

The impact of customer orientation, service quality, and organization reputation: A case study of a bank in China

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Abstract

This research explores the relationship among customer orientation, service quality, organization reputation, and purchase intention. This study has integrated eight dimensions of customer orientation, SERVQUAL model and organization reputation to investigate their influence on purchase intention in customers of China Construction Bank (CCB) in China. Three hypotheses are derived and empirically validated. The study hypothesize that customer orientation has positive impact on service quality while service quality has positive impact on organization reputation. The study also expected that organization reputation has positive impact on purchase intention. A regression analysis is employed to analyze data from 318 respondents who are customer of China Construction Bank (CCB). The empirical results confirmed that effect of customer orientation, service quality, and organization reputation as hypothesized.

Keywords: Customer orientation, Service quality, Organization reputation, Purchase intention

1. Introduction

Customer orientation is very important for service company. Jaideep [1] suggested that customer orientation refers to when company are very sensitive to customer needs. Company prone to develop new product to satisfied customer's demands. This behavior can make organization never out and always attracted to customers as well as enhance company to keep its leading position.

Therefore, the quality of services to serve customer plays a critical role in banking sector. Service business contribute to major source of income in various companies. High service quality allowed the organization to learn customers opinions and derive a good business solution [2]. Good service can help the company to retain original customer and win new customers while obtaining customer loyalty. This would enhance repeat purchase opportunity from customer and improve sale of enterprise which would promote organization reputation [3].

Organization reputation exist both online and offline. McCormick [4] suggested that good

organization reputation can lead company to have competitive advantages while indulge people to trust in organization. This would enhance opportunities for company to grow while improve human resource management and develop stronger partner and stakeholder. A good organization reputation would influence the purchase intention of customers [5].

In 2018, Global Bank Internationalization Report showed that the top four banks in China have overseas assets more than two trillion dollars. Chinese overseas assets scale has become the largest among developing country at the end of 2017 and exceeding the total GDP of Italy in same year [6]. The selected well-known bank for this study ranked first in the rankings, indicating that its capital strength has been greatly improved after the share reform, and it is in a leading position in the domestic industry [7]. Therefore, the aims of this study are to 1.) understand the importance of customer orientation and its effect on service quality; 2.) examine dimensions of service quality that impact on the organization reputation; 3.) study the role of organization reputation on purchase intention.

2. Literature Reviews

Kelley [8] was among the first researchers to introduce construct of customer orientation of service employees (COSE). He suggested that the customer orientation of a service firm's frontline employees is crucial for business success [9]. Brown et al. [10] defined COSE as an "individual's tendency or predisposition to meet customer needs in an on-the-job context". They conceptualize it as two-dimensional [11]; 1.) a needs dimension which covers the employee's belief that he or she can fulfill customers' wishes; 2.) an enjoyment dimension which represents the extent to which the employee enjoys interactions with customers.

Anosike and Eid [12] found that internal customer orientation caused internal service quality. As the characteristics of service is unique, the SERVQUAL model is introduced by Parasuraman in 1988 in order to learn the customer demands and to measure service quality in organization. Most service sector used SERVQUAL model to attractive more customer. It comprised of five aspects which are Tangible, Reliability, Responsiveness, Assurance, and Empathy [13]. In banking sector, Aldlaigan and Buttle [14] introduced a new measure of service quality in a bank developed from Gronroos model that focused on technical and functional service quality. The new developed scale is in four dimensions which are: 1.) service system quality; 2.) behavioral service quality; 3) machine service quality; 4.) service transactional accuracy.

Consistently, Rafaeli et al. [15] have collected the data from 166 employees who worked in a financial services provider in the northeastern United States by telephone call. The study result show that customer-oriented behavior has positive impact on service quality. Therefore, this

study proposed:

Hypothesis1: Customer orientation has positive impact on service quality.

Previous research suggested that organizational reputation is the overall attractiveness of an organization while others see it as an employer brand or a part of employer branding [16]. Abd-El-Salam et al. [17] studied the relationship between enterprise reputation, service quality, customer satisfaction and customer loyalty in one of the biggest companies in Egypt. The study found that there are positive relationships between organization reputation, service quality, customer satisfaction and customer loyalty. Enterprise reputation be regarded as an asset which make enterprise have chance differentiate itself. Similarly, Liat et al. [18] studied on the impact of service quality on corporate image of hotels customers in Malaysia. The findings reveal that perceived service quality has a direct positive relationship with corporate image. In addition, Atsan [19] also confirmed that the higher perceived service quality, the better corporate image will be in the banking sector. Therefore, this study proposed:

Hypothesis2: Service quality has positively impact on organization reputation.

