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Customer Satisfaction Cues To Support Market Segmentation and Explain Switching Behavior

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In this paper, customer satisfaction cues in retail banking services in Greece are examined. The study proposes an instrument of customer satisfaction that contains service quality and such other attributes as price, convenience, and innovation. The proposed framework of customer satisfaction was verified empirically yielding four distinct facets for business customers and five for individual customers. The performance implications of the customer satisfaction instrument are also explored. What is shown is that customer segments, in fact, yield statistically different satisfaction scores, which verifies the managerial value of customer segmentation practices. Finally, the facets of customer satisfaction as explanatory cues for the switching behavior of individual and business customers were tested successfully. J BUSN RES 2000. 47.191–207. © *1999 Elsevier Science Inc.*

The endeavor to establish service quality as a key component of the managerial agenda has been successful, (Parasuraman, Zeithaml, and Berry, 1985; Reichheld and Sasser, 1990). Research has given the business world many instruments to assess the effect of service quality both on customers and service providers. The establishment of this issue in services management has called for new research regarding the intended and unintended consequences of service quality on the whole range of organizational behavior. Latest research reports concentrate on the effect of service quality on alternative performance dimensions of the organization (see Greising, 1994; Rust, Zahonik, and Keiningham, 1995; Athanassopoulos, 1997).

The development of measurement instruments of service quality and customer satisfaction and the subsequent research dialogue regarding the appropriateness of these instruments is far from conclusive (Cronin and Taylor, 1992; Parasuraman, Zeithaml, and Berry, 1992). The strong effect of context and content of application, however, leaves little leverage for universal measures of service quality and satisfaction. What remains therefore, is not only for any measurement instrument to be positioned in view of existing literature but also to be differentiated in order to be able to adapt to different business environments. This reflects the position of Brown, Churchill, and Peter (1993). In this paper, customer satisfaction cues in retail and banking services in Greece are examined. Therefore, the conceptual part of the study is customized in the context of financial services as organized within the Greek national framework.

Apart from measurement issues, the real value of quality emanates from its decision-making implications. Service quality can be used as a vehicle of strategic marketing as either *offensive* or *defensive* marketing policies. The offensive scenario closely resembles the long-standing connection between advertising and sales. There are compelling arguments in the literature advocating the superiority of defensive strategies over offensive ones for particular types of organizations (Rust and Zahorik, 1993). Furthermore, the strategic marketing orientation of a service firm is mostly determined by the scale of its operations, its intermediate goals, and life cycle of operation. An instance where defensive marketing strategy seems to be more attractive is that of the National Bank of Greece (40% of total deposits across the Greek banking industry) in contrast to the strategy of the newer retail banks that began operations in Greece 1991. Regardless of the specific tools and methods a firm adopts or what quality experts an organization follows, managing for quality and competitive advantage has the adoption of customer orientation as a prerequisite (Lengnick-Hall, 1996).

The present research seeks to contribute in several ways. First, customer satisfaction has been adopted as the main dependent variable of the service encounter as opposed to the more restrictive service quality instrument applied in retail banking institutions. In effect, all aspects of customer–provider conduct, including service quality, convenience, and pricing, were considered as distinct dimensions of customer satisfaction. The frame of reference is the banking industry of the country as a whole and not a single service provider within the industry, as is usual in many research studies.

Facets of customer satisfaction are also used in two perfor-

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mance-related roles. That is, there has been an attempt to investigate hypotheses concerning the differential satisfaction profile of different customer segments. It was found that the segmentation of the customer base revealed information about the behavioral patterns of individual and business customers that would otherwise have been masked under a universal assessment of satisfaction scores. Because customer segmentation is a focal point of research debate (Wensley, 1995; Saunders, 1995), what this study brings to the debate is the external validation offered by the statistical differences found in service satisfaction scores of different customer segments. The other important use of customer statistical measures concerns their explanatory power in assessing switching behavior of individual and business customers. The search of antecedents of customer retention has revealed determinants related to both customer satisfaction and sociodemographic characteristics of customers.

The paper is organized as follows. In the following section, the conceptual background of the paper is discussed. The third section includes research propositions and hypotheses and information about the design of the empirical part of the paper. The fourth section discusses empirical results regarding the antecedents of customer satisfaction in the Greek banking sector. In the fifth section, there is an attempt to segment the samples of customers according to their behavioral patterns and then assess the mean satisfaction differences among these segments. Furthermore, this section provides results regarding the predictive ability of the service satisfaction scores with respect to customer switching behavior. This is followed by the conclusion.

Conceptual Background and Research Hypotheses

Management of customer orientation and service quality is commonly identified as one of the most effective means of building a competitive position in service industries, as well as improving organizational performance (Lewis, 1993). The transition from transaction- to relationship-based marketing (as recognized by Berry, 1995 and Gummeson, 1993) is inextricably linked with the increased role of quality and satisfaction given in services. Relationship marketing requires the integration of marketing, quality, and customer service (Christopher, Payne, and Ballantyne, 1991). The apparent distinction between core and over-all product is widely used in services to differentiate the outcome of the service (technical quality) from the process of service delivery (functional quality) (Bowen and Schneider, 1988, 1995; Lehtinen and Lehtinen, 1991).

Content Effects

The conceptual framework relating to the elements of relationship marketing in services has been followed by intensive research regarding, first, the measurement of these relationships, and second, their performance implications. One key characteristic of this discussion has been expectancy-theoretical models with the explicit recognition that service quality assessment should be considered to be a measure of the difference between customer expectations and customer perceptions. The lively debate regarding the adequacy of assessing service quality and customer satisfaction has led to the development of such testing instruments as SERVQUAL by Parasuraman, Zeithame, and Berry (1985, 1988) and SERVPERF by Cronin and Taylor (1992). Another area of research has been identification of the antecedents of service quality and customer satisfaction. In that respect, the Parasuraman, Zeithaml, and Berry (1985) dimensions of service quality have been thoroughly tested in different contextual environments across industries and national borders. Asubonteng, McCleary, and Swan (1996) review empirical studies based upon the SERVQUAL instrument and draw some more general conclusions about problem areas and managerial applications of the measurement tool.

Empirical findings concerning facets of service quality indicate acceptance of the SERVQUAL dimensions, subject to additional dimensions that emanate from industry-specific contexts (Carman, 1990). Apart from studies adopting predetermined facets of service quality and customer satisfaction, the research of Roth and Jackson (1995) and Ennew and Binks (1996) adopted tailor-made constructs of service quality and satisfaction that applied to the retail banking industry. Furthermore, Blanchard and Galloway (1994) developed a 31-item instrument for assessing quality in retail banking, emphasizing its congruence with known constructs of quality measurement. Akviran (1994), starting from PZB contentions, identified four key quality dimensions in banking—staff conduct, credibility, communication, and access to teller services. Four dimensions were also identified (physical features and facilities, reliability, conduct staff characteristics, and responsiveness) in a survey conducted in 31 major British organizations in the fields of banking, building societies, and retail.

Customer satisfaction is recognized as being highly associated with "value," and hence on "price"; whereas service quality is not generally considered to be dependent upon price (Anderson, Fornell, and Lehmann, 1994). The more satisfied the customers the more tolerant to price increases (reduced price elasticities) they are likely to be, thus resulting in greater profits (Garvin, 1988). Customer satisfaction is based, conceptually, on the amalgamation of service quality attributes with such attributes as price (Fornell, 1992; Lewis, 1993) and convenience (Cronin and Taylor, 1992). This debate also draws on the five-dimensional instrument of Parasuraman, Zeithame, and Berry (1985) which evidently needs verification when applied to particular industries (Schneider, 1990). Banking-specific research by Laroshe, Rosenblatt and Manning (1986) revealed speed service, convenient location, staff competence, and bank friendliness as important determinants of customer satisfaction. In a similar vein, LeBlanc and Nguyen (1988) proposed

a five-dimensional framework of customer satisfaction in the Canadian credit sector, including such as factors corporate image, internal organization, physical environment, staff service, and customer–personnel interaction. Finally, Rust and Zahorick (1993) identified factors related to convenience, warmth, and easy checking as determinants of retail banking customer satisfaction. Notwithstanding the debate about the attributes (dimensions) of customer satisfaction, the follow proposition puts forward the idea of multidimensional understanding of service experience.

