

CUSTOMER EXPECTATIONS AND PERCEPTIONS OF SERVICE QUALITY IN RETAIL BANKING: A COMPARATIVE STUDY OF MACAU AND GUANGZHOU BANKING CONSUMERS

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The banking industry, being very competitive, not only focuses on providing wide product-lines to create competitive advantages, but also emphasizes the importance of its services, particularly in maintaining service quality. Using the service-quality model (Zeithaml, Parasuraman & Berry), a comparative study of Macau and Guangzhou retail bank customers is undertaken to identify differences between their banking attitudes towards the banks' service quality management. The customers' expectations of banking services and their perceptions of their major banks are also identified.

INTRODUCTION

Using the ServQual Model, a study is made in Macau and Guangzhou, China on the banking industries. Bank customers of one of the major banks in each city are interviewed; and their expectations and perceptions on an ideal bank and their major bank are analyzed. Bank of China, one of the note issuing bank in Macau and Commercial Bank of China, one the major banks in China is chosen and their customers are interviewed.

ServQual model

The ServQual model includes 2 parts (See Figure 1):

1. Customer expectations of the service of service firms before the customer experiences it; and
2. Customer perceptions of the service provider after they have received their services.

The customer expectations are built by the consumers' personal needs, their past experience, and are affected by other consumers' comments – word-of-mouth. Perceptions are created after experiencing the service, however dissatisfaction may occur if expectations are high but the service is not perceived to be the same. Perceptions can be low due to problems created by the service provider when they misinterpret customer expectations; raise customer expectations too high; are unable to control service quality; cause communication breakdowns with customers; and create faults in the service delivery. All these may cause gaps where the service offered does not meet customer expectations. They perceive the service to be poorer than they had expected.

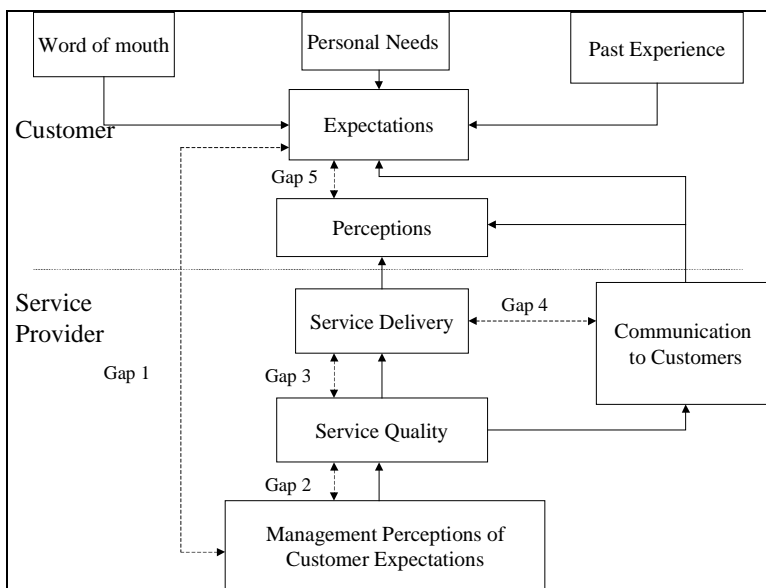


Figure 1

The ServQual dimensions: tangibles, reliability, responsiveness, assurance, and empathy. These dimensions are five features pertaining to banks and the services they offer.

Tangibles: The appearance of the bank's physical facilities, equipment, personnel and communication materials.

Reliability: The bank's ability to perform the promised service dependably and accurately.

Responsiveness: The bank's willingness to help customers and provide prompt service.

Assurance: The knowledge and courtesy of the bank's employees and their ability to convey trust and confidence.

Empathy: The caring, individualized attention the bank provides its customers.

Twenty-two variables were used to explain the five dimensions.

Service Quality Model	
Initial Variables	Service Quality Dimensions
01. Modern-looking equipment 02. Visually appealing physical facilities 03. Employees are neat-appearing 04. Visually appealing materials associated with the service	<i>Tangibility</i>
05. Keep promises 06. Show sincere interest in solving customer problems 07. Perform the service right the first time 08. Provide their service as promised 09. Insist on error-free records	<i>Reliability</i>
10. Inform exactly when services will be performed 11. Employees give prompt service 12. Employees are always willing to help 13. Employees are never too busy to respond to requests	<i>Responsiveness</i>
14. Employee behavior instill customer confidence 15. Customers feel safe in their transactions 16. Employees are consistently courteous 17. Employees have knowledge to answer questions	<i>Assurance</i>
18. Give customers individual attention 19. Operating hours are convenient to all customers 20. Employees give customers personal attention 21. Customers' best interests are at heart 22. Employees understand the specific needs of customers	<i>Empathy</i>

Table 1

METHODOLOGY

Personal interviews were conducted on Bank of China (Macau) and Commercial Bank of China (Guangzhou) customers. The sample size is 137 (Macau) and 199 (Guangzhou). The sample characteristics are divided into the following proportion:

Age	Male	Female	Total respondents
Ages Below 20	10%	10%	20%
Ages 21-35	40%	40%	80%
Ages 36-50	40%	40%	80%
Ages Above 51	10%	10%	20%
	100%	100%	200%

Table 2

Questionnaire

The questionnaire was based on the ServQual Questionnaire and includes two parts: one on customer expectations of banks in general; and the second part on the perceptions of the bank they are customers of, that is, Bank of China and Commercial Bank of China.

The SERVQUAL questionnaire is a multiple-item scale to better understand the service expectations and perceptions of customers. It provides a basic skeleton through its expectation/perceptions format encompassing statements for each of the five service-quality dimensions (tangibles, reliability, responsiveness, assurance, and empathy).

The questionnaire consists of:

- a) A section consisting of 22 statements on expectations;
- b) A section consisting of 22 statements on perceptions;
- c) A section to ascertain customers' assessment of the relative importance of the five dimensions (placed between the expectations and perceptions sections);
- d) A section to ascertain which feature is most important, second important and least important.
- e) A section to identify the banks customers belong to, their major preference (major bank) and their second preference (placed after the perceptions sections).
- f) A section on demographics: sex, age, occupation, education and nationality.

