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Measuring the quality of service within Challenge Bank

George M. Gilchrist
Edith Cowan University

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MEASURING THE QUALITY OF SERVICE WITHIN CHALLENGE BANK

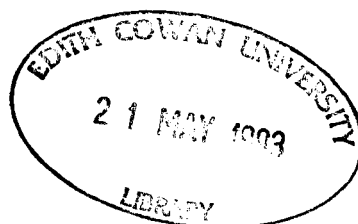
BY

George M. Gilchrist, Bachelor of Business

**A Thesis Submitted in Partial Fulfilment of the
Requirements for the Award of**

**Bachelor of Business with Honours
at the Faculty of Business, Edith Cowan University**

Date of Submission: 16.11.92



ABSTRACT

This research project looks at how the management and counter staff of four branches of the Challenge Bank define quality of service, and asks them to judge if they deliver that quality. It also examines the climate for service in which staff operate. The project simultaneously explores the customers' idea of what constitutes quality service, and whether or not customers consider they receive it consistently.

A review of the most recent literature on customer service from Australia and overseas, has provided a theoretical framework for the interpretation of the data.

It was necessary to first define the variables in quality of service, then to design structured survey instruments to accurately reveal the current levels of service performance, according to these variables.


Branch management, branch counter staff, and customers were then interviewed with a structured questionnaire. Identical questions on the dimensions of service were utilised to enable comparisons to be made between staff and customers.

Data was then analysed, and the hypotheses tested.

Results provided support for suggestions to Challenge Bank management on improving the quality of service offered to customers.

DECLARATION

I certify that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any institution of higher education; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

Signature..  ..

Date.... 11/2/93

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1.0 Introduction

1.1 Nature and Importance of the Problem

1.1.1 Results of deregulation in Australia.

Drake and Nieuwenhuysen (1988) provide a concise history of deregulation in Australia.

Deregulation of the banking industry in 1983 enabled foreign banks to compete in the Australian market for the first time. Restrictions on banking activity, including interest rate levels, were also removed.

Sixteen foreign banks were given licenses to operate, but only four of the new entrants, they say, were to find retail banking profitable.

The effect of increased competition on the established local banks, according to Drake and Nieuwenhuysen (1988), was a reduction in the return on shareholders funds of up to 4.5 per cent. In contrast consumers benefited "...through diversified and improved services and significant cuts in spreads" (Drake & Nieuwenhuysen, p.126).

They add that the focus of bank customer activity since 1983 has been the aggressive marketing of new and improved

products at competitive interest rates.

Casualties have resulted. Despite the protective umbrella of the Reserve Bank in Australia, the 1980s demonstrated that in an era of increasing competition, factors such as small size and diminished profits render banks prey to takeovers and mergers. Several of the smaller banks, for example the Commercial Bank of Australia and the Commercial Banking Company of Sydney, were taken over by larger competitors.

1.1.2 Implications of deregulation.

Singh (1989, p.32), as well as commenting on the poor image of banks in Australia, asserts that the Australian consumer, after 40 years of regulated banking, has been slow to realize the advantages of this extra choice provided by deregulation:

The fact that customers ... keep a very high proportion of their money in accounts that attract no interest, and a sizable proportion in accounts with low interest, shows up the innate inertia and conservatism of the Australian consumer.

He thinks that as more consumers take advantage of the choices available to them, banks will be under increasing pressure to satisfy and service their customers' needs.

Unfortunately, some researchers consider that

Australian banks have traditionally espoused the principle of quality service for their customers, but in reality paid it only lip service. Reinecke (1988, p.132), for example, thinks that Australian banks court the wealthy clients, and that the smaller customer "...will be offered lower basic levels of service and that facilities that used not to attract fees will increasingly be charged for".

A similar scenario has been observed in the United States, from where much of the literature on quality service emanates. The proliferation of financial institutions has intensified competition in that country. Liswood (1990) comments on the disproportionate efforts to which financial organizations go to compete in attracting new clients, rather than retaining existing ones. One result is heavy expenditure on advertising, and other promotional strategies, that emphasise product and price.

But Berry, Bennett and Brown (1989) assert that financial institutions are very similar in the services they offer, and thus it becomes increasingly difficult in a competitive marketplace to differentiate on the basis of product and price alone. Intense competition, according to Donnelly, Berry and Thompson (1984) threatens the very survival of a bank.

It is therefore essential to consider fresh strategies

to optimise performance. An increasing body of literature is now exploring the prospects of increased market share that may result from quality service. This will be summarised in the literature review section.

1.2 The Challenge Bank

The following information was obtained by interviewing the Customer Services Manager of the Challenge Bank in Perth.

1.2.1 History and market position.

The Bank originated in 1987. It had previously existed for a hundred years as the Perth Building Society. The Bank therefore had a traditional base in the home lending and small depositor market, but little corporate penetration.

In comparison with the "big four", Challenge Bank could be classified as medium size, with a Head Office and a metropolitan network in only Perth and Melbourne. The Bank does not therefore have the scale or history to be a market leader at this time, or to compete on price for new customers.

1.2.2 Management strategy.

The Bank's management realises the importance of examining the profit potential of relationship banking and quality service. This is reflected in the recent appointment of a General Manager who emphasises the service aspect, and is more receptive to upward communication than his

predecessors.

Recent management initiatives have been implemented to speed the transition to a customer focus. These have included the introduction of a formal complaint handling procedure and an integrated customer information system. Financial incentives have also been offered to staff in return for a commitment to improve their knowledge and skill levels.

Unstructured consultations with branch managers established that the emphasis of their role is evolving from a traditional, operational role to a customer-oriented focus.

There was a perception amongst these managers that the necessary technological and Head Office managerial support was still insufficient at times.

1.3 Significance of the Study.

Quality service implies a desire to retain the customer base. The ultimate goal is to gain a competitive advantage, and thus increase market share and profits.

This research will assist Challenge Bank in assessing its market strategy by providing feedback on what their customers think is important, and how their service performance is perceived. It will also provide information as to whether management and staff perceptions are in tune with their customers. This will be achieved by the administration of the same questionnaire to both staff and customers.

This is the first occasion that Challenge Bank have undertaken research which captures both the perceptions of staff and customers simultaneously.

2.0 Review of the Literature

This section provides the critical background to the research objectives and the design of the survey instrument.

The review first describes the growth in services marketing literature since the 1960s, emphasising fundamental differences between the marketing of services and the marketing of goods. It then distinguishes between banking and other services, before presenting the case for relationship banking.

This leads to a focus on research in the last decade examining the content of the service quality and climate for service constructs. Finally, the theoretical model, upon which this research is based, is examined.

2.1 Growth of Services Marketing

2.1.1 Growth of the service sector.

Service sectors in all developed countries have grown dramatically in the years since the last war.

Ginzberg and Vojta (1981) state that the percentage of the U.S. working population employed in the service sector increased from 55% to 68% between 1948 and 1977. Meanwhile the percentage of the population involved in the goods sector had shrunk from 45% to 32%.

But Koepp (1987) criticizes the service sector for allowing service standards to slide as the sector grew, and lists several causes.

Those with most implication for the banking sector include: increasing computerised technology at the expense of human contact, lack of training, and workers regarding service as demeaning to themselves.

Ansett (1989, p. 27) criticises the standard of service in Australian banking, quoting the example of people queuing "...while staff keep their heads down behind the counter, shuffling papers, pretending not to notice you".

Koepp therefore considers that companies, which concentrate on quality service, will gain a competitive advantage, as it becomes more difficult to differentiate on grounds of product and price.

2.1.2 Why is services marketing different?

Services marketing is, however, a relatively new field. Bateson (1989, p. 4) comments: "Over the past decade there has been increasing interest in the marketing problems of service organizations". This interest has been motivated by the increasing size of the service sector, and several fundamental differences between the marketing of goods and services.

An understanding of these differences, and of the implications for the provision of service quality, is well captured by Zeithaml, Parasuraman and Berry (1985). They summarise the history of the literature on unique service characteristics, since Regan first contributed "The Service Revolution" to the Journal of Marketing in 1963.

They illustrate that the literature focuses on four fundamental factors.

Firstly, as Bell (George & Donnelly, 1981) observes, the more a consumer is involved in a transaction, the more

likely the product involved will have the hallmarks of a pure service. This involvement results from the simultaneous occurrence of production, purchase, and consumption of the service product with the consumer present. A standardized good is usually manufactured and consumed off-site. The service process, according to Bell, is therefore "interactive", and requires counter staff who are trained in interpersonal skills.

Langeard, Bateson, Lovelock and Eiglier (1981) coin the term "Servuction system" to describe the concept of the interactive service experience. The system consists of the visible components of the service encounter, the customers, staff and inanimate environment; and the invisible administrative (back office) function.

Secondly, they (Parasuraman et al., 1985) cite several authors (Berry 1980; Booms & Bitner 1981; & Lovelock 1981), who claim that the fundamental difference is intangibility. The less tangible a product is, for example, a personal loan, the more the service act becomes a performance- the approval and processing of the loan.

Thirdly, a service is heterogeneous. Whereas a tangible product can be standardized for quality, service quality is more variable. Human unpredictability will ensure consistent variation in the components of the Servuction system. Each

of these components, Bateson suggests, influence a customer's assessment of service quality, and the decision whether or not to continue to deal with a service organisation.

Finally, services are perishable, and cannot be inventoried. Bateson uses the example of an aircraft flying with empty seats, and forever losing the potential revenue from those seats. Because of the high cost of flight, the effects of perishability are more damaging to the airline industry than they are to other service industries, such as banking.

An understanding of these differences is fundamental in efforts to improve service quality.

2.2 Marketing Banking Services

It is important for the construction and validity of the planning and execution of this research to differentiate banking from other services.

Chase (1982) defines services according to the extent of customer contact. He classifies high contact services as "pure", and low contact ones as "manufacturing". Bank head offices are therefore described as "quasimanufacturing", because they usually incorporate the administrative function ("technical core"), sealed off from customers. In contrast, branches provide "mixed service", a combination of the technical core and customer contact.

Chase concludes that high contact services, exposed to unpredictable human behaviour, are more uncertain and difficult to control.

Surprenant and Solomon (1987) note that services within bank branches vary considerably. Booms and Nyquist, cited in Donnelly and George (1981) clarify this observation by classifying service staff as either Type 1, 2 or 3, according to the frequency and complexity of the transactions they handle. Thus a routine teller encounter is classified as a Type 1, whereas a more complex loans approval is a Type 2.

