

CHAPTER II

LITERATURE REVIEW

Introduction

In this chapter, author will describe the theoretical background of this research. The author will explain about e-service quality, e-customer satisfaction, and e-customer loyalty.

2.1 Theoretical Background

2.1.1 E-Service Quality

According to Bauer *et al.*, (2006), cited in Amin (2016) that e-service quality defines as a consumer's overall evaluation and judgment on the quality of the services that is delivered through the internet. In other hand Parasuraman et al., (1988) cited in Herrington and Weaven, (2009) that *Service Quality* represent the difference between customer expectations of what a firm should provide (i.e expectation) and perceived service performance. Therefore, based on Caruana, (2002) *Service Quality (SERVQUAL)* is widely utilized in a variety of industries, including the banking industry. Cited in Jun and Palacios that Parasuraman et al's., (1988) *SERVQUAL* is the most widely known service quality measurement instrument, which consist of 22 items assessing five key of service quality dimensions such as:

- 1) Reliability;
- 2) Tangibles;

- 3) Empathy;
- 4) Responsiveness; and
- 5) Assurance.

The increasing of electronic services makes a lot of bank companies change their way to keep connected with the customer, according to Zeithaml et al., (2002) while those five dimensions are well accepted to explain service quality in general, the same authors proposing 11 electronics service quality dimensions (e-SQ) for online businesses:

- 1) Reliability: Correct technical functioning of the site and the accuracy of service promises.
- 2) Responsiveness: Quick response and the ability to get help if there is a problem or question.
- 3) Access: Ability to get on the site quickly and to reach the company when needed.
- 4) Flexibility: Choice of ways to pay, ship, buy, search for and return items.
- 5) Ease of navigation: Site contains function that help customers find what they need without difficulty.
- 6) Efficiency: Site is simple to use, structured properly, and requires a minimum of information to be input by the customer.
- 7) Trust/Assurance: Confidence the customer feels in dealing with the site and is due to the reputation of the site and the products or services it sells.

- 8) Privacy/Security: Degree to which the customer believes the site is safe from intrusion and personal information is protected.
- 9) Price Knowledge: Extent to which the customer can determine shipping price, total price, and comparative prices during the shopping process.
- 10) Site Aesthetics: Appearance of the site
- 11) Customization/Personalization: How much and how easily the site can be tailored to individual customers' preferences, histories, and ways of shopping.

Bauer *et al.*, (2005) said that, in e-service environment, the quality of the website/application as the technical interface is of vital importance, supported by Santos (2003) that defines e-service quality as the overall evaluation by consumers of the caliber and excellence of the e-service offering in the virtual marketplace. Sahadev & Purani, (2008) cited in Amin (2016) argued that the service quality framework introduced by (Parasuraman, Zeithaml, & Berry, 1985; Parasuraman *et al.*, 2005) may not achieve the same level of validity in online case. Then, Herrington and Weaven (2009) found four dimensions of E-ServQual that more appropriate and all factors are rated as an important factor to determine the e-service quality, such as:

- 1) Personal Needs;
- 2) Site Organization;
- 3) User-Friendliness; and
- 4) Efficiency

Those 4 factors are more specific to the customer usage when they perform a transaction through mobile banking services. According to Herrington and Weaven (2009) the measurement of e-service quality in the financial setting finding that a combination of four dimensions relating to personal needs, site organization, user-friendliness, and efficiency are best represents of e-service quality within the online banking. So, the attributes of e-banking service quality are defined as multidimensional construct and adapted from literature based on the perspective of (Herrington & Weaven, 2009).

Table 2.1
Dimension and definition of E-SERVQUAL by Herrington and Weaven (2009)

Dimension	Definiton
Personal Needs	The need for security of personal banking details
Site Organization	Some factors that concerning the ease of access to tthe web site due to good web site organization
User-Friendliness	Factors that pertain to the ease with which users can navigate within the site
Efficiency	Factors that relate to web site efficiency when customers interact and transact on the site

Source: Herrington and Weaven 2009

2.1.2 E-Customer Satisfaction

Oliver (1997) defines that satisfaction is an on-going evaluation of the surprise inherent in a product acquisition and/or consumption experience. Fullerton and Taylor, (2005); Oliver, (1993); Rust and Zahorik, (1993); Sharifi and Esfidani, (2014) cited in Amin, (2016) that if the perceived performance matches or even exceeds the customer's expectations of services, they are satisfied. If it does not, the customers are dissatisfied. Based on Bearden and Teel (1983), they pointed out

that customer satisfaction is important to the marketer. Their findings indicated that repeat sales and customer loyalty had a positive relationship with satisfaction,