FINDINGS AND INTERPRETATION

From the 22 statements asking for customers' expectations of banking services; and the 22 statements on perceptions of BOC and CBOC, a mean comparison is made between:

1. Ideal banks in Macau and Guangzhou See "Figure 2"
2. Ideal banks in Macau and Bank of China See "Figure 3"
3. Ideal banks in Guangzhou and Commercial Bank of China See "Figure 4"

Figure 2

Mean Comparison between Ideal Banks in Macau & Guangzhou

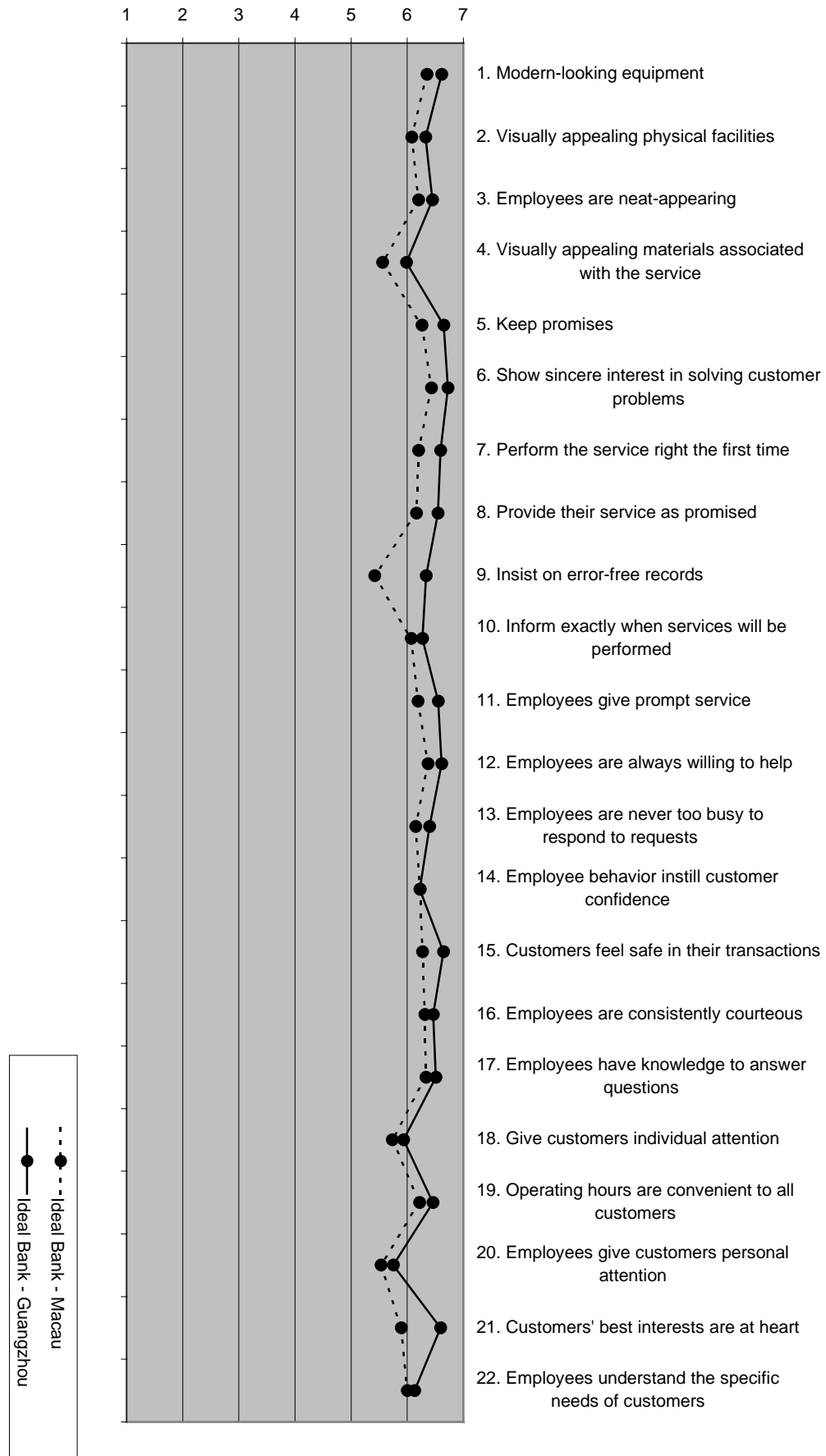


Figure 3

Mean Comparison between Ideal Banks in Macau & Bank of China

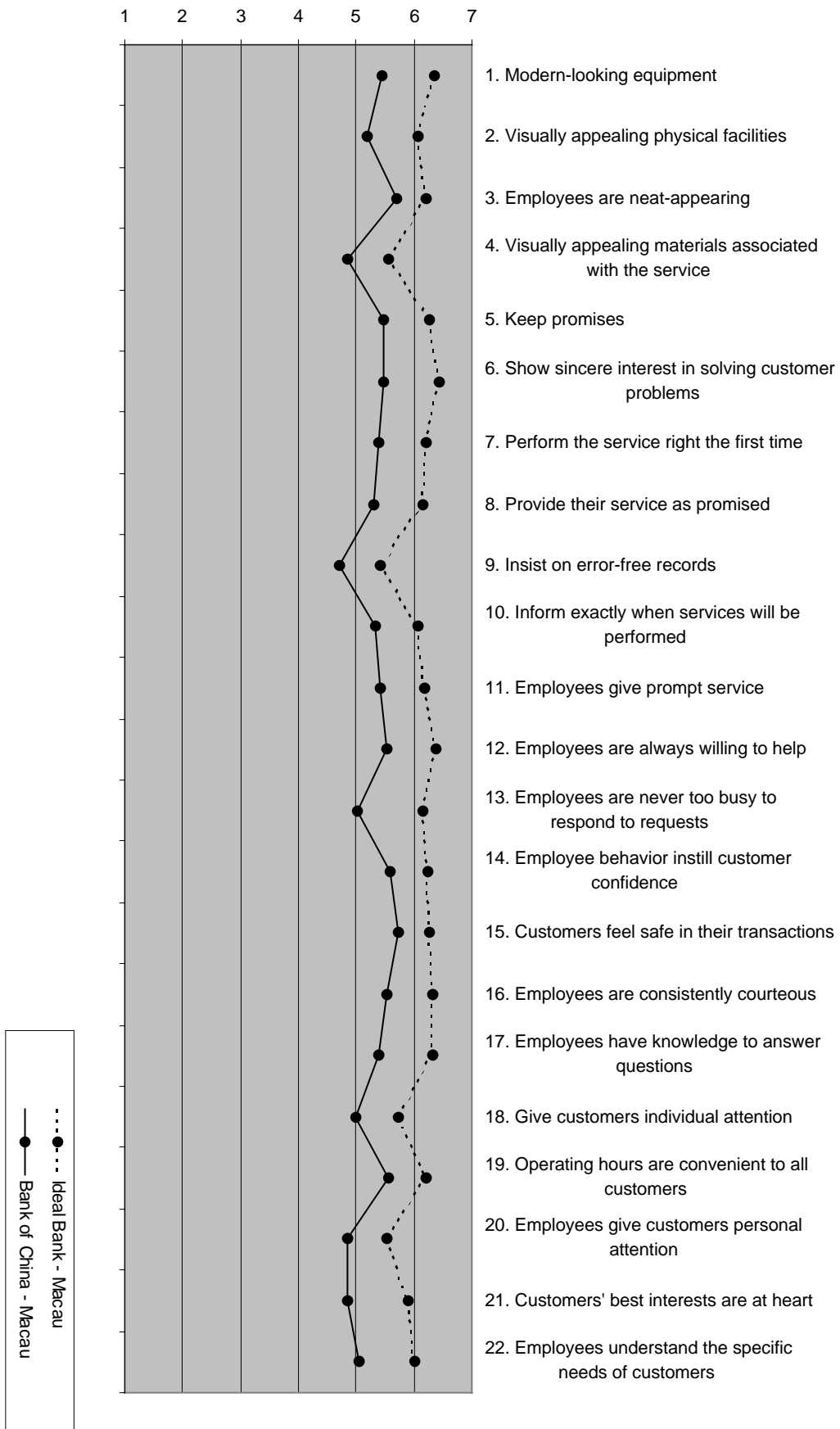
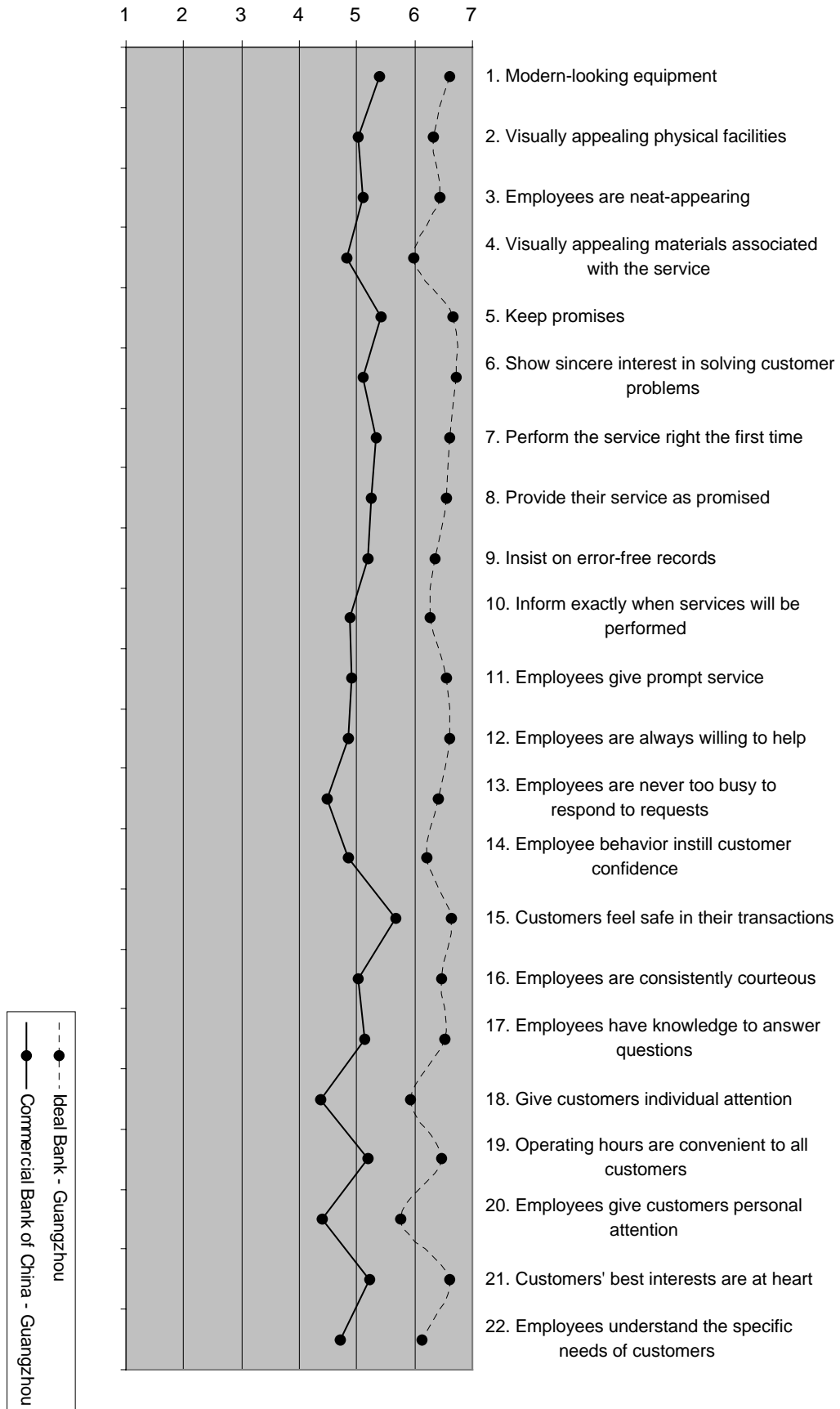


Figure 4

Mean Comparison between Ideal Banks in Guangzhou & Commercial Bank of China



Mean Comparison of Ideal & Major Bank				
	Ideal bank	CBOC	Ideal Bank	BOC
	Guangzhou	Guangzhou	Macau	Macau
1. Modern-looking equipment	6.61	5.39	6.35	5.43
2. Visually appealing physical facilities	6.33	5.03	6.08	5.20
3. Employees are neat-appearing	6.45	5.09	6.20	5.69
4. Visually appealing materials associated with the service	5.98	4.83	5.56	4.84
5. Keep promises	6.65	5.40	6.26	5.47
6. Show sincere interest in solving customer problems	6.72	5.09	6.43	5.47
7. Perform the service right the first time	6.59	5.32	6.20	5.38
8. Provide their service as promised	6.55	5.24	6.16	5.30
9. Insist on error-free records	6.34	5.19	5.42	4.72
10. Inform exactly when services will be performed	6.27	4.87	6.07	5.33
11. Employees give prompt service	6.55	4.90	6.19	5.42
12. Employees are always willing to help	6.61	4.85	6.37	5.52
13. Employees are never too busy to respond to requests	6.40	4.48	6.15	5.02
14. Employee behavior instill customer confidence	6.22	4.86	6.23	5.58
15. Customers feel safe in their transactions	6.64	5.67	6.27	5.73
16. Employees are consistently courteous	6.46	5.02	6.31	5.52
17. Employees have knowledge to answer questions	6.51	5.14	6.33	5.40
18. Give customers individual attention	5.93	4.37	5.73	4.99
19. Operating hours are convenient to all customers	6.46	5.19	6.22	5.56
20. Employees give customers personal attention	5.75	4.39	5.53	4.84
21. Customers' best interests are at heart	6.59	5.22	5.89	4.86
22. Employees understand the specific needs of customers	6.13	4.69	6.00	5.05

