

**An Application of the American Customer  
Satisfaction Index (ACSI) to the TRNC Banking  
Industry**

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## ABSTRACT

The Banking sector plays a key role in the economy of the country. Customer satisfaction and customer loyalty are two positive outcomes achieved by customer satisfaction in the banking industry. This thesis aims to investigate the relationships among customer expectation, perceived quality, perceived value, and customer satisfaction. This study also examines the impact of customer satisfaction on customer loyalty and customer complaints. The relationship between customer complaint and customer loyalty has been assessed using data obtained from private banks in North Cyprus. A quantitative method was used to check the proposed hypotheses developed based on the ACSI model. The reliability and validity of the study measurements have been checked, and the results of a regression analysis for hypotheses testing revealed that customer expectation has significant and direct effects on perceived quality and perceived value. Perceived quality is associated significantly and positively with perceived value and customer satisfaction, where perceived value increases the satisfaction of bank customers. According to the results, a satisfied customer is more loyal, but Loyalty to the bank is decreased through an increase in customer complaints. Furthermore, recommendations for both bankers and researches have been discussed.

**Keywords:** expectation, perceived quality, perceived value, loyalty, complaint, North Cyprus

## ÖZ

Bankacılık sektörü ülke ekonomisinde önemli bir rol oynamaktadır. Müşteri memnuniyeti ve müşteri sadakatı, bankacılık sektöründe müşterilerin memnuniyetinin iki önemli sonucudur. Bu çalışma; müşteri beklentisi, algılanan kalite, algılanan değer ve müşteri memnuniyeti arasındaki ilişkiyi araştırmayı amaçlamaktadır. Ayrıca bu çalışma, müşteri memnuniyetinin müşteri sadakatı ve müşteri şikayetleri üzerindeki etkisini de incelemektedir. Müşteri şikayetleri ve müşteri sadakatı arasındaki ilişki Kuzey Kıbrıs'taki özel bankalardan sağlanan verilerin kullanımıyla incelenmiştir. ACSI modeline bağlı olarak geliştirilen, önerilen hipotezleri denetlemek üzere nicel bir yöntem kullanılmıştır. Araştırma ölçümlerinin güvenilirliği ve doğruluğu kontrol edilmiş ve hipotez testinin regresyon analizinin sonuçları, müşteri beklentisinin algılanan kalite ve algılanan değer üzerinde doğrudan ve büyük ölçüde bir etkiye sahip olduğunu göstermiştir. Algılanan kalite; algılanan değer ve müşteri memnuniyeti önemli ölçüde ve olumlu bir şekilde ilişkilendirilir; bunun yanı sıra algılanan değer banka müşterilerinin memnuniyetini artırır. Sonuçlara göre memnun olan bir müşterinin bankaya olan sadakatı artmaktadır ancak müşteri şikayetlerinin artmasıyla bankaya olan sadakat azalmaktadır. Ek olarak, hem bankacılar hem de araştırmacılar için çeşitli öneriler sunulmuştur.

**Anahtar Sözcükler:** Beklenti, algılanan kalite, algılanan değer, sadakat, şikayet, Kuzey Kıbrıs.

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## **LIST OF ABBREVIATIONS**

SCSB	Swedish Customer Satisfaction Barometer
ACSI	American Customer Satisfaction Index
QSP	Quality, Satisfaction, and Performance
ECSI	European Customer Satisfaction Index
CSI	Customer Satisfaction Index
CE	Customer Expectations
PQ	Perceived Quality
CL	Customer Loyalty
CC	Customer Complaints
MIS	Management Information System
LTCB	Limasol Turkish Cooperative Bank

# Chapter 1

## INTRODUCTION

### 1.1 Introduction

Customer satisfaction has been known to be an excellent baseline standard for any business sector in modern management science (Gerson, 1993). Furthermore, customer satisfaction is a well-defined benchmark for determining the achievement level of the productivity of employees who are involved in any stage of the services offered in the customer service process (Hill, 1996). The question is whether managerial systems are aware of the effect of customer satisfaction that requires informed employees and organizations in any business sector. Previous studies have revealed that in business organizations that consider and measure customer satisfaction, productivity and performance are overall better than in organizations that are not paying attention to customer satisfaction (Wild, 1977; Deschamps & Nayak, 1995). Moreover, a customer satisfaction measurement is an essential tool for the recognition and evaluation of an organization's performance. Hence, organizations that can keep customers satisfied have a competitive advantage in the market environment in comparison with competitors. When consumers or customers are feeling satisfied with a product or service, they are strongly eager to repurchase and re-use that services or product, leading to positive word of mouth and, consequently, improved financial performances for organizations. However, some activities lead to improved customer satisfaction such as: a) service quality b) service features, and c) customer complaint handling.

According to Anderson and Sullivan (1993), service quality has a significant relationship with customer satisfaction. Although, there have been noticeable discussions to clarify the components of customer satisfaction (Yi, 1990) and the dimensions of service quality (Cronin & Taylor, 1992). Surprisingly, only a few research studies have been conducted in terms of determining customer satisfaction and the importance of service quality (Fisk et al., 1993).