Wang and Tsai [20] investigated the impact of mutual fund award on investor intention. The findings show significant relationships between brand image, perceived quality, perceived value, and purchase intention. There are positive and direct effects among brand image, perceived quality, perceived value, and purchase intention. Brand image indeed increases investors purchase intentions. Similarly, Pan et al. [21] employed five experimental designs to explore the seller reputation, product category and surcharge effects in Internet shopping. The findings suggested that sellers with high reputation can post higher surcharges to increase the total price paid by the buyers but sellers with low reputation cannot do so. Meanwhile, consumers take the longest time to make purchasing decisions when buying from sellers of low reputation.

In online context, Ziaulla et al. [22] studied on the impact of online retailers' reputation on purchase intentions and indicated that online retailers' reputation had significant effects on purchase intentions. Consistently, Kim and Lennon [23] examined how reputation and website quality impact on cognition and emotion, purchase intention. The results show that organization reputation and website quality decrease perceived risk and arise positive moods, finally leads to purchase intention. Therefore, this study proposed:

Hypothesis 3: Organization reputation positively impact on customers purchase intention.

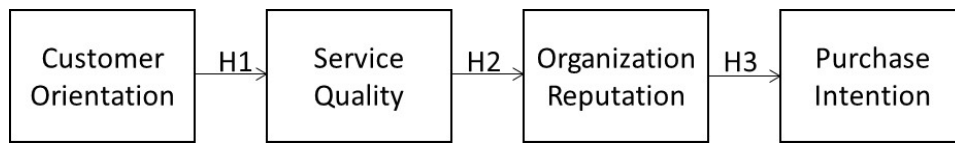


Figure 1: Research Framework

3. Research Methodology

3.1 Research Design and Sample

This study employed quantitative research design to study the impact of customer orientation, service quality, and organization reputation. A total of 340 questionnaires were distributed to customers of the selected well-known bank in China. The study found that 22 questionnaires are uncompleted. Therefore, this study found 318 valid questionnaires. Of those, 55% (176 person) are female and 45% (142 person) are male. 49% of respondents (156 respondents) are in the age 18 – 33 years old. 38% of respondents hold bachelor degree. 47 % of respondents (149 respondents) used the service of the selected well-known bank a few times a month to every week.

3.2 Measurement Items

All variables in this research are measured on 5-point Likert scale (1 for Strongly Disagree and 5 for Strongly Agree). For customer orientation, the 12 measurement items with 4 dimensions (pamper, read customer need, service deliver, and personal relationship) were adopted from Donovan and Hocutt [24]. **Pamper** dimension has three items. Example of item is “XXX is nurtures you”. **Read customer’s need** dimension has four items. Example of item is “XXX reads you to understand your needs”. **Service deliver** dimension has three items. Example of item is “XXX delivers the intended service on time”. **Personal relationship** dimension has 2 items. Example of item is “XXX knows you personally”.

For service quality of banking, the 22 measurement items with five dimensions were adopted from Lassar et al. [25]. **Tangibility** dimension has four items. Example of item is “Modern looking equipment”. **Reliability** dimension has four items. Example of item is “Keeping a promise to do something by a certain time”. **Responsiveness** dimension has four items. Example of item is “Employees telling customers exactly what services will be performed”. **Assurance** dimension has four items. Example of item is “the behavior of employees instilling confidence in their customers”. **Empathy** dimension has five items. Example of item is “Giving customers individual attention”.

For organization reputation, the 19 measurement items with six dimensions are adopted from Chun [26]. **Emotional appeal** dimension has three items. Example of item is “You have a good

feeling about the company”. **Product and services** dimension have four items. Example of item is “XXX stands behind its products and services”. **Vision and leadership** dimension have three items. Example of items is “XXX has excellent leadership”. **Workplace environment** dimension has three items. Example of item is “Is well managed”. **Social and environmental responsibility** dimension has three items. Example of item is “XXX supports good causes”. **Financial performance** dimension has three items. Example of item is “XXX has a strong record of profitability”. For purchase intention, the four measurement items are adapted from Bian and Forsythe [27]. Example of items is “If you were going to use banking service, you would consider going to this bank”.

To determine the reliability of the variables, this paper applied Cronbach’s Alpha to test the reliability reflecting consistency of the measurement items of each variable as shown in table 1. All variables have Cronbach’s Alpha value above .938 which shows that all the variables have high internal consistency. Meanwhile, average variance extracted value of all variables were above 0.5, confirming convergent validity [28]. The values of each composite reliability are also above 0.938.