P1: Customer satisfaction is a multidimensional construct that is a direct result of the multiplicity and divergence of customer expectations.

The contention of the Nordic School (Lehtinen and Lehtinen, 1991) about "physical," "interactive," and "corporate" quality seems to be flexible enough to allow for the accommodation of different perceptions. Corporate quality is considered to be the global measure of quality offered by the bank and the way this is perceived by the customer. At this point, it is important to distinguish between controllable and uncontrollable components of service quality, bearing in mind the indication of expected quality prior to purchase. Based on the previous proposition and the subsequent discussion, the following research hypotheses can be stated concerning individual customers.

H1a: The satisfaction of individual customers is encapsulated in such dimensions as staff and physical service, corporate-, price-, convenience-, and product-specific characteristics (innovativeness).

And the following can be posited for business customers.

H1b: The satisfaction of business customers is encapsulated in such dimensions as staff and physical service, corporate-, price-, and product-specific characteristics (innovativeness).

The difference between individual and business customers is expressed as follows.

H1c: There are differences between the scores of each customer satisfaction facet, either within the same sample or of similar facets across different samples.

H1a and *b* are in response to previous research arguments wherein the measure of customer satisfaction and service quality should be sensitive to different industry and market environments (Schneider and Bowen, 1990). The latter was also emphasized by Webster (1989) and Pitt et al. (1992), who pointed out that certain groups of customers may differ in their perceptions of provided services. *H1c* seeks to qualify the previous two hypotheses by opening a research framework wherein the relative merits of each facet of customer satisfaction will be assessed. A by-product of the proposed structure of customer satisfaction concerns the relatively simple nature of service quality constructs as proposed by Babakus and Bollen (1992) and Davis (1991). The latter is in contrast with the research framework proposed by Parasuraman, Zeithamal, and Berry (1988), and it is supportive of a multidimensional nature of service quality. We adopt here the contention of Babakus and Bollen by means of *H1d*.

H1d: In the context of the Greek retail banking environment, service quality characteristics will be a simple unidemensional construct in contrast to popular multidimensional constructs.

Contextual Effects

There are advantages for marketers in understanding customer behavior, as Gilmour (1977), Webster (1989), and Pitt et al. (1992) pointed out; that is, certain customer groups may have different expectations and/or perceptions of service providers. Appreciation of segment-specific focus in satisfaction-related subjects can be found in the Ennew and Binks (1996) study, which focused on the behavioral intentions of particular business segments of commercial banking customers. The segmentation question has also been raised indirectly by Pinson and Malholta (1987), and Turnbull and Gibbs (1987), who stressed distinctive employee competencies as essential for the marketing of financial services to business customers. The segmentation question, thus, has two-way effects, because it affects both the product/service differentiation to fit different segment needs and also affects the selection of firm resources and competencies to meet these requirements.

The concern for services marketing and customer satisfaction has expanded in regulated or quasiregulated industries, where competition does not have the qualitative features we would expect in terms of full customer information and competitive pricing. Financial services in Greece are typical; a former oligopoly (e.g. three out of 21 commercial banks hold 75% of total deposits) with increasing growth in competition and product variety. The dynamic character of services with subsequent implications to marketing research has long being recognized by such scholars as Lehtinen and Lehtinen (1991) and Gummesson (1993). They emphasize that, at different stages of the service process, different factors or even types of quality come into play.

P2: In noncompetitive market conditions, custom loyalty conveys artificial information that relates merely to the limited choice available to customers. In such conditions, customer loyalty can be approximated by means of assessing satisfaction differences among groups of customers.

The propositions listed above are operationalized with the hypothesis regarding differences among customer segments.

H2: Distinct customer segments exhibit different service attribute scores.

The dynamic relationship between customer satisfaction, service quality, and customer behavior (loyalty, switching, repurchasing) constitutes the second research area of particular interest. Conceptual propositions regarding customer loyalty and its antecedents can be found in Dick and Basu (1994). The effect of quality on purchasing intentions is an issue associated mainly with goods (Sambandam and Lord, 1995; Chang and Wildt, 1994) and less with service industries. These types of models are appropriate for low-frequency purchasing but need refinements to explain the transition behavior in service situations where there are frequent customer-service transactions.

Rust and Zahorick (1993), researching in a service context, emphasize the negative effects of customer switching on market share and profitability. Losing customers not only leads to opportunity costs because of lack of sales revenue, but also to the cost of attracting new customers (offensive marketing), which includes promotion, discounts, effort to know customer needs, and time to build sustainable relationships. The reasoning behind customer switching behavior has been related to perceptions of quality in the banking industry (Rust and Zahorick, 1993), over-all dissatisfaction in the insurance industry (Crosby and Stephens, 1987), and service encounter failures in retail industries (Kelley, Hoffman, and Davis, 1993).

Although service quality failures and dissatisfaction are some reasons that motivate customers to switch services, they do not encapsulate all of them. Bitner (1990) advocates the effects of time, money constraints, access to information, lack of credible alternatives, switching costs, and habit that might affect service loyalty. Along similar lines, Cronin and Taylor (1992) suggest that convenience, price, and availability might enhance customer satisfaction and subsequent behavior. Keaveney (1995) developed a grounded model of customer switching behavior. In the latter model of customer switching behavior, eight main causal variables were proposed: price, inconvenience, core service failures, service encounter failures, competitive issues, ethical problems, and involuntary factors.

Selnes (1993) explored the relationship between satisfaction, brand reputation, and loyalty. Brand reputation is considered to be the perception of quality associated with the name of the product or the firm that provides a service. In financial services, brand reputation is mainly associated with the customer satisfaction dimension often termed as "corporate quality." One key function of brand name is that it can facilitate choice when the customer cannot distinguish any differentiating features among the provided services/products. In services, the brand name is more often associated with company reputation rather than individual products or services. Zeithaml, Berry, and Parasuraman (1996) argue that if service quality relates to retention of customers at the aggregate level, then this should be detectable from individual customers' behavioral responses.

P3: Switching as a direct response to customer disconfirmation is accelerated by customers' sociodemographic profiles and also the way customers perceive the service offered.

The association between customer satisfaction and customer intention is as follows.

H3a: Customer satisfaction attributes are associated with customer decisions to remain loyal to their bank or to switch to the competing ones.

H3b: Customers' sociodemographic profile can be used to explain customers' retention and switching behavior.

Empirical Results

Sample Selection and Respondents' Profile

The sample of customer responses was drawn from the general area of Athens, the Greek capital. The localization of this sample permitted adequate representation of many new banks that are poorly represented in the rest of the country. The questionnaire included 26 question items (see Appendix) that sought to evaluate different aspects of the service encounter. The form of assessment adopted a disconfirmation paradigm similar to that of Cronin and Taylor (1992, 1994) where the primary concern is to avoid the separation between expectations and perceptions and instead to address the problem of satisfaction with a single response. The question items were phrased with the following expression, "From your experience with your primary bank, how do you rate the level of the services provided as compared to your expectations?" A five-point scale was used for measurement, with 1 "very dissatisfied" and 5 "very satisfied." Additional questions were also included to obtain information concerning the respondents' characteristics.

General questions about the respondents' profile differed for business and individual customers, because the nature of the questions was different. To increase the validity and reliability of the responses, all questionnaires were filled in by trained personnel. From each bank included in the assessment, we selected a proportion of its branches, using as criteria the bank's relative size and the geographical dispersion of its branches to avoid local bias. The survey team selected responses from 600 business customers and 1,200 individual customers in total. The samples were taken on different days and at uniformly distributed time intervals to reduce time- and date-related response bias.