Additionally, customer satisfaction has a significant relationship with service features. For example, with retail banking, customer satisfaction is influenced by the competitiveness and convenience of the provider's offerings. In addition, research has demonstrated that one of the major indicators of a customer's choice of bank is location, as an accessible and convenient location is advantageous for customers to conduct easily their business with the bank. Competitive interest rates are another indicator of a customer's choice of bank (Laroche & Tylor, 1988).

Furthermore, some studies refer to the fact that if a customer's complaints are resolved, it will lead to customer satisfaction instead of dissatisfaction. According to Hart et al. (1990), when employees or service providers accept responsibility and try to solve certain problems, the customers will become loyal to the organization. Thus, customer complaint management or handling can have an impact on customer retention and satisfaction.

Nowadays, customer satisfaction measurement has been established as a major discourse in the private and governmental sectors, as the significance of an organization's productivity is becoming a powerful tool for determining success. To measure customer satisfaction, the Swedish Customer Satisfaction Barometer

(SCSB) was introduced in 1989 as an essential tool for business organizations (Fornell, 1992). After that, the American Customer Satisfaction Index (ACSI) was created based on successful experiences with the SCSB. The basis of the ACSI model depends on two significant theories: 1) the sample or the quality, satisfaction, and performance (QSP) and 2) the exit voice theory by Hirschman (1970). This model (ACSI) evaluates the cause and effect relationship, which is based on the level of customer satisfaction (perceived value, perceived service quality, and customer expectation) and its results (customer loyalty and customer complaints). In addition, there is a similar model called the European Customer Satisfaction Index (ECSI). For most studies, the opinions on the customer satisfaction index (CSI) models have been accepted for use among national industries and organizations to measure their performances.

However, these models (CSI) are used to evaluate customer satisfaction, and improving these models in different ways is not easily done. Thus, to address this point, this research used the ACSI in two private banks in the Turkish Republic of Northern Cyprus (TRNC).

According to Coenders (2002), Customer Satisfaction has been known as one of the most important indicators for improving product and service qualities by organizations and companies in the competitive market environment. Higher customer satisfaction leads to higher performances and a stronger position in the market share and profits, which is why customer satisfaction has been emphasized as a key motivator used by companies (Fornell, 1992). Satisfied customers usually return and repurchase; hence, customer satisfaction leads to positive word of mouth and customer loyalty. Essentially, as stated by Anderson et al. (1994), high customer

satisfaction has several advantages for companies, including enhanced company reputation, increased consumer loyalty, and improvements to employee efficiency.

In this research, the ACSI methodology has been applied because first, it explains customer satisfaction thoroughly with its key antecedents and consequences, as it is critical for practitioners and researchers to be aware of the factors that influence satisfaction. Second, this methodology is strong; therefore, it may be suitable for a variety of services and products, including services provided by the private bank sector in the TRNC.

## **1.2 Problem Statement**

Customer Satisfaction is one significant indicator for every company and industry, as well as regarding the services delivered by the banking sector. However, each company or firm should be studied and understood in the context of customer satisfaction and loyalty. Satisfied customers are vital for companies to survive in the competitive market. The problem is whether customer satisfaction is part of the goals of companies. Rationally speaking, customer loyalty depends on keeping customers satisfied for a long time by delivering products and services with high a quality. However, customer loyalty will lead to positive word of mouth and a high level of profitability for organizations. For this to happen, Anderson and Fornell (2000) in their study claimed that increasing customer loyalty can lead to maintaining future revenues for companies, reducing price elasticity, reducing failure costs, and decreasing the costs of future activities.

## **1.3 Significance of the Study**

Customer Satisfaction is a valuable piece of information for each company, aside from the significance of customer loyalty and customer delight. It is a certain source

of profitability and a performance measurement for companies and industries. Thus, satisfying customers is a key success factor, and enhancing customer loyalty demands a suitable management approach, a factor of which organizations and firms should be aware in the competitive market environment and, based on this study, in the private banking sector. According to Arbore and Busacca (2009), in the financial services and banking sectors, the importance of customer satisfaction has been studied thoroughly; based on Vesel and Zabker (2009), achieving customer loyalty is desirable for most of companies and firms. However, there is a lack of relevant studies in the private banking sector in Northern Cyprus. Thus, this research can clarify the role of customer satisfaction in the private banking sector in the TRNC in terms of delivering service quality.

#### **1.4 The Purposes and Objectives of the Research**

The purpose of this research is to investigate customer satisfaction in the private banking sector in the TRNC. The ACSI is used in this research to clarify the relationship among a variety of variables, including perceived quality, customer expectations, perceived value, customer satisfaction, customer loyalty, and customer complaints.

#### **1.5 Methodology**

A quantitative approach (survey) has been used to examine the aim and objective of the study. The customers of two private banks have been asked to rate scale items of the ACSI model. Chronbach's alpha and a factor analysis have been performed to check the reliability and validity of the measurements, respectively. Means, standard deviations, and correlations have been calculated and a regression analysis has been conducted to test the proposed hypotheses.