Anderson & Srinivasan, (2003) cited in Amin, (2016) explained e-satisfaction as the contentment of the customer with respect to his or her prior purchasing experience with a given e-commerce firm. Previous research has identified various factors that determine e-customer satisfaction in the online banking sector. Some authors suggest that e-customer satisfaction is driven by quality attributes. According to Jeong & Lee (2010) cited in Amin (2016) explained that product diversity, tangibles, responsiveness, interaction, and stability have significant impact on internet customer satisfaction. Consequently, Carlson & O'cass, (2011) cited in Amin (2016) said that positive or negative customer perceptions of the quality on the various e-service attributes will result in satisfaction. Therefore, in this study e-customer satisfaction is one of important role for mobile banking to meet the customers demand.

2.1.3 E-Customer Loyalty

Edvardsson *et al.*, (2003), cited in Thakur (2014), loyalty may be defined as a customer's intention or predisposition to purchase from the same organization. Previous research, Piha & Avlonitis (2015) proves that there are two dimensions to measure customer loyalty, namely, behavioral and attitudinal loyalty. In other hand, Jiang *et al.*, (2015) said, behavioral loyalty refers to a customer's behavior to repurchase or reuse, due to their liking of a particular brand or service. Meanwhile, according to Wong & Zhou (2006), attitudinal loyalty reflects the emotional and

psychological state of the customer to repurchase and to recommend to other people. In this case, a key challenge is to identify and understand how to manage and control the antecedent variables that will affect customer loyalty. In the previous research, Anderson & Srinivasan (2003) cited in Amin (2016) have a deep study for e-customer loyalty, they defined that e-customer loyalty as the tendency of customers to continue using specific web site, frequently visit it, and show high detention time. Therefore, focusing and give more attention on e-customer loyalty is important for mobile banking in order to maintain and keeping the relationship with the customers. For some reason, Jeong & Lee, (2010) cited in Amin (2016) the customers with high loyalty will frequently visit and recommend to others, in other hands this condition will leads to high commitment to repurchase of a services or product consistently in the future (Anderson & Swaminathan, 2011)

2.2 Previous Study

Table 2.2

Previous Study about Service Quality, E-Customer Satisfaction and E-Customer Loyalty

Title	Variables	Method	Findings
1. Internet Banking Service Quality and Its Implication on E-Customer Satisfaction and E-Customer Loyalty Amin (2016) (International Journal of Bank Marketing)	1. Internet Banking Service Quality 2. E-customer Satisfaction 3. E-Customer Loyalty	1. Confirmatory Factor Analysis (FAC) 2. Structured Equation Model (SEM) (520 bank customers who have experienced using internet banking in Kuala Lumpur)	The purpose of this study is to examine the internet banking service quality and its implication on e-customer satisfaction and e-customer loyalty in the context of Malaysia internet banking.
2. Impact of Service Quality, Trust, and Customer Satisfaction on Customer Loyalty Akbar and Parvez (2009) (ABAC Journal Vol. 29, No. 1)	1. Service Quality 2. Customer Satisfaction 3. Trust 4. Customer Loyalty	1. Confirmatory Factor Analysis (FAC) 2. Structured Equation Model (SEM) (304 Customers of a major private telecommunication company of Bangladesh)	The results of the study indicate that trust and customer satisfaction are significantly and positively related to customer loyalty. Customer satisfaction has found to be an important mediator between perceived service quality and customer loyalty.
3. E-service quality and Customer Relationship	1. E-service quality (Utilitarian Dimension)	1. Structured Equation Models (SEM)	Findings confirm that trust significantly and positively impacts commitment/satisfaction.

