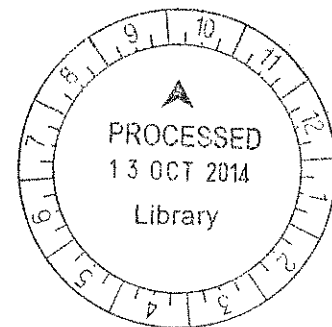


INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

The Impact of Consumer Empowerment on Customer Satisfaction in Banking



Author: Abubakar Ally Ahmed Baalwy

Student No: I11009460

Supervisor: Fadhlina Rahimah @ Winnie BT Abdullah

Submission Date: 27 August 2014

Ethics Number: cBUS/PG/CP/00177

Final Word Count: 13727 words

Abstract

It is evident from the literature that linking customer empowerment to consumer satisfaction has become important. Customer involvement, firm's responsiveness and face-to-face contact are the contexts measured for the above relationship.

Consumer tastes, preferences, and behavior continuously change with time. There is wide recognition of the importance of customer empowerment and satisfaction. However, there is very limited literature that discusses impact of such relationship in the banking industry. The literature disregards the factors of customer involvement, firm's responsiveness, and face to face contact, while it is considered that customer empowerment is major driver for consumer satisfaction.

The objective of this research is to investigate the relationship between customer empowerment and customer satisfaction, and to study how this relationship is influenced by customer involvement, responsiveness to consumers, and face to face contact between the customer and employee. To achieve this objective, a quantitative approach will be used with questionnaire as tool. SPSS software is used for descriptive analysis and PLS estimation software was used to test the relationships among the constructs.

The findings of the study indicate that customer empowerment has a positive impact on customer satisfaction and customer involvement. On the other hand, customer involvement has a negative insignificance on customer satisfaction. Whereas, firm's responsiveness and face-to-face contact have an indirect moderating effect on customer satisfaction. The results contribute to the body of knowledge on the role of customer empowerment in banking.

Acknowledgement

The research on this MBA project is the result of hard work of many minds. Through thick and thin periods of time, my beloved family, friends and lecturers were here to guide me and raise me up. It can say that on the very outset of this project, there lies a heart of each beloved person in my life. First of all, there is no word beautiful enough to show my deep gratitude to Dr. Fadhlina Rahimah @ Winnie BT Abdullah, my whole-hearted and wise supervisor. Anytime when I felt lost, she shed a light to guide me back on the right track. She has been unselfish with her time, unvarnished yet always thoughtful in her critiques and constantly supportive during the research.

And most of all, my sincere love and appreciation to my family for the strong love, encouragement and values they have instilled in me. Without them, I would not have enough strength and motivation to turn my MBA dream into reality. Also, my friends, Hail, Ahsan. Ahmed, Said, and Tareq; thanks for being with me during this time to brainstorm and share ideas. You have removed my fear, whispered prayer for me and constantly stimulated me to be more confident. By that, you have contributed much to my accomplishment.

Abubakar Ally Ahmed Baalwy

21st August, 2014

Declaration by Candidate

I hereby declare that this research project is of my own effort except for the information that has been used from various researchers that have been cited accordingly and ethically.

27th August 2014.

Abubakar Ally Ahmed Baalwy

Table of Contents

Abstract.....	2
Acknowledgement.....	3
Declaration by Candidate.....	4
CHAPTER 1: INTRODUCTION.....	10
1.1 Chapter Introduction.....	10
1.2 Background.....	10
1.3 Problem Statement.....	11
1.4 Research Objectives.....	13
1.5 Significance of the Study.....	13
1.6 Limitations.....	14
1.7 Scope of the Study.....	15
1.8 Operational Definitions.....	15
1.9 Chapter Summary.....	16
CHAPTER 2: LITERATURE REVIEW.....	17
2.1 Chapter Introduction.....	17
2.2 Background Information.....	17
2.2.1 Technology.....	18
2.2.2 Smart Consumers.....	18
2.2 The Empowerment Construct.....	19
2.3 Customer Empowerment and Satisfaction.....	20
2.4 The Role of Customer Involvement as a Mediator.....	21
2.5 The Moderating Role of a Firm's Responsiveness.....	22
2.6 The Moderating Role of Face to Face Contact.....	23
2.7 Research Framework and Hypotheses.....	25
2.8 Chapter Summary.....	26
CHAPTER 3: RESEARCH METHODOLOGY.....	27
3.1 Chapter Introduction.....	28
3.2 Research design.....	28

