all variables are highly correlated with each other. The highly correlated variables indicate **significant relationships** among them which should be highly considered in explaining the phenomenon of interest. Significant correlations are observed between the independent variables. The lowest correlation is between **bank image and bank service quality value** ($r = .015, p > .05$). The highest correlation is between **emotional reactions and bank service quality value** ($r = .755, p > .01$).

These significant correlations signify convergent validity of the independent variables. Besides, significant correlations are

also observed between independent variables and the dependent variable with the lowest correlation between bank image and excellent customer service experience ($r=.311, p<0.01$). The highest correlation is found between emotional reactions and excellent customer

service experience ($r=.511, p<0.01$). These significant correlations signify synchronized validity of measures (Table 5).

Table 5: Correlation Analysis

Variables	Mean	SD	1	2	3	4	5	6
Bank Image	4.11	.89	(.715)					
Emotional Reactions	4.03	.88	.198**	(.951)				
Bank Service Quality Value	3.89	.87	.015*	.775**	(.856)			
Personal Contact Value	3.75	.85	.142*	.771**	.708**	(.698)		
Excellent Customer Service Experience	3.55	.71	.311**	.511**	.411**	.351**	.321**	(.901)

**Correlation is significant at the 0.01 level (1-tailed); *. Correlation is significant at the 0.05 level (1-tailed); N=320

Regression Analysis

Regression analysis was performed to determine the influence of customers’

emotional reactions on excellent customer service experience (Table 6).

Table 6: Regression Analysis

Variables	Excellent Customer Service Experience
	Standardized Beta Coefficients
Bank Image	.162*
Emotional Reactions	.598**
Bank Service Quality Value	.685**
Personal Contact Value	.591**
F Value	37.954
Sig. F Value	.000
Durbin Watson	1.712

**Correlation is significant at the 0.01 level (1-tailed); *. Correlation is significant at the 0.05 level (1-tailed); N=320

The finding shows that R^2 of .695, indicating that 69.5% of the variance was explained by customers emotional reactions ($F=37.954, p=.000$). Looking at the contribution of the individual independent variable, bank image ($\beta =.162, p<.05$), emotional reactions ($\beta =.598, p<.01$), bank service quality value ($\beta =.685, p<.01$), personal contact value ($\beta =.591, p<.01$) are significant predictors of excellent customer service experience. Thus, H1, H2, H3 and H4 were supported.

relationship with excellent customer service experience ($\beta= 0.591$ to 0.685). Onyancha (2013) in his study revealed that bank image has positive effects on customer satisfaction. It means that a positive bank image not only increases customer loyalty directly, but it also improves customer satisfaction through the enhancing of perceived service quality, which in turn increases the loyalty of customers. This result however, demonstrates that retail banking customers perceived excellent customer service experience that they experienced from the banks were not corresponded with excellent customer service experiences. Excellent customer service experience and customer satisfaction are two different entities. Excellent customer service experiences are the fundamental concept of a trusted mechanism acting as a store of value, a source of finance and as a facilitator of banking transactions. Retail banking landscape currently has change significantly in response

5.0 DISCUSSION AND MANAGERIAL IMPLICATIONS

The result of the study reveals that *emotional reactions, bank service quality value and personal contact value* had a moderate relationship with excellent customer service experience with the exception of *bank image*. In this study, bank image had a weak

to the evolving forces of customer service expectations, regulatory requirements, technology, demographics, new competitors as well as shifting economics. Thus, banks need to choose what posture to adopt against this change (either to focus on the emotional reactions, service quality value, or personal contact value). Staying the same is not an option. Innovate, investing in human and transform them to prepare for the future should be the main agenda of retail banking. This future will require banking institutions to be agile and open, ready to explore different options in an uncertain world and able to focus on their customer need identifications carefully. Retail banking in Malaysia has experienced both changing in revolution as well as in an evolution. It was observed that many retail banking players are innovating and experimenting with new products and delivery channels just like what they usually did in the previous years, but little has been done when it comes to improving its retail customer service experiences or uses it as important tools in order to survive in the retail banking industry. Retail banking institutions should therefore implement and integrating all the information's that they have in order to be ready in serving their customers in the future. In today's challenges, unsurprisingly, it was observed that nearly all bankers surveyed view attracting new customers as one of their top priorities over the next years (www.pwc.com, 2014) and not trying to improve their services specifically on customers' emotional reactions. Nonetheless, they should also recognize the need to deepen their customer relationships and focus more on specific customer service experiences outcomes. Hence, enhancing excellent customer service experience should be the number one investment priority for banks, globally.

The results of this study also generated several managerial implications. First, this study identified the important factors such as emotional reactions towards retail banking excellent customer service experiences. Our findings suggest that the relationship between retail banking excellent customer service experiences depends on the customers emotional reactions, bank service quality value, personal contact value, as well as image carried by banks. Managers, therefore should be able to trains its staff on how and when to

express their emotions, including how to respond appropriately to their retail banking customers. Secondly, develop relevant programs to enhancing those emotional reactions skills inside their employee's job scopes will also beneficial. Bank managers should recruit and train their employees with stronger customer services orientation. The result significantly showed that banks need to change in providing more elements of services specifically in achieving excellent customer service experiences. Improves in its employees' emotions skills will have attracted more retail customers to their banks. In order to enhancing their retail banking excellent customer service experiences, managers should recognise that they need to do things differently. Managers should plan to enhance their internal capabilities to foster innovation in emotions services, and to create innovation on emotions services management teams across business units. Banks need a new type of talent and a new way of managing it. They need to attract employees who think big and who challenge the status quo, employees who are obsessed with the customer and not with the process. Because of these challenges, the entire innovation effort will need serious commitment from the management. When people are asked to do things differently, they need to believe they will be rewarded, not penalised, for doing so. People look to the actions of bank leadership to set their priorities. The tone needs to come from the top.

A few suggestions for further researches based on the experience of the present study are given below:

- A comparative study between two or more leading banks or Islamic vs. Conventional banks;
- A comparative study between other industries such as insurance or retail.

REFERENCES

- Bagozzi, R.P. and Baumgartner, H. (1994), The evaluation of structural equation models and hypothesis testing, in Bagozzi, R.P. (Ed.), *Principles of Marketing Research*, Blackwell, Cambridge, MA, 386-422.

- Bolton, R.N. and Drew, J.H. (1991), A multistage model of customers' assessments of service quality and value. *Journal of Consumer Research*, 17, 375-84.
- Bolton, R.N. and Drew, J.H. (1994). Linking customer satisfaction to service operations and outcomes, in Rust, R.T. and Oliver, R.L. (Eds), *Service Quality. New Directions in Theory and Practice*, Sage Publications, CA, London, New Delhi, 173-201.
- Camén, C., Gottfridsson, P. and Rundh, B. (2011). To trust or not to trust? Formal contracts and the building of long-term relationships, *Management Decision*, 49 (3), 365-383.
- Chen, Y.-L. and Chiu, H.-C. (2009), "The effects of relational bonds on online customer satisfaction", *The Service Industries Journal*, 29 (11), 1581-1595.
- Chiu, H.-C., Hsieh, Y.-C., Li, Y.-C. and Lee, M. (2005), "Relationship marketing and consumer switching behavior", *Journal of Business Research*, 58 (12), 1681-1689.
- Cronin, J.J. Jr. and Taylor, A.S. (1992), "Measuring service quality: a reexamination and an extension", *Journal of Marketing*, 56(3), 55-67.

Full list will be provided upon request.