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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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IMPACT OF SERVICE QUALITY AND CUSTOMER SATISFACTION ON REPURCHASE INTENTION

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ABSTRACT

Over the years the researchers have delved deep in understanding the repurchase intention of the customers and its possible antecedents. Repurchase intention is considered to be a precursor to loyalty or in other words long-term customer retention by an organisation. Empirical studies have established that there is a strong and positive relationship between customer retention and profitability. Therefore studying repurchase intention has financial justification too. Repurchase intention of customers is quite critical to estimate for service organizations due to inherent peculiarities associated with service namely intangibility, heterogeneity and inseparability. It is apprehended that service quality and customer satisfaction may be the two major factors in stimulating repurchase intention amongst customers. The present paper attempts to analyse the impact of service quality and customer satisfaction on repurchase intention of the customers and the nature of relationship that these three variables share between them.

KEYWORDS
Service quality, repurchase, customer satisfaction.

INTRODUCTION

Customer satisfaction is a critical issue for the service industries keeping in mind the heterogeneity that exists in the same with respect to perception and expectation in quality. With the emergence of relationship marketing, customer retention has become the prime focal area of the service organizations since studies revealed that customer retention is linked with profitability. One of the antecedents of effective customer retention is customer satisfaction. Stock (2005) was of the view that customer satisfaction is an important driver of organizational performance. It has been also recognised as a key component of competitive strategies (Stank, Daugherty and Ellinger, 1997). The banking sector reforms in India have brought a sea change in the perception of personal banking. Private and foreign banks have exhibited their strong intention to snatch away competitive advantage which once was the sole prerogative of the nationalized banks. Technology has played a vital role in changing the perception of service quality amongst the bank customers and subsequently the level of satisfaction has altered. The nationalized banks in India are feeling the heat of rapid customer migration to their competitors. Modernization and automation has been taken up at a large scale level to meet the perceptual quality level of the customers for inducing repurchase intention and attitudinal loyalty. State Bank of India, following its post automation phase, has behaviourally altered its activities to become pro-customer in nature with the objective to retain valued customers by inducing repurchase intention.

REVIEW OF LITERATURE

Service quality is perceived as the impression customers assign to the superiority and inferiority of the service provider (Tsoukatos and Rand, 2006). Chau and Kao (2009) suggest that service quality and its dimensions have a direct bearing on customers' evaluation of a company and the intentions to choose the service provider. Kandampully (1998) states that the firms with loyalty to offer services to their customers yield returns in the shape of satisfied customers who are willing to stay with the organization. Turel et al. (2007) found that customers' adoption decision of the service provider depends on the quality offered and the price of the service provided.

Parasuraman, Zeithaml and Berry (1988) stated that 'Service quality is an abstract and elusive construct because of three features unique to services: intangibility, heterogeneity and inseparability of production and consumption'. Earlier in their path-breaking study Parasuraman, Zeithaml and Berry (1985) developed the SERVQUAL instrument with identified five dimensions of service quality namely tangibility, reliability, assurance, responsiveness and empathy to measure service quality. Identification of relationships between service quality and relevant constructs such as customer satisfaction, repurchase intention, long-term customer retention and attitudinal loyalty has become important for managerial judgments. Empirical studies revealed that satisfaction and quality are linked to customer retention and profitability (Fornell, 1992, Rust and Zahorik, 1993, Patterson and Spreng, 1997). Stock (2005) was of the view that customer satisfaction is an important driver of organizational performance and according to Stank, Daugherty and Ellinger, (1997) is a key component of competitive strategies. A number of researchers (Oliver, 1981; Brady and Robertson, 2001; Lovelock, Patterson and Walker, 2001) conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing perception with regard to a service to the expectation out of the same. Studies have revealed that there are two basic conceptualizations of satisfaction namely transaction-specific satisfaction and cumulative satisfaction (Boulding et al, 1993; Jones and Suh, 2000; Yi and La, 2004). Transaction-specific satisfaction has been identified to be customers' evaluation of his/her experience and reactions to a particular service encounter (Cronin and Taylor, 1992; Boshoff and Gray, 2004). Cumulative satisfaction, on the other hand refers to the customers' overall evaluation of the consumption experience to date (Johnson, Anderson and Fornell, 1995). Inspite its strategic importance, there is little empirical research linking satisfaction to repurchase behaviour in services, including special events (Baker and Crompton, 2000; Gremler and Brown, 1999; Lovelock, 2000; Oliva, Oliver, and MacMilan, 1992; Oppermann, 1998). However, two studies were identified in the consumer goods context, viz., those by Homburg and Giering (2001) and Mittal and Kamakura (2001).