2.3 Case for Relationship Banking

Relationship banking (Berry et al., 1989, p. 18) is "...the process of attracting, maintaining, and enhancing client relationships", and add that "...service excellence paves the way to these relationships". Excellence includes extending individualized and caring attention to customers.

The provision of quality service is therefore linked to the retention of customers.

2.3.1 Do customers want relationship banking?

Donnelly et al. (1984) answer critics of relationship banking, who claim that customers prefer to deal with multiple institutions. Donnelly et al. (1984) refer to a 1982 survey, which found that 68% of respondents preferred to conduct all their business with a single financial institution.

Disagreement exists amongst critics as to the amount of personalisation that customers need. Coskun and Frohlich (1992, p.17) assert that customer relationships are essential and that "... banking is a service business delivered partly through technology, but ultimately through people", and conclude that banking is "... most personal and sensitive from a customer's perspective."

Coskun & Frohlich (1992) ignore that, for many, banking is routine and uncomplicated. Solomon, Surprenant, Czepiel, and Gutman (1985, p. 105) provide a more realistic perspective: "... satisfaction is positively related to predictability for low involvement services, and positively related to flexibility/personalization in the case of high involvement services".

This project will examine the importance that Challenge Bank customers attach to the different dimensions of service quality.

2.3.2 Is relationship banking profitable?

It must not be forgotten that the ultimate goal of good customer relationships is the procuring of profit to provide a good return on shareholder funds.

Buzzell and Gale (1987), contributors to the Profit Impact of Market Strategy (PIMS) programme, assert that there is definitely a relationship between service quality and profit. Profit derives from stronger customer loyalty, lower marketing costs, immunity to price wars, and growth in market share. Thus service quality could be seen as a moderating variable between performance and customer loyalty or defection.

Other researchers (Clark, Kaminski & Rink, 1992; Kennedy, 1991; Liswood, 1990; Reichheld & Kenny, 1990; Rose, 1990), have also addressed the question of profit in recent years. They all claim that the costs of retaining clients will be less than those associated with losing existing clients and pursuing new ones. Profits increase in proportion to the number of years clients are retained.

Reichheld et al. (1990) claim that increasing retention rates from 80% to 90% can increase profit by between 25% and 80%. Reasons they prefer include the lower cost of administering new accounts, and the opportunity to cross-sell other bank products. Furthermore, satisfied clients are more immune to the advertising efforts of competition.

Hudson (1991) claims an emphasis on customer retention improves the staff working environment. His rationale is that satisfied customers transfer this feeling to the staff who serve them. Benefits to management of employee contentment include higher retention rates, and therefore lower hiring costs.

2.3.3 Formal complaint procedures.

Although indisputably a component of service quality and customer retention, the plethora of recent research on correct complaint handling warrants it individual attention.

Several researchers (Agbonifoh & Edoreh 1986; Bolfing, 1989; Clark et al., 1992; Fornell & Westbrook 1984; Goodwin & Ross 1990; Plymire, 1991; & Richins, 1983)) have illustrated the increase in retention rates than can be gained from the introduction of formal complaint procedures, which encourage customers to complain.

A common theme in this literature is that many customers "defect" without complaining, either to avoid embarrassment, or because they think that an organization will not respond positively to their problem.

Plymire (1991) quotes a recent study, which found that only 4% of dissatisfied customers actually voiced their feelings to the bank concerned. Many banks falsely interpreted a lack of complaint as a signal of good service quality.

Meanwhile, defecting customers were providing negative word-of-mouth information to up to ten people each.

Plymire (1991), Reichheld and Kenny (1990), Coskun and Frohlich (1992), and Furlong (1990) all recommend that every complaint be recorded, and defectors followed up. Feedback obtained can be utilized to locate trouble spots and implement procedural improvements. Negative word-of-mouth and defections will reduce.

This research has been designed to capture the importance clients place on both relationship banking and positive complaint handling.

2.4 Climate for Service in Banking

An important component of this research is the focus on the internal customer- the employee. Schneider (1980) hypothesised that the more favourable the employee environment for service, the greater would be the customer perception of good service. This project tests the same assumption (Hypothesis 4).

Figure 1 illustrates the construct's place in the service quality model, and lists its dimensions. These dimensions are adapted from Parasuraman et al. (1990).

2.4.1 Operational definitions.

Operational definitions, and examples where considered necessary, are now given for the six dimensions within this category. Except where stated, they are drawn from Berry et al. (1989):

Role conflict occurs when there "...is a poor fit among different aspects of their jobs" (p. 46). For example, excessive paperwork may reduce time devoted to customer service. Role ambiguity arises when "...employees do not have the information they need to understand their jobs adequately" (p. 49). Support is the operational backup provided by technology, suitable recruitment, training and

types of remuneration.

The following definitions are provided by the author: Teamwork, in the service quality context, is the extent to which management is skilled in coordinating available human resources to produce a unified spirit. Communication, in the branch setting, is the effectiveness of within-branch consultation of staff by branch management, and the productiveness of communication between branch management and Head Office. Finally, job fit is the aptitude that branch staff have for direct customer contact.

2.4.2 Improving the climate for service.

Authors comment on aspects of the banking environment which create an unfavourable climate for service. Some of their observations follow:

Schneider (1980) notes that bank employee accountability has traditionally been related to productivity criteria used in manufacturing industry, for example, a teller balancing at the end of every day. He saw this as "positively myopic", and oblivious of customer needs.

Shamir (1979) comments on the conflicting loyalties that employees in subordinate service roles, for example

bank tellers, experience when contradictory demands are placed on them by management and customers.

Several authors (Furlong 1990; Howcroft, 1989; Hudson, 1991; Reichheld & Kenny, 1990; Reinicke, 1988) assert that banking's traditional top-down and operational management approach does not provide a positive service environment.

The same authors therefore argue that greater significance should be attached to counter staff roles. These staff should be provided with a measure of autonomy to increase both their sense of importance and morale.

Other suggestions to improve performance include: greater interpersonal training, recruitment of customer oriented personnel, a defined career path, a sense of ownership, and the provision of incentives.

2.4.3 Advantages of a service culture.

A firm commitment by management to service quality and effective internal marketing will over several years create a new corporate culture.

Howcroft (1989, p. 15) defines corporate culture as when "...the entire organization actually believes in and supports the objective of quality customer service." He

coins this the "cycle of success", because once the service culture is successfully diffused throughout the organization, it becomes the natural method of functioning.

Furlong (1990) comments on the time and resources involved in introducing such a long-term strategy, but notes that, unlike product and price competition, it is not easily duplicated by rivals.

2.4.4 Service culture in Australian banking?

Australian social historians highlight national characteristics that could jeopardize the implementation of a service philosophy.

Firstly, there is a perception that the Australian work ethic is weak. Dunstan (1972) alleges the existence of an attitude that work interferes with leisure. Encel (1977) reports survey findings that suggest Australians are less interested in advancement and promotion than their American counterparts, preferring instead to consider the benefits surrounding work. For example, a bank may provide its staff with cheap housing loans.

Secondly, there is a view that a product of Australian egalitarianism is the perception of service as servitude. Conway (1978) believes that a result of this belief is often

a lack of courteous communication between vendor and consumer.

Writers have commented that management practices in Australia are over-bureaucratic. Davies (1971, p.158) asserts "... authority and privilege has its less admirable side in distrust of special excellence and unorthodox tastes or opinions". If this observation is true today, there are ramifications for managerial attempts to pursue a service culture.

A focus of this study is employee orientation towards providing service quality. This will be done by measuring their enjoyment of direct customer contact, and also by direct observation in the branch setting.

2.5 The Service Quality Construct

2.5.1 Constructs in marketing.

Peter (1981) defines constructs as abstract entities, not directly observable.

He, and Churchill (1979), both claim that marketers have given little attention to the development of reliable and valid construct measurements.

2.5.2 Service quality research.

The development of the service quality construct has, in contrast, attracted increasing attention in the last decade. The pioneers are Parasuraman, Zeithaml, and Berry (1985, 1988, 1990), on whose work (Servqual) this study is based.

Their original published article (1985) cites previous work in the area (Gronroos, 1982; Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983; Sasser, Olsen & Wyckoff, 1978). These authors unanimously agree that service quality, because of its intangible nature, is more complex to measure than goods quality.

Sasser et al. (1978) observed three dimensions of

service: levels of material, facilities, and personnel, whereas Gronroos (1983) saw only two: technical quality and functional quality.

Lehtinen and Lehtinen (1982) list three dimensions: physical quality, corporate quality (image) and interactive quality. It could be argued that image is not a dimension in itself, but an intervening variable between external influences, such as advertising, and expectations for the service experience.

Langeard, Bateson, Lovelock and Eiglier (1981) found seven dimensions that they tested amongst several industries, including banking: time, control, effort, dependence, efficiency, human contact and risk. Parasuraman et al. (1985, 1988, 1990) do not appear to acknowledge the latter study in any of their work.

2.5.3 Origins of Servqual.

Parasuraman et al. (1985) conducted executive and customer focus group interviews, and isolated ten determinants of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and tangibles. These dimensions were tested on a cross section of four service industries, which varied in the degree of tangibility of

their products: retail banking, credit card, securities brokerage, and product repair and maintenance.

In 1988 they developed the Servqual instrument, which contained 22 items of measurement along five dimensions—reliability, tangibles, assurance, responsiveness and empathy. Assurance combined communication, credibility, security, competence and courtesy, whilst empathy combined understanding and access.

2.5.4 Purification of Servqual.

Techniques to purify the scale and test for reliability followed procedures suggested by Churchill (1979), and included the computation of coefficient alpha to fit questionnaire items into their correct dimension, and factor analysis to further refine the number of dimensions.

Convergent validity was tested by correlating Servqual scores with a separate overall quality of service question to respondents. Applications of the instrument have consistently shown reliability and assurance to be the two most important dimensions to consumers.

2.5.5 Operational definitions of dimensions.

The operational definitions of the five dimensions,

adapted for bank use, follow: (Parasuraman et al., 1988)

Tangibles are defined as the physical facilities and appearance of personnel; reliability is the ability of staff to perform accurately and dependably; responsiveness is the promptness and willingness of staff in serving customers; assurance is the knowledge and friendliness displayed by staff to customers; and empathy is the caring, personalised/individualized interest shown in customer banking needs.

