Chapter 59

Exploring the Three-Path Mediation Model:
A Study of Customer Perceived Value, Customer Satisfaction Service Quality and Behavioral Intention Relationship

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ABSTRACT

The present study attempts to explore structure of relationships among service quality, customer perceived value, customer satisfaction and behavioral intentions through a comprehensive survey of extant literature. The study investigates the direct and indirect relationship between service quality and behavioral intention and probes into the mediating role of customers’ perceived value and customers’ satisfaction in the indirect relationship between service quality and behavioral intention. The findings suggest that service quality and behavioral intention relationship is mediated at multiple levels as their relationship passes through the junctions of customer perceived value and customer satisfaction.

INTRODUCTION

Liberalization in 1991 laid foundation for the formation and expansion of private banks and foreign banks in Indian banking sector. This coupled with rapid technological advancement and improved communication systems contributed in increasing amalgamation and semblance amongst banks (Shanka, 2012). The net result was increased competition at the marketplace (Harvey, 2010) which affected the business prospects and subsequently, the very existence of the system.
Hence a need of developing and maintaining long term customer relationship in banking business (Camarero, 2007) was felt. After applied of most of strategic practices, various researches recognized that service quality would be essential and it acts as key competitive advantage (Ahmossawi, 2001). The importance of service quality grew further with the impact it exercised upon behavioral intention. Growth of service sector and the consequent complexities also contributed to the value of service quality and growing interest of researchers therein. Different studies attempted to explore the relationship between service quality and behavioral intention and some of them (Baker and Crompton, 2000, Brown and Gulycz, 2001, Henkel et al., 2006 and Baumann et al., 2006) found customer satisfaction as mediator in the service quality – behavioral intention relationship. Interestingly several studies (Zeithaml 1988, Hightower et al. 2002 and Kandampully et al. 2009) underlined customer perceived value as another mediator in the aforementioned relationship.

Following is a succinct account of the studies which explored and examined the relationship between service quality and behavioral intention and the potential mediating effect of customer satisfaction and customer perceived value. The subsequent section presents an overview of studies pertaining to relationship between customer satisfaction and customer perceived value with an intention to bring greater clarity about the structure and nature of relationships discussed previously.

Service quality has been identified as an important factor affecting the various aspect of business to a significant extent (Parasuraman et al., 1985, Reichheld and Sasser, 1990, Zeithaml et al., 1990). One of these important aspects is customer’s behavioral intention which has huge significance in service industry. Number of researches investigated the linear relationship between service quality and customer behavioral intention (Zeithaml et al., 1996, Ruyter et al., 1998, Lee and Cunningham, 2001, González et al., 2007, Gracia et al., 2011, Ha and Jang, 2012). A positive linear relationship was found between service quality perceptions and customer behavioral intention (Oliver, 1980, Parasuraman, 1988, Bitner, 1990, Bolton and Drew, 1991, Fornell 1992, Cronin and Taylor 1992, Boulding et al., 1993 Anderson and Sullivan, 1993, Zeithaml Berry & Parasuraman, 1996, Bloemer et al., 1999, Alexandris et al., 2002, Baker et al., 2002, Petrick, 2004, Ismail, Abdullah and Francis, 2009 and Kuo, Wub and Deng, 2009) where behavioral intention included positive word of mouth and repurchase intention. Relationship between service quality and behavioral intention demonstrated that the two constructs have a strong causal relationship (Levesque and McDougall, 1996; Cronin et al., 1997). Zeithaml et al. (1996) found that increase in service quality can induce repeat purchase intention of consumers and positive word of mouth and suggested that a customers’ relationship with a company is strengthened when the customer makes a favorable assessment about the company’s service quality whereas it gets weakened with negative assessments. They further stated that favorable assessment of service quality leads to favorable behavioral intention. Cronin et al. (2000) carried out an empirical research of six industries and reported causal positive effect of service quality on behavioral intention. Dabholkar et al. (1996, 2000) also testified the positive relationship between perceptions of service quality and the likelihood of recommending a product or

Figure 1. Service quality (SQ) and behavioral intention (BI)
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