## **1.6 Findings of the Research**

The findings of this study revealed that customer expectations increase perceived quality and perceived value, which are positively related to customer satisfaction. Customer satisfaction is significantly related to customer loyalty, which is negatively affected by customer complaints.

## **1.7 Organization of the Study**

This research consists of six chapters. Chapter 1 includes the introduction, while Chapter 2 contains a literature review that explains the ACSI model. Chapter 3 focuses on two private banks in TRNC as the case study. Chapter 4 demonstrates the methodology research and data collection to analyze the data, Chapter 5 reveals the relevant results of the study, and Chapter 6 consists of a conclusion and a discussion of the research.



## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.1 American Customer Satisfaction Index (ACSI)**

Several national customer satisfaction indices have been developed in the world. Based on Fornell (1992), one of these models is the SCSB and, according to Fornell et al. (1996), the ACSI has also been developed, the other model has improved as the Norwegian Customer Satisfaction Barometers that Andreassen and Lindestad (1998) have stated. As Johnson et al. (2001) and Fornell et al. (1996) have claimed, other indices have been introduced, including in the European Union, Taiwan, New Zealand, Korea, Germany, and Austria. These indices can be useful most for traditional evaluations of economic performance and these are suitable sources of information for buyers, investors, shareholders, and government regulators (Fornell, 1992).

However, in many studies, the ACSI model has been used for the measurement of performance. As Aydin and Ozer (2005) stated, this model has been adopted in several countries to measure customer satisfaction based on their own national economies. The ACSI model (See Figure 1) evaluates the cause and effect relationship, which includes the customer satisfaction level (perceived quality, customer expectation, and perceived value) and its consequences (customer loyalty and customer complaints).

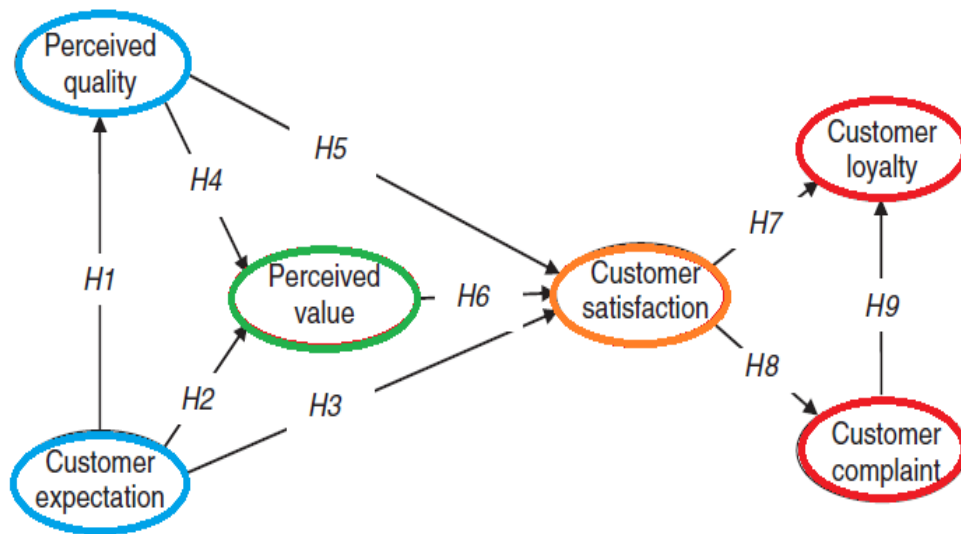


Figure 1: Conceptual Model

## 2.2 Satisfaction Antecedents

According to Coenders and O’Loughlin (2002), the level of quality that consumers can receive from products or services as based on their previous experiences is called Customer Expectations (CEs). CEs generally refer to the customer experience regarding perception of services or the quality of products and the level of quality that suppliers can deliver in the future. Thus, CE is related positively and directly to a company’s performance. As Fornell et al. (1996) stated, the expectation regarding the level of quality in the future and, consequently, a positive feeling by consumer are critical issues for ensuring more satisfied customers.

Based on Zeithaml et al. (1997), the difference between customer expectations and perceptions and the experiences of customers during this process is called service quality. These researchers have also designed a service quality model with five significant factors as follows.

1. Reliability: delivering service capability on time and based on standard manners.

2. Assurance: increasing confidence and trust while delivering services between employees who are delivering and customers who are receiving the services.
3. Tangibles: machinery, materials, furniture, buildings, and the exhibition of staff.
4. Empathy: providing some personal diligence and consideration toward a customer by companies.
5. Responsiveness: to ready companies to help customers when delivering efficient services.

Based on Swedish and US researches studies and regarding the Technical Committee, some general questions are given that are related to Customer Satisfaction, Customer Loyalty, customer Expectations, perceived Quality, and perceived value (See Table 1).