3.3 Measuring instrument.....	29
3.4 Sampling techniques.....	30
3.5 Sample size and Unit of analysis.....	32
3.5.1 Sample size	32
3.5.2 Unit of analysis.....	33
3.6 Data collection and analysis method	34
3.6.1 Data collection method	34
3.6.2 Data analysis method.....	34
3.7 Ethical Considerations	35
3.7.1 Informed Consent	36
3.7.2 Voluntary Participation	36
3.7.3 Privacy and Confidentiality	36
3.8 Chapter Summary	37
CHAPTER 4: RESEARCH FINDINGS	38
4.1 Chapter Introduction.....	38
4.2 Response Rate.....	38
4.3 Demographic Characteristics of Respondents	38
4.4 Analysis of PLS Outputs	40
4.4.1 PLS Outer Model Evaluation	40
4.4.2 PLS Inner Model Evaluation	44
4.5 Hypothesis Testing.....	45
4.5.1 Direct Effects (hypothesized paths).....	45
4.5.2 Indirect Moderating Effect (hypothesized paths)	45
4.5.3 Indirect Mediating Effect	46
4.5.4 Predictive Power (R^2)	46
4.6 Result Discussion	46
4.7 Chapter Summary	50
CHAPTER 5: RECOMMENDATION AND CONCLUSION	51
5.1 Chapter Introduction	51
5.2 Research Conclusion	51

5.3 Theoretical Implications..... 51

5.4 Practical Implications..... 52

5.5 Recommendations for Future Study..... 53

5.6 Overall Conclusion and Personal Reflection 54

Bibliography..... 55

List of Figures

Figure 1.0: Conceptual Framework for the impact of consumer empowerment on customer satisfaction

List of Tables

Table 3.1: Questionnaire design	22
Table 3.2: Empirical justification of sample size	25
Table 4.1: Demographic Data of the Participants	30
Table 4.2: Results for Convergent and Discriminant Validity of Constructs	32
Table 4.3: Correlation Matrix of Latent Variables	33
Table 4.4: Cross Loadings	34
Table 4.5: Structural and Hypothesis Testing	35

List of Appendices

Appendix 1: SPSS Output	59
Appendix 2: Initial Research Paper Proposal	61
Appendix 3: Project Paper Log	66
Appendix 4: Survey Questionnaire	72
Appendix 5: Project Ethics Form	75
Appendix 6: Consent Form	96
Appendix 7: PARTICIPANT INFORMATION SHEET	97

CHAPTER 1: INTRODUCTION

1.1 Chapter Introduction

This chapter provides a summary of the entire research. It starts by providing the background of the study and identifying the problem by discussing the main issues of significance that leads to the research gaps. It continues to outline the objectives of the research that defines the entire direction of the research and gives a clearer scope, contribution of the research, and limitations of the research.

There are several terminologies that were used interchangeably which may have different definitions. However, for the purpose of this research, these terms should reflect the same meaning. Those terms are as follows: Customer and Consumer; Firm and Organization; Sector and Industry.

1.2 Background

Technology is becoming more and more important in the consumers' daily routines. On the other hand, traditional banks and financial service providers are very slow to innovate and adopt new technologies. This has not only kept them behind the eight ball, it created new opportunities for non-financial organizations to step in and meet the unfulfilled demands of the consumers (Eistert et al., 2012).