Table 3

Comparison between Macau and Guangzhou customer expectations of banking services

In terms of customer expectations of banking services, customers of Macau and Guangzhou have very similar opinions. Guangzhou consumers seem to be more demanding with means greater than that of Macau. Macau consumers also insist less on error-free records (9). Referring to figure 2 and table 1, both consumer groups place importance in the following:

- 1 Modern looking equipment;
- 5 On whether promises are kept;
- 6 Showing sincere interest in solving customer problems;
- 7 Performing the service right the first time;
- 8 Provide their service as promised;
- 9 Prompt service provided by employees;
- 10 Employees being willing to help;
- 15 Feeling safe in their transactions;
- 17 Employees being knowledgeable to answer questions; and
- 21 Their best interests are at heart.

Both consumer groups have lower expectations on:

- 4 Visually appealing materials associated with the service;
- 18 Giving individual attention; and
- 20 The personal attention employees give to customers.

Comparison between Macau customer expectations and perceptions, that is, customers' opinions on ideal bank and Bank of China

Customers of Bank of China are on the overall satisfied with the bank particularly in the following areas:

- 3 Employees being neat-appearing;
- 12 Employee' willingness to help;
- 14 Employee behavior instill customer confidence;
- 15 Customers feel safe in their transactions;
- 16 Employees being consistently courteous; and
- 19 Providing convenient operating hours

Customers believe that employees of Bank of China are busy to respond to requests as the gap is the widest. They are also dissatisfied with the following, but at the same time have lower expectations:

- 04 The materials associated with the service are not visually appealing enough;
- 09 Insist less on error free records;
- 18 Expect individual attention
- 20 Receive less personal attention from employees; and
- 21 Their best interests may not be at heart.

Comparison between Guangzhou customer expectations and perceptions, that is, customers' opinions on ideal bank and Commercial Bank of China

Customers of Commercial Bank of China are have a greater gap in expectations and perceptions and are more demanding. Customers are most unsatisfied with:

- 04 The physical facilities of the bank;
- 10 Are not informed as to when services will be performed;
- 11 Do not receive prompt service from employees;
- 12 Employees are not always willing to help;
- 13 Employees are busy to respond to requests;
- 14 Employee behavior do not instill customer confidence;
- 18 Do not receive individual attention;
- 20 Employees do not give customers personal attention; and
- 22 Employees do not understand the specific needs of customers

On the contrary, customers are more satisfied in:

- 01 The bank's modern looking equipment;
- 05 The bank keeps promises; and
- 15 They feel safe in their transactions

Principal component analysis

Principal component analysis was used to interpret the 22 statements (See Table 4, Table 5, Table 6, and Table 7) and to compare with the initial findings (See Table 1). The initial finding identified 5 components:

- tangibility,
- reliability,
- responsiveness,
- assurance and
- empathy

The results of Macau banks and Guangzhou banks in general; and of Bank of China and Commercial Bank of China were slightly different (shall be discussed below), revealing that respondents in Macau, Guangzhou and the United States differed. Macau bank consumers in general place more importance in bank services being responsive and place concern for customers. Physical attributes are of less importance to them. According to Macau consumers, the quality attributes should be as follows:

1. Employees' performance (showing empathy and responsiveness),
2. Assurance / reliability (on the part of the bank employees),
3. Tangibility ,
4. Reliability (referring to the bank system), and
5. Neat appearing employees

Specifically, Bank of China customers have the following emphasis of quality services of their bank:

1. Empathy / responsiveness (on the part of the employees),
2. Reliability,
3. Assurance,
4. Tangibility, and
5. Insisting on error-free records and employees being willing to help

Guangzhou consumers find reliability important in banking services. Their point of view of quality service of Guangzhou banks are as follows:

1. Reliability,
2. Empathy,
3. Employee responsiveness and assurance,
4. Tangibility, and
5. Quality of operation system

Commercial Bank of China customers have the following point of view of their bank in Guangzhou:

1. Responsiveness,
2. Assurance (on the part of the employees),
3. Empathy,
4. Reliability, and
5. Tangibility

The results are close, with similar differences (as shown above), to the results generated by Parasuraman, Zeithaml, and Berry in the United States.

Solution for 5 Principal Components Macau Banks			
Initial Variables	Component	Loading	Variance Explained
20. Employees give customers personal attention 21. Customers' best interests are at heart 22. Employees understand the specific needs of customers 17. Employees have knowledge to answer questions 11. Employees give prompt service 13. Employees are never too busy to respond to requests 16. Employees are consistently courteous 18. Give customers individual attention 19. Operating hours are convenient to all customers	Employees' performance (empathy / responsiveness) Alpha=.8930	0.780 0.728 0.686 0.660 0.568 0.558 0.539 0.505 0.441	19.61%
07. Perform the service right the first time 14. Employee behavior instill customer confidence 08. Provide their service as promised 06. Show sincere interest in solving customer problems 12. Employees are always willing to help 15. Customers feel safe in their transactions 05. Keep promises	Assurance / reliability (employees) Alpha=.8699	0.751 0.730 0.660 0.621 0.552 0.473 0.447	17.99%
01. Modern-looking equipment 02. Visually appealing physical facilities 04. Visually appealing materials associated with the service	Tangibility Alpha=.6071	0.764 0.709 0.550	10.25%
10. Inform exactly when services will be performed 09. Insist on error-free records	Reliability Alpha=.5890	0.741 0.580	9.72%
03. Employees are neat-appearing	Neat-appearing	0.801	5.84%
Total Variance Explained			63.42%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy			0.891
Bartlett's Test of Sphericity		Approx. Chi Square df Sig.	1500.406 231 0.000

