

Customer Orientation of Service Employees: A Case Study of Iranian Islamic Banking (Based on COSE Model)

Kambiz Heidarzadeh Hanzaee

Department of Business Management, Science and Research Branch

Islamic Azad University, PO box 14155-755, Tehran, Iran

Tel: 98-21-4486-9667 E-mail: heidarzadeh@srbiau.ac.ir

Majid Mirvaisi (Corresponding author)

Department of Business Management, Neyshabur Branch

Islamic Azad University, Neyshabur, Iran

Tel: 98-91-5502-0571 E-mail: Mirvaisi@yahoo.com

Received: May 29, 2011 Accepted: July 14, 2011 Published: November 1, 2011

doi:10.5539/ijms.v3n4p130 URL: <http://dx.doi.org/10.5539/ijms.v3n4p130>

Abstract

With the performance of service personnel often constituting a major element of a service per se, the customer orientation of service employees (COSE) is often regarded as a main determinant of service firm's success. The purpose of this study is Understands how customer orientation (CO) of service employees (SE) affects customer satisfaction (CS), customer commitment (CC), customer retention (CR) and increasing service quality (SQ) in Iranian Islamic banking sector. This is based on 300 responses collected from customers using Iranian Islamic bank service in three provinces (Khorasan-e Razavi, Khorasan-e Shomali & Khorasan-e Jonobi), in private and governmental sectors. The results show that customer orientation of service employees (COSE) has no impact in customer retention in Iranian Islamic banking. Therefore, other hypotheses accepted. There are important variables in the service sectors that affect customer quality perception. This paper draws on the conceptualization suggested by Henning-Thurau and Thurau and tests model of COSE dimensions (Technical and Social Skills, Motivation and Decision Making Authority) and customer-sided consequence in Islamic banking in Iran.

Keywords: Customer orientation, Service employee, Service quality, Customer satisfaction, Customer retention, Customer commitment, Islamic banking, Iran

1. Introduction

The financial service industry is changing rapidly. Technology, government regulation, and increase customer sophistication are forcing financial service institutions to re-evaluate the current business practices. Financial institution across the global are re-examining how they are meeting their customer's needs today and developing business plans needed to align them strategically to remain competitive and profitable in the future. SQ in banking has recently become the topic of interest for academicians and researcher alike despite being considered markedly important over the years (Abdullah, et al, 2011). The concept of Islamic banking is gaining momentum in today's market. It has been reported that the establishment of Islamic banks and financial institutions have resulted from new challenges posed by the wave of globalization which has swept all fields of life worldwide (Rahman and Shaikh, 2002). Islamic banking was virtually unknown 30 years ago. Recently, Islamic banks operate in more than 55 countries with estimated deposits of over \$100 billion. There are more than 200 Islamic banking institutions in operation around the world and they are one of fastest growing financial service markets in the Islamic world (Venardos, 2005). What makes Islamic banking distinctive is its adherence to the basic Islamic principle that money should only be use to exchange goods and services and for nothing else (Shahonpoor, 2009). When competition intensifies, and when banks start to offer similar products and service, it is the employee CO that can influence the performance of the Islamic bank and determine its competitiveness

and success. Current research shows basic essential skills that SE must have to succeed in their responsibilities. Specifically, the purposes of this project are:

- (1) To present a usable conceptual model for understanding why service employees are essential to CS, CC and CR;
- (2) To define the main skills that is important for increasing SQ of Iranian banking service;
- (3) Present effective suggestions for management and staff in banking industry to received CS, CC and CR.