Table 1: Latent variables and measurement variables (Kai Kristensen et al., 2000)

Latent variable	Measurement variable
Customer expectations	Social responsibility
	Overall expectations of postal service
Perceived quality of postal service	Overall expectations of customer interaction
	Overall evaluation of quality experience
	Meeting the customer's requirements
Perceived quality of customer interaction	Comparison with competitors
	Overall evaluation of quality experience
	Meeting the customer's requirements
Perceived value	Comparison with competitors
	Value for money
Customer satisfaction	Comparison with competitors
	Overall satisfaction
	Fulfilment of expectations
Customer loyalty	Comparison with ideal
	Intention to buy again (remain as a customer)
	Intention to buy additional postal services
	Intention to recommend

Based on the aforementioned discussions the following hypotheses are presented:

H1: *CEs are related significantly and positively to perceived quality.*

H2: *CEs are related significantly and positively to perceived value.*

H3: *CEs are related significantly and positively to customer satisfaction.*

According to Cronin and Taylor (1994), the construct of perceived Quality (PQ) has been debated and discussed widely. Based on Cronin et al. (2000), PQ is directly related to perceived value, which also affects the repurchase intentions of customers. The linkage of quality-value-loyalty is consistent with former work regarding customer satisfaction. Grewal and Parasuraman (2000) claimed that this linkage (quality-value-loyalty) is a significant issue that needs to be researched more. McLean and DeLone (1992) expressed that PQ includes service quality, system quality, and information quality in terms of Management Information Systems (MISs). In addition, Sullivan and Anderson (1993) and Fornell (1992) stated that PQ is envisaged to have a direct effect on perceived value. Therefore, based on the aforementioned issues, the following hypotheses are presented:

H4: *PQ is related significantly and positively to perceived value.*

H5: *PQ is related significantly and positively to customer satisfaction.*

According to Parasuraman et al. (1988), the level of service quality perceived by a customer is called perceived Value (PV), which is significantly related to money value during the process of delivering and receiving services by providers and customers, respectively. The ratio of perceived services with different qualities pertaining to price is called PV (Anderson et al., 1994). Thus, related to these discussions, the following hypothesis is presented:

H6: *PV is related significantly and positively to customer satisfaction.*

### **2.3 Loyalty and Complaints as Satisfaction Consequences**

According to Burnham et al (2003), one of the significant factors for marketers as an outcome of customer satisfaction is customer loyalty and the intentions of customers to repurchase from particular companies. This study investigated customer loyalty (CL) and customer complaints (CC) from such possible outcomes. Oliver (1999) stated that customer repurchasing and customer intention to receive again a preferred service or product from particular companies is completely related to the customer loyalty definition. Actually, customer satisfaction leads to greater customer loyalty. Furthermore, customer loyalty leads to retaining future revenues, reducing price elasticity, and decreasing costs and expenditures for companies (Sasser & Reichheld, 1990). As File and Prince (1992) claimed, satisfied customers having favorable experiences with services or products are more likely to tell their families, friends, and others about their positive experience, which leads to positive word of mouth and as a suitable advertisement to an increasing in customers. Similarly, Yu et al. (2005) found that customer satisfaction leads to customer loyalty. Therefore, in this study, a positive relationship between the level of CS and CL was expected. Accordingly, the following hypothesis is presented:

*H7: CS is related significantly and positively to customer loyalty.*

Conflict between an organization and customer can be defined as a complaint. Wu (2013) reported that there is negative association between customer satisfaction and compliant in online shopping. Accordingly, increasing customer satisfaction leads to decreased customer complaints (Wong & Dioko, 2013). It is important for bank managers to reduce level of complaint by enhancing satisfaction level. Thus,

customer satisfaction is negatively related to customer complaints. Hence, a relevant hypothesis is presented:

*H8: CS is related negatively to customer complaints.*

The measurement of the level of CL and CC in companies depends on the ability of companies to handle complaints. According to Fornell et al. (1996), if company handles customer complaints, then loyalty of customer would be increased. Similarly, Zhu Yan and Yang Song (2006) stated that, the ACSI model assumes the relationship between CC and CL is negative. It means that the companies, who are concerned with customer complaint, are more care about their loyalty level. Because they are aware that low level of complaint results in high level of loyalty. Thus, based on the aforementioned discussions, a relevant hypothesis is presented:

*H9: CC is related negatively to customer loyalty.*

## **Chapter 3**

### **THE CASE STUDIES**

Two private banks in the TRNC are investigated in this research in terms of measuring customer satisfaction. The detailed discussions are presented as follows.

#### **3.1 Limasol Bank**

Limasol Turkish Cooperative Bank Ltd. (LTCB) was established in 1939 in Limasol (see Figure 2). This bank, through the help and support of its members, as well as the energy and skills of its staff, has shown a high performance. Therefore, this high performance has led to its success and development. Nowadays, LTCB delivers different services and financial products with a high level of quality to all of its customers. It has been accepted as one of the leading and oldest fiscal establishments. All of its services and financial products with national and international outlook are delivered at the international level. The current members and real owners of LTCB total about 12,000, and these members have the responsibility to select the Board of Directors.