2.5.6 Criticism of Servqual.

The instrument has been well received by the critics with minor reservations (Fick and Brent Ritchie 1991; Carman 1990; Brown and Swartz 1989).

Fick and Brent Ritchie used the Servqual instrument to survey the travel industry and found it reliable. But they consider that the original ten dimensions (section 2.5.3) would more comprehensively cover different service industries.

Carman is more critical, maybe unfairly so, as the industries he chose to survey included an employment agency, an acute care hospital, and a dental school patient clinic. It would intuitively be expected that the item- security-

would test as a separate dimension in these three high customer involvement industries.

It is clear that the instrument should not be "set in stone", and that professional industries with high involvement customer contact may well test more reliably by increasing the number of dimensions, or adding items to fit the specific situation. Brown and Swartz (1989) suggest more empirical work to test the impact of each dimension.

2.5.7 Justification for employing Servqual.

This research will adhere to the five Servqual dimensions. This is justified as the research on which the instrument was based included both a bank and a credit card company. Fick and Brent Ritchie (1991) also chose to measure a bank, and mean scores obtained on each dimension were similar to those achieved by Servqual.

2.6 The Model of Service Quality

The model (Figure 1), that has been utilised to generate research objectives and hypotheses, is adapted from Parasuraman et al. (1985), and Gronroos (1983).

The theoretical background to the service quality model in a bank branch setting will first be examined. The discussion will then look at the exogenous variables that impact on customers' image of, and attitudes towards expectations and perceptions of service quality.

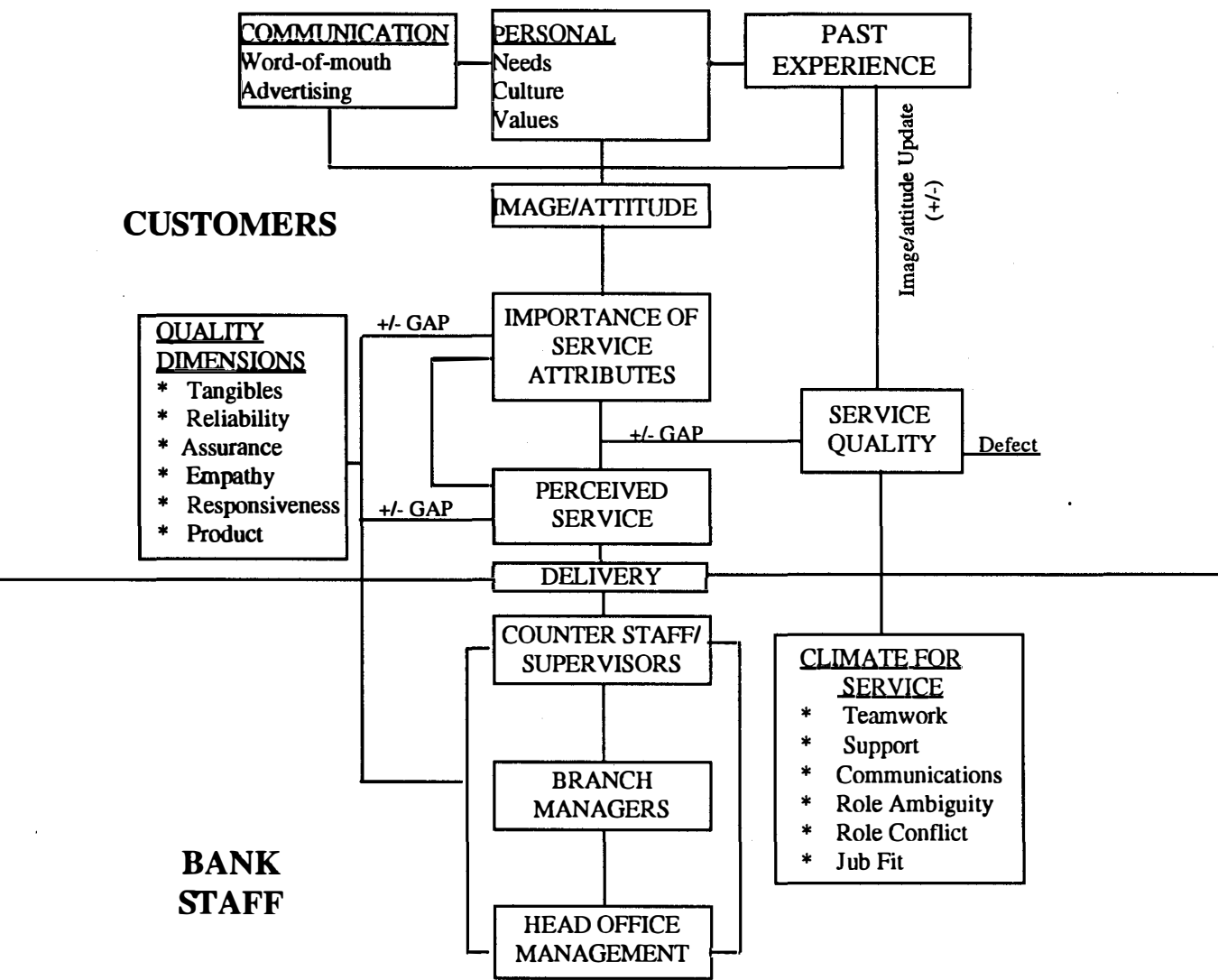
Exogenous variables, such as external communications, are "...fixed data read in from the outside environment". Endogenous variables are those "... whose values are determined by interactions within the system" (Farley and Ring 1970, p.429). In this study, they consist of images and attitudes that shape customers' expectations and expectations.

2.6.1 Bank branch setting.

The Parasuraman et al. (1985) model is a generic service model. Therefore this model has been designed to suit the specific study of a bank branch, divorced in a physical sense from its head office.

It illustrates that branch managers have as many

FIGURE 1
MODEL OF SERVICE QUALITY
IN BRANCH BANKING



(Adapted from Gronroos, C., 1983; & Parasuraman et al., 1985, 1988, 1990)

demands placed on them by customers as counter staff, but that they are also answerable to the bureaucratic requirements of their Head Office. Unstructured discussions ascertained that they experience role conflict as a result of their responsibilities to customers, their own staff, and to their Head Office.

The researcher has used his own experience in a supervisory capacity in a financial institution to overview the validity of the adapted model in a branch setting.

2.6.2 Gap theory.

At the heart of the Parasuraman et al. (1985) model lies the notion that service quality is subjectively measured by customers. They compare their service expectations with the service that they actually receive. The researcher must quantify this difference (or gap) to ascertain the level of service quality. This overall rating is termed gap 5, and will be measured in this study.

To isolate problems or strengths of service quality, this research will test the different dimensions within the constructs, and also the individual items within the dimensions.

Parasuraman et al. (1985) have identified a further

four gaps, all of which influence customers' overall service perceptions. Brief operational description of these gaps will now be given. Any variances between the gaps in the original model, and those employed in this research, will also be explained.

Gap 1 is measured by quantifying the difference between what customers want and what management thinks they want. This research will measure gap 1 by comparing the responses of all 22 interviewed staff with the equivalent customer responses. Information obtained in unstructured interviews with Head Office and branch management will be used to support findings.

Gap 2 is the difference between what management think customers want and what it specifies for delivery. Measurement of this gap requires a different battery of questions, and is beyond the scope of this survey.

Gap 3 is the difference between management service specifications and consumer perceptions. Previous research by Parasuraman et al. (1990) has found that lack of employee ability, motivation to perform, and inadequate support, are the most common reasons for a negative gap. The "climate for service" construct, and unstructured interviews with Head Office and branch management, will be utilised in this research to assist in interpreting findings.

Gap 4 is termed "the external communications gap", and measures any discrepancy between perceived service and promotional communications. This gap will be measured by including it as a question in the reliability dimension of the service quality construct.

2.6.3 Criticism of gap theory.

Most critics have reacted favourably to gap theory, and see it as the most thorough attempt to date to both quantify the service quality construct, and provide a diagnostic management tool. Parasuraman et al. (1988) cite their own focus group interviews, and critics such as Gronroos (1982), Lehtinen and Lehtinen (1982), and Sasser et al. (1978) as all supporting their model.

Some discussion has been generated, and a brief discussion of critical comment now follows:

Brown and Swartz (1989, p. 93) cite Cadotte, Woodruff and Jenkins (1987), who consider "...that experience -based norms are more appropriate than expectations to serve as a benchmark against which product experiences are compared".

Although it could be argued that societal "norms" shape most expectations, this view may underestimate the complexity and individuality of consumer behaviour.

Brown and Swartz (1989) also contend that professional services, the subject of their research, should adopt a variant of gap theory. They note that professionals, doctors for example, are frequently both practitioner and manager. Brown and Swartz use this observation to justify reducing the number of gaps measured in their research.

Parasuraman et al. (1990) now acknowledge that their earlier hopes of producing a generic model are optimistic, and now encourage researchers to adjust to the particular service environment.

This project will attempt to adapt gap theory to the realities of the bank branch setting.

2.6.4 Gap measurement problems.

Fick and Brent Ritchie (1991) claim that it is not clear whether the Parasuraman et al. (1985) model was designed to focus on customers' last service experience, or whether it represents an overall assessment of service quality resulting from a number of experiences.

This criticism is not justified, as Parasuraman et al. (1988), citing Oliver (1981), consider that consumer judgment of a single transaction is a measure of satisfaction, whereas service quality is an enduring impression built over multiple transactions. Because gap

theory relates to service quality, it must be concluded that the intention of its creators is that customers should employ an overall judgment.

This criticism does, however, indicate possible limitations in the application of gap theory. If it cannot be employed to measure satisfaction, a number of services would be excluded from measurement, notably those services that are consumed irregularly, and quite possibly from different providers. Fick and Brent Ritchie (1991) researched just such an industry themselves- travel.

Carman (1990) claims that that it is not practical to measure customer expectations and perceptions in the same interview. He adds that it is also impractical to measure respondents before and after consumption of the same service transaction, especially if the time difference is minimal.

