

The Moderating Effect of Convenience towards the Relationship between Satisfaction and Loyalty in Malaysian Banking Industry

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Doi:10.5901/mjss.2016.v7n1p190

Abstract

The aim of this research was to explore the influence of e-satisfaction towards e-loyalty among the internet banking users in Malaysia. The moderating effect of convenience on the relationship between e-satisfaction and e-loyalty was also analysed. The study employed systematic sampling technique to recruit respondents. Intercept survey was chosen as method of data collection in which a 25-item questionnaire was used to measure respondents' e-satisfaction (5 items), e-loyalty (13 items) and convenience (7 items). The survey yielded 120 usable responses. Data were analysed using variance-based partial least squares (PLS) structural equation modelling advanced statistical technique with the help of Smart-PLS version 3. PLS, which has become popular in marketing and social science research, was used to determine the factor loadings and path coefficients in the theoretical model. The study has concluded that e-satisfaction has an effect on e-loyalty; however the moderation effect of convenience was not significant.

Keywords: loyalty, satisfaction, convenience, banking

1. Introduction

In most literatures, loyalty has been found to have an important effect on building customer relationship (Sirdeshmukh, Singh, & Sabol, 2002). In addition, it has also been claimed that while it is hard to gain loyalty, it is even harder to retain loyalty (Wu, 2011). However, firms need to strategize on customer loyalty because of its remarkable effect on sustainability and profitability (Gommans, Krishnan, & Scheffold, 2001). Therefore, there is a need for firms to focus on loyalty because of its significant importance. Along with the rise of internet technology, firms are now shifting from customer loyalty in the context of conventional marketing towards online loyalty. This owes to the advancement of online transaction which has revealed positive influence of online customer loyalty (Gommans et al., 2001). It is also evident in a statement by Bank Negara Malaysia (2013) that acknowledges the role of innovation in technology in creating substantial effect on banking and financial customers.

Customers are always looking for convenience in purchasing products or service due to time and budget constraints. Thus, some customers are no longer buying products in the brick-and-mortar stores as they are now shopping online because of added values online shopping brings. It is more convenient and time saving for customers thus encouraging retailers to move to online virtual stores which helps to strengthen customer relationship (Seiders, Berry, & Gresham, 2000). In similar vein, Lee et al. (2011) have also agreed that internet banking users opt for online banking because it is time- and cost-saving, in addition to being convenient for customers. Besides that, Black, Lockett, Ennew, Winkhofer, and McKechnie (2002) have added that the convenience factor is important in internet banking because customers are at ease in making their transactions or decisions and are able to perform most of their banking transactions 24 hours a day. It has been claimed that research on convenience is still limited regardless of its importance. Taking into account the discussions on web technology innovation, the study will explore the direct effect of online satisfaction towards online loyalty and the moderating effect of convenience.

2. Literature Review

2.1 e-Satisfaction and e-Loyalty

Satisfaction is demonstrated to have an influence on loyalty. Arnett, German, and Hunt, (2003) indicate that organizations are focusing on customer satisfaction to retain their existing buyers and to get the new ones. Customers who are being treated above their expectations will have higher satisfaction level towards their purchase experience as well as their final purchase. Moreover, several researchers have noted the effect of satisfaction on relationship building as well as loyalty (Sirdeshmukh et al., 2002). Furthermore, it has been revealed that satisfaction has a substantial influence on loyalty as well as on positive word-of-mouth and further noted that organizations should always guarantee that their offerings are able to fulfil customer needs (Hennig-Thurau, Gwinner, & Gremler, 2002).

In the banking sector, satisfaction is a fundamental factor in getting and retaining devoted customers. Banks must therefore avoid causing disappointment to their customers (Bain & Company Inc., 2011). Banks riding on technology such as internet and mobile technology should facilitate customer banking needs to keep them satisfied and retain their loyalty. It is also noted that in online business, technological innovations that constantly endeavour to fulfil customers satisfaction are able to retain customer loyalty because satisfaction is the key to customer loyalty (Anderson & Srinivasan, 2003). In the case of internet banking users in Australia, it has been discovered that satisfaction is an essential construct for online loyalty (Floh & Treiblmaier, 2006). Similarly, a study in North African's banks has also confirmed the relationship between satisfaction and loyalty (M'Sallem, Bouhlef, & Mizoughi, 2011). Therefore, based on the above discussions, the following hypothesis was developed for the present study:

H1: There is a positive association between online satisfaction and online loyalty among the internet banking users in Malaysia.