1.1 History of Islamic banking in Iran

During the past decades or so, regulatory, structural and technological factors have significantly changed banking environment throughout the world. It is a novel feature of Islamic banking practice in Iran that it has been adopted at state level since the Islamic revolution 1979. In the earliest two decades of Islamic banking practice, the Iranian banking sector was highly centralized and did not share from the pool of knowledge, experience and development in global market or within the Islamic banking world. After the mid 1990s, however, the Iranian government showed inclination towards adopting privatization and deregulation in the financial sector. In 1997, the central bank of Iran, Bank Markaz, issued license to a number of credit cooperatives, interest-free Qardhul Hasan centers and three non-bank credit institutions to launch their operations in Iran. Foreign banks have been working in the designated free trade zones of Iran, since 1999. The private banking sector started to build up in Iran at the beginning of twenty- first century. In December 2001, the first private bank, Bank Karafarin, was granted a license to commence operations in Iran. Two private banks, Bank Eqtesdae-e Novin and Bank Parsian emerged in the Iranian market. The Iranian government denationalized its two banks, Bank Saderat and Bank Rfah-e Kargaran, to enhance the diversity of the private banking sector in the country. Presently, more than 44 applications for establishing private banking and financial institutions in Iran have yet to be decided by the Bank Markaz. The Iranian government has been working on evolving more flexible, competitive and innovative financial systems in the country. The growing global exposure and deregulation of the oil-rich Iranian economy and financial sector may have a far-reaching impact on Islamic banking growth and development in Iran. The Iranian government may achieve greater integration of its Islamic financial sector with global finance as well as the Islamic banking and finance world (Mansoor-Khan and Eshaq-Batti, 2008).

2. Literature review

2.1 Service success through customer-oriented employees

2.1.1 Customer orientation of service employees (COSE)

The service encounter is an important component of the SQ construct (Raajpoot, 2004; Imrie et al., 2002) and involves critical moments of truth where customers often develop indelible impressions of the firm (Bitner et al., 2000). Yet, there has been little effort to conceptualize and assess the behavioral aspects of encounters (Malhotra et al., 1994). Previous research seeking to explain customer satisfaction has primarily focused on the customer expectation-disconfirmation paradigm, while for the most part overlooking the interaction between the customer and the provider in determining CS (Bianchi, 2001; Oliver, 1993; Kong and Jogaratnam, 2007). Marketing theorists have long argued that firms that focus on their customers needs are better positioned to achieve long-term success than companies that do not (Deshpande et al, 1993; Kotler, 2000). Indeed, empirical research has demonstrated several positive outcomes of market orientation (MR), enhanced profitability (Narver and Slater, 1990), employee commitment, and esprit de corps (Jaworski and Kohli, 1993). Implementation of this marketing concept in service firms is accomplished through SE and their interaction with customers (Danavan et al, 2004). Banks that excel in service quality can have a distinct marketing edge since improved levels of SQ are related to higher revenues, increase cross-sell ratios, higher customer retention, and expanded market share (Abdullah et al, 2011). As a result of the intangible and interactive nature of services, customers often rely on the behavior of SE when judging the quality of a service. Consequently, the employee level of CO is considered an important leverage for a service firm's economic success (Bitner et al, 1990; Bove and Johnson, 2002; Bove and Schneider, 1985; Sergeant and Frenkel, 2000; Henning-Thurau, 2004). Despite its important position in the value chain, few studies have addressed the construct of (COSE) and its impact on a service firm's success (Brown et al, 2002). Noteworthy exceptions are the studies by Kelley (1992), Brown et al, (2002), Donovan et al, (2004), and Henning-Thurau (2003). While the first two studies focus on the relationship between COSE and employee characteristics such as personality traits, job satisfaction and organizational commitment, the latter author has suggested, but not empirically tested, a three-dimensional conceptualization of customer orientation of service employees, distinguished between the employees motivation to serve customers, his or her CO skills, and his or

her self-perceived decision-making authority. No study has yet tested the impact of COSE on the way customer assessment of transactions with service employees or their relationship with the service provider as a whole. This paper draws on the concepts suggested by Hennig-Thurau and Thurau (2003) and tests a model of COSE dimensions and customer-sided consequences. Following a review of the available literature on COSE, a four dimensional structure of COSE is proposed and used as the cornerstone of a model of customer side COSE consequence (Henning-Thurau, 2004). Zeithamal et al, (1990) argue that appropriately skilled and trained service workers are essential to service delivery at Gap 3 of their Gap Model as well (Varca, 2004).

