Chapter 79
Customer Satisfaction and the Role of Demographic Characteristics in Online Banking

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ABSTRACT

This chapter proposes a model that (1) analyzes the direct and indirect effects of e-service quality on satisfaction and value with the moderating/mediating role of value as well as (2) analyzes the positive impact of gender, age, education, and income on quality, satisfaction, and value. The overall results show service quality is a major predictor of perceived value, which in turn is positively related to customer satisfaction. The mediating/moderating role of perceived value on the relationship between service quality and satisfaction is confirmed. Contrary to the proposed hypothesis, no relationships and no differences in the various subgroups categories of age, education, and income are detected in terms of service quality, value, and satisfaction. Consequently, customers’ demographic characteristics limitation on the adoption of online banking is now history. However, the authors recommend that managers always consider each segment of the customers’ demographic profiles individually while making their decisions.

INTRODUCTION

In the increasingly competitive and changing world of online services, customer satisfaction management has emerged as a strategic imperative for most companies. It is extremely important that online service providers know how to improve customer satisfaction. Since, it was shown that managers who aim at merely satisfying rather than completely satisfying customers run the risk of undermining customer retention (Mittal and Kamakura, 2001). Moreover, it is costly to
Customer Satisfaction and the Role of Demographic Characteristics in Online Banking

recruit new customers and between 65% and 85% of existing customers who defect to a competitor confesses to being either satisfied or very satisfied with the product or service they left (Reichheld and Schefter, 2000). Drawing on that, some authors have frequently emphasized the need to examine ways to increase customers satisfaction levels and the internet consumer acquisition decision (Parasuraman et al., 2005; Al-Hawari & Ward, 2006; Herington and Weaven, 2009). Obviously, understanding these antecedents can help online service provider to gain competitive advantages by implementing specific strategies to increase customer satisfaction. Given that higher levels of customer satisfaction reduces customers’ perceptions of the potential benefits of alternative suppliers and enhances repurchase intentions with the present supplier (Ribbink et al., 2004; Petnji et al., 2011).

Moreover, previous research also evidenced that customer satisfaction is crucial in realizing desired outcomes such as customer loyalty and customer retention which in turn enhance business profitability (Oliver, 2010, Kotler & Armstrong, 2010). However, online service providers are particularly alarmed about achieving customer satisfaction to make their business tactics successful. They tend to search for resources and capacities on which to base their competitive strategies while taking into account their customers’ satisfaction and needs (Martinez-Ruiz, 2012).

Furthermore, the concepts of service quality and customer perceived value are fundamental to successful business because they are crucial to customers’ decisions making. Particularly in the context where online service consumers are becoming more and more knowledgeable and are willing to share their experiences through social media (Petnji et al., 2012) and online competitors are only a mouse click away (Marimon et al., 2012). Yet, Day, (2002) argued that the theoretical relationship between value and other key marketing constructs such as customer satisfaction are not fully understood. This is perhaps because related research on the issue in the field remains largely speculative. Therefore, the question that then arises for online service provider is the extent to which satisfaction depends on antecedents such as customer online service quality and perceived value particularly while considering the moderating/mediating effects of customer perceived value.

In addition, it was reported that early internet users were primarily middle-aged or younger and had less purchasing power than those who were older (e.g. Bigne et al., 2005 and Zhou et al., 2007). Moreover, early researchers such as Donthu and Garcia (1999) showed either no significant age difference among online shoppers or that online shoppers were older than traditional store shoppers. Likewise, Zhou et al., (2007) review of literature on online shopping acceptance and argued that the age gap between online and non-online consumers is diminishing, but the effect of age and education on consumers’ intention to purchase online remains unclear. Thus, it was also apparent the necessity to ascertain or not that some demographic characteristics such as gender, age, education and income are factors that may influence customer satisfaction and perception of service offer in online banking. Against this backgrounds, the main objectives of this study were two folds:

- To propose and empirically analyse an integrated model that may shed some light to the direct and indirect effects of e-service quality on satisfaction with customer perceived value as a mediator/mediator.
- Examined both the positive impact and any segment differences of customer demographic characteristics in terms of customer service quality, customer satisfaction and perceived value.

The remainder of this paper is organized as follows. The next section start with some brief literature review on the topic and the development of the study hypotheses. Thereafter, the method-
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