The key success of LTCB during these years is its high quality staff and managerial mechanism that lead to the delivery to customer of services with a high quality. The physical environment and the system of LTCB have been designed in a specific way to deliver the best quality services to customers. On top of its skillful staff and best services, LTCB is equipped with new technology for delivering services, as well.

The main elements of the social and environmental responsibilities of LTCB include effective training, respect to individuals, and teamwork to ensure customer receive the highest quality of services.



Figure 2: Limasol Bank in the TRNC

### **3.1.1 The Mission of LTCB**

- Paying attention to the wealth of customers and shareholders by creating a spirit of cooperation among employees while applying the principles of banking.
- Providing and making investments in the TRNC to improve the finance sector in the international arena.

### **3.1.2 The Values**

LTCB considers six significant values:

- Working with the purpose of providing higher quality services than the customers expect to receive.
- Conducting all work and duties based on regulations and laws.
- The most important investment for LTCB is in its people and customers.



-Communication and teamwork are effective factors to achieve success.

-Obtaining high rank in general economic activities in the TRNC through achieving more success and increasing the level of quality in delivering services.

-More attention to human resources, the natural environment, and society

(<http://english.limasolbank.com.tr/AltSayfa.aspx?ID=3412>).

### **3.2 The Credit West Bank**

After the takeover of the group bank holding the main shares of Toprak Factoring Inc., which was established in 1994, it was bought by Altinbas Holding Inc. and started its services in the financial sector under the new name Credit West Turkey Inc.

From this change, Credit West Bank achieved a suitable capital structure. Credit West Turkey was the first company to receive the ISO 9001 certification and it is an active FCI member. This company is one of three companies to have gone public with 15% of its shares dealt on the stock exchange.

The main key to the success of Credit West Bank is considering human resources and employees to become A+ in delivering services and products, which means a very high credit quality. Additionally, employee satisfaction leads to the delivery of the best services; consequently, customer satisfaction and profitability increase for Credit West. Most activities are done in using teamwork and collaboration, which leads to greater customer trust. Therefore, Credit West does not struggle to turn customer satisfaction into customer loyalty by having and improving the quality of services.

Furthermore, the other major purpose of Credit West is customer-oriented services in the TRNC. It has 14 branches spread across the TRNC (see Figure 3), with 270 members and a qualified staff team. Credit West bank, as one of the biggest private banks in the TRNC, contributes to institutional governance in terms of healthy and organic growth based on risk management strategies.



Figure 3: Credit West Bank in the TRNC

### **3.2.1 The Vision**

Four significant items form the vision of Credit West in the TRNC including:

- Improving the branch network and maintaining and enhancing the high quality of services and products.
  
- Keeping customer satisfaction at a level as high as possible
  
- To create added value for the other partners of Credit West Bank
  
- To become the first bank in the TRNC to deliver high-quality services to customers based on innovation and creativity

### **3.2.2 The Mission**

Obtain the best rank among the other banks in the Black Sea area and the Eastern Mediterranean.

### **3.2.3 The Strategy**

Increasing the market share, offering the best quality of services to satisfied employees, improving activities, and transferring relevant experiences abroad, especially to other countries, such as the Black Sea region, Balkan countries, and Middle Eastern countries ( <http://www.creditwestbank.com/en/about-us/>).

## **Chapter 4**

### **METHODOLOGY**

#### **4.1 Overview**

In this chapter information regarding the data and procedure and descriptive and inferential analyses are presented. Quantitative method has been used as a research approach to test the proposed model. The generalization of the findings, the checking of the validity and reliability of measures, a high control of the researcher regarding the research procedure, and more justified research in terms of time and cost are some advantages of the quantitative method. However, a large sample of data is required as well as the proposal of a model based on a theoretical framework.

#### **4.2 Data and Process**

Data were obtained from two private banks in the TRNC, namely, LTCB and Credit West. Since, the focus was on the branches in Famagusta, a convenience sampling technique has been applied as the sampling method. A questionnaire survey was conducted to apply the ACSI model to these two private banks.

To check item ambiguity, a pilot study with 10 cases was performed before field administration. Hopefully, all questionnaire items were clear and understandable from the respondents' viewpoint. In total, 250 questionnaires were distributed to bank customers, and 226 were completed, and returned (LTCV: 119 and Credit West bank107) in May 2015. Therefore, the response rate was 90%. In Table 1, the characteristics of bank customers are presented.

More than 41% of customers were aged between 26 and 35 years, followed by 37.2% who were aged between 36 and 45 years. As well, 12% of customers were older than 46 years and about 10% were younger than 26 years. Approximately half of the respondents were men (Table 2).

In total, 46% of customers had a college or university degree, 38.9% passed secondary school, and 13.3% had a diploma at the graduate or postgraduate level. Regarding income, 44% of customers earned between \$1,000 and \$5,000 per month, 3.63% earned between \$5,000 and \$10,000, and 12.8% earned between \$10,000 and \$20,000, while the rest earned less than \$1,000 per month (Table 2).