2.1.2 Service quality (SQ) in banking sector

In a milieu which becomes increasingly competitive, SQ as a critical measure of organizational performance continues to compel the attention of banking institutions and remains at the forefront of services marketing literature and practice (Lasser et al., 2002). The interest is largely driven by the realization that high SQ results in CS and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rates (Levesque and McDougall, 1996). There has been a continued research on the definition, modeling, measurement, data-collection procedure, data analysis, and etc. issues of SQ, leading to development of sound base for the researchers (Sangeetha and Mahalingam, 2011). It is well established that SQ is heavily dependent on the behaviors of customer-contact personnel (Zeithaml et al., 1996; Hartline et al., 2000). Although many customers do take note of brand and reputation in making their initial choice of a service firm, the individual characteristics of known and trusted customer-contact employees have been shown to be of particular importance for repeat customers (Maister, 1993; Teece, 2003). This is especially relevant for the customers of financial services – because such customers are frequently dealing with complex intangible services and an asymmetry of knowledge between customers and providers (Maister, 1993; Nonaka and Teece, 2001; Teece, 2003; Greenwood et al., 2005). SQ has been defined in services marketing literature as an overall assessment of service by the customers. Perceived SQ is believed to be resulting from comparison between customers' prior expectations about the service and their perceptions after actual experience of service performance (Asubonteng et al., 1996; Parasuraman et al., 1985). SQ has been defined by the practitioners in terms of key dimensions that customers use while evaluating the services (Lewis and Booms, 1983). Conceptualization of SQ should include both the service delivery process (Parasuraman et al., 1985) as well as the service outcomes (Lehtinen and Lehtinen, 1991). Gronroos (1984) offered a SQ model with dimensions of technical quality (what consumer gets), functional quality (how consumer gets the service) and corporate image (how consumers perceive the firm and its services). Similarly, Lehtinen and Lehtinen (1991) offered another model with three dimensions of SQ: physical, interactive and corporate. Physical quality is about the quality of physical products involved in service delivery and consumption. Interactive dimension refers to the interaction between the customers and the service organization employees. Corporate quality refers to the corporate image as perceived by the customers. The SQ literature has also highlighted that SQ can also be treated as a second order construct consisting of interaction, physical environment and outcome quality (Brady and Cronin, 2001; Ganguli and Roy, 2011). Financial service providers thus require employees who are oriented towards achieving both: immediate CS (which is perhaps more important for “low-relational” customers engaged in retail transactions with their service providers); and, long-term CC (which is perhaps more important for “high-relational” customers for whom loyalty and long-term relationships are crucial). (Furtmueller et al, 2011). The SERVQUAL model (Parasuraman et al., 1985, 1988) provides the most accepted and most used conceptualization of SQ (Kong and Jogaratnam, 2007).

2.1.3 Customer orientation (CO)

Despite the amount of CO research (Brown et al, 2002; Danavan et al, 2004; Knight et al, 2007; Sax and Weitz, 1982), the question of how CO influences perceived organizational performance from the customer's perspective is under review. CO is the sufficient understanding of target buyers to be able to continuously create superior value for them (Awwad and Agti, 2011). CO is viewed as a desire by an employee to help customers meet their needs during the performance of organizational task (Jayawardhena and Farrel, 2011). Brown and colleagues (2002, p. 111) defined CO as an “employee's tendency or predisposition to meet customer needs in an on-the-job context.” They found that CO was influenced by deeper personality traits and, in turn, influenced worker performance. This perspective is consistent with traditional views of personality. For example, Pervin and John (1997, p. 4) define personality as the “characteristics of the person that account for consistent patterns of feeling, thinking, and behaving (Donavan et al, 2004). McEachern and Warnaby (2005) define CO as a component of MO that focuses on putting the customers at the centre of strategic focus. Kotler (2004) emphasizes the need for organizations to move from the level of studying customer segments to shaping separate offers, services and messages to individual customers. Hence such firms may need to collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences. And they would hope to