2.2 Convenience as Moderator

Customers are always looking for faster and efficient ways to perform their daily activities. This is mostly due to time and financial constraints. The same can be said when customers perform their banking activities. They are always searching for convenient ways; hence, online banking offers the convenience that they need. Convenience too has been associated with marketing and customer behaviour elements such as customer satisfaction, intention and loyalty. As noted by Rowley (2005), convenience may have an impact on brand repetition and preference. Furthermore, Seiders, Voss, Grewal, and Godfrey (2005) have stated that convenience is an essential predictor in purchase repetition. Moreover, according to Black et al. (2002), online banking providers offering services that are convenient to the customers are able to attract customers to continue using their services because customers do not feel pressured to make decisions and are able to perform their daily banking activities anytime and anywhere.

Convenience has been examined as a moderator in several offline and online studies. Izquierdo-yusta and Schultz (2011) have mentioned that convenience may lead to positive buying behaviour. An offline study in Taipei has confirmed the moderation effect of satisfaction and behavioural intention (Kuo, Chang, Chen, & Hsu, 2012). In addition, Seiders et al. (2005) have discovered the moderation effect of convenience between satisfaction and repurchase behaviour in North America retailing industry. From the online service perspective, customers who are experiencing convenience and ease while performing their online transactions are less likely to search for new alternatives or to turn to other providers (Anderson & Srinivasan, 2003). In addition, they have further suggested that service convenience has an interacting (moderating) effect between online satisfaction and loyalty. Thus, based on these reviews, the following hypothesis was theorized:

H2: Convenience moderates the relationship between online satisfaction and online loyalty among the internet banking users in Malaysia.

3. Research Model

Based on the literatures reviewed, the study proposed the following research model. The framework shows that e-satisfaction has a direct effect on e-loyalty and convenience acts as a moderator between these constructs. Convenience may influence the strength or direction of a relationship between e-satisfaction and e-loyalty.

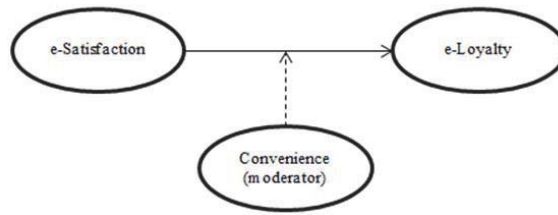


Figure 1: Proposed Research Model

4. Research Methodology

The present study employed quantitative method with multiple-choice and scaled questionnaire. Systematic sampling technique was used to recruit respondents. These respondents were limited to internet banking users of three selected banks in Malaysia. The data collection method for this study was intercept survey in which customers were intercepted outside of these banks. A 25-item questionnaire was used in the survey to measure respondents' e-satisfaction (5 items), e-loyalty (13 items) and convenience (7 items). A 7-point Likert scale was used where 1 indicates strongly disagree, 2 is disagree, 3 marks as disagree somewhat, 4 is neither agree or disagree, 5 is agree somewhat, 6 is agree and 7 is strongly agree. Intercept study was applied in several banking studies (Khoo-Lattimore, Yang, & H. Ekiz, 2010; Lin & Hsieh, 2006; Ndubisi, Khoo-Lattimore, Yang, & Capel, 2011; Ndubisi, Wah, & Ndubisi, 2007; Ndubisi & Tam, 2006). From the 300 respondents, the survey yielded 120 usable responses giving a response rate of 40 percent.

Data from the questionnaires were entered into *SPSS version 19.0* and descriptive analysis was performed for profiling purposes. Subsequently, data from *SPSS version 19.0* were transferred into *Smart-PLS version 3.0* and the Partial Least Squares (PLS) analysis was performed to analyse the measurement and structural models for factor loading, reliability and validity as well as path coefficients. Hypotheses testing were also conducted by looking at the *t*-values after bootstrapping was performed. PLS was applied in the present study as it was an appropriate technique of analysis for smaller sample size which had multicollinearity dispute (Cassel, Hackl, & Westlund, 2000; Hair, Hult, Ringle, & Sarstedt, 2014). In addition, PLS too has been applied in numerous social sciences studies, especially in marketing (Anderson & Srinivasan, 2011; Cassel et al., 2000; Rouibah, Ramayah, & May, 2011).

5. Results and Discussion

5.1 Demographic Profile

After inserting the respondent's data in SPSS, the frequencies of demographic profile were obtained and summarized as shown in the following table.