Table 2: Demographic information of customers

Variable	N	%	Variable	N	%
<i>Age</i>			<i>Education</i>		
<26	22	9.7	Primary school or below	4	1.8
26–35	93	41.2	Secondary/High school	88	38.9
36–45	84	37.2	College/University	104	46.0
>46	27	11.9	Graduate level or higher	30	13.3
Total	226	100.0	Total	226	100.0
<i>Income</i>			<i>Gender</i>		
Less than \$1,000	20	8.8	Female	111	49.1
Between \$1,000 and \$5,000	101	44.7	Male	115	50.9
Between \$5,000 and \$10,000	76	33.6	Total	226	100.0
Between \$10,000 and \$20,000	29	12.8			
Total	226	100.0			

N: is the number of customers

The questionnaires items were extracted from the original work of Fornell et al. (1996) regarding the nature and purpose of the ACSI. The questionnaires consisted of two sections: the first part (A) was allocated to the study variables, including CE,

PQ, PV, CS, CL, and CC. CE was measured by three items, PQ was measured by three items, PV by two questions, CS by three items, CC by one item, and CL by three items. The demographic information of the bank customers, such as age, gender, education, and income level, was measured in part B of the questionnaire.

### **4.3 Analyses of Data**

A factor analysis using Varimax Rotatation method was performed to check the measurement model. Value of factor loading must be loaded on desired factor at a significant level ( $P < .01$ ) and magnitude of landa value must be more than .4. Cronbach's alpha was calculated for each variable to examine reliability issues. Alpha coefficient must be more than .7 (Santos, 1999). After checking validity and reliability, composite score of all variable has been calculated using SPSS.

Means, standard deviations, and a correlation matrix were calculated to provide more information regarding the study variables and their relationships. To test proposed hypotheses simple regression were conducted. Regression is inferential statistic test that used for assessing the effect of independent variable on dependent variable. It is useful tool for prediction of variables and hypothesis checking. All aforementioned analyses used for SPSS.

## Chapter 5

### RESULTS OF THE STUDY

This chapter includes three main sections including I. reliability and validity results, II. descriptive statistics and a correlation analysis, and III. hypotheses testing.

#### 5.1 Reliability and Validity

Cronbach's alpha was applied to test the reliability of measures. As Santos (1999) mentioned, an alpha coefficient of more than .7 represents an acceptable level of reliability. The value of all coefficients was more than .7 (Table 3). The alpha for CL was .92, for CS was .85, for CE was .83, for PQ was .83, and for PV was .78. Therefore, the study measure is reliable.

Table 3: Results of factor the analysis and Cronbach's alpha

Variable	Items	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Alpha
Customer loyalty	q12cl1	.902					<b>.920</b>
	q13cl2	.923					
	q14cl3	.876					
Customer satisfaction	q9cs1		.851				<b>.857</b>
	q10cs2		.807				
	q11cs3		.821				
Customer expectation	q1ce1			.809			<b>.836</b>
	q2ce2			.837			
	q3ce3			.740			
Perceived quality	q4pq1				.807		<b>.833</b>
	q5pq2				.750		
	q6pq3				.817		
Perceived value	q7pv1					.741	<b>.782</b>
	q8pv2					.875	

A factor analysis was performed to check the validity of the scale items. As Fabrigar et al. (1999) noted, each item must be loaded on a correspondence factor at level .4, and an item should not be loaded under two factors simultaneously. As shown in Table 3, all items load on the related factors and there are no cross-loaded items. This shows the validity of the measurements, which is a precondition for further analyses.

As mentioned above, the second section of the results is allocated to means, standard deviations, and the correlation matrix. It can be clearly seen that all variables of the study are significantly correlated with each other (Table 4).

Table 4: Descriptive statistics, and correlation matrix of the variables of the study

Variable	Mean	Std. Deviation	1	2	3	4	5
1.CE	3.027	.958	-				
2.PQ	2.917	.995	.802**	-			
3.PV	2.931	1.067	.692**	.743**	-		
4.CS	2.905	1.088	.713**	.796**	.762**	-	
5.CL	2.640	1.252	.751**	.784**	.773**	.783**	-
6.CC	2.637	1.290	-.665**	-.661**	-.695**	-.630**	-.746**

\*\* . Correlation is significant at the 0.01 level (2-tailed). CE is customer Expectation, PQ is Perceived Quality, PV is Perceived Value, CS is Customer Satisfaction, CC is Customer Complaint, and CL is Customer Complaint.

## 5.2 Model Testing

To test hypothesis, a simple regression analysis was performed. Regression is statistical analysis that frequently used for hypothesis checking. Regression coefficient indicates strength of effect of independent variable on dependent variable.

In this test, standardized regression coefficient ( $\beta$ ), critical ratio (C.R.), and level of



significant ( $P$  value) must be reported (Table 5). According to the results, customer expectation has a significant and direct effect on perceived quality ( $\beta=.80$ ,  $P<.001$ ). That is, perceived quality is directly influenced by the expectations of bank customers. Then, Hypothesis 1 is supported.