Like Fick and Brent Ritchie, he appears to be confusing satisfaction and service quality, a distinction with which he himself agrees. If service quality (multiple experiences) and not satisfaction (a single experience) is being measured, it is quite legitimate to measure both expectations and perceptions concurrently. Customers would be giving an overall assessment, not just an opinion of the single recent transaction.

Because of the multiple nature of bank transactions, the researcher will be quite specific in asking respondents to evaluate the overall service performance of Challenge Bank. Intuitively, little research value would result from the measurement of a single low involvement bank transaction.

2.6.5 Exogenous influences.

In their service quality model, Parasuraman et al. (1985) show three exogenous influences that contribute to customer service expectations- personal needs, word-of-mouth communication and past experience.

Gronroos's model (Berry, Shostack, and Upah 1983) adds the variables marketing activities, traditions and ideology. His model also demonstrates that past experience of the functional and technical quality of a service company will impact customers' image or attitudes towards a service, and their expectations for future encounters. Thus image and attitude is dynamic and is constantly updated.

The author's adapted model (Figure 1) includes values and cultural influences, the equivalents of ideology and traditions in the Gronroos model. Culture is an important inclusion, as it enables the model to be employed internationally. This factor is relevant to the Australian

bank setting, because the abovementioned models emanate from the United States and Europe respectively.

The combination of the two models in the adapted model provides a more complete picture of the influences that impact on customers' perceptions of service quality.

Other factors may be worthy of future consideration, for instance, situational characteristics (Fick and Brent Ritchie, 1991).

Churchill (1979) includes the transient personal factor. This factor is illustrated by Bleuel (1990), who describes the negative influence that an unsettled home life may have on a customer's response to the best intentioned efforts to rectify an error. Situational and transient variables were not included in the adapted model, as they were considered more applicable to a single transaction, and not an overall assessment of service quality.

2.6.6 Image and attitude

The adapted model uses both image and attitude as intervening variables to link customer expectations and perceptions with the exogenous variables. This contradicts the Parasuraman et al. (1985) and the Grootenboer (1983) models. The former does not employ either variable, the latter only image.

Kotler (1975) describes image as perceptual and cognitive, differing from attitude in that it lacks both affective (feeling) and conative (behavioural) aspects. This description suggests that images are not as well-developed as attitudes, which Assael (1987) suggests are more enduring, and less susceptible to fresh stimuli.

As applied to the branch banking setting, the use of both image and attitude therefore allows for customers of more recent origin, and also for those customers with the more entrenched attitudes that develop with experience and higher involvement transactions.

3.0 Research Plan

3.1 Research objectives

The main objective of this project is to measure the quality of service within the Challenge Bank as perceived by management, staff and customers. The research questions are:

Branch managers

1. What do they consider customers think is important in service quality?
2. How do they perceive customers rate the service quality of their branch?
3. What problems do they encounter in trying to provide service quality?
4. Are they oriented towards providing quality service?

Counter staff

5. What do they consider customers think is important in service quality?
6. How do they perceive customers rate their counter service quality?
7. What problems do they encounter in trying to provide service quality?
8. Are they oriented towards providing service quality?

Customers

9. What do customers think is important in service quality?
10. Do customers consider that they receive service quality in their dealings with the Bank?
11. If customers have a problem, are they more likely to complain directly, spread negative word-of-mouth, or defect?
12. Do customers consider that service quality is essential for a good banking relationship?

3.2 Research Hypotheses

The assumption is that negative gaps, as indicated in the banking quality literature (Koepp 1987; Berry 1989; Schneider 1980), will exist. The research hypotheses are derived from the research objectives and Gap theory, and are expressed in alternate form:

- H1: There is a negative gap between what Challenge Bank customers consider important in service quality, and the service quality they receive.
- H2: There is a negative gap between what Challenge Bank customers consider important in service quality, and what Bank staff consider customers think is important in service quality.

- H3: There is a negative gap between the service quality customers think they receive, and the service quality that Challenge Bank staff think they provide.
- H4: The more favourable the climate for service for Challenge Bank staff, the more favourable will be the customer perceptions of service quality.
- H5: The more favourable the customer perception of bank responsiveness to their problems, the more likely they are to complain directly to the bank.

4.0 Research Methodology

4.1 The Sample

4.1.1 Population elements.

The first population element contained current staff members of Challenge Bank, divided by rank into branch manager, supervisor and customer service officer. It was expected that factors such as knowledge, experience, job type, and rank of immediate manager would influence staff responses both to questions on expectations and perceptions, and the climate for service.

The second population element contained current customers of Challenge Bank. The original plan was to utilize customer sample frames to select representative samples for the administration of a mail questionnaire, but as the Bank preferred that personal interviews be conducted within branch, the final sample consisted of customers who had just completed their banking transaction. Use of branch records was therefore not necessary for sample selection.

4.1.2 Sampling units.

The sampling units utilised were four branches of the Challenge Bank. The participating branches were decided

after discussions with the Customer Service Manager at Head Office. His ready cooperation and willingness to discuss perceived good and deficient areas in the Bank's operation, were helpful in choosing branches.

The final choices (Fremantle, Claremont, Cottesloe and William Street) were based on his perception that the managers of these branches would be candid in their comments, and that they were all advocates of customer service. Whilst acknowledging the possibility of bias, this course was considered preferable to misleading responses that may have occurred if management were less forthright and more reactionary to customer service principles.

4.1.3 Customer sampling method.

The sampling method used to select customers was governed by the choice of the branches (refer section 4.1.2), and the requirements for data collection (refer section 4.3). Because no sample frame was utilised, the sample is therefore best described as non-probability convenience. The Customer Service Manager intuitively considered that Fremantle and Cottesloe branches would provide a more demographically diverse sample than would Claremont, which contains an affluent and elderly population.

The possibility of three types of error must be acknowledged:

Selection error may exist because of the customer sample not being representative of Challenge Bank customers.

Population specification error is possible because of the choice of current customers, who have just completed their transactions. This selection method ignores non-customers or former customers, who may be less favourably inclined towards Challenge Bank. Similar research (Brown & Swartz, 1989; Carman, 1990; Fick & Brent Ritchie, 1991; Parasuraman et al., 1985) has nonetheless surveyed current users of a service.

Finally, nonresponse error may be attributable to those customers who did not participate. This error may also result from tellers, despite instructions to the contrary, referring clients who were favourably known to them, or preferred for some other reason.

4.1.4 Staff sampling method.

The choice of bank staff was made by the Customer Service Manager from a sample frame held at Head Office. His personal judgment was employed to obtain an even representation of opinion at each branch, by selecting staff

at three seniority levels. This sample is therefore be described as non-probability judgmental.

Population specification error may exist if the staff chosen were not representative of the population of Challenge Bank staff.

4.1.5 Sample size.

The customer sample size was originally intended to be 120, a figure below the minimum of 200 recommended for Perth by Reark Research, a local market research company.

But as respected market research authors Tull and Hawkins (1990, p.479) comment on traditional sampling theory: "Practitioners have been forced to deal with the realities of sampling economics regardless of whether theory recognizes them."

In this instance, both the customer sample of 61 and the staff sample of 22 (four managers, eight supervisors and ten counter staff), were restricted by several factors. These included questionnaire administration requirements stipulated by the Challenge Bank, and time limitations.

There is some evidence to indicate that the sample size may be acceptable. In formulating the Servqual instrument,

Parasuraman et al. (1988) demonstrate their service quality dimensions to be reliable, despite sampling only 40 recent users of each of five different service categories.

Furthermore, the interviewer spent many hours in the various branches observing all facets of their operation, and as Deshpande (1983, p. 108) asserts: "Frequently statistical results from survey data analysis can be validated by recourse to qualitative observations and informant interviews." Recorded interviewer observations will be used to support statistical results in this survey.

4.2 Questionnaire Design

Questionnaires (Appendices 1 and 2) were based on examples by Parasuraman et al. (1990). A separate questionnaire was necessary for both customers and staff, because of the inclusion of demographic questions.

Both questionnaires utilized the five dimensions of their service quality construct. The battery of service quality questions to both staff and customers were identical, except that staff were asked to look at their responses from the customer perspective.

The staff questionnaire has also employed similar dimensions to their "Antecedents of Gaps 1-4" (Parasuraman et al, 1990, p. 189) to build the "climate for service" construct.

The main variations from the Parasuraman et al. (1990) questionnaire are now explained:

4.2.1 Product dimension.

At the request of Challenge Bank, and to add substance to marketing strategy recommendations, a product dimension has been added. The intention is to gauge the importance of service quality in relation to such product and price.

considerations as the level of interest rates and account fees.

4.2.2 Number of questions.

The number of questions comprising the service quality and "climate for service" constructs has been reduced from a battery of 72 questions (Parasuraman et al. 1990) to a battery of 35 questions.

The purpose was to reduce the disruption time for busy staff, and increase the customer response rate. Nevertheless, the final version still took an average of 15-20 minutes to administer.

4.2.3 Wording of items.

The wordiness of the Parasuraman et al. (1990) version was reduced to reduce interview time, and enhance comprehension.

For example, the questionnaire item: "Employees in excellent companies will give prompt service to customers" was reduced to "speedy attention", with no apparent loss of understanding during pretests and actual administration.

This action was in line with the recommendations of

Carman (1990). He notes the need to adjust wording, and add or delete items, according to the interview situation, and the type of service company.

Despite Churchill's (1979) recommendation that questions be worded both positively and negatively, Carman (1990) and Fick and Brent Ritchie (1991) found that this approach led to respondent confusion in a lengthy and complex questionnaire. Carman accepts a combination of the two in shorter questionnaires, but Fick and Brent Ritchie (p. 4) saw a clear trend: "...negatively worded dimensions had consistently lower mean expectation and perception scores than positively worded dimensions".

Despite problems with using either approach exclusively, for example systematic bias ("acquiescence response set"), Fick and Brent Ritchie recommend a consistent approach.

This research followed this recommendation by using only positive wording. And to avoid undue "acquiescence", respondents were requested to reserve the answer "very important" for items about which they felt strongly.

Carman (1990, p. 49) notes: "...popular attitude theory tells us importance is very relevant in an evaluation of overall quality." The role of attitude in respondents with

past experience of branch banking has already been acknowledged (refer section 2.6.8).

This research therefore adjusted the mannner in which the preamble to questions on service quality were framed. The amount of importance that customers placed on aspects of service quality replaced their expectations of such service.