Table 1. Demographic Profile of Respondents

Demography	Frequency	Percentage	Mean	Std. Dev.
Gender			1.625	0.486
Male	45	37.5		
Female	75	62.5		
Age			2.691	0.933
Less than 20	3	2.5		
20-29	59	49.2		
30-39	38	31.7		
40-49	12	10		
50 and above	8	6.7		
Marital Status			1.525	0.549
Single	60	50		
Married	57	47.5		
Divorced	3	2.5		
Academic Qualification			3.342	0.983

PMR/ LCE	1	0.8
SPM/ MCE	25	20.8
Certificate/ Diploma	42	35
Degree/ Professional Certificates	36	30
Postgraduate Qualifications	16	13.3

5.2 Reliability and Validity

In the *Smart-PLS* software, the measurement model (outer model) is analysed to obtain the reliability and validity of the collected data. According to Hair, Hult, Ringle, and Sarstedt (2014), composite reliability (CR) is more efficient than Cronbach's alpha in estimating reliability. They have also added that composite reliability above 0.70 is considered satisfactory. Thus, composite reliability values for this study were satisfactory because all values were above 0.70. Subsequently, factor validity is examined by looking at the convergent and discriminant validities. In evaluating the convergent validity, all factor loadings as well as the average variance extracted (AVE) were determined. It has been commonly practiced that loadings of 0.70 and above as well as AVE of 0.50 and above are acceptable (Hair et al., 2014). For this study, all loadings were acceptable as all outer loadings were above 0.70 and all AVEs were above 0.50. Since all requirements were met, none of the indicators or items was deleted. Table 2 summarizes the findings for factor loadings, CR and AVE.

Table 2: Result of Measurement Model

Construct	Item	Loading	CR	AVE
eSatisfaction	eSat1	0.871	0.944	0.771
	eSat2	0.911		
	eSat3	0.886		
	eSat4	0.901		
	eSat5	0.817		
eLoyalty	eL1	0.743	0.962	0.659
	eL2	0.810		
	eL3	0.790		
	eL4	0.857		
	eL5	0.838		
	eL6	0.786		
	eL7	0.855		
	eL8	0.788		
	eL9	0.834		
	eL10	0.840		
	eL11	0.795		
	eL12	0.789		
	eL13	0.818		
Convenience	Conv1	0.856	0.941	0.696
	Conv2	0.863		
	Conv3	0.920		
	Conv4	0.778		
	Conv5	0.849		
	Conv6	0.802		
	Conv7	0.762		

The next step was to examine the discriminant validity among the constructs by looking at the cross loadings (Hair et al., 2014). It has been recommended that the outer loadings for the particular construct should be higher than all of its cross loadings. In this study, Fornell and Larcker's (1981) criterion was applied to evaluate whether the discriminant validity was adequate. Since all requirements were met, no deletion of indicator or item was made because there was adequate discriminant validity among constructs (Hair et al., 2014). Table 3 indicates that the diagonal numbers, that is, the square root of the AVE, are greater than the off-diagonal numbers for both corresponding rows and columns.

Table 3. Discriminant Validity Analysis

	Convenience	e-Loyalty	e-Satisfaction
Convenience	0.834 *		
e-Loyalty	0.749	0.812 *	
e-Satisfaction	0.711	0.809	0.878 *

Note*: The square root of AVE is shown in the main diagonal

5.3 Hypotheses Testing

After reliability and validity checks were performed during analysis of the measurement model (outer model), the structural model (inner model) was then analysed. In this phase, the path coefficients (β) were determined (Hair et al., 2014) to further analyse the two hypotheses in the study, as indicated in the Literature Review section of this paper. The path coefficient values are measured from -1 to +1 and indicate that the value that is moving towards +1 exhibits a stronger positive association and the value nearer to -1 exhibits otherwise. The path coefficient between e-satisfaction and e-loyalty was found to be 0.560 which indicated a positive relationship. Similarly, the direct effect of convenience towards e-loyalty also revealed a positive relationship with the value of the path coefficient of 0.351. Furthermore, the R-Squared (R^2) value demonstrated that 71.5% of the variance was explained by e-satisfaction and convenience. Figure 2 shows the path coefficient values for both e-satisfaction and convenience on e-loyalty.