Table 4

Solution for 5 Principal Components			
Bank of China - Macau Bank			
Initial Variables	Component	Loading	Variance Explained
22. Employees understand the specific needs of customers 10. Inform exactly when services will be performed 21. Customers' best interests are at heart 19. Operating hours are convenient to all customers 20. Employees give customers personal attention 13. Employees are never too busy to respond to requests 11. Employees give prompt service 03. Employees are neat-appearing	Empathy / responsiveness (employees) Alpha=.8716	0.778 0.699 0.640 0.638 0.626 0.548 0.521 0.423	18.28%
06. Show sincere interest in solving customer problems 04. Visually appealing materials associated with the service 07. Perform the service right the first time 05. Keep promises 08. Provide their service as promised	Reliability Alpha=.8079	0.718 0.696 0.664 0.658 0.620	14.28%
14. Employee behavior instill customer confidence 16. Employees are consistently courteous 15. Customers feel safe in their transactions 17. Employees have knowledge to answer questions	Assurance Alpha=.8162	0.716 0.702 0.673 0.588	12.99%
01. Modern-looking equipment 02. Visually appealing physical facilities 18. Give customers individual attention	Tangibility Alpha=.7079	0.860 0.810 0.485	10.08%
09. Insist on error-free records 12. Employees are always willing to help	Not interpretable Alpha=.6415	0.624 0.595	7.70%
Total Variance Explained			63.34%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy			0.894
Bartlett's Test of Sphericity			1424.431
Approx. Chi Square			231
df			0.000
Sig.			

Table 5

Solution for 5 Principal Components Guangzhou Banks			
Initial Variables	Component	Loading	Variance Explained
05. Keep promises 06. Show sincere interest in solving customer problems 07. Perform the service right the first time 11. Employees give prompt service 08. Provide their service as promised	Reliability Alpha=.7979	0.771 0.712 0.616 0.558 0.439	14.56%
20. Employees give customers personal attention 18. Give customers individual attention 22. Employees understand the specific needs of customers 14. Employee behavior instill customer confidence	Empathy Alpha=.8093	0.750 0.736 0.701 0.579	14.14%
17. Employees have knowledge to answer questions 12. Employees are always willing to help 15. Customers feel safe in their transactions 13. Employees are never too busy to respond to requests 16. Employees are consistently courteous	Employee responsiveness and assurance Alpha=.8030	0.755 0.644 0.597 0.512 0.487	13.59%
04. Visually appealing materials associated with the service 02. Visually appealing physical facilities 03. Employees are neat-appearing 01. Modern-looking equipment	Tangibility Alpha=.7163	0.784 0.734 0.605 0.502	10.51%
09. Insist on error-free records 19. Operating hours are convenient to all customers	Quality of operation system Alpha=.5197	0.779 0.483	8.38%
Total Variance Explained			61.20%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy			0.858
Bartlett's Test of Sphericity	Approx. Chi Square		1998.697
	df		231
	Sig.		0.000

Table 6

Solution for 5 Principal Components Commercial Bank of China - Guangzhou Bank			
Initial Variables	Component	Loading	Variance Explained
21. Customers' best interests are at heart 12. Employees are always willing to help 11. Employees give prompt service 13. Employees are never too busy to respond to requests 17. Employees have knowledge to answer questions	Responsiveness Alpha=.8619	0.703 0.633 0.599 0.563 0.558	16.27%
05. Keep promises 03. Employees are neat-appearing 06. Show sincere interest in solving customer problems 14. Employee behavior instill customer confidence 16. Employees are consistently courteous	Assurance (employee) Alpha=.8824	0.788 0.627 0.619 0.541 0.522	15.77%
20. Employees give customers personal attention 18. Give customers individual attention 22. Employees understand the specific needs of customers 19. Operating hours are convenient to all customers	Empathy Alpha=.8602	0.804 0.668 0.593 0.576	15.38%
09. Insist on error-free records 15. Customers feel safe in their transactions 07. Perform the service right the first time 08. Provide their service as promised	Reliability Alpha=.8247	0.865 0.651 0.622 0.548	11.93%
02. Visually appealing physical facilities 01. Modern-looking equipment 04. Visually appealing materials associated with the service	Tangibility Alpha=.7938	0.849 0.762 0.552	10.16%
Total Variance Explained			69.53%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy			0.938
Bartlett's Test of Sphericity	Approx. Chi Square		2754.438
	df		231
	Sig.		0.000

Table 7

Analysis of ServQual dimensions

Data was collected on the 5 dimensions. Respondents were asked on the importance of the feature of their ideal bank (See "Figure 5"). Respondents were asked which feature was more important and less important in terms of quality service by providing a percentage to all 5 dimensions. The 5 dimensions added up to 100%. Macau bank consumers placed more emphasis on reliability (24.27%): performing promised service dependably and accurately. And less emphasis on empathy (15.04%): caring, individualized attention to customers. Guangzhou consumers also ranked reliability (27.44%) as important and empathy (12.56%) least important.

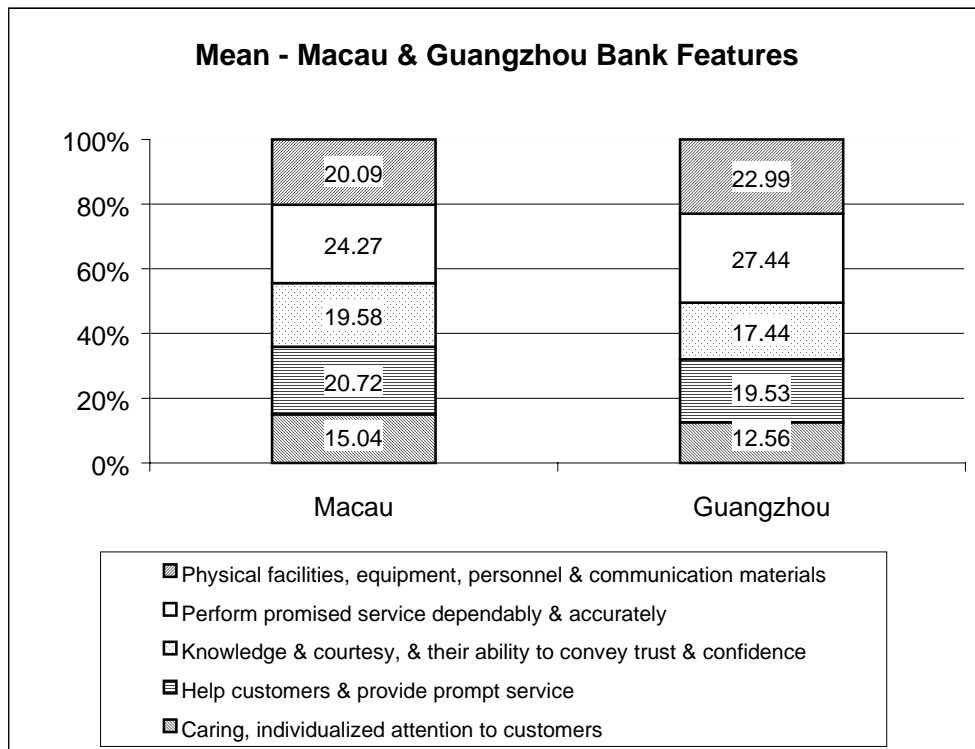


Figure 5

Respondents were asked which feature was most important, second important and least important (See "Figure 6") in order to confirm the weight of the percentage given above (bank features). Macau and Guangzhou consumers placed most importance in reliability (39.4% and 54.8%): performing promised service dependably and accurately. Macau consumers found responsiveness (29.9%): helping customers and providing prompt service, second important. But Guangzhou consumers believed that tangibility (28.1%): physical facilities, equipment, personnel and communication materials, is second important. In terms of least important feature, Macau consumers put less emphasis on assurance (4.4%): knowledge, courtesy, and their ability to convey trust and confidence; whereas Guangzhou consumers put less emphasis on reliability (1.5%): performing the service dependably and accurately.