Similarly, customer expectation has a positive and significant impact on perceived value ( $\beta=.27$ ,  $P<.001$ ). In other words, a high level of expectation leads to a high degree of perceived value. Thus, Hypothesis 2 is also supported. Results show that customer expectation has no significant relation with customer satisfaction ( $\beta=.11$ ,  $P=.07$ ). Therefore, Hypothesis 3 is not supported (Table 5), which means customer expectation has no significant or positive impact on the satisfaction of a bank customer.

Table 5: Summary of hypothesis testing

Hypothesis	Path	$B$	C.R.	P	Status
1	CE $\rightarrow$ PQ	.802	20.126	***	Supported
2	CE $\rightarrow$ PV	.269	3.712	***	Supported
3	CE $\rightarrow$ CS	.113	1.797	.072	Not-Supported
4	PQ $\rightarrow$ PV	.527	7.265	***	Supported
5	PQ $\rightarrow$ CS	.440	6.507	***	Supported
6	PV $\rightarrow$ CS	.358	6.395	***	Supported
7	CS $\rightarrow$ CL	.783	18.866	***	Supported
8	CS $\rightarrow$ CC	-.118	-1.669	.095	Not-Supported
9	CC $\rightarrow$ CL	-.654	-9.220	***	Supported

Note: \*\*\* is  $P<.001$  CE is Customer Expectation, PQ is Perceived Quality, PV is Perceived Value, CS is Customer Satisfaction, CC is Customer Complaint, and CL is Customer Loyalty. CR is Critical ratio,  $\beta$  is standardized regression coefficient.

Perceived quality increases perceived value significantly ( $\beta=.52, P<.001$ ). That is, a high level of perceived quality results in customer perceptions regarding the value of the bank. Thus, Hypothesis 4 is supported. Likewise, perceived quality is associated significantly and directly with customer satisfaction ( $\beta=.44, P<.001$ ). In other words, if customers perceive a high level of quality, they are more satisfied. Hence, Hypothesis 5 is supported (Table 5). In the same manner of perceived quality, perceived value has a significant and positive impact on customer satisfaction in the bank industry ( $\beta=.35, P<.001$ ). A high level of customer satisfaction is achieved by increasing perceived value. Thus, Hypothesis 6 is supported.

As hypothesized, the satisfaction of customers enhances customer loyalty significantly ( $\beta=.78, P<.001$ ). That is, customers who are more satisfied are more loyal to the bank. Therefore, Hypothesis 7 is supported (Table 5). It was expected that customer satisfaction would have a significant and negative effect on customer complaints, but the results show that a high level of satisfaction does not lead to a decrease in customer complaints ( $\beta=-.11, P=.09$ ). Then, Hypothesis 8 is not supported.

Customer complaints are related significantly and negatively to customer loyalty ( $\beta=-.65, P<.001$ ). That is, a high level of complaints about a bank reduces customer loyalty significantly. Therefore, Hypothesis 9 is supported. Seven hypotheses out of nine are supported. To track easily the results of model testing with the proposed model (Figure 1), the results have been depicted in Figure 4.

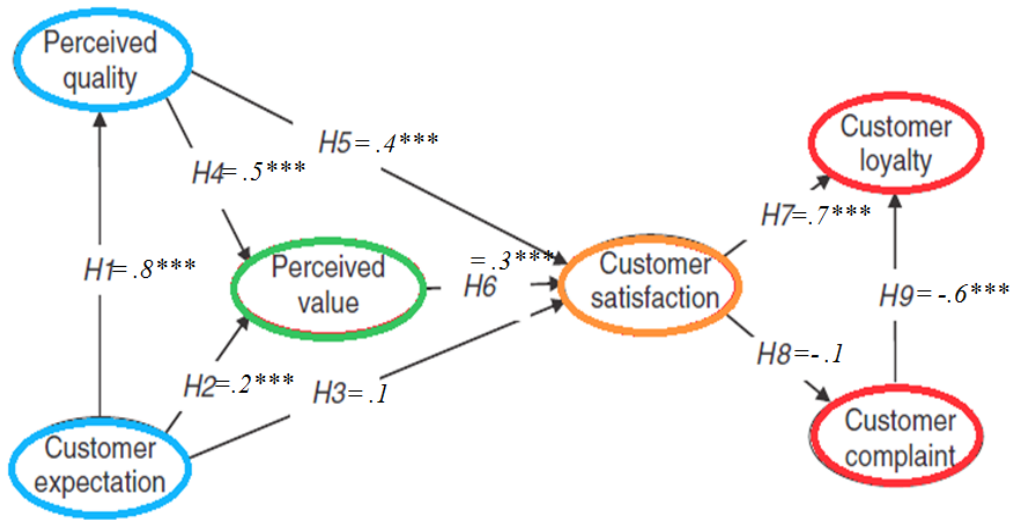


Figure 4: Results of Model Testing

The next chapter of the thesis presents a discussion, suggestions for management, the study limitations, and the research implications for future works.