Individuals love to shop, and the rapid advancement of online commerce have led the consumers to do shopping anywhere and anytime. Such accessibility is astonishing not only to consumers, but also organizations have access to their customers around the clock. As a result, online retail modernized the business model and transformed how retailers are approached by their consumers. Although it is an astonishing effect on the buying behavior, it is merely an evolution and far from revolutionary (Kucuk, 2012; Wang, 2012). In the business world, continuous advancement of technology has always been considered as opportunities.

The concept of customer empowerment amongst researchers and practitioners has a growing interest especially in the extent of e-commerce. Shilby (2009) explains

consumer empowerment as changes in the customer's behavior and expectations caused by the rich choices of the Internet world. Wathieu et. al., (2002) through Shelby (2009), referred customer empowerment as assisting consumers to select whatever they want, whenever they want it, and on their desired terms. There is no consistency in the definitions of the concept and sometimes applied without using any definition. In this case, the concept of consumer empowerment will follow the definition used by Hunter and Garnefeld (2009) which indicates as a *subjective positive experience that triggered by noting the increase in control.*

Consumers are more empowered due to their huge amount of exposure of information about products, retailers, and brands via technological devices. In this era of the empowered customers, it proves without a single doubt that who is in control when it comes to buying. Technology enables consumers, can know everything about their interests in an instant. If, through cooperative communication can knockdown governments, how challenging will it be for them to break or make a brand? (Schaefer, 2012).

1.3 Problem Statement

Consumer behaviors, preferences, and tastes are dynamic and always change with the offerings of the market. When organizations fail to meet the changing demands of their consumers, they will fail to retain their consumers (Kim et, al., 2012). Not long ago, mass customization seemed to be very effective to increase satisfaction and retain customers. This strategy followed mass production which was introduced decades ago. However, mass customization seemed to be ineffective to meet each single consumer.

Consumers' demographics keep on changing rapidly in many countries including Malaysia. Their demand for speedy and safe access together with convenience of the banking have been growing rapidly. For the purpose of attracting new consumers and keeping the existing ones, banks are required to keep developing new ways of empowering consumers to use banking services that are automated which can cut out time and costs that frustrates banks with channels of paperwork that are always involved (ACI WorldWide, 2011).

Even though companies have heard the voices of customers, control and power is being very centralized. This is due to the fact that companies are still having the final decision on what should be provided to consumers (Fuchs, Prandelli and Schreier, 2010). Recent studies indicated that 30,000 consumers in 13 different nations want to be empowered, known, and heard; as current consumers are more vocal, connected, demanding than ever (Schaefer, 2012; Schaefer, 2011; Wang, 2012). As such banking industry need to learn how to empower their consumers to shop how and whenever they want.

There are extensive discussions in the literature that emphasize on the importance of consumer satisfaction in the banking services. Arbore and Busacca (2009) highlighted several factors of greater consumer satisfaction in the financial industry which include convenience (travel distance, opening hours, queuing time, ATM availability, parking places), functional quality (speed, reliability, accuracy, functionality), and several other factors like economic, physical environment and relational quality. In other words, continuously giving consumers all channels of empowerment to customers will the banking sector to achieve greater satisfaction level.

A recent study done by Masrek, Omar and Khairuddin (2012) in Malaysia investigated the association between mobile banking use and consumer satisfaction and loyalty provided interesting findings. The results proved mobile banking utilization has positive impact on customer satisfaction but not loyalty. Only 4% of mobile users in Malaysia are using mobile banking services. The authors highlighted that the services mobile banking are very important to influence customer satisfaction. Also, it was highlighted that not many banks have established mobile banking services and there is a risk of losing customers if mobile banking is not implemented. Although mobile banking is not very common in Malaysia due to lack of implementation by banks, it is widely used in many countries. In developed countries, consumers are bored with mobile banking and their tastes have already led them to the adoption of e-wallets and banking through social networks. Studies have shown that consumers are already complaining that banks can't keep up with them. For example, banks take a week to process one transaction of e-wallet while the consumers are demanding it to be done instantly (Eistert et al., 2012).