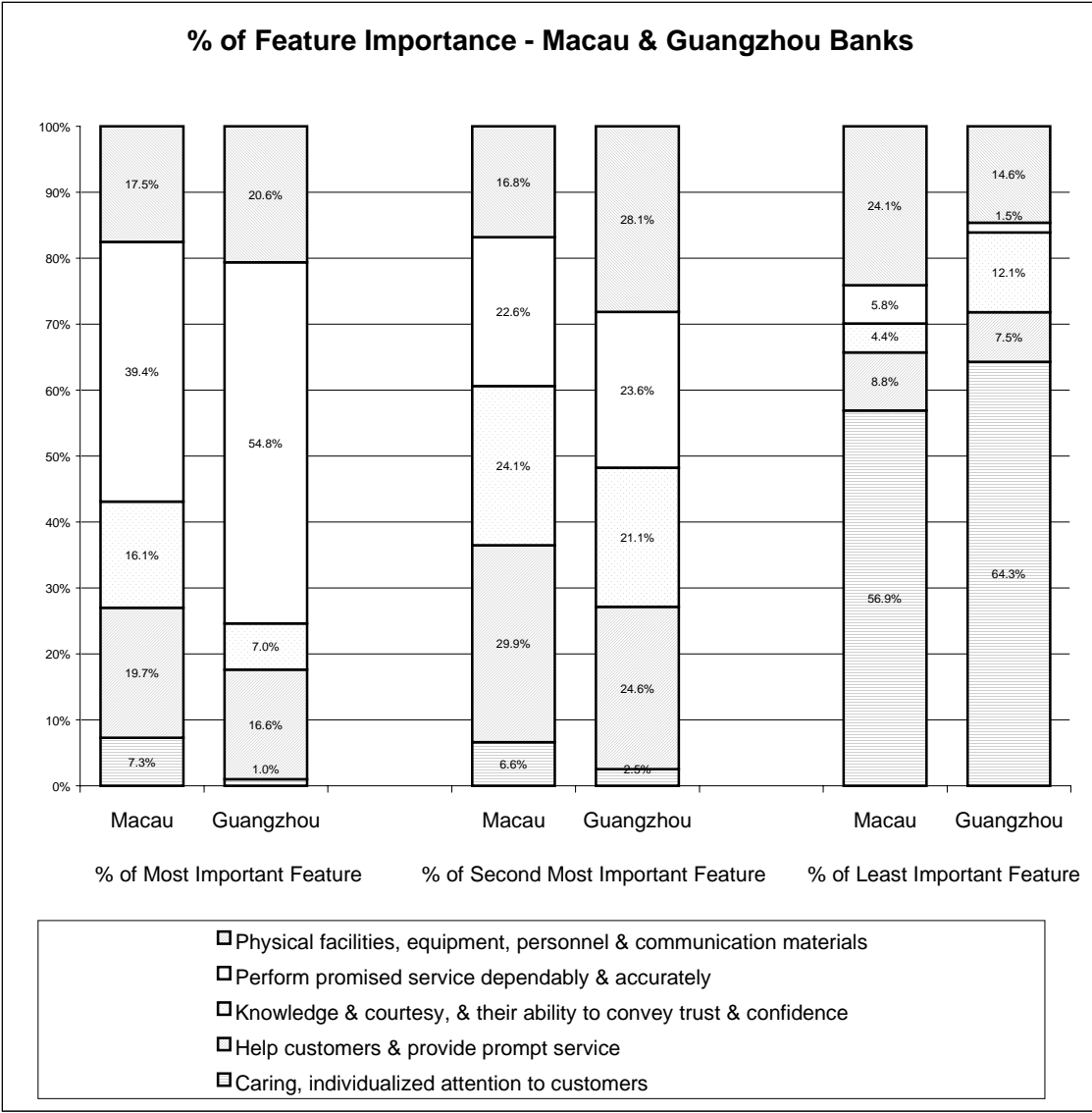


Figure 6

Major Bank and Preferred Bank

All respondents were customers of Bank of China in Macau; and Commercial Bank of China in Guangzhou. Table 8 indicates the mean banks customers belonged to. All respondents were customers of Bank of China in Macau and of Commercial Bank of China in Guangzhou respectively. Customers were also asked which bank was their major bank (See “Figure 7”) and a second bank they considered of second importance, if there was any (See “Figure 8”).

MEAN OF BANKS RESPONDENTS ARE CUSTOMERS OF			
	<i>Macau Banks</i>		<i>Guangzhou Banks</i>
Bank of China	100.0%	Commercial Bank of China	100.0%
BCM Bank	11.7%	Bank of China	45.2%
Banco Nacional de Ultramarino	29.2%	Investment Bank of China	50.3%
Banco de Desenvolvimento Cantao	2.2%	Agricultural Bank of China	29.1%
Overseas Trust Bank	5.1%	Transport Bank of China	9.5%
Taipei Business Bank	0.7%	Guangzhou City Bank	11.1%
Citibank	2.2%	Guangdong Bank	4.5%
Weng Hang Bank	31.4%	Shenzhen Bank	4.5%
Hong Kong Bank	27.7%	Others	3.5%
Tai Fung Bank	46.7%		
Seng Heng Bank	8.0%		
Luso International Bank	24.1%		
Bank of America	2.9%		
Asia Delta Bank	13.1%		
Standard Chartered Bank	2.9%		

Table 8

In Macau, 63% of the respondents’ major bank is Bank of China (See “Figure 7”). Other retail banks have very similar percentages but BNU, Banco Nacional Ultramarino, has 12% of the market. Customers’ second preference (See “Figure 8”) were much dispersed, with Bank of China (27%), Tai Fung Bank (19%), Weng Hang Bank (15%) and Banco Nacional Ultramarino (12%) as the most commonly liked banks aside from Bank of China.