achieve profitable growth through expenditures by building high customer lifetime value. He further asserts that the ability of a company to deal with customers, one at a time has become practical as a result of advances in factory customization, computers, the internet and database marketing software. Nakata and Zhu (2006) assert that CO encompasses the analysis of customers' needs, and responsiveness of organization to such needs. But some salient questions have been raised concerning whether CO actually translates to better performance (Ang and Buttle, 2006; Avnet and Higgins, 2006; Asikhia, 2010). Day (1994) defines CO as a concept which transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm. Narver and Slater (1990) say CO is the sufficient understanding of ones target buyers to be able to create superior value for them continuously. CO culture suggests that a firm concentrates on providing products and services that meet customer needs (Day and Wensley, 1983; Dean and Bowen, 1994; Noble, Rajiv and Kumar, 2002). Schneider, Ehrhart, Mayer, Saltz, and Niles-Jolly (2006) argue that CO requires a continuous positive disposition towards meeting customers' exigencies and therefore a high degree of concern for these customers. While Schneider and Bowen (1993) suggest that CO culture is nurtured through regular supply of customer information about their needs so as to be able to design and deliver good products. CO as a component of MO has its fundamental thrust in pursuit of putting customers at the center of strategic focus (McEachem and Warnaby 2005). A customer-oriented culture involves excellence in customer interactions, market and customer familiarity and an emphasis on cooperation (Deshpande, Farley and Webster, 1993) Nwankwo (1995), and Ang and Buttle (2006) put forward a framework for auditing a CO profile, which achieves definition, sensibility, measurement, and implementation. They define it as a process of putting customers at the heart of an organization that is, having the appropriate vision of customers and their needs; a phenomenon that makes the organization to see itself through the eyes of the customers (Asikhia, 2010).

2.1.4 Customer satisfaction (CS)

CS has been studied extensively in the field of marketing (Anderson et al., 2004; Fornell, 1992; Oliver, 1980). The role of satisfaction in predicting behavioral intentions is well established in the literature (Anderson et al., 1994; Cronin and Taylor, 1992; Zeithaml et al., 1996), with the majority of studies assuming that previous experience of transactional customer relationships is a primary determinant of repeated purchasing behavior. Ganesan (1994) found that long-term orientation is affected by the extent to which customers and vendors trust their "channel partners" (Appiah-Gyimah et al., 2011). It is one of the most commonly used customer-oriented metrics by managers because of its generic nature and its universal measurability for all the types of products and services (Gupta and Zeithaml, 2006). In the traditional sense, satisfaction was considered to be transaction-specific construct which resulted from immediate post purchase judgment or affective reaction (Oliver, 1993). Customer satisfaction is also considered from a cumulative satisfaction perspective and is defined as customer's overall experience to date with a product or service provider (Johnson et al., 2001; Krepapa et al., 2003). Most of the CS studies are now using this cumulative satisfaction concept (Gupta and Zeithaml, 2006; Ganguli and Roy, 2011). The degree of overall pleasure or contentment felt by the customer, resulting from the ability of the service provider to fulfill the customer's desire, expectations and needs in relation to the service. CS is a complex construct and has been defined in various ways (Besterfield, 1994; Barsky, 1995; Kanji and Moura, 2002; Fecikova, 2004; Dimitriades, 2006; Ganguli and Roy, 2011). Recently, researchers have argued that there is a distinction between CS as related to tangible products and as related to service experience. In service markets, CS is often measured as the difference between service expectation and experience (Trasorras et al., 2009; Mysen et al, 2011). Rust and Oliver stated that satisfaction reflects whether a consumer believes that the possession and/or use of a service evokes positive feelings (Jayawardhena and Farrel, 2011). Fornell et al. (1996) found that service firms have significantly lower CS scores than manufacturing firms. Their study also revealed that satisfaction is more quality-driven than price-driven in service markets. Expectations play a significant role in CS. Jones et al. (2003, p. 11) stressed that, "when expectations are met or exceeded, customers report higher levels of satisfaction. Therefore, an important step in managing customer expectations is creating realistic expectations." Ranaweera and Prabhu (2003, p. 82) add that "it is a held belief that the more satisfied the customers are, the greater is their retention." Fecikova (2004) believes that the key to organizational survival is the retention of satisfied internal and external customers. She proposes measuring satisfaction to manage it effectively. Fornell and Wernerfelt (1987) stated that there will always be some customer dissatisfaction due to a variety of causes (including, at least for certain types of products, customer desire for variety). According to Zahorik and Rust (1992), satisfaction has long been recognized as an important construct in models of buyer behavior and models of CR to service design often incorporate it as a variable (Trasorras et al, 2009).