Measurement Model

Confirmatory factor analysis (CFA) was used to examine the presence of underlying customer satisfaction dimensions (antecedents) for each group of responses; that is, individual and business customers. The two factor analysis results confirmed *H1* and *2* regarding the multidimensional nature of customer satisfaction in financial services and also the differences between the satisfaction antecedents with respect to individual

Table 1. Summary Statistics of Model Fit

	Business Customers		Individual Customers	
	Four Facets	Five Facets	Four Facets	Five Facets
Chi-square (χ^2)	334	755	860	404
Degrees of freedom (df)	172	256	264	135
χ^2/df	1.94	2.94	3.25	2.99
GFI* (goodness of fit index)	0.930	0.85	0.92	0.93
CFI* (comparative fit index)	0.943	0.87	0.93	0.95
RMSEA**	0.042	0.056	0.046	0.042

* CFI and GFI values close to 1 indicate a good fit.
** The lower the RMSEA values, the better the model is considered.
Values below 0.1 suggest adequate fit.

and business banking customers. The results in Table 1 provide information regarding the five-factor assumed model for the individual customers, and the five- and four-factor solution is compared in the case of the business customers.

The CFA hypothesized model was tested using the EQS 5 model developed by Bentler and Bonnet (1980) using the maximum likelihood estimation procedure. The basis of the statistical analysis was the covariance matrix of the observed responses. Over-all fit and the significance of the loading of individual variables on the hypothesized factors were considered. Table 1 shows the fit indices for the two sample models using the chi-square test, Bentler's (1990) comparative fit index and the root mean square of approximation (RMSEA). The RMSEA measures the lack of fit and takes parsimony into account by assessing the discrepancy per degree of freedom between the population covariance matrix and the fitted matrix. That is, it penalizes for overfitting.

The measurement model was first tested for the adequacy of a five or four facets' solution, using the presence of convenience as a facet of customer satisfaction as point of reference. The results listed in Table 1 are in favor of a four-factor structure for business customers and five-factor structure for individual customers. This was confirmed by the series statistics that were employed to test the measurement models. Using the Bentler and Bonnet (1980) and Byrne (1989) criterion of ratio χ^2/df, we can conclude that an inadequate fit occurs when values greater than 3 are obtained, which was not the case in the models selected. More reliable test statistics have been proposed in literature; that is the GFI and the CFI where both models yield adequate estimates. The adequacy of the model estimates was also confirmed by the small (less than 0.1) RMSEA values.

The results concerning the factor structure of business and individual customers indicate the presence of four- and five-factor model, respectively. Before discussing the interpretation of item loading on each factor, it is worth exploring a series of diagnostic tests concerning the validity and reliability of the proposed tests based on the empirical results shown in Table 2.

The results in Table 2 confirm the reliability and validity of the five satisfaction dimensions, because all indices concerned exhibited high values on their corresponding scales. The next item on the agenda concerns the discriminant validity of the facets of customer satisfaction associated with the two samples and was estimated with the factor-correlation indices shown in Table 3, as indicated by Venkatraman (1989).

The factor correlations in Table 4 indicate that the two samples exhibit statistically significant but also correlated factor structures. The correlation of the antecedents of customer satisfaction is a well-established phenomenon in both theoretical and empirical terms, Parasuraman, Zeithaml, and Berry (1988) and Cronin and Taylor (1992). The finding of this research is also in line with the recent work by Taylor (1997) concerning the second-order and interactive effects between customer satisfaction and service quality as predictive indica-

Table 2. Construct Reliability and Validity of the Proposed Factor Structures

	Business Customers			Individual Customers		
	Cronbarch's Alpha	Construct Reliability[a]	% Variance Explained[b]	Cronbarch's Alpha	Construct Reliability	% Variance Explained
Corporate	0.78	0.91	95	0.84	0.86	85
Innovativeness	0.82	0.88	90	0.88	0.88	86
Physical and staff service	0.74	0.89	90	0.87	0.91	91
Pricing	0.77	0.79	82	0.89	0.86	92
Convenience				0.82	0.88	92

[a] Construct reliability: $(\Sigma_j\lambda_j)^2/(\Sigma_j\lambda_j)^2 + \Sigma_j e_j)$, where λ_j is standardized ML parameter estimate, and e_j is the error term about the estimated parameter.
[b] Variance explained: $\Sigma_j\lambda_j^2/(\Sigma_j\lambda_j^2 + \Sigma_j e_j)$.

Table 3. Correlation Coefficients Among the Customer Satisfaction Factors (Discriminant Validity)

	Individual Customers				
	F1	**F2**	**F3**	**F4**	**F5**
Corporate (F1)		0.59*	0.64*	0.54*	0.52*
Innovativeness (F2)	0.48*		0.79*	0.79*	0.76*
Physical and staff service (F3)	0.49*	0.56*		0.70*	0.65*
Pricing (F4)	0.51*	0.72*	0.70*		0.73*
Convenience (F5)					
	F1	F2	F3		
	Business Customers				

* Indicate significant coefficients at the 5% level.

tors of customer loyalty. The correlation estimates of the factor solutions prompted further testing of the hypothesis of having better underlying factor structures. This particular issue was tested in two alternative ways. The first step included re-estimation of the factor model assuming a single-factor solution that gave very poor fit indices for both the business (GFI = 0.71) and individual (GFI = 0.69) customer models. The second step included iterative re-estimation of the factor

Table 4. Measurement Model Results: Business and Individual Customers

	Business		Individual	
	CSP[a]	**Error**[b]	**CSP**[a]	**Error**[b]
Corporate (F1)				
Large branch network	0.631	0.13	0.560	0.08
Universal banking profile	0.340[c]		0.565[c]	
Cooperation with other banks	0.534	0.17	0.584	0.16
Bank's prestige	0.681	0.10	0.491	0.10
Privacy of transactions	0.695	0.09	0.683	0.05
Innovativeness (F2)				
Product variety	0.688	0.11	0.760	0.05
New product introduction	0.620	0.18	0.722	0.04
Product flexibility to cover personal needs	0.691	0.09	0.737	0.06
Product uniqueness	0.567	0.08	0.627	0.06
Telephone transactions	0.672[c]		0.576[c]	
Physical and staff service (F3)				
Staff courtesy	0.640	0.12	0.633	0.06
Staff knowledge	0.616	0.17	0.703	0.06
Staff/client relation	0.410[c]		0.568[c]	
Financial advice	0.564	0.21	0.663	0.07
Lack of mistakes	0.601	0.22	0.630	0.05
Time to be serviced	0.627	0.18	0.591	0.08
Response to queries	0.554	0.17	0.662	0.06
Pricing (F4)				
Interest on loans	0.547	0.05	0.573	0.03
Commissions charged	0.500[c]		0.487[c]	
Interest on deposits	0.665	0.04	0.616	0.06
Convenience (F5)				
Close to work			0.495[c]	
Close to main road network			0.566	0.06
Hours of operation			0.620	0.05
Presence of ATMs			0.642	0.04

[a] Completely standardized parameter (CSP).
[b] All coefficients are significant at a 1% level.
[c] Unstandardized parameter fixed at 1 for identification purposes.

model eliminating one factor at a time and assigning its items to one of the remaining factors. The fit indices obtained were again inferior to the solution reported in Table 3, and thus the four- and five-factor structures are deemed to have passed the discriminant validity tests. The standardized coefficients and the estimated errors of the factor components of the two sample sets are summarized in Table 4.