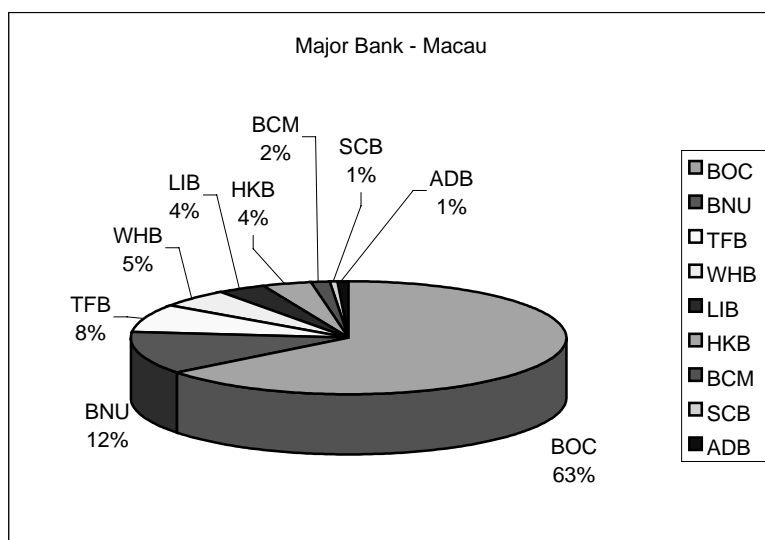


Figure 7

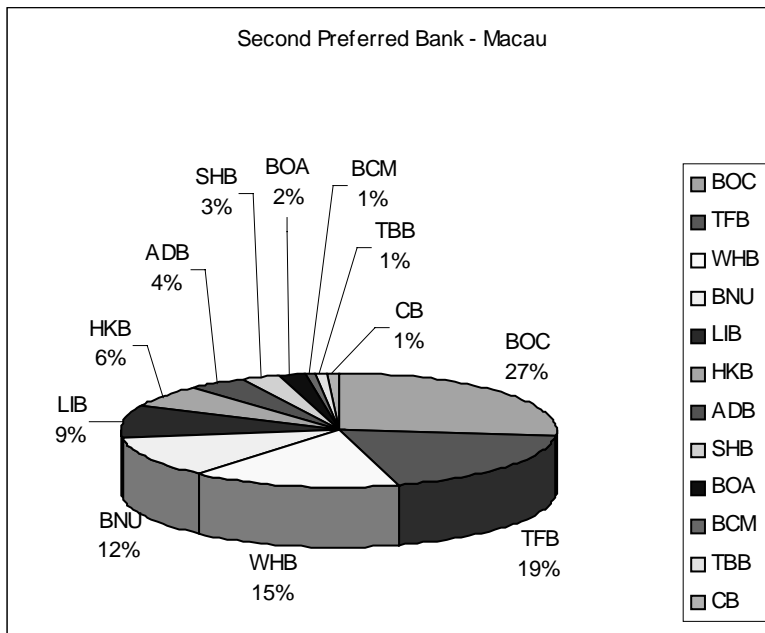


Figure 8

Guangzhou consumers are also major customers of Commercial Bank of China (73%) ("Figure 9"). Other banks have much less market share. Consumers' second preference ("Figure 10") are also dispersed, with Bank of China (23%), Industrial Bank of China (33%) and Agricultural Bank of China (10%) capturing the rest of the market.