A series of studies were made to investigate the link between customer satisfaction and retention by utilizing the moderating variable – repurchase intention (Bitner, 1990; Oliver, 1980; Oliver & Bearden, 1985; Oliver and Swan, 1989). In a study made by Henning-Thurau and Klee (1997) relationship quality has been introduced as a three dimensional variable that incorporates customers' perceived service quality , the customers trust and his or her relationship commitment. Stimulating repurchase intention in customers by enhancing perceived service quality has financial justification too. There has been a number of studies indicating that acquiring a new customer is always expensive than to retain an existing customer (Ennew and Binks, 1996; Hormozi and Giles, 2004). A number of researchers have also tried to establish a link between service quality and customer behavioural intentions (Choi et al, 2004, Brady et al, 2001, 2005). Findings were given by Chen (2008), who concluded that provision of better services and satisfaction of customers with the services increased future usage intentions of

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customers. Customer loyalty is dependent on the quality of service offered (Cöner and Güngör, 2002). Findings given by Lai (2004) showed that there is a significantly positive relationship between the quality of service offered and customer satisfaction, as well as with future purchase intentions of customers. Loyal customers of an organization are more interested to be customers of the same service provider in the future and as such, recommend others to use the same service in the future (Barnes, 1997). Brown and Gulycz (2001) consider the satisfaction of customers as an important tool to retain customers in the future and with positive repurchase intentions. Studies have placed considerable importance on the impact of service quality in determining repeat purchase and customer loyalty (Jones and Farquhar, 2003). Ranaweera and Prabhu (2003) studied the effects of customer satisfaction on customer retention and found the relationship to be strong and positive. Levels of customer satisfaction will have an impact on repurchase intentions (Rust and Zahorik, 1993; Taylor and baker, 1994; Patterson and Spreng, 1997; Bolton, 1998; Hellier et al, 2003). A study made by Ravald and Gronroos (1996) revealed that customer satisfaction is a better predictor of intentions to repurchase than service quality. Literature also support customer satisfaction as a reliable predictor of repurchase intentions (Novatorov and Crompton, 2002; Tian-Cole et al, 2002; Yoo, Cho and Chon, 2003).

CONCEPTUAL FRAMEWORK

A conceptual framework (Fig.1) has been proposed for the study which was required to be examined to assess the relational strength of the constructs and predictive capabilities of the variables such as service quality, customer satisfaction and repurchase intention.