This research has also heeded Carman's finding (1990) that questions framed in this way are more easily understood by respondents.

4.2.4 Likert scale.

Fick and Brent Ritchie (1991) consider that the 7 point Likert scale cannot distinguish between subtle differences in expectation and perception data, and suggests alternative measurement methods be researched.

In the meantime, this study adopted the findings of Matell and Jacoby (1972) that 6-7 point Likert scales are optimal.

4.2.5 Open questioning.

The questionnaire has employed open questions to trap information that may have been missed in the closed

questioning.

Because responses tended to confirm those obtained in the closed questioning, they were not included in computer analysis. Instead, they were manually summarised, and any specific suggestions were referred directly to Challenge Bank for their consideration.

4.2.6 Demographic questions.

Unlike Parasuraman et al. (1990), the questionnaires in this research included demographic questions. It was considered that they would assist interpretation of service quality data.

4.3 Data Collection

4.3.1 Pretesting.

Exploratory research was not employed in this research as focus group interviews were conducted by Parasuraman et al. (1988), prior to their development of the Servqual instrument (refer 2.5.3).

The initial questionnaire was scrutinised by an Edith Cowan University staff researcher, before being adapted for bank use. Both these procedures resulted in alterations. For

example, the words "back office function" (administrative function) would only be understood by employees of Challenge Bank.

The staff questionnaire was successfully pretested on three Head Office staff, and the customer version on three customers at Fremantle branch.

4.3.2 Customer data.

The original proposal to administer a mail questionnaire to customers was not approved by the Bank, because of inconvenience to managers and other staff. Customer confidentiality would have required them to select respondents from the sample frames at the different branches, under instructions from the researcher. This process would have been time consuming.

Administration by telephone was not considered for the same reason.

The only remaining alternative was to conduct structured personal interviews. To avoid inconvenience to customers, the researcher was not permitted to interview customers in the banking chamber, or as they entered or left the branches. Interviews were therefore conducted in offices set aside for the purpose.

The only role played by staff was to refer customers to the researcher on completion of their transactions. Counter staff were instructed not to coerce customers to participate.

Non-response was high. Tellers reported that no particular customer trait (for example, age) was noticeable in either participants or non-participants. The most common reason given for non-response was lack of time.

All interviews proceeded smoothly and to completion, but at times slowly due to the reliance on tellers to obtain customer respondents. There were frequent gaps between interviews.

Memory aid cards were handed to customers to assist them in recall of the Likert scales they were answering. This is a common procedure when respondents are personally interviewed and do not personally complete or sight a questionnaire.

Interviewer bias was reduced as the majority of respondents were interviewed by the same researcher, who had also designed and pretested the questionnaire.

4.3.3 Staff data.

Structured personal interviews were conducted individually with the staff sample, at times that would not interfere with their other duties.

They were requested to be frank, and observation, an advantage of the personal interview, indicated that they complied.

4.3.4 Observation.

Fick and Brent Ritchie (1991) support the use of qualitative means to assist interpretation of Servqual results.

Observational data was therefore collected over a total of four days spent interviewing customers, and a further two days interviewing staff.

4.4 Limitations

Limitation of this research have been discussed in the relevant sections, but a summary follows:

. Bias: choice of staff interviewees and current customers.

. Finance and time constraints. These especially effected sample size and method.

. Generalisability of the small sample of staff and customers to the population of staff and customers.

4.5 Data Analysis

Gathered data was summarized on a Systat 5.2 spreadsheet. Data was then subjected to analysis and testing, using tabulation, hypothesis testing (T-tests), ANOVA, and correlational analysis.

T- test analysis (Headley and Choi, 1992) allows the statistical comparison of mean scores on the same statements for different groups. Significant findings show that differences between group means were not a result of chance.

Headley and Choi (1992, p. 11) warn that unequal employee and customer samples hamper interpretation of differences between their means. A finding of no significant difference is "...an interpretation about the lack of evidence to support a difference than clear-cut evidence that there is a difference." This proviso is applicable to this research.

All T-tests used an alpha level of 0.05. This level is standard for market research using human subjects, which has gone beyond the exploratory stage, and which requires that the researcher is "very" sure of the result (Tull and Hawkins 1990).

4.5.1 Reliability testing.

As recommended by Churchill (1979), Cronbach Coefficient Alpha was used to test the reliability and internal consistency of items within the service quality and climate for service dimensions. Because the Testat software only became available at a late stage in the research, it was not possible to refine dimensions that produced low coefficient values.

All dimensions, except product and reliability, had coefficient values in excess of .5 (Table 1). Churchill (1979) cites Nunnally (1967), who suggested that reliability of .5 to .6 was sufficient.

The reliability dimension contained items to test both the external communications gap, and the standard of customer complaint handling. As these issues are important in appraising banking quality, they should be retained. But future research should consider either rewording or reassigning the items, to raise their internal consistency.

Table 1

Reliability Tests (Coefficient Alpha) on Construct Dimensions

Service quality	Alpha	Climate for service	Alpha
Tangibles	0.53	Teamwork	0.80
Reliability	0.36	Support	0.78
Empathy	0.68	Role ambiguity	0.72
Assurance	0.59	Communication	-
Responsiveness	0.56	Role conflict	-
Product	0.47	Job fit	-

Note. Dashes indicate insufficient items in dimension to use Testat software.

4.5.2 Validity testing.

In line with the recommendations of Parasuraman et al. (1988), convergent validity was tested. This was done by correlating customers' perceived service quality with a question asking customers whether they would recommend Challenge Bank to a friend. The Pearson Correlation reading of 0.401 indicated a moderate relationship.

5.0 Findings

The results of the different hypotheses tests will be presented separately. Hypotheses are restated in alternate form at the beginning of each section.

Limited meaning can be attached to the overall test results as positive and negative gaps within the individual dimensions can compensate. Information with strategic implications is therefore obtained by testing the individual dimensions, and items within the dimensions.

The alpha significance level of all tests is .05. Likert scales of 1 to 7 were used in all questions except demographic ones.

Service quality items (refer Tables 2.5, and 7) are grouped into six dimensions as follows: Tangibles 1-4; reliability 5-7; empathy 8-10; assurance 11-14; responsiveness 15-19; product 20-21.

Climate for service items (refer Tables 9 and 10) are grouped into five dimensions as follows: Teamwork 1-4; support 5-9; role ambiguity 10-12; communication 13-14; role conflict-15; job fit-16.

5.1. Hypothesis 1

H1: There is a negative gap between what Challenge Bank customers consider important in service quality, and the service quality they receive.

T-Test analysis found no significant overall gap (Mean difference = 0.03, $df = 60$, $t(61) = 0.512$, $p = .610$).

Table 2 illustrates the breakdown of the overall test score into the individual dimensions and noteworthy items.

5.1.1 Dimensions.

Testing of the individual dimensions produced some significant negative and positive gaps.

Service performance in the tangibles and assurance dimensions exceeded the importance placed on them by mean differences of 0.504 and 0.238 respectively. Both were significant at an alpha of 0.05.

Service performance in the reliability, responsiveness, and product dimensions were all significantly below importance levels. Results in the responsiveness dimension may well be distorted (refer section 5.1.2).

Service performance in the empathy dimension matched the importance that customers placed on it.

5.1.2 Items.

Tests on tangibles items branch advertising and decor produced significant positive gaps.

Tests on reliability items relating to complaint handling and transaction accuracy produced significant negative gaps.

The Bank should be reassured that there was not a significant external communications gap. One of the most common criticisms of service companies, that of failing to deliver on advertising promises, is not a problem with Challenge Bank.

The assurance item relating to staff knowledge showed a significant negative gap.

Responsiveness items "access to branch manager and "quick loan approvals", and the assurance item "branch management expertise all showed significant negative gaps. The researcher believes that these three results are

Table 2

Summary Data for Hypothesis 1

No.		<u>m/d</u>	<u>df</u>	<u>t</u>	<u>p</u>
Items					
2	Branch adv appealing	1.23	60	6.504**	.000
3	Branch decor appealing	0.57	60	2.904**	.005
5	Speedy resolution to problems	-0.69	60	-4.744**	.000
6	Transaction accuracy	-0.28	60	-4.464**	.000
7	Performance matches adv image	-0.10	60	-0.497	.621
11	Knowledgeable counter staff	-0.53	60	-4.524**	.000
13	Branch management expertise	-1.10	60	-6.240**	.000
16	Access to branch manager	-0.64	60	-3.392**	.001
17	Quick loan approvals	-1.05	60	-5.274**	.000
19	Minimal "red tape"	-0.13	60	-1.112	.271
Dimensions					
1	Tangibles	0.50	60	4.581**	.000
2	Reliability	-0.36	60	-3.955**	.000
3	Empathy	0.09	60	0.954	.344
4	Assurance	0.24	60	5.760**	.000
5	Responsiveness	-0.35	60	-4.251**	.000
6	Product	-0.33	60	-2.347*	.022

Note. Only items with $p < .05$, or mentioned in text, included.

m/d = mean difference; adv = advertising.

* $p < .05$ ** $p < .01$.

distorted, because some customers have never needed to approach branch managers or apply for loans. Examination of the number of neutral responses to these items, and also the fact that only a small proportion of the sample currently have personal or housing loans, supported this observation.

The customers were happy with the "speedy attention" provided by staff, and their "willingness to provide information."

There were significant negative or positive gaps in five dimensions and eight items. There was therefore mixed support for Hypothesis 1.

5.1.3 Comparison of means.

T-testing in this instance is not meaningful without a comparison of means between dimensions (refer Table 3). For example, positive performance in the tangibles dimension assumes less meaning when it is observed that this dimension only ranks sixth in customer importance.

In keeping with the findings of Parasuraman et al. (1988), the most important dimensions to customers are reliability and assurance. Thus performance in both these dimensions, although showing negative gaps, can still be classified as good.

Table 3

Comparison between Customer Means (Importance & Perceptions)

Dimension	Importance	Rank	Perception	Rank
Tangibles	2.980	6	2.475	6
Reliability	1.421	1	1.776	2
Empathy	1.891	4	1.798	3
Assurance	1.779	2	1.541	1
Responsiveness	1.875	3	2.226	4
Product	2.131	5	2.459	5

The product dimension, deliberately included to test its importance in relation to the pure service dimensions, is only ranked fifth in importance by customers.