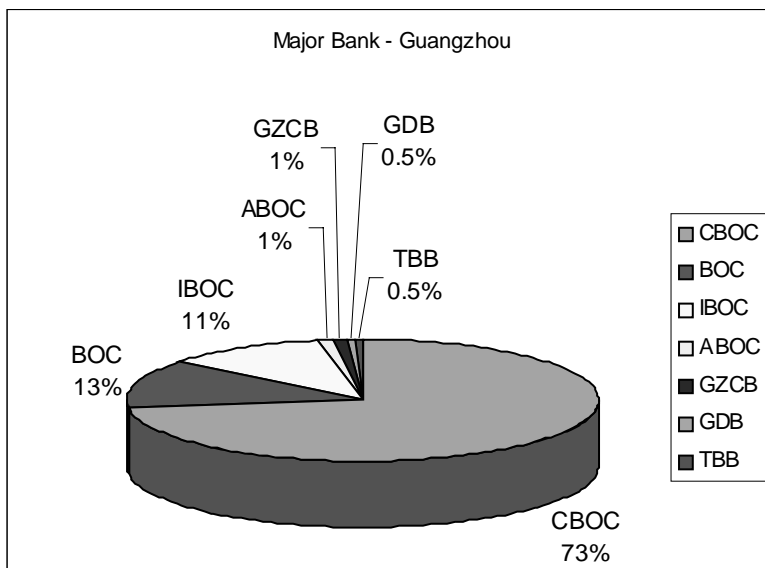


Figure 9

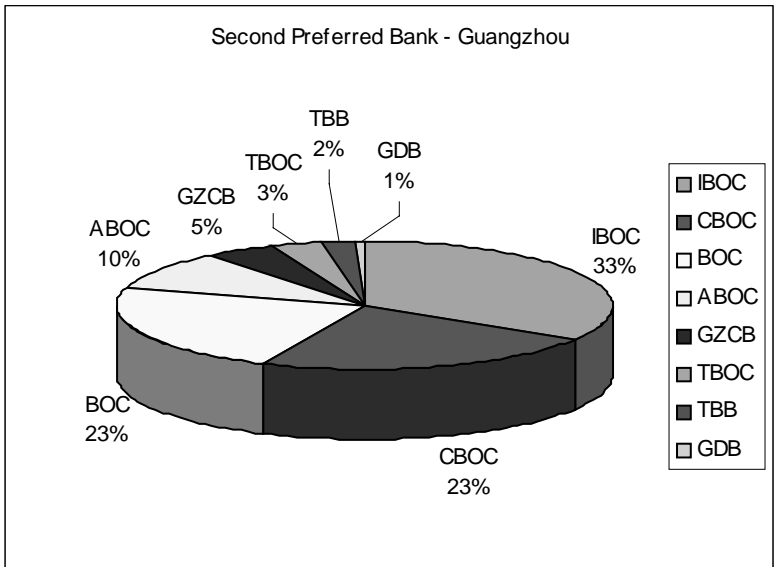
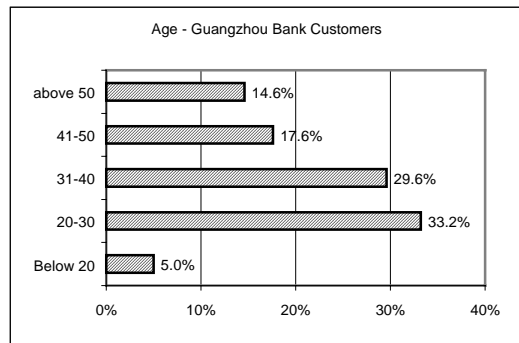
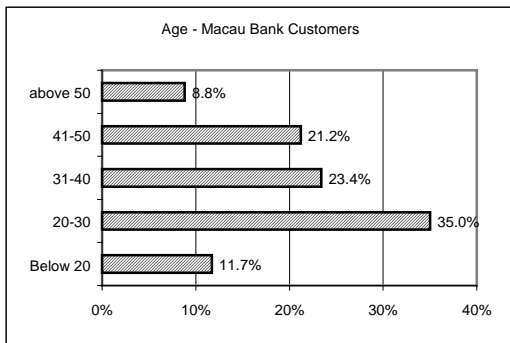
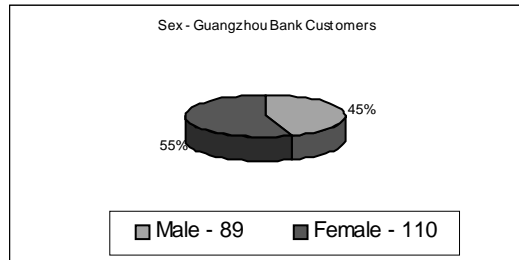
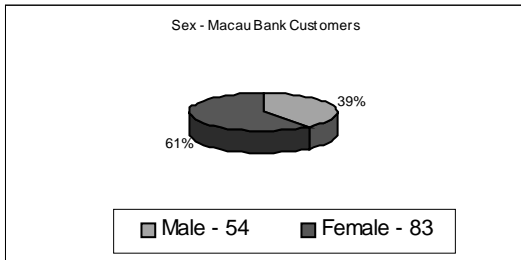
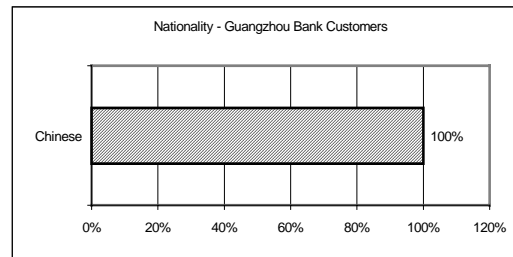
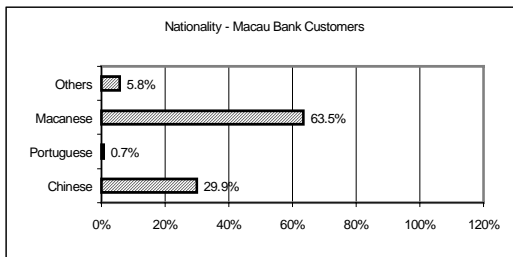
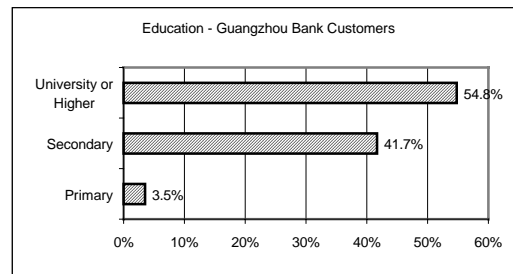
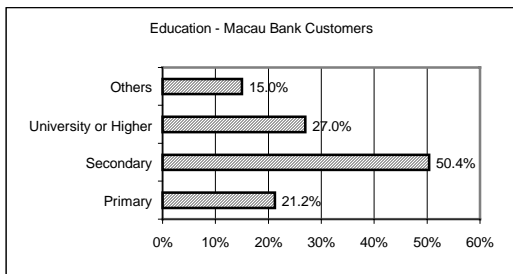
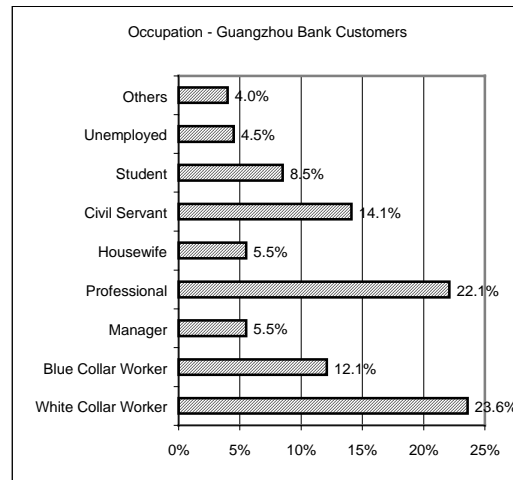
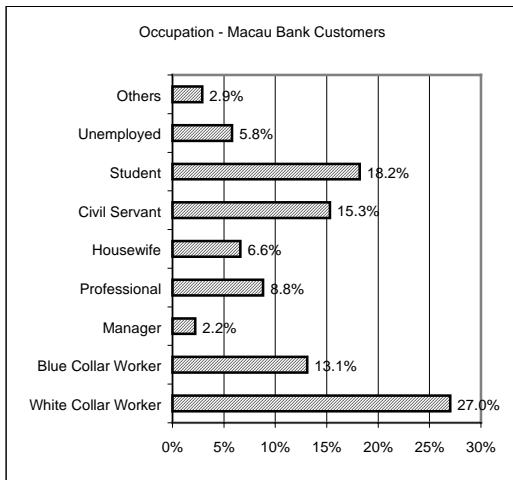


Figure 10

RESPONDENT DEMOGRAPHICS

The following are the data of the respondents. Data was collected on respondents' sex, age, occupation, education and nationality. Macau respondents were Macanese, Portuguese and Chinese, whereas only Chinese respondents were interviewed in Guangzhou.





CONCLUSION

As with most service organizations, not excluding banks, consumers expectations and perceptions differ, and gaps are caused during the service encounter. Quality control of the service offering may be the main problem causing the gaps to occur. Referring to this study, both Bank of China and Commercial Bank of China customers are not fully satisfied with their banking services. Their ideal and actual bank services have differences. In terms of the quality dimensions, they seem to put proportionate emphasis on tangibility, reliability, responsiveness, assurance and empathy. More importance is put in reliability: performing the promised service dependably and accurately, but less importance on empathy: caring, individualized attention to customers. Finally, both groups, Macau Bank of China customers and Guangzhou Commercial Bank of China customers consider their bank as the major bank and rate them as being important in providing banking services to them.