FIG. 1: CONCEPTUAL FRAMEWORK
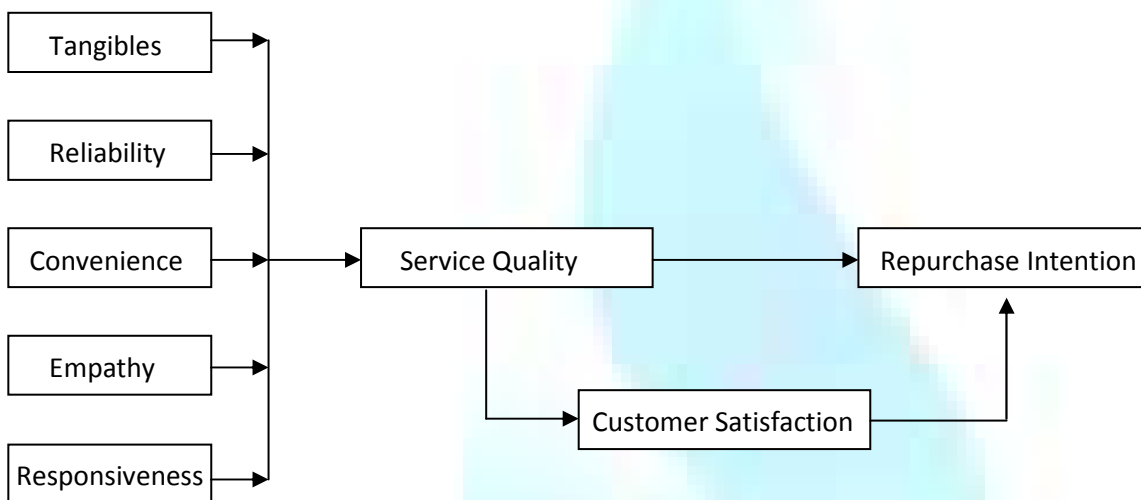
METHODOLOGY

The study was conducted on ten selected branches of State bank of India at Kolkata. A complete list of the SBI bank branches for Kolkata was obtained from the website (http://www.sbi.co.in, accessed on 12-09-2007). The branches thus obtained were arranged alphabetically. The primary filter that was applied to screen branches was the mandatory presence of three service features: (i) already installed CBS, (ii) already offered ATM services and (iii) activated and already offered Internet enabled banking services (i-banking). Every fifth branch was picked up for the study from the sub-list (which was also arranged alphabetically) thus prepared by applying the filtration technique. A self-administered structured questionnaire was used as primary survey instrument. The SERVQUAL instrument developed by Parasuraman, Zeithaml and Berry (1985) offers the most reliable tool to measure the difference-score with regard to perception and expectation scores of service quality and was used with a 7 point Likert scale fitting. The data obtained (expectation scores) from the respondents (customers) via the structured questionnaire using the SERVQUAL instrument was put to Exploratory Factor Analysis (EFA) using principal axis factoring procedure. The analysis was constrained a prior to five factors and each scale was rotated orthogonally through the VARIMAX process with an objective to reduce data and to study the factor loadings/cross-loadings in various components. The objective to carry out the EFA is to identify whether items of SERVQUAL already grouped by the PZB study can be regrouped under a separate nomenclature on the basis of the factor loadings/cross-loadings as per the rotated component matrix obtained thereof. On the basis of the factor loadings and cross loadings five dimensions were identified namely tangibles (4 factors), reliability (5 factors), convenience (6 factors), empathy (4 factors) and responsiveness (3 factors). One of the original dimensions of SERVQUAL namely 'assurance' was not found to be significant enough and part of its factors were loaded in 'empathy' and 'responsiveness' dimensions. Cronbach's α has been obtained to test the reliability of the data and Kaiser-Meyer-Olin (KMO) for sample adequacy and Barlett's Sphericity Test has been conducted. Single-item approach was adopted for the satisfaction and repurchase intention construct with a seven point Likert scale. Random sampling technique was used to collect primary data. A total of 1000 questionnaire were distributed amongst every 5th customer coming out of the bank premise out of which 639 were received back. Upon scrutinization, 516 usable responses were generated.

DATA ANALYSIS AND INTERPRETATIONS

SPSS 16 was used to compute and analyze the data. The service quality score (PSQ) was obtained by calculating the mean weighted SERVQUAL score which computed the difference of perception (P) and expectation (E) score of each and every individual across the 22 factor scale of modified SERVQUAL instrument. The mean of the difference (P-E) was obtained for each and every individual that was taken as perceived service quality (PSQ) for that individual. To get an estimation of customer satisfaction a 7 point Likert scale was used with '1' being 'highly dissatisfied' and '7' being highly satisfied. Bivariate correlation was performed to assess the relationship between the three major variables namely service quality (PSQ), customer satisfaction (CUSTSAT) and repurchase intention (REPURINT). The Pearson correlation exhibited in Table-1 showed that a strong and positive intercorrelation exist between the major variables. Service quality (PSQ) showed a strong and positive correlation with customer satisfaction (CUSTSAT) (r=.593**, p<.001) and repurchase intention (REPURINT) (r=.349**, p<.001). Repurchase intention (REPURINT) exhibited a strong and positive correlation with customer satisfaction (CUSTSAT) (r=.444**, p<.001). Pearson correlation coefficient exhibited in Table-2 suggested that repurchase intention (REPURINT) is strongly and positively correlated with reliability (r=.906**, p<.001), convenience (r=.521**, p<.001) and responsiveness (r=.395, p<.001). Repurchase intention showed moderate and positive correlation with the empathy dimension empathy (r=.147*, p=.050). With tangible dimension of service quality no significant correlationship is found with the repurchase intention.