Further T-tests ascertained that there were significant negative differences between the importance attached to the product dimension, and four of the the other five dimensions (refer Table 4).

5.1.4 Open questioning.

An open question was included to capture service quality information that may have been missed in the closed

Table 4

Importance (to Customers) of Product in Relation to other Dimensions

Dimension	<u>m/d</u>	<u>df</u>	<u>t</u>	<u>p</u>
Tangibles	0.85	60	5.157	0.000
Reliability	-0.71	60	-6.395	0.000
Empathy	-0.33	60	2.211	0.031
Assurance	-0.35	60	-2.675	0.010
Responsiveness	-0.26	60	-2.266	0.027

Note. m/d = mean difference.

questioning.

Customers commented favourably on the Saturday opening hours, good overall service and pleasant, friendly staff.

One even commented that product features were not important if service was good.

Responses to a question inviting customers' recommendations for service improvements were not numerous or consistent, but are included for the Bank's benefit.

There were four complaints of non-contact prior to cheques being returned unpaid.

Six customers requested the installation of a "fast lane" facility to avoid delays.

A Fremantle business client requested the installation of a safety deposit facility for security reasons, a suggestion that warrants consideration for a bank that is currently seeking a larger business base.

An Armadale client considered that there would be sufficient demand for the opening of a nearby Kelmscott agency.

And finally, a Fremantle client thought that customers should be consulted more on note denomination preferences, when withdrawing cash.

5.1.5 Observation.

Observation during and in-between the administration of questionnaires generally supported the customer response.

Customers were served promptly, and if a queue developed, it was common for a supervisor to assist in clearing it.

The staff appeared to enjoy their work, and had a rapport with clients. A Fremantle client even observed that she would remain with the branch if she moved to Darwin.

Frequent favourable comments about Challenge Bank in relation to its principal competitors were made.

5.2 Hypothesis 2

H1: There is a negative gap between what Challenge Bank customers consider important in service quality, and what the Bank staff consider customers think is important in service quality.

T-Test analysis found no significant gap (Mean difference = 0.10, $df = 38.7$, $t(83) = -0.967$, $p = .340$).

Table 5 illustrates the breakdown of the overall test score into the individual dimensions and noteworthy items.

5.2.1 Dimensions and Items.

Testing the individual dimensions again produced some significant differences in both the tangibles and empathy dimensions. Staff have a higher estimation of the importance that customers attach to these dimensions than is warranted.

This is especially true of branch advertising, with a large mean difference of 1.473, and to a lesser extent ATM convenience, personalised attention, and quick loan approvals.

Staff significantly underestimated the importance customers place on transaction accuracy.

Table 5

Summary Data for Hypothesis 2

No.		<u>m/d</u>	<u>df</u>	<u>t</u>	<u>p</u>
Items					
2	Branch advertising appealing	1.47	57.8	-4.748**	.000
4	ATM convenience	1.05	67.7	-2.771	.007
6	Transaction accuracy	0.67	21.5	4.333**	.000
8	Personalised attention	0.39	66.9	-2.523*	.014
17	Quick loan approvals	0.37	66.5	-1.992	.050
19	Minimal "red tape"	0.40	33.8	1.729	.093
21	Competitive account fees	0.61	34.1	1.823	.077
Dimensions					
1	Tangibles	0.64	44.0	-3.230*	0.002
2	Reliability	0.12	39.1	1.034	0.308
3	Empathy	0.30	64.4	-2.241*	0.028
4	Assurance	0.04	37.6	0.296	0.769
5	Responsiveness	0.07	36.9	0.049	0.961
6	Product	0.19	38.9	0.818	0.418

Note. Only items with $p < .10$, or mentioned in text, included

m/d = mean difference.

* $p < .05$

** $p < .01$.

5.2.2 Comparison of means.

A comparison of means (Table 6) illustrates rankings of the six dimensions from the perspectives of both staff and customers.

Their views are similar, the main variation being the greater importance that staff place on empathy. Both groups place greater emphasis on the pure service dimensions than either the tangibles or product dimensions.

Reliability is especially important to customers. Clearly, they consider all pure service aspects important, but not at the expense of accuracy.

Table 6

Comparison between Staff and customer Means (Importance)

Dimension	Staff	Rank	Customers	Rank
Tangibles	2.341	6	2.980	6
Reliability	1.545	1	1.421	1
Empathy	1.591	2	1.891	4
Assurance	1.818	3	1.779	2
Responsiveness	1.882	4	1.875	3
Product	2.318	5	2.131	5

5.2.3 Variance between staff.

Anova analysis to locate any significant variance of opinion between the different levels of staff found that branch managers did not consider staff knowledge levels as important as the staff themselves did, $F = 22.388$, $p < .001$.

Managers, interviewed informally, thought it essential for staff to recognize when to refer customers to more senior and specialized staff. They were not expected to have knowledge beyond the confines of their limited counter service roles.

5.2.4 Customer demographics

Customer demographic details were also extensively tested, but little information of value was forthcoming.

Separated/widowed/divorced respondents placed more importance on personalised attention and an empathic interest in their needs than their married counterparts.

Blue collar workers differed from other respondents. They were less concerned with staff appearance, and reacted more favourably to advertising.

5.3 Hypothesis 3

H1: There is a negative gap between the service quality Challenge Bank customers think they receive, and the service quality that Bank staff think they provide.

T-testing found no significant gap between overall customer and staff perceptions (Mean difference = 0.16, $df = 34.3$, $t(83) = 1.483$, $p = .147$).

Table 7 illustrates the breakdown of the overall test score into the individual dimensions and noteworthy items.

5.3.1 Dimensions and items.

Customers rated staff performance more highly than the staff considered customers did in all individual dimensions, but not significantly so.

Tests on the individual items highlighted the areas of greatest difference.

Staff significantly underestimated the performance of surveyed branches in the areas of decor, transaction accuracy, and speedy attention. Staff, especially branch management, also considered Challenge Bank had substantial "red tape", but customers clearly did not agree.

Table 7

Summary Data for Hypothesis 3

No.		<u>m/d</u>	<u>df</u>	<u>t</u>	<u>p</u>
Items					
3	Branch decor appealing	1.88	27.4	2.722*	.011
6	Transaction accuracy	0.75	27.2	4.191**	.000
11	Knowledgeable counter staff	0.54	30.3	1.949	.061
13	Branch management expertise	0.77	52.7	-2.921**	.005
15	Speedy attention	0.58	37.2	3.480*	.001
16	Access to branch manager	0.73	49.5	-2.617*	.012
19	Minimal "red tape"	1.36	25.7	4.226**	.000
21	Competitive account fees	0.44	48.5	-2.347*	.023
Dimensions					
1	Tangibles	0.29	30.5	1.450	.157
2	Reliability	0.47	33.2	2.901	.007
3	Empathy	0.11	35.0	0.619	.540
4	Assurance	0.31	28.8	1.976	.058
5	Responsiveness	0.20	37.6	1.352	.184
6	Product	0.39	53.3	-2.232	.030

Note. Only items with $p < .10$, or mentioned in text, included
 m/d = mean difference.

* $p < .05$ ** $p < .01$

Customers considered that account fees, however, were not as reasonable as the staff supposed.

5.3.2 Customer and staff matches.

The findings produced several items that showed no significant negative or positive gaps in any of the first three hypotheses. Thus it is concluded that the Bank and customer match is favourable in these areas. Table 8 displays these results. Staff willingness to provide customers with information produced the most favourable result of all.

5.3.3 Variance between staff.

Anova analysis and a comparison of means between staff groups found that managers had an inferior view of service performance than other staff in all dimensions except empathy. The variance was only statistically significant with the level of staff knowledge, $F = 12.345$, $p < .001$.

The researchers's interviews with branch managers supported this finding. They expressed concern at levels of supervisory and counter staff knowledge, and also considered that an inordinate amount of "red tape" emanating from Perth Head Office, for example, large transactions approvals, inhibited their development of new commercial business.

Table 8

Items with No Significant Gaps in Hypotheses 1, 2, or 3

No.	Mean Difference		
	Hyp. 1	Hyp. 2	Hyp. 3
1 Staff appearance	0.28	0.25	0.34
4 ATM convenience	-0.07	1.05	0.30
7 Performance matches adv. image	-0.10	0.26	0.28
9 To feel a valued client	0.10	0.30	0.21
10 An interest in their needs	0.02	0.21	0.24
12 Genuinely friendly service	0.13	0.07	0.20
14 Money is safe	-0.18	0.09	0.18
18 Willingness to provide info.	-0.00	0.09	0.09
20 Competitive interest rates	-0.33	0.23	0.24

Note. info. = information; adv = advertising; hyp. = hypothesis.

The mean perceptions of supervisory staff were more optimistic and closer to those of the customers, whilst counter staff opinions' were closer to the average staff mean.

5.4. Hypothesis 4

H1: The more favourable the service climate for Challenge Bank staff, the more favourable will be the customer perceptions of service quality.

Interpretation of the meaning of the gap resulting from testing two different groups (staff and customers) on two different variables (customer perceptions and staff climate for service) must be tentative. However, all conclusions are supported by observations and unstructured interviews with both groups.

A significant negative gap located between the staff climate for service and customer perceptions of service quality (mean difference 0.79, $df = 27.2$, $t = 5.515$, $p = .000$)

Thus the alternate hypothesis that there was a positive relationship between the two variables was not supported in this instance. It must therefore be concluded that the staff are "service enthusiasts" to maintain such a good level of service quality.

This finding is supported by the mean staff score of 1.727 on job fit, described as the extent of the appeal to them of direct customer contact. A Pearson correlation found

a moderate relationship (.254) between job fit and importance staff place on service.

5.4.1 Dimensions and items.

Examination of individual items and dimensions produced some significant results (refer Table 9). Staff considered conditions for providing good customer service were significantly deficient in all dimensions, except teamwork and their own suitability for customer contact roles.

It was noticeable that the areas of greatest staff discontent were with non-branch management responsibilities. These included: pay levels, lack of incentives and a defined career path, role conflict resulting from extensive paperwork, and poor explanation of new products and changes.

There was little dissatisfaction with the intra-branch working environment, a finding that was supported by the researcher's own observations.

5.4.2 Variance between staff

Anova analysis and comparison of means (Table 10) found branch managers' perceptions (\bar{M} = 3.49) of the overall service climate varied significantly from other staff (\bar{M} = 2.58).