The estimated coefficients associated with the factor structures of the two samples are all accompanied with statistical significance of 1%. Despite the relatively satisfactory over-all fit of the CFA models, some question items have relatively small factor coefficients. In particular, advertising campaign (corporate quality) and proximity to home (convenience) have factor coefficients below 0.4, and thus the model was re-estimated giving marginal improvements to the model's over-all fit and improving the factor coefficients of the remaining question items. The final model presented in Table 4 contains some question items with rather low standardized coefficients that were retained in the model for two reasons. First, they indicate managerial relevance with the construct that is sought to be measured, and second, a reassessment of the model in their absence did not significantly alter the over-all fit of the model and the coefficients of the remaining question items.

The standardized coefficients of the two models are comparable in terms of their magnitude, which indicates some similarity in the direction of customer behavior. It is worth observing, however, that the individual customers' model yields systematically higher values than those from the corresponding model of business customers. (This observation can be tested statistically by means of multisampling confirmatory factor analysis, but was left for future research.)

Focusing on the standardized coefficients of individual items, the following observations can be made.

1. Corporate quality includes items with moderately high coefficients (max: 0.69, min: 0.34), with the universal banking profile and the bank's prestige being the least important items on business and individual customer samples, respectively.
2. Product-related items (innovativeness) exhibit the highest standardized coefficients (max: 0.76, min: 0.56), with the notable case of the item regarding product uniqueness, which has the smallest coefficient. It seems that no banking institutions have managed to encapsulate distinctive features in their products.
3. Physical and staff service items exhibit high standardized coefficients (max: 0.703, min: 0.41), with the staff/client relationship being the weakest item on the scale. At the same time, staff knowledge and staff courtesy were given the highest scores within the particular facet, indicating the importance given to these basic elements of service provision. The loading of the particular items on a single factor favor previous findings by Babakus and Boller (1992) and Davis (1991) concerning the unidimensional nature of service quality in certain service environments. This is in line with *H1d* concerning the presence of a simple and unidimensional structure of service quality. The rationale behind such a finding should be attributed at both the level of service provided by the retail banking sector in Greece and also the ability of individual and business customers to differentiate between detailed attributes of service provision.
4. Price is given relatively low coefficients for its items (max: 0.66, min: 0.49), with the interest on deposits being given the highest coefficient. Once again, the lack of fully competitive financial markets is deducible from the low standardized scores given to price-related question items.
5. Convenience was only present in the individual customers' model and has yielded the lowest standardized scores (max: 0.64, min: 0.49), the presence of an ATM machine being given the highest score, reflecting perhaps the way that individual customers value convenience from their bank branches. The question item concerning the proximity of the bank branch to the homes of individuals was removed from the final solution because of its very low standardized coefficient. The questions related to convenience should be read as elements of the service delivery, after the decision to have business with a particular bank. Therefore, the evaluation concerning convenience is processed bearing in mind that some selection criteria were met at the first place, and thus customer focus is given on elements of convenience not related to location (i.e., presence of ATM and working hours).

The confirmatory factor analysis results advocate the presence of five dimensions of customer satisfaction, which draw upon the coexistence of staff service, business profile, innovativeness (product), convenience, and price characteristics. The sample of business customers did not support convenience as a facet of customer satisfaction, indicating perhaps, the different type of customer-service conduct that applies for business customers. The presence of innovativeness is a relatively new factor that leads to customer satisfaction, which deserves more attention in customer-satisfaction literature.

On comparing these empirical results with those from other national environments of retail banking, there are similarities with the studies of Laroshe, Rosenblatt, and Manning (1986), LeBlanc and Nguyen (1988), and Blanchard and Galloway (1994), where customer satisfaction was not assessed solely on the basis of service quality. Finally, the unidimensional nature of service quality characteristics is another issue that should be examined in the context of inconclusive previous findings (Babakus and Boller, 1992; Davis, 1991; Parasuraman, Zeilthaml, and Berry, 1988).

As a source of conceptual deviation, the presence of product innovativeness as an element of customer satisfaction is reported, an aspect not considered in previous studies. It is worth noting that product-related items were found to have

the highest standardized coefficients among the remaining criteria of service satisfaction in the confirmatory measurement model. Finally, the appearance of price as a facet of satisfaction, and its subsequent correlation with the satisfaction dimensions, enforces the linkage between price charges and the bundle of service offerings that accompany these services. The overwhelming evidence of the empirical results of the study favor the joint determination of the antecedents of customer satisfaction and, furthermore, the benefit from mixing service quality with other characteristics of the service encounter.

Assessing Differences Between Facets of Customer Satisfaction: Hypothesis 1c

Apart from the identification of the antecedents of customer satisfaction, there is strong interest in identifying the aggregate scores that each factor takes from the two types of customers. This will yield information regarding the relative importance of each factor in the bank selection process. This information is provided in Table 5.

The scores in Table 5 correspond to the average raw scores from the question items loaded on each facet listed in Table 2. The aggregate customer satisfaction scores reveal, first, the differential importance of the antecedents of customer satisfaction, and second, the different profile attributed to individual and business customers, as indicated by the analysis of variance results in Table 2. The latter empirically confirms *H1c*.

Although the differential importance given to customer satisfaction dimensions it is not overly emphasized, it was previously mentioned by Parasuraman, Zeithaml, and Berry (1988), when they found that reliability is the predominant factor of service quality, as compared to empathy, assurance, and tangibles. The differential is undoubtedly context specific (see Schneider, 1990), and it also has a comparative base. In this study, individual customers give highest scores to the facets of *service offering* (physical and staff service) and the *corporate* quality. In the case of business customers, the factors concerning staff and physical service received the highest ratings, a result that gives an undisputed important role to customer service (part of the service encounter) and is compatible to prior research findings. The low scores of the price factor should be read in line with the limited variation that is currently available to the customers of the banking sector in Greece because of the limited competition that banks exhibit in their pricing practices.

Satisfaction Cues for Customer Segmentation and Switching Behavior

Assessment of the antecedents of customer satisfaction has shed some light on the way customers assess their encounters with financial institutions. It is important, however, to note that these are not homogeneous entities at either the individual or business levels. This implies that it is important to examine how different customer segments perceive their service encounter in line with *P3* and subsequent *H3*. This task was pursued by segmenting the customers into clusters of similarity, not only in terms of socioeconomic profiles, but also in terms of type of financial transactions undertaken with their corresponding banks. For these clusters, a number of statistical hypotheses were tested concerning the presence of significant customer satisfaction differences.

Customer Segments and Satisfaction Differentials: H3

Cluster analysis methods were used as a means of segmenting customers into homogeneous groups. The cluster membership was derived from variables that reflected socioeconomic status and form of relationship with the banking institutions. The latter variables have Boolean (0,1) measurement type, and thus it was necessary to convert all our measures on qualitative scales using the quartiles of each scale as a point of reference (thus, a variable scaled from 1 to 7 was created for each continuous measured cluster criterion). The cluster analysis was processed after an initial scanning, where correlated variables were removed from the cluster analysis. (As one of the anonymous referees pointed out, an alternative approach would have been to use factor scores instead of eliminating correlated variables.) As clustering methodology, similarity measures among the cluster variables were used to derive distances, and the Ward clustering method was used to classify the observations into groups. The over-all variance explained (Wilks MANOVA test) by the clustering variables was used as the criterion for selecting the number of clusters. Table 6

Table 5. Average Scores[a] on Facets of Customer Satisfaction (Scale 1–5)

	Individual		Business		
	Average	S.D.	Average	S.D.	F Ratio
Corporate (F1)	3.22	0.73	2.75	0.61	30.5[b]
Innovativeness (F2)	2.77	0.72	3.05	0.59	101.0[b]
Physical and staff service (F3)	3.44	0.87	3.75	0.64	17.0[b]
Pricing (F4)	2.50	0.70	2.83	0.75	13.6[b]
Convenience (F5)	3.29	0.61	N/A	N/A	

[a] Raw scores from the question items of each factor were used.
[b] Significant at the 1% level.