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TABLE - 1: INTER-CORRELATION BETWEEN THE THREE MAJOR VARIABLES

		PSQ	CUSTSAT	REPURINT
PSQ	Pearson Correlation	1.000	.593**	.349**
	Sig. (2-tailed)		.000	.000
	N	516.000	516	516
CUSTSAT	Pearson Correlation	.593**	1.000	.444**
	Sig. (2-tailed)	.000		.000
	N	516	516.000	516
REPURINT	Pearson Correlation	.349**	.444**	1.000
	Sig. (2-tailed)	.000	.000	
	N	516	516	516.000

** Correlation significant at 0.01 levels (2-tailed)

TABLE - 2: CORRELATION BETWEEN SERVICE QUALITY DIMENSIONS AND REPURCHASE INTENTION

		TAN	RELIAB	COVEN	EMP	RESP	REPURINT
TAN	Pearson Correlation	1.000	.115	.219**	.228**	.268**	.082
	Sig. (2-tailed)		.126	.003	.002	.000	.276
	N	516	516	516	516	516	516
RELIAB	Pearson Correlation	.115	1.000	-.034	-.127	.464**	.906**
	Sig. (2-tailed)	.126		.657	.091	.000	.000
	N	516	516	516	516	516	516
COVEN	Pearson Correlation	.219**	-.034	1.000	.314**	.681**	.521**
	Sig. (2-tailed)	.003	.657		.000	.000	.000
	N	516	516	516	516	516	516
EMP	Pearson Correlation	.228**	-.127	.314**	1.000	.608**	.147*
	Sig. (2-tailed)	.002	.091	.000		.000	.050
	N	516	516	516	516	516	516
RESP	Pearson Correlation	.268**	.464**	.681**	.608**	1.000	.395**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	516	516	516	516	516	516
REPURINT	Pearson Correlation	.082	.906**	.521**	.147*	.395**	1.000
	Sig. (2-tailed)	.276	.000	.000	.050	.000	
	N	516	516	516	516	516	516

** Correlation significant at 0.01 levels (2-tailed), * Correlation significant at 0.05 level (2-tailed)

To understand the predictive capability of service quality and customer satisfaction to predict repurchase intention of the customers, Regression Analysis was conducted. The model summary (Table-3) exhibited R=.415 which showed the existence of 41.5% relationship between service quality & customer satisfaction and repurchase intention. Adjusted R square (R^2) (.169) showed that service quality and customer satisfaction together explained 16.9% variation in repurchase intention. The results of ANOVA (Table-4) established that the variation showed by service quality and customer satisfaction was significant at 1% level (f=53.455, p<.001). The standardised regression coefficient results (Table-5) established that both service quality (PSQ) (β=.719, t=19.044, p<.001) and customer satisfaction (CUSTSAT) (β=.415, t=10.324, p<.001) have statistical significance and are positively correlated to repurchase intention (REPURINT) of the customers.

TABLE - 3: MODEL SUMMARY[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.415[a]	.172	.169	.43717	.172	53.455	2	513	.000

a. Predictors: (Constant) CUSTSAT, PSQ
b. Dependent variable: REPURINT
CUSTSAT: Customer Satisfaction, PSQ: Perceived Service Quality, REPURINT: Repurchase Intention

TABLE-4: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.432	2	10.216	53.455	.000[a]
	Residual	98.041	513	.191		
	Total	118.473	515			

a. Predictors: (Constant) CUSTSAT, PSQ
b. Dependent variable: REPURINT

TABLE - 5: COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.553	.156		22.817	.000
	PSQ	.654	.089	.719	19.044	.000
	CUSTSAT	.320	.031	.415	10.324	.000

a. Dependent variable: REPURINT

The regression equation to predict 'repurchase intention' of the customer can be represented as:

REPURINT= aX_1+ bX_2+k

Where, REPURINT – repurchase intention of the customer

X_1- Service quality score, (PSQ)

X_2- Customer Satisfaction Score (CUSTSAT)

k= regression constant

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On the basis of the results of the regression analysis, the equation obtained was as follows:

REPURINT= (.654*X_1) + (.320*X_2) + (3.553)

By replacing the values for X_1 and X_2 for an individual customer, the repurchase intention of that individual can be predicted

MODEL DEVELOPMENT

Structural Equation Modeling (SEM), a multivariate statistical analysis technique, which combines factor analysis with multiple regression analysis and explores the structural relationship between measured/observed variables and latent constructs (Eboli L. et al, 2007), has been used to analyse structural relationships between the model constructs for the study. Confirmatory factor analysis (CFA) was performed to fit two latent variables [Service quality (PSQ) and Customer satisfaction (CUSTSAT)] to the observed data using LISREL 8.80 and the standardized version of the model is presented in Figure 2. The results of the confirmatory factor analysis justified the dimensionality, convergent and discriminant validity and provided a reasonable fit for the model to the data on the basis of a number of fit statistics which are appended in Table 6. The probability value of Chi-square is less than the conventional 0.05 level (P=0.00041) indicating a relative fit of the models to the data rather than an absolute fit. The values of the goodness of fit indices are significantly low supporting the quality of the model fit to the data.