Table 9

Summary Data for Hypothesis 4

No.		<u>m/d</u>	<u>df</u>	<u>t</u>	<u>p</u>
Items					
1	Supports you with cust	0.14	22.6	0.478	.638
2	Encourages team spirit	0.71	22.2	2.652*	.014
3	Bends rules avoid upsetting cust	0.26	23.8	1.301	.206
4	Encourages q/s by example	0.13	21.9	0.370	.715
5	Praises good performance	0.76	22.1	2.434*	.023
6	Pays you adequately	1.87	21.9	5.571**	.000
7	Offers performance incentives	2.17	22.0	6.492**	.000
8	Assesses staff fairly	0.58	22.3	1.963	.062
9	Enough training customer skills	0.58	21.9	1.693	.105
10	There is a defined career path	1.95	22.1	6.101**	.000
11	Job expectations are clear	0.54	22.7	2.083*	.049
12	New products/changes explained	1.36	22.0	4.121**	.000
13	Seeks staff ideas improve serv	0.95	22.7	3.652*	.001
14	Management is approachable	0.10	23.7	-0.482	.634
15	Role conflict	1.72	21.8	4.619**	.000
16	Job fit	-0.24	22.9	0.967	.344

Note. q/s = quality service; cust = customers; serv = service.

* $p < .05$ ** $p < .01$

This finding coincides with the researcher's own observations of conversations with managers. It reflects the role conflict between satisfying the requirements of Head Office and also the requirements of their own staff and customers.

Table 10

Comparison of Means between Staff (Climate for Service)

No.	Mgrs	S/v	C/s
1 Supports you with difficult cust	3.75	1.39	2.00*
2 Encourages team spirit	4.00	2.00	2.90
3 Bends rules avoid upsetting cust	3.00	1.88	2.20
4 Encourages q/s by example	4.75	1.25	1.70**
5 Praises good performance	4.25	1.75	2.90*
6 Pays you adequately	3.75	4.38	3.50
7 Offers performance incentives	3.50	3.50	4.90
8 There is a defined career path	5.50	3.75	3.40*
12 New products/changes explained	4.75	3.50	2.60*
13 Seeks staff ideas improve service	4.25	2.00	3.10*
15 Role conflict	4.25	4.25	3.00
16 Job fit	1.75	1.25	2.10

Note. Cust = customers; q/s = quality service; Mgrs = managers; S/v = supervisors; C/s = counter staff.

* $p < .05$ ** $p < .01$.

Managers were unhappy with the excessive amount of Head Office "red tape", the limited technical and human resources allocated to them, and the general lack of communication and meaningful support for quality service. These factors contributed to increased workloads.

One manager expressed a wish for more local autonomy, for example the authority to decide his optimum staff levels and recruit accordingly.

Managers were very protective of their own staff, and were significantly more worried about a limited career path than the staff themselves.

This was reflected in staff support for the branch managers. The major staff concerns were inadequate remuneration and incentives to perform.

5.4.3 Open questioning.

To assist the bank, open questions were included to capture staff or customer opinion that may have been missed in the closed questioning.

All branches expressed a requirement for more staff and technical support, with Cottlesloe expressing an urgent need for another computer terminal.

More pay and incentives, less staff rotation between branches, and greater recognition of their service, were the most common staff responses to a question on how staff satisfaction could be improved. Incidentally, several customers also commented on excessive staff rotation.

5.4.4 Observation.

Staffing levels appeared sufficient to the observer without a knowledge of staff back office functions, despite staff comment to the contrary.

There was no noticeable antagonism between staff members in any of the surveyed branches.

5.5 Hypothesis 5

H1: The more favourable the customer perception of bank responsiveness to their problems, the more likely they are to complain directly to the Bank.

There was no significant gap between the likelihood of complaint and favourable customer perception of complaint handling (mean difference = -0.16, $df = 60$, $t = -0.0671$, $p = .505$).

Thus the alternate hypothesis is supported in this instance.

A Pearson correlation (0.133) suggested a weak relationship between the two variables.

Alternatively, there were significant gaps between customer perceptions of complaint handling and the likelihood of defection or negative word-of-mouth.

6.0 Recommendations

It is suggested that the following recommendations be only a basis for future research by the Bank. The small sample of staff and customers may not be representative of their total populations.

6.1. The Importance of Service.

The findings demonstrate that customers attach more importance to the pure service dimensions than the tangibles and product dimensions.

The view of the literature that service is a significant non-price factor is therefore supported. If service quality is high, customers may therefore overlook marginal differences in product competitiveness.

A reconsideration of the emphasis on product and price advertising may be warranted. Advertising which highlights service quality could be successful.

6.2 Reliability Dimension.

Without the accurate handling of customer transactions and the efficient resolution of any problems, other aspects of service quality have little value. These findings support

previous service quality research.

Customer expectations were not met in these areas. Furthermore, the staff were not aware of the importance that customers place on transaction accuracy.

The Bank should therefore concentrate on increasing efficiency in the area of reliability, and ensure staff are fully aware of its importance to customers.

6.3 Tangibles Dimension.

Customers did not consider branch decor or advertising important in relation to other service dimensions. Nor were their perceptions favourable. Staff, in contrast, attached significantly more importance to both items.

It may be pertinent to further research the environment that customers would like in their branches.

6.4 Customer Relationships.

The high importance rankings of the assurance and empathy dimensions suggest that customers are interested in building a relationship with their bank. This finding supports the claims of the service quality literature.

It was therefore concerning that, although customers consider staff knowledge (an assurance item) important, staff are not able to match these expectations. Furthermore, branch management consider staff knowledge is extremely low ($\bar{M} = 4.250$).

The obvious conclusion to be drawn is the need to examine the sufficiency of staff training programmes.

6.5 Climate for Service.

Perhaps the most notable finding is the confirmation of staff as "service enthusiasts".

This finding dispels the assumption, at least in this instance, that Australians are not culturally oriented towards providing quality service.

It also indicates that recruitment policies place due attention on aptitude for customer service.

But there is clearly a need to create a better climate for staff performance.

The bank is fortunate in having a nucleus of loyal "service enthusiasts", but unless it becomes more

competitive in areas of staff support specified in this research, the return of fuller employment could result in a loss of key staff.

No company can seriously pursue a service culture with staff turnover problems.

6.6 Customer Complaint Procedures.

This research confirms findings of the customer complaint literature that customers prefer to voice their problems if they are confident of a positive response.

Current Challenge Bank efforts in this area are therefore to be commended. The development of a system that can both encourage voicing of problems, and isolate adverse trends, should therefore be followed through.

Such a system is an essential ingredient of a true service culture.

6.7 Summary.

In summary, it is suggested that the bank pursue a service quality strategy that primarily concentrates on accuracy, but is supported by all other pure service attributes.

The attainment of a service culture over the next few

years may well provide Challenge Bank with a differential advantage that competitors find difficult to emulate.

To avoid excessive cost increases, a reallocation of resources could be considered. For example, although it is not suggested that product features and advertising are unimportant, their expenditures could be scrutinised.

Any short term expenditure increases could be converted into long term profits through increased customer retention rates.

7.0 Discussion

7.1 Demographic details

Although demographic information was not an important factor in the conclusions drawn in this survey, it is suggested that gap theory can usefully employ it to assist in the explanation of results.

For example, the isolation of blue collar workers as being more amenable to advertising, could assist an advertising campaign to refine its message.

7.2 The "don't know" response

The exclusive use of a Likert scale represents a problem in measuring service quality in an industry with multiple services, some of which are infrequently utilized. If customers have had no experience of a service situation, for example a loan transaction, they provide a neutral response. This distorts the overall analysis.

Future research could consider the inclusion of a "don't know" option in the Servqual questionnaire format.

7.3 Group matching

The use of identical questions to both staff and customers has proven a useful technique in this research for matching staff and customer opinion.

This dyadic method should assist management to assess the changes in staff performance that are necessary to align them with customer expectations. It can also assist in educating the customer to understand a banking operation.

For example, it is strategically relevant to know that customers place a premium on transaction accuracy, but that staff are not aware of the fact, or performing to customer expectations.

Challenge Bank could then place greater emphasis on reducing error, and the means to achieve this goal.

Brown and Swartz (1989) agree, asserting that gap analysis gives a business the opportunity to ensure consistent expectations and experiences.

7.4 Meaning of gaps

Researcher concerns over the meaning and significance that should be attributed to gaps can be overcome.

The use of qualitative techniques, such as unstructured interviews and observation, greatly assisted this research in reducing the problems of a small sample. These methods, admittedly subjective, complemented quantitative findings.

Without this backup, it is understandable that researchers will be unsure of the amount of significance to place on identified gaps.

7.5 Reliability and validity

The results suggest support for the reliability and validity of the original research (Parasuraman et al., 1985, 1988, 1990). For example, the reliability and assurance dimensions were again found to be the most important.

Their pioneering work, allied to the observation of staff and customers by this researcher, greatly assisted in the interpretation of findings.

7.6 Future research

Servqual is an extremely useful service quality research tool, but limited when applied to specific industries.

Future research in the banking sector should attempt to

refine, and increase the reliability coefficients, of the service quality items and dimensions.

Future research could also clarify the measurement implications for gap theory of the distinction between satisfaction and service quality.

A possible approach to this task would be to consider the amount of consumer involvement. For example, if a bank branch wished to employ gap theory to measure the service performance of its mortgage department, it is unlikely that many of their sample frame would have had more than one experience of home purchase. By their own argument, (Parasuraman et al., 1988), satisfaction, and not service quality, results from a single transaction.

But as home purchase is a high involvement transaction, containing many smaller transactions, it follows that a customer is likely to form enduring attitudes as a direct result. And, according to Parasuraman et al. (1988), the perception of service quality is an attitude.

It could be concluded that the extent of customer involvement in a transaction is as appropriate a criterion as the number of transactions to justify the use of the Servqual instrument.

8.0 Conclusions

Chakrapani (1992) warns of possible pitfalls in the interpretation of service quality research.

For example, there is a perception in the community that service standards have slipped. If there are no positive exceptions within the banking industry, "...poor service becomes the norm for the industry. Scores will regress to the mean" (p. 17). Chakrapani asserts that this phenomenon can result in flattering service quality scores.