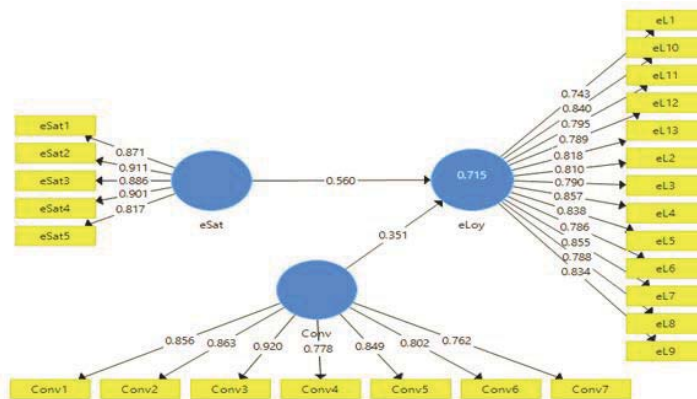


Figure 2. Path Analysis

In addition, bootstrapping was conducted to examine whether or not the hypotheses were supported by checking on the t -values (Hair et al., 2014). The results showed that H1 was supported whereas H2 was not supported. Therefore, it was determined that e-satisfaction had an influence on e-loyalty among the internet banking users in Malaysia. This result is consistent with most previous studies (Anderson & Srinivasan, 2003; Floh & Treiblmaier, 2006; M'Sallem et al., 2011). Nevertheless, it was also discovered that there was no moderation effect of convenience on the relationship between e-satisfaction and e-loyalty which is a surprising result compared to previous literature reviews. In certain cases, the moderator effect may not be significant, thus indicating that the independent variable (e-satisfaction) has a constant influence on the dependent variable (e-loyalty) without any moderating influence (Dawson, 2014; Hair et al., 2014). The significant level for these two relationships was at $p < 0.05$. The results of the hypotheses testing are illustrated in Figure 3 and presented in Table 4.

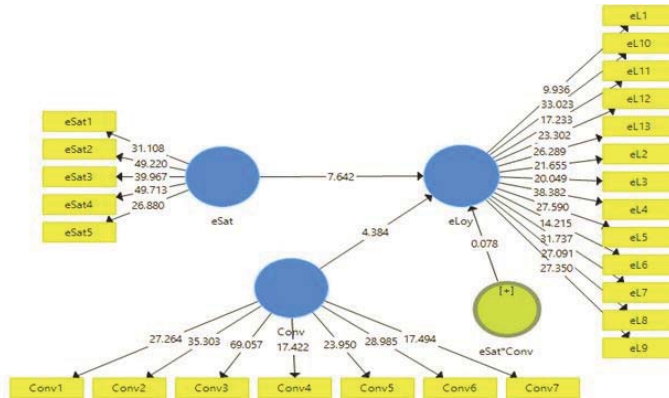


Figure 3. Bootstrapping (t-values)

Table 4. Hypothesis Testing

Hypotheses	Relationship	Standard Error	T-values *	P Values	Decision
H1	eSat -> eLoy	0.073	7.642	0.000	Supported
H2	eSat*Conv -> eLoy	0.047	0.078	0.469	Not Supported

* Note: t-value is greater than 1.645 at p<0.05

6. Conclusions

In conclusion, the study has confirmed the positive and significant relationship between e-satisfaction and online loyalty among the internet banking users in Malaysia. This finding has been consistent with and supported by other researchers' findings. Thus, it can be concluded that online banking service providers must strategize to achieve online satisfaction to generate customer loyalty. This is due to online satisfaction having had great impact on customer intention, retention, promising word-of-mouth, preference and repeat purchase. Nevertheless, this study has also found that there is no moderating effect of convenience on the relationship between e-loyalty and e-satisfaction, indicating that there is a constant influence of e-satisfaction towards e-loyalty.

Recent studies have revealed the significant impact of customer loyalty towards internet banking. A larger sample size is suggested to be used in future studies by researchers who might be interested in investigating further the changes of the moderating effect of convenience on online loyalty. In addition, future research could be extended to examine more antecedents as well as moderators to foresee the impact of these factors on online loyalty, which may reveal even more interesting and significant results for better understanding of customer behaviour in the internet banking industry.

7. Acknowledgements

Authors wish to thank Othman Yeop Abdullah (OYA) Graduate School of Business, Universiti Utara Malaysia for supporting this study, and the Ministry of Education Malaysia (MOE) and Universiti Teknologi MARA for providing financial assistance which enabled this study to be undertaken. Authors would also like to extend their gratitude to the respondents who participated in the survey.

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