TABLE-6: GOODNESS OF FIT INDICES

Indices	Values
Degrees of Freedom	97
Minimum fit function Chi-Square	761.265 (P = 0.00041)
Goodness of Fit Index (GFI)	0.91
Adjusted Goodness of Fit Index (AGFI)	0.86
Parsimony Goodness of Fit Index (PGFI)	0.41
Comparative Fit Index (CFI)	0.79
Incremental Fit Index (IFI)	0.91
Relative Fit Index (RFI)	0.61
Normed Fit Index (NFI)	0.60
Non-Normed Fit Index (NNFI)	0.57
Standardized RMR	0.27
Root Mean Square Error of Approximation (RMSEA)	0.031
Expected Cross-Validation Index (ECVI)	0.52

FIG.2: PATH DIAGRAM SHOWING RELATIONSHIP BETWEEN THE MAJOR VARIABLES
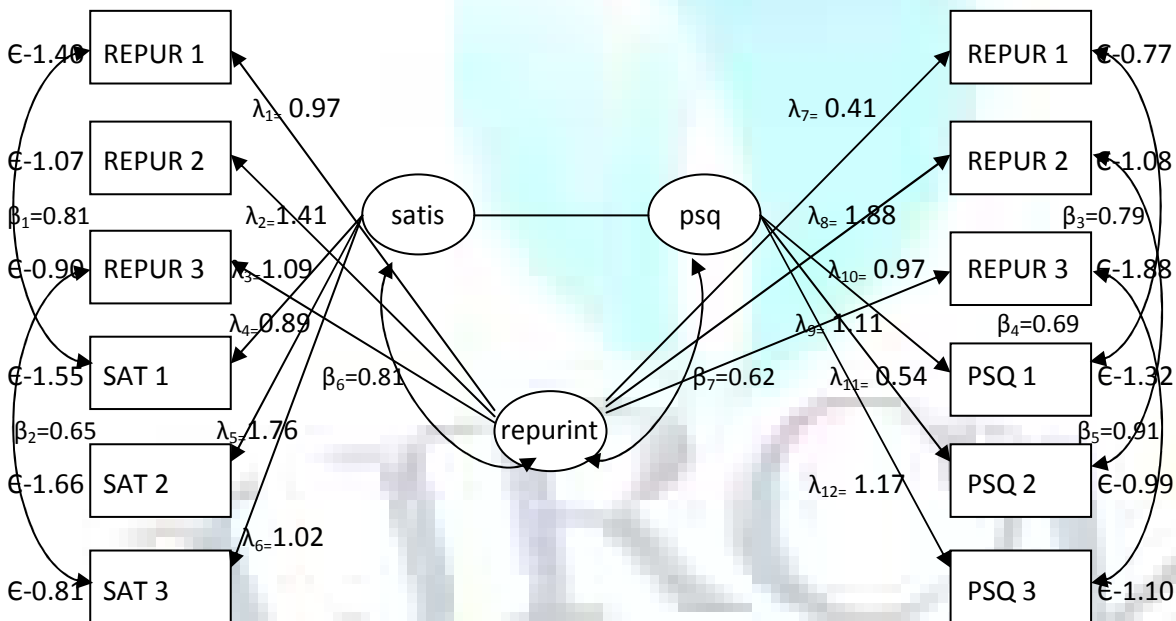
The path diagram for the conceptual framework is depicted in Figure-3 where the structural relationship between service quality dimensions (tangibles, reliability, convenience, empathy and responsiveness), service quality, customer satisfaction and repurchase intention may be observed. The model stands good on the ground of a number of goodness of fit indices showed in Table-7.