Tep, Brun, and Rajaobelina (2017) (International Journal of Bank Marketing Vol.35 No.7)	and Hedonic Dimension) 2. Relationship Quality (Commitment, Trust, Satisfaction)	(375 respondents, all owners of a mobile device and all accustomed to conducting banking activities on mobile platforms.)	E-service quality dimensions also influence trust and commitment/satisfaction. Trust is associated with security/privacy and practicity (regarded as utilitarian factors), while commitment/satisfaction is driven by enjoyment and sociality (dimensions more hedonic by nature).
4. E-Retailing by banks: E-Service Quality and Its Importance to Customer Satisfaction Herrington and Weaven (2009) (European Journal of Marketing Vol.43 No.9/10)	1. E-Service Quality 2. Customer Satisfaction	1. Multiple Regression (200 Australian respondents who regularly use online banking facilities.)	To explore the measurement of e-service quality in the financial services setting, finding that a combination of four dimensions relating to “personal needs”, “site organization”, “user-friendliness” and “efficiency”, best represents the measurement of e-service quality (E-ServQual) within the online banking context in Australia.
5. What Keeps Mobile Banking Customer Loyal? Thakur (2014) (International Journal of Bank Marketing Vol.32 Iss 7)	1. Usability 2. Customer Satisfaction 3. Customer Service 4. Trust 5. Loyalty	1. Partial Least Square 2. Structured Equation Model (433 valid questionnaires who had used m-banking at least once)	This research showed that satisfaction from m-banking based on previous interactions had a positive effect on customer loyalty. In addition, mobile interface usability and service were found to have a positive effect on customer satisfaction.
6. E-service Quality terhadap Kepuasan	1. E-Service Quality 2. Customer Satisfaction	1. Structure Equation Model (SEM)	The result of this research showed that the hypothesis put forward entirely acceptable:

dan Loyalitas Pelanggan dalam Penggunaan Internet Banking Anggraeni and Yasa (2012) (Jurnal Keuangan dan Perbankan, Vol.16, No.2)	3. Customer Loyalty	(200 Commonwealth Bank's customers who had used internet banking at least once)	e-service quality had positive and significant impact on satisfaction, e-service quality had positive and significant impact on loyalty, satisfaction had positive and significant impact on customer loyalty in using internet banking.
7. E-Service Quality: A Model of Virtual Service Quality Dimensions Jessica Santos (2003) (Managing Service Quality, Vol. 13 Iss. 3)	1. E-service Quality 2. Active Dimension 3. Incubative Dimension	1. Qualitative analysis by Focus Groups method (A total of 30 focus groups were held in a UK business school, with each group consisting of six to ten members. All participants had Web experience, and 42 percent of them had online shopping experience)	To know the relationship between e-service quality and customers attitude.

2.3 Hypothesis Development

2.3.1 E-service Quality and E-Customer Satisfaction

SERVQUAL model already proven by some researchers a a model that can be accepted to determine service quality. According to Parasuraman, *et al.*, (1998) and Herrington, *et al.*, (2008) SERVQUAL model, there are 4 dimension of E-service quality, those are:

1. Personal needs

Define as customer evaluation on the need for security of personal banking details.

2. Site Organization

Define as customer evaluation on some factors that concerning the ease of access to the web site due to good application of organization.

3. User-Friendliness

Define as customer evaluation on some factors that pertain to the ease with which users can navigate withis the site.

4. Efficiency

Define as customer evaluation on factors that relate to application efficiency when customers interact and transact on the site

Previous research that had been done by Amin (2016) shows that internet banking service quality consisting of four dimensions has appropriate reliability and each dimension has a significant relationship with internet banking service quality. E-Service Quality give an important input to customer satisfaction, and according to Rod *et al.*, (2009) cited in Amin (2016) have highlighted that the availability of internet banking service quality is perceived to be high, customers are more likely to be satisfied with their online services and consequently will be more satisfied with their banks. Some studies have been identified satisfaction that affected by e-service quality, for example, Tarigan (2008) explained that e-service quality have a relation to the satisfaction and loyalty. In other hand, Sousa & Voss (2009); and Ho & Lin (2010) stated that there is a positive impact between e-service quality to the customer satisfaction. Based on some theories above, so the first hypothesis will be:

H₁: E-service quality has a positive effect and significant toward E-customer satisfaction

2.3.2 E-Service Quality and E-Customer Loyalty

Tjiptono (2007) cited in Angraeni & Yasa (2012) explained that loyalty as a ideal situation that marketer expected the most, when a customer have a positive behaviour toward a service simultaneously with a consistent pattern of repurchase. In other hand, Akbar & Parvez (2009), focusing their research on relationship between service quality that felt by the customer with customer loyalty. The result of the research is showing a positive relation between service quality to customer

loyalty. Creating a satisfaction could give some benefits, which are, having a harmonious relation between the company and the customers, giving a keystone to create a customer loyalty and word of mouth recommendation that can be profitable for the company. It supported with the previous research that had been done by Sousa & Voss, (2009) stated that to maintain a success long term relationship with the customer the company should keep the relation commitment in context of Online services. Therefore the second hypothesis will be:

H2: E-service quality have a significant relationship to the E-customer loyalty.