Table 6. Business and Individual Customer Cluster Profiles[a]

Business Customers	Small–Sized Firms Cluster 1c 238 Obs.	Medium–Sized Firms Cluster 2c 65 Obs.	Large–Sized with Loan Obligations Cluster 3c 176 Obs.	Large and International Orientation Cluster 4c 81 Obs.	Medium–Sized and Own Capital Cluster 5c 40 Obs.
Staff size[b]	1.9	2.5	4.8	3.5	2.8
Assets[b]	3.6	4.6	4.7	5.9	5.4
Own capital[b]	3.4	4.7	5.2	4.2	5.6
Years of operation[b]	4.7	3.7	4.5	3.8	2.9
Sales[b]	4.0	5.0	5.2	6.1	5.3
Use of ATMs	18%	29%	11%	6%	5%
Loan transactions	38%	60%	86%	63%	50%
Imports/exports	40%	78%	88%	64%	60%
Foreign transactions	45%	52%	59%	71%	42%
Individual Customers	**Young Professional Cluster 1l 280 Obs.**	**Professional Cluster 2l 320 Obs.**	**Small Account Holders Cluster 3i 345 Obs.**	**Innovator Cluster 4l 55 Obs.**	**Traditional Cluster 5i 90 Obs.**
Use of ATMs	40%	39%	24%	52%	18%
Foreign currency	18%	29%	15%	40%	21%
Loan transactions	6%	9%	2%	40%	3%
Direct debits	3%	6%	1%	37%	1%
Business account	30%	32%	10%	85%	30%
Bond holders	8%	6%	8%	3%	15%
Age	Young	Middle	Young and old	Middle	Middle
Education	High school	Higher ed.	Mixed	Primary and high school	Primary and high school
Mobile phone owner	5%	16%	4%	44%	5%
Car owner	70%	84%	70%	91%	71%

[a] The reported variables have exhibited statistically significant differences by means of a MANOVA test, which was expected as a result of the clustering algorithm.
[b] Each firm was given a rating from 1 to 7 (in ascending order) obtained from the quartile assessment of its values obtained from the corresponding quartiles of its values.

lists the profile of the clusters derived from individual and business customers.

The information in Table 6 concerns the profile of the customer clustering in views of variables where some noticeable differences among the derived clusters were detected. For the business customers, cluster 1 corresponds to firms with relatively small activities and size that have, however, many years of operation; cluster 3, on the other hand, seems to be the cluster of firms with the most notable size and magnitude of bank transactions; cluster 4 is that of enterprises, in relative terms, with the most notable size in terms of asset base and scales; cluster 5 corresponds to firms relatively small in size and not many years of operation. For the individual customers, the following cluster interpretation can be given: cluster 1 corresponds to "young professionals" whose main occupation is in the service sector; cluster 2 is made up of "professionals" with a very high level of education, most members having received higher education and/or postgraduate degrees; cluster 3 includes extreme customer profiles, notably very young and very old who, however, share a relatively small intensity of transactions with their banks and hold primarily "small accounts"; cluster 4 corresponds to the "innovator" type of customers, because they exhibit a very high type of consumerism, have business accounts, and have been granted loans by their bank; finally, the most notable characteristic of cluster 5 is the customer who uses investments in governmental bonds as a means of utilizing savings, which advocates their characterization as "traditionalist" customers.

On the basis of the particular cluster profiles discussed the multivariate analysis of variance was pursued to examine customer satisfaction differences between the clusters of business and individual customers. Table 7 contains all relevant information.

Assessment of customer satisfaction differences between the clusters of customer behavior was made to examine the presence of the statistical differences that emanate from the customer profile of each cluster. For the business customers the following observations can be made.

1. Significant differences among the price dimension of customer satisfaction emanate from cluster 4 (high sales and assets), which includes the most price conscious customers and cluster 1 (firms of small size and activities) with the minimum scores.

Table 7. Cluster Membership and Customer Satisfaction Differential (Scales 1–5)

	Business Customers					
	Cluster 1c 238 Obs.	Cluster 2c 65 Obs.	Cluster 3c 176 Obs.	Cluster 4c 81 Obs.	Cluster 5c 40 Obs.	Total 600 Obs.
Corporate	3.19	3.27	3.14	3.38	3.42	3.22
Innovation	3.10	3.14	3.16	3.18	3.30	3.05
Physical and staff service	3.70	3.69	3.78	4.09	3.70	3.75**
Price	2.72	2.80	2.83	3.10	2.80	2.83**
Time to visit branch[a]	1.76	2.30	1.90	2.00	2.01	1.92**
Service time[b]	2.20	1.90	1.80	1.85	2.20	2.04
	Individual Customers					
	Cluster 1i 280 Obs.	Cluster 2l 320 Obs.	Cluster 3i 345 Obs.	Cluster 4i 55 Obs.	Cluster 5l 90 Obs.	Total 1,200 Obs.
Corporate	3.20	3.30	3.11	3.11	3.11	3.22
Innovation	2.67	2.85	2.71	2.83	2.50	2.77**
Physical and staff service	3.33	3.48	3.42	3.69	3.33	3.44**
Price	2.48	2.51	2.50	2.69	2.35	2.48**
Convenience	3.12	3.16	3.32	3.24	3.17	3.26
Time to visit branch[a]	2.01	1.78	2.77	2.00	1.79	1.85**
Service time[b]	2.90	2.85	3.39	2.39	3.15	2.99**

** Indicates multivariate significant differences at 1% level.
[a] Firm-specific rating concerning the time taken to reach the branch: 1 very low–5 very high.
[b] Firm-specific rating concerning the time taken to be serviced: 1 very low–5 very high.

2. Significant differences were exhibited among the physical service dimension of customer satisfaction with notable cases, cluster 4 (high sales and assets) with the highest scores and cluster 1 (firms of small size and activities), again, with the lowest scores.
3. Significant differences were finally exhibited on an extra qualitative criterion that concerns the time taken to visit branches with, most notable, the cases of cluster 1 (firms of small size and activities) with the lowest scores (emanating from the many years of operation of these firms, which are located closer to the branches of their banks). Also, their small size indicates that these firms do not use their employees to visit their branches, and thus the owner, who is also manager, chooses banks closer to the firm.

For individual customers, similar observations can be made regarding the statistical differences among the five clusters.

1. The customer satisfaction dimension concerning staff and physical service exhibit statistical differences, with cluster 4 (innovators) giving the highest scores, and clusters 1 and 5 with the lowest scores.
2. On the innovativeness of the services/products provided, cluster 2 (high levels of education) and cluster 4 (innovators) give very high scores, and cluster 5 (traditionalists) gives the smallest scores.
3. Price is, once again, a differentiating factor among individual customers, with the most notable differences between the customers of cluster 4 (innovators) and cluster 5 (traditionals). That is to say, traditionalists are engaged in nonvalue-added transactions, where competition is limited on pure price terms. On the other hand, innovators seek value (value=price-quality) rather than price and thus price is not their main objective in banking transactions.
4. Time to visit the branch is an area of statistical differences with cluster 3, which exhibits the worse score (highest traveling time), because the particular customers tend to visit the branches without using cars or other means of transport. The customers included in cluster 2, on the other hand, spend the least time on reaching their branch, which is partly related to the use of their cars. A similar argument does not hold for the innovator customers of cluster 4, because they seek the innovative services offered from the newer banks and thus those with the fewest branches.
5. The case of the innovator cluster is further elaborated on with respect to the criterion of service time; that is, they spend the least time on their bank transactions. The customers in cluster 3 are by far the least advantaged, because they must wait a relatively longer time before being served. The traditionalist customers of cluster 5 are also engaged in long waiting times, which is partly related to the complex type of transactions that they have with their banks (bond holders).