## Chapter 6

### DISCUSSION AND CONCLUSION

In this chapter, the main findings of the study, compared with the findings of other scholars, are presented. In addition, recommendations for bankers and researchers are provided.

#### 6.1 Discussion

This empirical study found that customer expectations are associated directly and significantly to perceived quality and perceived value. Perceived quality increases perceived value and customer satisfaction. Furthermore, perceived value boosts the level of customer satisfaction. Customer satisfaction enhanced customer loyalty, and customer complaints reduced customer loyalty. These results are similar to the findings of Angelova and Zekiri (2011), Malik (2012), Suleiman Awwad (2012), and Turkyilmaz et al. (2013), whose studies applied the ACSI model in the examination of customer satisfaction in different private organizations.

In contrast, the results revealed that customer expectations have no significant effect on customer satisfaction and customer complaints are not influenced by customer satisfaction in private banks in Northern Cyprus. The reason might be in the cultural differences between western (e.g. American) and Mediterranean (Turkish Cypriot) cultures. For example, Mediterranean cultures because of the old history, civilization, climate, life style, and so on are less aggressive than western cultures. Then,

customers are faced with drawbacks softer and then complaint would not arise swiftly.

## **6.2 Implication for Bank Managers**

Results of this empirical research provide practical implications for bank managers. They should know that to achieve a high level of customer satisfaction, perceived quality and perceived value must be increased in their banks. Hence, the quality of services ought to improve by training the employees and by applying new technology in the banking industry. However, customer expectations have no significant relationship with customer satisfaction, but it must be considered that customer expectations have a significant impact on perceived value, which is one indicator of customer satisfaction.

The importance of customer satisfaction is, for this reason, that satisfied customers are more loyal to the bank. Furthermore, managers need to pay attention to customer complaints and address issues effectively, because customer complaints reduce loyalty. Various methods are used to track customer complaints, such as electronic submission, a complaint and suggestion box, etc.

## **6.3 Limitations and Recommendations for Researchers**

Data were obtained from two private banks in Famagusta in North Cyprus during May 2015. In other words, a cross-sectional study was applied to collect and analyze data to reach the presented findings. One suggestion is to collect data from other branches of banks in other cities.

This study used the ACSI model, which is an American-based index for measuring the level of satisfaction in private sectors. As discussed in the conclusion, one

recommendation is to develop a satisfaction index for the Mediterranean regions (e.g., Cypriot), because in the study area, customer perceptions, expectations, and values are not same as in western and eastern regions.

This study examined the ACSI model based on customer's perspectives. Further research can investigate the relation of customer satisfaction with the performances of private banks in Northern Cyprus. Furthermore, another suggestion could be to investigate the level of customer satisfaction in governmental banks (e.g., IS bank or KOOP bank) in the study area.

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## **APPENDIX**

## Appendix A: Survey on Customer Satisfaction in Banking Industry

Dear Customer;

This research attempts to identify to what extent customer are satisfied with services provided by Bank, your name will be confidential, and I will ask your perception and preferences about products and services you have recently used. Your participation is voluntary and your opinions are important because you have been chosen randomly to represent Tourists across the North Cyprus.

Please give each comment rating on a 5-point scale on which "1" means you are **Strongly disagree** and "5" means you are **Strongly agree** with that comment.

1 = strongly disagree, 2= disagree, 3= Neutral, 4= Agree, 5 = strongly agree.

No	Questions	1	2	3	4	5
1	My overall expectation of overall quality fulfilled					
2	My personal requirement expectations fulfilled					
3	Bank's offering is same as I expected					
4	My overall perception of service quality is satisfactory					
5	Bank's offering is customized to meet customer needs					
6	Bank's offering is same as its promise					
7	Bank provide service with good commission under given quality					
8	Bank has good quality under given price					
9	I feel satisfactory of bank's overall performance					
10	The hotel performance has met my expectation					
11	The satisfaction level of bank is quite close to my ideal bank					
12	I will revisit the bank in the future					
13	I will recommend this bank to others					
14	Even if commission price is increased, I will still revisit this bank					
15	I had complained about bank's product/service by either formal or informal way					

16. What is your Nationality?

- Turkish
- Cypriot
- British
- Russian
- Iranian
- Italian
- German
- Other Nationalities
- Please Specify: .....

17. How long you are customer of this bank?

- Less than 1 year
- 2-5 years
- More than five years

18. Gender    Male         Female

19. Age

- Below 26
- 26-35
- 36-45
- 46-55
- 56 or above

20. Education Level

- Primary school or below
- Secondary/High school
- College/University
- Graduate level or higher

21. Monthly Income (USD)

- Less than 1,000\$
- Between 1,000\$ and 5,000\$
- Between 5,000\$ and 10,000\$
- Between 10,000\$ and 20,000\$
- More than 20,000\$

22. Frequency of usage of the bank's service in a month

- 1-3 times
- 4-6 times
- 7-9 times
- More than 10 times

23. What service/product of bank makes you satisfied?

- Internet Service
- Suitable loan
- Employment behavior
- Other service .....

Thank you for your patience and cooperation.