2.3.3 E-customer Satisfaction and E-customer Loyalty

Chang, *et al* (2009) stated that, service quality would impact to the customer satisfaction where it could lead to the customer loyalty. According Ramseook & Naidoo, (2011) cited in Amin (2016) found that there is a significant relationship between e-customer satisfaction and e-customer loyalty in internet banking services, it supported with the Wong & Zhou (2006) that consumers who are satisfied with internet banking are more likely to engage in a consistent relationship with internet banking in future and demonstrate a more loyal behavior. In other research, Zeithaml *et al.* (2008) try to develop a conceptual model that relate the service quality, customer satisfaction and customer loyalty in one frame. Previous research found that customer satisfaction has a significant effect to the customer loyalty (Bowen & Chen, 2001). All theories above are supported with the research from Siddiqi (2011); Agyapong & Ghana (2011), stated that customer satisfaction will impacted to the customer loyalty potentially and also supported with Akbar &

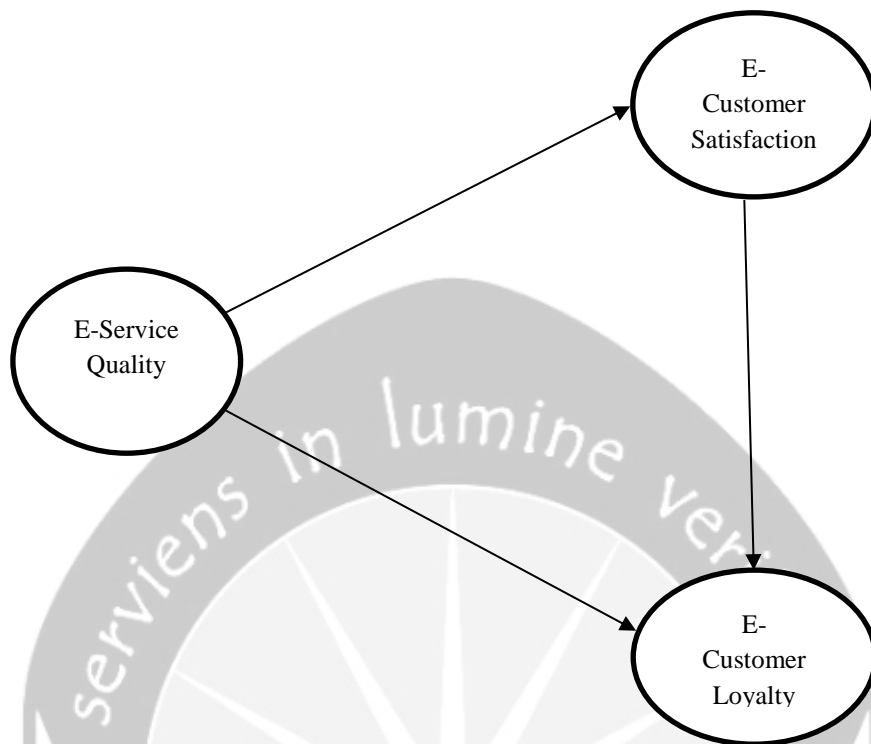
Parvez (2009), that customer satisfaction performs an important mediating role between service quality and customer loyalty. Based on all theories above, the hypothesis will be:

H3: E-Customer satisfaction has a positive effect to the E-customer loyalty

H4: E-Customer satisfaction as a mediator has a positive effect to the E-customer loyalty in mobile banking usage.

2.4 Conceptual Framework

There are three variables that author will discuss in this research that are e-service quality, e-customer satisfaction, e-customer loyalty, and it will applied to the Mandiri Online usage. e-service quality has four objects which are 1) Personal Needs; 2) Site Organization; 3) User-Friendliness; 4) Efficiency. The independent variable in this research is E-Service Quality and the dependent variable is E-customer Satisfaction and E-customer Loyalty. So, the author develops the framework:



Adopted from : Amin (2016)

Figure 2.1

Conceptual Framework