In conclusion, it can be argued that the division of customers into market segments has been validated, because independent

variables have been employed, notably satisfaction indices, that exhibited significant mean differences across the market segments (clusters). Furthermore, this information indicates the service provision that must be differentiated across each segment so customer demands are met.

Antecedents of Customer Switching Behavior: Hypothesis 4

The assessment of customer switching behavior constitutes a very important question for banking institutions. The implications are significant for both market leaders who seek to implement effective defensive policies and also for smaller players who seek to expand their market shares (offensive policies). Customer retention is advocated as a difficult but, at the same time, unfolding business strategy in services (Rust and Zahorik, 1993). It is argued that there is a high premium cost for service firms to gain and sustain new customers as opposed to retaining the existing customer base. Undoubtedly, the problem of switching behavior draws heavily upon the adoption of particular service strategy by individual firms, and this was to be assessed empirically. A logistic regression model to identify factors that could explain the switching behavior of retail banking customers was used following a similar pattern of analysis to that of Rust and Zahorik (1993).

The behavioral pattern of retail banking customers in Greece is far from being mature, because this industry is at an evolutionary stage. Country-specific statistics regarding the switching behavior of retail banking services is not sufficiently represented. The contention made in this study, however, is to adopt a very strict and unidimensional view of customer retention by means of the proportion of those customers that realized their intention to switch retail banking institutions. A more thorough investigation of the loyalty issue would require appreciation of the multidimensional nature of consumer behavior in line with Fornell, Johnson, Anderson, Cha, and Bryant (1996) and Zeithaml, Berry, and Parasuraman (1996).

The sample used in the present study yielded a 13% switching of business customers (78 out of 600) and 18% switching of individual (216 out of 1,200) customers who had switched bank in the last 2 years. It must be noted that no cases were reported wherein more than one bank switching had occurred in any customer within the time span of 2 years. These figures were complied from the customer responses that included qualitative questions concerning the occurrence of a switching decision and also the two most important reasons that led to their decision. The qualitative responses were left open, and thus a variety of reasons were selected and subsequently coded, as presented in Table 8.

In the case of business customers, the switching has taken place primarily among the private sector banking institutions. By virtue, the customers concerned are more volatile, because they seek to optimize the terms and conditions in banking and are prepared to move across alternative suppliers of funds. On the other hand, the banks on their side are selective in dealing with business customers anticipating the associated risks, which is a potential source of switching by necessity for business customers. The case of private customers seems to be different, because the vast majority of customer switching takes place from public sector to private sector banking institutions. The largest public bank (National Bank of Greece) and the Ionian Bank were those with the widest customers losses. It is notable that the pricing conditions were identified as a primary cause of switching among the individual customers, which shows the effect of growing competition among the retail banking industry in Greece.

Table 8. Reasons for Switching Banking Institution

Reason	Business Customers	Private Customers
Inadequate level of services	78%	75%
Inconvenient location	8%	15%
Customer relocation	15%	30%
Poor pricing conditions	20%	40%
Small branch network	——	10%
Automatic salary payment to a new bank	——	5%
No reason stated	25%	15%
Total switching	78 (out of 600)	216 (out of 1200)

The relocation of business and individual customers as a criterion of bank switching is a factor not directly under the control of the banks. It is evident, however, that the limited electronic money transfer that is currently in place in Greece creates dependencies between the exact location of the bank branches and the individual or business customers. Overall, it is important to note that the staff service has been stated as the main switching reason for both types of customers, and the remaining reasons have had complementary significance.

One way forward regarding the switching behavior of individual customers is to examine the potential statistical association between the decision to switch and various explanatory factors related to the service satisfaction scores and the sociodemographic profile of the customers. Two logistic regression models were used, and the results are listed in Table 9.

The results presented in Table 9 concern the logistic regressions derived from the samples of business and individual customers. A Boolean variable was used as dependent variable taking the value of 1 had a customer changed bank in the last 2 years, and 0 otherwise. Thus, negative coefficients indicate the tendency to remain loyal (0 response value), and positive coefficients indicate the tendency to switch to another bank (1 response value). The pool of independent variables included the average customer responses of the question items that loaded on the customer satisfaction factors. The moderating effects of the independent variables were also explored in line with Taylor's (1997) line of enquiry. An additional pool of independent variables concerning the profile of individual customers and the type of banking transactions was also in-

Table 9. Impact of Customer Satisfaction and Profile on Retention Rate

	Business Customers			Individual Customers		
Independent variable[a]	Parameter Estimate	Standard Error	*p* Value	Parameter Estimate	Standard Error	*p* Value
Corporate[b] (X_1)	−0.16	0.13	0.07	−0.43	0.13	0.00
Innovativeness[b] (X_2)	−0.08	0.13	0.08	0.32	0.12	0.05
Price[b] (X_3)	0.01	0.17	0.60	0.27	0.11	0.04
Physical and staff service[b] (X_4)	0.18	0.16	0.58	0.31	0.10	0.01
Convenience[b]	N/A			−0.19	0.12	0.09
$X_1 \times X_2$	−0.34	0.35	0.05	0.23	0.18	0.03
$X_1 \times X_3$	0.39	0.32	0.02	−0.08	0.12	0.22
$X_1 \times X_4$	0.30	0.32	0.09	−0.21	0.20	0.05
$X_2 \times X_3$	−0.09	0.19	0.31	−0.28	0.12	0.04
Respondent's age[c]	0.21	0.08	0.02	−0.18	0.06	0.08
ATM transactions[d]	−0.21	0.12	0.07	0.28	0.08	0.00
Import/export transactions[d]	−0.22	0.13	0.05	N/A		
Electronic payment of bills[d]	0.20	0.12	0.08	N/A		
Current accounts[d]	0.31	0.12	0.01	N/A		
Owner of mobile phone	N/S			−0.13	0.10	0.08
Time accounts[d]	N/S			0.25	0.12	0.00
Loan transactions[d]	N/S			−0.24	0.11	0.02
Constant	−2.03	0.16	0.00	−1.87	0.11	0.00
X^2 statistic	42,99 (21 df) *p* value 0.03			69,94 (24 df) *p* value 0.00		
Pseudo R^2	21%			24%		
Percentage of correctly classified observations	88.56%			93.03%		

[a] All independent variables have been standardized.
[b] Original scale: average raw scores of question items of each factor.
[c] Original scale: raw variable score.
[d] Original scale: Boolean variable indicating 1 for "yes" response and 0 for "no" response.
N/A: variable was not applicable; N/S: variable was not found significant.

cluded. All independent variables were standardized, thus reducing possible multicollinearity effects. (The multicollinearity effects were further diagnosed using ordinary regression analysis to fit the same model and thus estimating the magnitude of variance inflation factor (VIF) that took values that did not exceed 1.4.) In Table 9, the coefficients of those variables that were found statistically significant are reported. (A full set of variables can be obtained from the author upon request.) The explanatory power of the logistic regression models is comparable with previous attempts by Rust and Zahorik (1993) and Taylor and Baker (1994).

The significant negative intercept exhibited in both regression models indicates that business and individual customers are, in principal, loyal and only after a series of negative effects (independent variables with positive sign) consider moving competing banks.

BUSINESS CUSTOMERS. The logistic model has given a relatively good fit, with 89% of the cases being correctly classified, and with a pseudo R^2 on the order of 21%. Cases with no correct classification lie in the category of the switched customers, which implies the presence of "latent" factors not included in the present study that could explain the switching behavior of business customers more adequately. The customer behavior can be explained by means of the sign of the regression coefficients included in the regression model. The sign and magnitude of the regression coefficients have not been affected by multicollinearity problems, since their correlation coefficients did not exceed 0.50 in all cases.