Furthermore, customers rarely consider possibilities outside the current familiar framework. He cites the example of inflexible opening hours, taken for granted a few years ago. Now that customers are aware of the concept, they need and expect it.

The ramifications for service quality within Challenge Bank are the avoidance of complacency, and to consistently strive for improvement and novelty.

These reservations aside, Challenge Bank are well regarded by their customers. If the Bank can successfully adopt relationship banking and a service culture, they will be well placed in relation to their competitors.

My name is George Gilchrist, and I am an Honours student at Edith Cowan University. On behalf of the Challenge Bank, I am undertaking a survey on the services provided by the Bank, and I would like a few minutes of your time to ask you a few questions.

I assure you that your responses will be strictly confidential. Please be forthright as information obtained will be welcomed by the Bank and used to improve customer service.

Would you please indicate how important you consider the following areas of bank services. Using a scale of 1-7, an answer of 1 indicates very important, whereas 7 signifies not important. The numbers in between express the extent of your feelings, with a response of 4 representing a neutral view. Please avoid this response throughout the questionnaire, unless you really have no opinion at all. (CIRCLE CHOSEN RESPONSE-HAND OUT RESPONSE SHEET)

		Very Important				Not Important		
1	Staff appearance	1	2	3	4	5	6	7
2	Speedy resolution to problems and complaints	1	2	3	4	5	6	7
3	Personalised attention	1	2	3	4	5	6	7
4	Competitive interest rates	1	2	3	4	5	6	7
5	Knowledgeable counter staff	1	2	3	4	5	6	7
6	Genuinely friendly service	1	2	3	4	5	6	7
7	Speedy attention	1	2	3	4	5	6	7
8	Transaction accuracy	1	2	3	4	5	6	7
9	Competitive account fees	1	2	3	4	5	6	7
10	To feel a valued client	1	2	3	4	5	6	7
11	Access to bank manager	1	2	3	4	5	6	7
12	An interest in your needs	1	2	3	4	5	6	7
13	Quick loan approvals	1	2	3	4	5	6	7
14	Branch advertising appealing	1	2	3	4	5	6	7
15	Willingness to provide information	1	2	3	4	5	6	7
16	Branch management expertise	1	2	3	4	5	6	7
17	Minimal "red tape"	1	2	3	4	5	6	7
18	Service performance matches advertising image	1	2	3	4	5	6	7
19	Branch decor appealing	1	2	3	4	5	6	7
20	ATM convenience	1	2	3	4	5	6	7
21	Money is safe	1	2	3	4	5	6	7

22-42 Using the same scale of 1 to 7, would you please rate your perception of the performance of Challenge Bank on the same service aspects. (INDICATE RESPONSE WITH A SQUARE)

43 Please indicate service areas in which you think Challenge Bank are particularly good or could improve (MAXIMUM TWO EACH)
 a) GOOD b) COULD IMPROVE

44 Would you recommend Challenge Bank to a friend? (SCALE 1-7)

Most				Definitely	
Definitely					Not
1	2	3	4	5	6 7

If you were not happy with a bank's service on a transaction you did not consider trivial, how likely would you be to take each of the following four actions? (Again use a scale of 7 with a response of 1 indicating your most likely action and 7 you least likely action)

	Most Likely					Least Likely
45 Complain to the bank	1	2	3	4	5	6 7
46 Complain to the Banking Ombudsman	1	2	3	4	5	6 7
47 Swap banks	1	2	3	4	5	6 7
48 Tell your friends	1	2	3	4	5	6 7

49 How long have you been a customer of Challenge Bank? (include Perth Building Society)

(1) 2 years or less	(2) 2 to less than 4 years
(3) 4 to less than 6 years	(4) 6 to less than 8 years
(5) 8 to less than 10 years	(6) 10 years or more

50 Which were the most important factors in your decision to bank with Challenge? (MAXIMUM TWO)

(1) Your parents did	(2) Recommended to you
(3) Helped you when you needed it	(4) Advertising
(5) Dissatisfied with another bank	(6) Close to you
(7) Other	

If other, please give reason:

51 What type of account(s) do you have with Challenge Bank?

Savings/Investment	Loan
(1) Personal	(5) Home
(2) Business	(6) Personal
(3) Other	(7) Other
(4) None	(8) None

- 52 Do you have any other accounts, that you use at least once a month, at any other financial institution(s)? If so, how many?
 (1) Nil (2) 1 (3) 2 (4) 3 or more
- 53 In which category does your age fall?
 (1) Under 25 (2) 25-34 (3) 35-44 (4) 45-54 (5) 55-64 (6) 65+
- 54 What is your normal occupation?
 (1) Retired/Pensioner (2) Professional (3) Home duties
 (4) Managerial/Executive (5) Clerical (6) Blue collar
 (7) Unemployed/Student
- 55 What is the highest level of education you have achieved?
 (1) Post University (2) University/College
 (3) Technical/Vocational training (4) Secondary or less
- 56 What is your marital status?
 (1) Married (2) Single (3) Separated/Divorced/Widowed
- 57 Into which of the following groups does your annual personal and household income fall?
- | \$ | Personal | Household |
|------------------|----------|-----------|
| Less than 16,000 | 1 | 1 |
| 16,000- 30,999 | 2 | 2 |
| 31,000- 44,999 | 3 | 3 |
| 45,000- 59,999 | 4 | 4 |
| 60,000- 74,999 | 5 | 5 |
| 75,000 and over | 6 | 6 |
- 58 Gender?
 (1) Male (2) Female

My name is George Gilchrist, and I am an Honours student at Edith Cowan University. With my assistance, the bank is conducting a survey on customer service at branch level. The results will assist in improving service.

Your answers are strictly confidential, and your identity will not be disclosed. Your management is interested in results and recommendations, and will not be sighting individual questionnaires.

If the survey is to be of benefit, it is important that you answer all questions with frankness and honesty.

Thank you for your assistance.

1. BRANCH:
2. POSITION HELD:
3. YOUR MANAGER'S TITLE:

From your dealings with your customers, would you please indicate how important you think they consider the following aspects of the bank's services. If not sure, give your own opinion. An answer of 1 indicates very important, whereas 7 signifies not important. The numbers in between express the extent of your feelings, with a response of 4 representing a neutral answer. Please avoid this response throughout the questionnaire, unless you really have no opinion at all. (CIRCLE CHOSEN RESPONSE-HAND OUT RESPONSE SHEET)

	Very Important					Not Important	
	1	2	3	4	5	6	7
1 Staff appearance	1	2	3	4	5	6	7
2 Speedy resolution to problems and complaints	1	2	3	4	5	6	7
3 Personalised attention	1	2	3	4	5	6	7
4 Competitive interest rates	1	2	3	4	5	6	7
5 Knowledgeable counter staff	1	2	3	4	5	6	7
6 Genuinely friendly service	1	2	3	4	5	6	7
7 Speedy attention	1	2	3	4	5	6	7
8 Transaction accuracy	1	2	3	4	5	6	7
9 Competitive account fees	1	2	3	4	5	6	7
10 To feel a valued client	1	2	3	4	5	6	7
11 Access to Branch Manager	1	2	3	4	5	6	7
12 An interest in their needs	1	2	3	4	5	6	7
13 Quick loan approvals	1	2	3	4	5	6	7
14 Branch advertising appealing	1	2	3	4	5	6	7
15 Willingness to provide information	1	2	3	4	5	6	7
16 Branch management expertise	1	2	3	4	5	6	7
17 Minimal "red tape"	1	2	3	4	5	6	7
18 Service performance matches advertising image	1	2	3	4	5	6	7
19 Branch decor appealing	1	2	3	4	5	6	7
20 ATM convenience	1	2	3	4	5	6	7
21 Money is safe	1	2	3	4	5	6	7

22-42 Using the same scale of 1-7, would you please indicate your perception of how customers rate the performance of your branch in the provision of these services. (INDICATE RESPONSE WITH A SQUARE)

43 As a branch staff member, please indicate areas in which you think your branch is particularly good or could improve.
(MAXIMUM TWO EACH)

a) GOOD

b) COULD IMPROVE

Do you agree that Challenge Bank management assists and encourages its staff sufficiently in the following areas. Please indicate your response on a scale of 1-7, in which 1 signifies strongly agree, and 7 strongly disagree.

	Strongly Agree					Strongly Disagree	
	1	2	3	4	5	6	7
44 Supports you with difficult customers							
45 Your manager praises good performance	1	2	3	4	5	6	7
46 The bank pays you adequately	1	2	3	4	5	6	7
47 Seeks staff suggestions to improve service	1	2	3	4	5	6	7
48 Offers performance incentives	1	2	3	4	5	6	7
49 Encourages team spirit	1	2	3	4	5	6	7
50 Assesses staff fairly	1	2	3	4	5	6	7
51 There is a defined career path	1	2	3	4	5	6	7
52 Job expectations are clear	1	2	3	4	5	6	7
53 Management is approachable	1	2	3	4	5	6	7
54 New products and other changes are well explained	1	2	3	4	5	6	7
55 Your manager bends rules to avoid upsetting good customers	1	2	3	4	5	6	7
56 You are sufficiently trained in customer handling skills	1	2	3	4	5	6	7
57 Your manager encourages quality service by own example	1	2	3	4	5	6	7

Rate the following four activities as to how much they appeal to you. (SCALE 1-7, 1 VERY MUCH & 7 NOT AT ALL)

	Very much				Not at all		
	1	2	3	4	5	6	7
58 Working with computers							
59 Direct customer contact							
60 Talking to customers on the telephone							
61 Back office function							

62 Do your other duties allow you to commit as much attention to customer service as you would like? (SCALE 1-7, 1 DEFINITELY & 7 DEFINITELY NOT)

Definitely				Definitely not		
1	2	3	4	5	6	7

63 If you were General Manager and could make one change in each of the following two areas, what would they be?

(1) Customer service (2) Staff satisfaction

64 How long have you worked with the bank (or PBS/Hotham Building Society)?

(1) Less than 3 years (2) 3 to less than 6 Years
(3) 6 to less than 9 years (4) 9 years or more

65 In which category does your age fall?

(1) Under 25 (2) 25-34 (3) 35-44 (4) 45-54 (5) 55 and over

66 What is the highest level of education you have achieved?

(1) University graduate (2) College diploma (3) Secondary or less

67 Gender?

(1) Male (2) Female

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