Table 1: Validity and Reliability test

	Loadings	Cronbach’s Alpha	Composite Reliability	Average Variance Extracted	Number of Items
Customer Oriented	>.725	0.969	0.969	0.724	12
Service Quality	>.797	0.983	0.983	0.729	22
Reputation	>.84	0.982	0.982	0.740	19
Purchase Intention	>.541	0.938	0.938	0.791	4

4. Results

The average mean value of customer orientation (M=3.45), Service Quality Five Dimensions (M=3.659), organization reputation (M=3.692) and purchase intention (M=3.665) are above 3.5 out of 5-point Likert scale. This reflect that the selected well-known bank of this study has a relatively high standard in managing employees which lead customer to have high willingness to make purchase decision. Service deliver dimension of customer orientation, tangibility dimension of service quality, Financial performance dimension of organization reputation were rate the highest among each variable.

The finding confirmed hypothesis 1 which stated that customer orientation has positive impact on service quality. The linear regression model is statistically significant at 95% confidence

level as p-value of the model is less than 0.05. A linear regression indicated that customer orientation could statistically significantly predict service quality, $F(1, 316) = 995.924$, $p=.000$, $\beta = 0.759$. Adjusted R-Square of the model is .758 Hence, customer orientation accounted for 75.8% of the explained variability in service quality.

The finding confirmed hypothesis 2 which stated that service quality has positive impact on organization reputation. The linear regression model is statistically significant at 95% confidence level as p-value of the model is less than 0.05. A linear regression indicated that service quality could statistically significantly predict organization reputation, $F(1, 316) = 2484.011$, $p=.000$, $\beta = 0.940$. Adjusted R-Square of the model is 0.887 Hence, service quality accounted for 88.7% of the explained variability in organization reputation.

The finding confirmed hypothesis 3 which stated that organization reputation have positive impact on purchase intention. The linear regression model is statistically significant at 95% confidence level as p-value of the model is less than 0.05. A linear regression indicated that organization reputation could statistically significantly predict purchase intention, $F(1, 316) = 1293.886$, $p=.000$, $\beta = 0.943$. Adjusted R-Square of the model is 0.803 Hence, organization reputation accounted for 80.3 % of the explained variability in purchase intention.

5. Discussions and Conclusions

The main purpose of this study was to explore the impact of customer orientation, service quality, and organization reputation. This study hypothesize that customer orientation leads to service quality while service quality leads to organization reputation as well as organization reputation lead to purchase intention. Our finding confirmed that customer orientation has a statistical significance impact on service quality ($F = 995.924$, $P\text{-value} = .000$, $\beta = 0.759$). The finding is consistent with Rafaeli et al. [29] that suggested that specific customer orientation behavior have relate to evaluation of service quality. Furthermore, this study found that service quality has a statistical significance impact on organization reputation ($F=2484.011$, $P\text{-value}=.000$, $\beta = 0.940$). The finding is aligned with Abd-El-Salam et al. [30] that found positive relationships between organization reputation, service quality, customer satisfaction and customer loyalty. They asserted that enterprise reputation is regarded as an asset which make enterprise have chance differentiate itself. This study also found that organization reputation also has a statistical significance impact on purchase intention ($F = 1293.886$, $P\text{-value} = .000$, $\beta = 0.943$) which is similar to the finding of Wang and Tsai [31] that there are positive and direct effects among brand image, perceived quality, perceived value, and purchase intention. Brand image indeed increases investors purchase intentions.

This paper discusses the relationship existed between customer orientation (CO), service

quality (SQ), organization reputation (OR) and purchase intention (PI). The empirical result shows that a positive relationship existed among all variables. The selected well-known bank of this study should focus on customer orientation approach to improve service quality and meet customer expectation while maintaining good organization reputation, thus, improve purchase intention. This will raise the opportunity for the bank to discover the potential of employees and expand its business. By using the right system, the bank can achieve customers demands through developing new product or service and increase service quality so that it can improve organization reputation. Hence, the bank can attract more customer and increase purchase intention.

Based on the results of this study, it suggested that the bank should focus on customer orientation as part of the company work process plan so that it can improve service quality. In addition, Bastola et al. [32] assert that service quality is very important on other service sector such as hotel in improving customer revisit intention. Therefore, future research should explore on other service sector as well as applying the measurement items developed for that particular sector to be able to identify the performance better.

6. References

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