The business customers seem to have positive views about the banks with high corporate image; these were primarily the largest public sector and the very successful private banks. Similar argument can be made for those banks recognized for their innovative behavior in terms of products and services. The remaining two factor scores concerning price and staff service do not have statistically significant direct effects on business customers' loyalty. The insignificant direct effect of pricing may reflect the fact that pricing is considered very seriously by business customers when the initial selection of their banking supplier is considered and thus it does not show up as a stimulus for switching. Additional insights were given, however, by the moderating variables concerning corporate quality and its interactive terms. The negative interaction between corporate quality and innovativeness indicate the incremental loyalty effect for customers that recognize simultaneous high scores for both dimensions of satisfaction. The positive interaction of corporate quality with price and staff service,

respectively, indicate that these satisfaction dimensions are not compatible (according to customer perceptions), and thus high corporate quality and staff service are not met in banks with high corporate quality.

A series of complementary independent variables in the regression equation were also found significant. Higher business customers' age and current account holders are associated with less loyal customer behavior. Firms involved in import/export transactions and use of ATMs are associated with higher loyalty. Because the handling of imports and exports is a banking transaction that requires some degree of knowledge and specialization, it seems that business customers are reluctant to move to another bank when this type of transaction is performed successfully.

INDIVIDUAL CUSTOMERS. The logistic model has given a relatively good fit, with 93% of the cases being correctly classified, and with a pseudo R^2 on the order of 24%. Cases with no correct classification lie in the category of the switched customers, which implies the presence of "latent" factors not included in the present study that could give more insights about the behavior of business customers.

Corporate quality and convenience exhibit direct positive effects on customer loyalty. On the contrary, innovativeness, price, and staff service have, in principle, a negative effect on individual customer loyalty. The three interactive effects that were found significant have given different interpretation. Corporate quality and innovativeness seem to be contradictory, and, bearing in mind that in the individual customers' case, the switching has occurred from public to private sector banks, it seems that: (1) individual customers do not value product innovation as much as business customers; and (2) corporate quality and product innovation lie at different banking institutions. Staff service has negative interaction with corporate quality, indicating that banks with high corporate quality that offer adequate staff service should expect higher customer loyalty. The interaction between innovativeness and price is supportive to customer loyalty but also yields an important message that customers associate their bank's innovative behavior with the price they are expected to pay.

The age of individual customers has positive contribution on their loyalty, which is contrary to the case of the business customers. It reflects, however, the expectation that older individual customers are less aggressive on the behavior regarding their banks. Individual customers involved in ATM transactions and having time accounts exhibit less loyalty, reflecting perhaps two distinct behaviors.

Those customers using ATMs are less worried about the service they get, as long as their electronic transactions can be handled reliably. The same type of customers, however, are less committed to any bank and are more likely to switch to another bank for relatively minor reasons. For customers with time accounts, their switching behavior indicates a benefit maximization tendency concerning the price they get for their deposits. Finally, customers who have loan transactions with their bank are less likely to switch to another bank. The latter is expected, because the loan contracts quite often prompt individual customers to retain all their bank transactions with the bank concerned as a means of cross-selling activities.

The Rust and Zahorik (1993) loyalty assessment is the only similar study that can be contrasted with the current study. This earlier study, however, identified a single factor with significant and positive effects on the loyalty of bank customers. This factor, labeled as "warmth" in their study, bears a strong resemblance to the staff service factor of the current study. The Rust and Zahorik study, however, had access to additional information that enabled empirical investigation of the effects of customer service improvements on the market share of individual banks.

Discussion and Strategic Implications

The important issue from the whole of the research assessment concerns the strategic implications of the results for those involved in the service chain of financial services. Research in services marketing has brought forward issues related to the importance of customer-focused strategies as a means of firm competitive advantage. The most typical example is the contrast between defensive and offensive marketing that characterize strategies adopted by market leaders and new entrants, respectively. The conclusions drawn from the empirical results of this study are informative for both types of service strategies. That is, market share leaders would be prepared to identify their strong points and improve on their weaker ones. In financial markets with emerging competitive trends, however, the identification of antecedents of customer satisfaction does not assure *de facto* use of the particular criteria in selecting service providers. The empirical basis of the present paper has shown very conservative estimates regarding the switching intentions of business and individual customers (only 16% of the respondents had switched banking institutions over the last 2 years). The expected increase in customer awareness and access to full information will bring strong incentives toward the development of multibanking customer behavior, where customers will sample test the services offered by individual banks prior to their final choice.

For new market entrants, our empirical results have shown that they may expect considerable customer switching if they provide superior scores on the identified facets of customer satisfaction. Empirical results from the logistic regression model have shown that there are specific parameters that influence particular customers to remain loyal to their current service providers. Although this is vital information for market leaders, it also highlights the mileage that new entrants need to cover in order to increase their market shares. The customer satisfaction function, as obtained from the empirical results of this paper, includes tangible and intangible components

that can be used as drivers of increased market share and thus profitability.

The missing link of this assessment is the estimation of the effort, namely investment, that is required to increase the standards of the service offered by individual banks. In this race, the newer banks have the advantage of their newness and having relatively more innovative approaches; whereas, older banks have a cultural advantage in terms of public prestige, and also internal organization that may be valued by their customers. Future research should expand the research agenda in the direction of linking the marketing effort to individual branch returns in terms of customer retention and market share. This will seek to assess the differential bank utility of different customer segments that will enable the bank to assess the cost of penetrating different customer segments against the expected bank rewards.

Conclusions

This research represents an attempt to assess the antecedent of customer satisfaction in the context of the emerging competitive financial market of Greece. The purpose was twofold. First, to identify the factors upon which customers base their assessment of the provided services. This assessment was realized by means of an individual and business customer survey that helped investigate the whole issue from two different perspectives. Customer separation proved to be profitable, because a number of customized hypotheses were empirically explored. The empirical results of the study have confirmed previous research contentions that customer satisfaction is a function of service quality (staff service and corporate image), price, innovativeness, and convenience. This five-dimensional framework is comparable to previous empirical research, yet deviates from typical service quality assessments that ignore the remaining aspects of customer satisfaction.

The second objective of the paper was to detect possible patterns between customer segments and their preferences regarding particular aspects of service. In this respect, the study was informative, because five groups of business customers and another five groups of individual customers were detected. In brief, the segments of business and individual customers exhibited statistically significant differences in terms of the satisfaction scores. These differences reflect the different stages of service focus that are exhibited at present alongside with the emerging competitive terms of financial services in Greece. Research into the measurement of customer perceptions concerning the service experience should expand and take a longitudinal nature in order to assess the extent to which individual banks bear the burden of customer satisfaction and the way customers perceive the efforts made by their banks to supply adequate services.

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Appendix.