Hence, this proves banks worldwide especially Malaysia cannot keep up with the advancement of technology and the changing demands of consumers which negatively affect customer satisfaction. Banks are required to cope with the changes and not the other way around. For the purpose of this research, it is assumed that empowerment is already given to consumers in which requires investigation on how it affects customer satisfaction.

1.4 Research Objectives

The objectives of this research are as follows:

- A. To investigate the relationship between customer empowerment and customer satisfaction
- B. To investigate the effect of customer involvement on the relationship between customer empowerment and customer satisfaction.
- C. To study the effect of firm's responsiveness to customers that can enhances the relationship between customer empowerment and customer satisfaction.
- D. To study the effect of face to face contact that can enhances the relationship between customer empowerment and customer satisfaction.

1.5 Significance of the Study

The study should be of significance to government, academia and the industry. This study will fill the gap on the current literatures and enhance the understanding regarding the consumer empowerment and customer satisfaction. This will also add to the small number of researches that have been done to examine the importance of customer involvement as one of the mediating functions that can help to describe the relationship between consumer empowerment and satisfaction, and if firm's responsiveness and face-to-face contact can influence customer empowerment to greater increase the level of satisfaction.

In addition, the results will provide the core knowledge that allows the government to understand the level of power provided by financial sector to the public. Not only that, but this research will also help firms in the sectors to improve their processes which can help them serve the public. Processes and services of public organizations in the country can be enhanced to become world class institutions that will help in the transformation of the country to become a developed nation.

Moreover, firms that emphasize on the improving their customer relationships and satisfaction must understand their correlations with consumer empowerment to create a competitive advantage. Successful empowering processes improve customer satisfaction and lead to better organizational performance. The study will also help small businesses to grow their business activities through the concept of customer empowerment and it can help them on their focus or niche market to survive against large competitive rivals.

1.6 Limitations

This area analyzes several possible limitations on the proposed study that suggest areas for future research. The first constraint of the research is its cross-sectional nature. Using cross-sectional research may restrict the study to provide recommendations that depend on causation, suggesting that longitudinal research would be more significant to contribute to the literature. Also, PLS have more risks of overlooking the actual association and the sensitivity to the relative scaling of the descriptor variables.

Furthermore, the unit of analysis is restricted to only one region in the country. Collecting more information from individuals would provide more understanding on the study. Even though the data collected for analysis is on an individual basis, the report is not accumulated at that level but on a complex representation of the collection of all individuals.

Finally, another possible constraint is the restriction of the sample size. The sample size is limited to individuals only located in one region of Malaysia and this could produce

false suggestions that represent the whole country. Obtaining wider participant around the country could be very helpful. The study focuses on Negeri Sembilan due to resource and time constraints, other regions in Malaysia can be considered for future researches.

1.7 Scope of the Study

The research is piloted in West Malaysia specifically in Negeri Sembilan. The focus of this research is on individuals above the age of 18 with active bank accounts in the financial service industry. This target focus was chosen due to the fact that they have more knowledge in this area and have the necessary information to measure the impact of consumer empowerment and customer involvement on customer satisfaction, and whether face to face contact and firm's responsiveness increases their satisfaction level. Individuals from all banks are selected through convenience sampling method.

A quantitative research approach is used in this research. This approach includes a survey questionnaire that is used to measure the construct of consumer empowerment, customer involvement, face-to-face contact, and firm's responsiveness. Structural Equation Model (SEM) is used on Partial Least Square (PLS) to measure the validity and reliability and hypothesis testing about the relationship among the constructs. While, SPSS software is used to analyze the respondents' profiles through a descriptive analysis.

1.8 Operational Definitions

Operational definitions focus at the descriptions of

Acronyms: CE (Customer Empowerment), CS (Customer satisfaction), FR (Firm's responsiveness), FF (Face to Face contact).

Key terms; (empowerment; satisfaction; involvement; face to face; firm's responsiveness; customer; Bank, Malaysia).

Other related concepts/terms: (SEM – Structural Equation Modeling, PLS – Partial Least Square).