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FIG.3 - PATH DIAGRAM JUSTIFYING THE PROPOSED MODEL
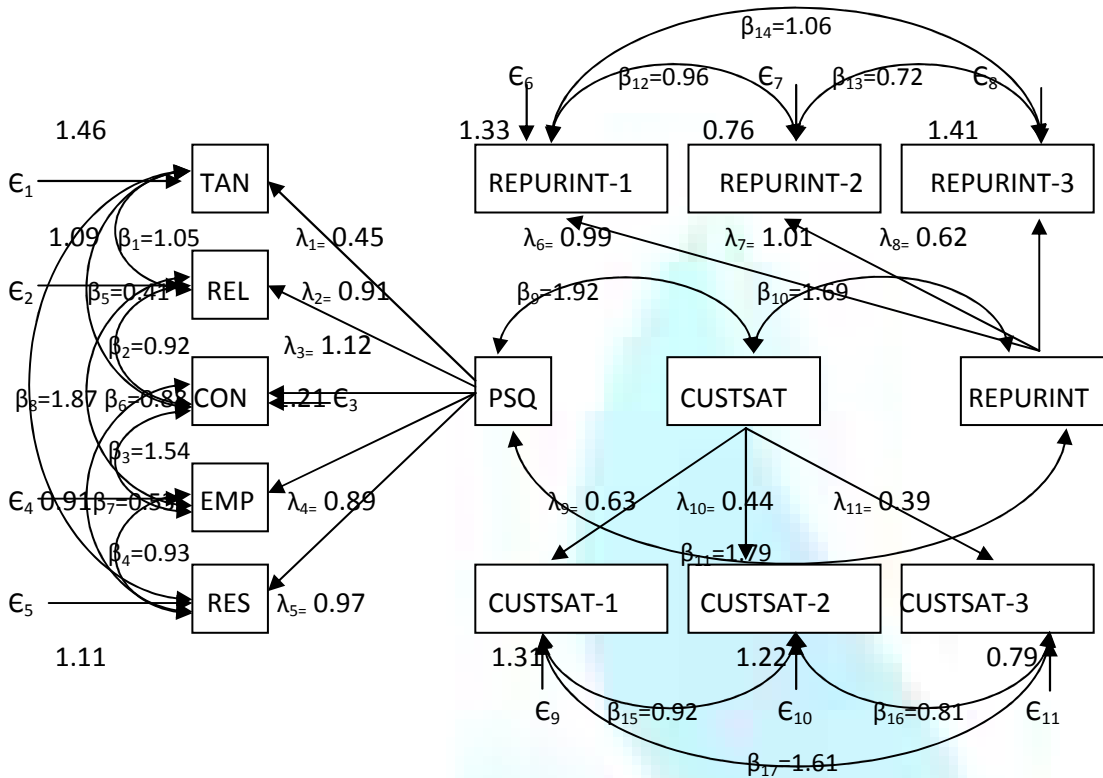
TABLE-7: GOODNESS OF FIT INDICES

Indices	Values
Degrees of Freedom	138
Minimum fit function Chi-Square	1134.523 (P=0.00200)
Goodness of Fit Index (GFI)	0.95
Adjusted Goodness of Fit Index (AGFI)	0.88
Parsimony Goodness of Fit Index (PGFI)	0.57
Comparative Fit Index (CFI)	0.86
Incremental Fit Index (IFI)	0.87
Relative Fit Index (RFI)	0.69
Normed Fit Index (NFI)	0.54
Non-Normed Fit Index (NNFI)	0.51
Standardized RMR	0.18
Root Mean Square Error of Approximation (RMSEA)	0.029
Expected Cross-Validation Index (ECVI)	0.31

CONCLUSION

The study revealed that repurchase intention of customers is positively influenced by the perceived level of service quality and customer satisfaction. Intention to purchase can also be predicted on the basis of perceived service quality and customer satisfaction. The study has significant marketing implications for State bank of India. In order to ensure long-term customer loyalty by inducing repeat purchase behaviour, SBI should focus on the service quality dimensions, particularly reliability, convenience and responsiveness which has exhibited strong and positive inter-correlationship. With Indian banking sector rapidly changing and so are its customers, in near future other service quality dimensions may emerge as strong influencers of customer satisfaction and hence inducing repurchase intention. Therefore SBI may initiate a customer contact programme to realize the changing expectations and perceptions of customers with regard to banking service and the serve quality offered by SBI.

The study has its own limitations. First it was restricted within the territorial limits of Kolkata. Secondly, service quality and customer satisfaction were considered as antecedents

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