	1	2	3	4	5	6	7	8	9	10	11	12	13
Mean (Private)	2.80	2.60	2.95	2.88	2.27	2.38	2.67	3.88	3.02	2.91	2.79	4.01	2.39
SD (Private)	1.07	0.96	1.14	1.11	0.79	0.91	1.06	1.22	1.19	1.12	1.12	1.08	0.88
Mean (Corporate)	3.35	2.72	3.75	2.56	2.76	3.10	2.65	3.20	2.78	2.97	3.60	3.85	2.01
SD (Corporate)	1.07	0.95	1.14	0.95	1.07	1.06	1.01	1.19	1.09	1.03	1.16	0.96	0.17
1. Product variety		0.46	0.42	0.18	0.14	0.24	0.32	0.20	0.17	0.29	0.34	0.35	0.1
2. New products	0.57		0.37	0.28	0.18	0.20	0.35	0.20	0.10	0.23	0.31	0.23	0.12
3. Product flexibility	0.58	0.52		0.23	0.17	0.30	0.28	−0.05	0.09	0.23	0.45	0.28	0.04
4. Interest on Loans	0.36	0.31	0.32		0.22	0.26	0.16	0.09	0.03	0.10	0.20	0.14	0.06
5. Commissions charged	0.31	0.32	0.24	0.32		0.37	0.05	0.07	−0.01	0.04	0.13	0.1	0.02
6. Interest on Deposits	0.33	0.33	0.31	0.30	0.42		0.22	0.05	0.10	0.19	0.24	0.21	0.01
7. Product uniqueness	0.47	0.46	0.50	0.23	0.26	0.26		0.12	0.26	0.27	0.17	0.26	0.11
8. Large branch network	0.20	0.22	0.12	0.23	0.08	0.12	0.08		0.34	0.27	0.06	0.23	0.06
9. Universal banking profile	0.36	0.37	0.26	0.20	0.20	0.28	0.25	0.44		0.44	0.17	0.22	0.06
10. Co-operation with other banks	0.39	0.36	0.35	0.32	0.22	0.28	0.30	0.35	0.53		0.21	0.29	0.11
11. Phone transactions	0.38	0.43	0.37	0.25	0.27	0.26	0.38	0.13	0.33	0.41		0.29	0.13
12. Bank's prestige	0.31	0.23	0.29	0.29	0.12	0.16	0.24	0.35	0.25	0.25	0.26		0.12
13. Advertising campaign	0.26	0.28	0.22	0.17	0.18	0.26	0.20	0.12	0.24	0.22	0.24	0.19	
14. Privacy of transactions	0.39	0.40	0.39	0.34	0.23	0.27	0.32	0.26	0.33	0.41	0.42	0.42	0.33
15. Close to home	0.02	0.1	0.04	0.13	−0.01	−0.01	0.07	0.15	0.10	0.11	0.09	0.11	0.06
16. Close to work	0.16	0.14	0.14	0.04	0.11	0.18	0.11	0.14	0.17	0.20	0.16	0.08	0.16
17. Close to main road network	0.27	0.27	0.20	0.21	0.13	0.10	0.20	0.21	0.26	0.30	0.29	0.21	0.17
18. Staff courtesy	0.26	0.25	0.37	0.16	0.09	0.18	0.31	0.09	0.16	0.19	0.29	0.32	0.13
19. Staff knowledge	0.29	0.30	0.36	0.22	0.21	0.26	0.32	0.16	0.27	0.30	0.36	0.33	0.20
20. Staff/client relation	0.26	0.25	0.32	0.18	0.18	0.16	0.24	0.14	0.17	0.27	0.28	0.27	0.11
21. Financial advice	0.37	0.35	0.37	0.29	0.20	0.24	0.28	0.18	0.27	0.34	0.37	0.26	0.20
22. Hours of operations	0.26	0.27	0.23	0.20	0.17	0.18	0.26	0.12	0.18	0.27	0.30	0.18	0.18
23. Presence of ATMs	0.28	0.33	0.24	0.15	0.18	0.16	0.22	0.19	0.27	0.25	0.27	0.14	0.17
24. Lack of mistakes	0.27	0.28	0.32	0.24	0.16	0.18	0.29	0.24	0.24	0.26	0.28	0.31	0.17
25. Time to be serviced	0.23	0.23	0.33	0.19	0.11	0.22	0.31	0.03	0.10	0.17	0.29	0.25	0.15
26. Response to queries	0.25	0.25	0.38	0.20	0.21	0.24	0.32	0.09	0.24	0.26	0.36	0.26	0.22

(*continued*)

Appendix. continued

	14	15	16	17	18	19	20	21	22	23	24	25	26
Mean (Private)	3.10	4.02	3.41	3.12	3.84	3.59	3.36	2.82	2.74	3.00	3.42	3.77	3.32
SD (Private)	1.14	1.26	1.37	1.14	1.15	1.15	1.32	1.14	1.06	1.31	1.26	1.23	0.24
Mean (Corporate)	4.06	2.91	3.65	3.46	4.06	2.91	3.65	3.46	4.06	2.95	2.59	2.27	3.36
SD (Corporate)	1.20	1.07	1.17	1.15	0.98	1.05	0.92	0.74	1.02	0.97	0.94	1.07	1.19
1. Product variety	0.32	−0.05	0.01	0.22	0.23	0.25	0.15	0.29	0.17	0.1	0.30	0.22	0.25
2. New products	0.27	−0.03	0.1	0.13	0.23	0.20	0.18	0.27	0.20	0.05	0.30	0.18	0.17
3. Product flexibility	0.31	−0.02	0.02	0.20	0.32	0.30	0.15	0.30	0.17	0.03	0.29	0.38	0.37
4. Interest on Loans	0.22	−0.02	0.02	0.12	0.12	0.08	0.10	0.18	0.11	0.03	0.20	0.11	0.06
5. Commissions charged	0.16	−0.05	−0.04	0.12	0.13	0.18	0.16	0.18	0.04	−0.05	0.12	0.09	0.15
6. Interest on Deposits	0.24	−0.01	0.02	0.01	0.18	0.17	0.09	0.19	0.11	−0.01	0.25	0.19	0.27
7. Product uniqueness	0.25	−0.01	−0.01	0.08	0.14	0.15	0.01	0.18	0.1	0.01	0.18	0.14	0.17
8. Large branch network	0.12	−0.06	0.09	0.15	0.08	0.13	0.09	0.16	0.02	0.1	0.14	−0.04	−0.04
9. Universal banking profile	0.21	−0.02	0.05	0.15	0.17	0.15	0.09	0.17	0.07	0.11	0.18	0.03	0.12
10. Co-operation with other banks	0.34	−0.01	0.06	0.22	0.23	0.30	0.14	0.28	0.08	0.1	0.30	0.17	0.23
11. Phone transactions	0.43	0.07	−0.06	0.18	0.29	0.25	0.22	0.29	0.20	0.1	0.32	0.30	0.28
12. Bank's prestige	0.43	−0.06	0.06	0.19	0.34	0.28	0.17	0.28	0.03	0.03	0.29	0.20	0.26
13. Advertising campaign	0.13	−0.01	0.06	0.09	0.09	0.1	0.05	0.13	0.05	0.07	0.13	0.06	0.09
14. Privacy of transactions		−0.05	0.04	0.22	0.33	0.30	0.33	0.17	0.33	0.14	0.05	0.42	0.23
15. Close to home	0.12		−0.09	0.04	0.01	−0.04	−0.08	−0.01	−0.02	−0.02	−0.07	0.04	−0.02
16. Close to work	0.16	−0.05		0.15	0.09	0.1	−0.1	0.05	0.04	0.09	0.01	0.06	0.08
17. Close to main road network	0.30	0.16	0.18		0.14	0.18	0.12	0.18	0.09	0.16	0.24	0.01	0.05
18. Staff courtesy	0.34	0.13	0.16	0.18		0.72	0.45	0.40	0.18	0.01	0.42	0.48	0.42
19. Staff knowledge	0.44	0.14	0.17	0.22	0.68		0.33	0.39	0.16	0.02	0.38	0.36	0.34
20. Staff/client relation	0.31	0.03	0.16	0.15	0.47	0.43		0.25	0.09	−0.01	0.22	0.23	0.20
21. Financial advice	0.38	0.05	0.15	0.24	0.37	0.43	0.47		0.13	0.07	0.34	0.26	0.30
22. Hours of operations	0.25	0.10	0.11	0.23	0.23	0.28	0.24	0.32		0.01	0.19	0.16	0.1
23. Presence of ATMs	0.16	0.10	0.13	0.20	0.20	0.19	0.21	0.26	0.30		0.08	−0.01	−0.04
24. Lack of mistakes	0.38	0.12	0.13	0.27	0.40	0.45	0.33	0.38	0.37	0.31		0.28	0.28
25. Time to be serviced	0.31	0.10	0.15	0.18	0.53	0.46	0.32	0.36	0.30	0.13	0.43		0.70
26. Response to queries	0.36	0.06	0.20	0.17	0.45	0.49	0.40	0.42	0.31	0.15	0.44	0.53	