2.1.5 Customer retention (CR)

According to Gutek et al, (1999), service relationships occur when customers have repeated contact with same service provider. Service relationships refer to instance where service providers know their customer personally and expect to see them again in future (Guchait et al, 2011). Yet, CR in banking depends on trust and confidence (Tsoukatos and Mastrojanni, 2010). The individual judgment about buying a designated service from the same company again, taking into account his/her current situation and likely circumstances. Levitt (1983) examines value and CR via the buyer–seller relationship. Levitt (1983, p. 2) said that, “the relationship between a seller and a buyer seldom ends when a sale is made.” Increasingly, the relationship intensifies after the sale and helps determine the buyer’s choice the next time around. According to Levitt (1983), it is expectations and not things. How this relationship is managed is critical to its continuation. He warns that in the absence of sound management, the relationship will deteriorate. The failure of the service provider to address what may be causing the dissension will no doubt alter the relationship. Hellier (1995) tested a CR model in the insurance services sector and found relationships among perceived value (largely expressed through quality), CS, loyalty and switching costs and repurchase intent (retention). Product and brand preference were intervening factors. Retention can also be measured based on customer profitability. Pffeifer et al, 2005, p.11) stated that "some customer are more equal than others, and firms can prosper by learning to identify and capitalize on customer differences". They quote a study by Reichheld and Sasser (1990) which reported that a 5 percent increase in retention would increase profits by 75 percent (Trasorras et al, 2009).

2.1.6 Customer commitment (CC)

Although the commitment of financial consultants varies in accordance with product, customer type, and geography (N’Goala, 2007), it is well-known (and not at all surprising) that financial consultants are especially concerned to manage the long-term financial affairs of customers who have larger investments and bank accounts; indeed financial consultants are often required by their employers to develop more intensive contact and offer varied product packages to particular customers, depending on their financial status. In this regard, the service management literature has demonstrated that high commitment on the part of the consultant is likely to result in loyalty and CR (Morgan and Hunt, 1994; Beaton and Beaton, 1995; Garbarino and Johnson, 1999). Commitment is important to the study of relationship because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationship at the operational and empirical level (Han, 1992; Mavondo and Rodrigo, 2001). Commitment has served as the dependent variable in several relationship marketing models including those describing buyer-seller relationships, e.g. (Hunt, 1992) and channel behavior (Kumar et al, 1995). Communication is a good indicator of long-term relationships (Morgan and Hunt, 1994; Shamdasani and Sheth, 1987; Farrelly and Quester, 2003). Commitment has been shown to be an important factor in developing cooperative and relationships between providers and customers (Morgan and Hunt, 1994; Garbarino and Johnson, 1999), and such relationships are more likely to be characterized by higher levels of SQ and long-term profitability (Zeithaml et al., 1996; Gronroos, 1997). These findings are in accordance with the so-called “Commitment–Trust Theory of Relationship Marketing” (Morgan and Hunt, 1994), which states that commitment leads directly to the cooperative behaviors that are vital for long-term, mutually beneficial relationships. According to Meyer and Allen (1991, 1997), most conceptions of organizational commitment incorporate three attitudinal dimensions:

- (1) Affective commitment (employees who are committed to their organization because they want to be);
- (2) Continuance commitment (employees who are committed to their organization because they need to be; that is, they have few alternatives); and
- (3) Normative commitment (employees who are committed to their organization because they feel they ought to be). (Furtmueller et al, 2011).

3. Hypotheses and model

Several empirical studies show that it is impossible to maintain a satisfied and committed customer base without satisfied and committed employees. More than 90 years ago, Strong (1925) emphasized that personal selling strategies should be directed toward securing CS as well as purchase orders (Sax and Weitz, 1982). The links between customer and employee variable have also been depicted by Heskett et al, (1997) within a framework termed “the service profit chain” or “employee-customer profit chain” (Vilares and Coelho, 2003). Research focused on the customer–organization interface invariably incorporates the service provider as a key component (e.g. Czepiel, 1990; Czepiel et al, 1985; Hartline and Ferrell, 1996; Klaus, 1995; Price et al, 1995; Zeithaml et al, 1988; Vzrca, 2004). Spector (1997) said that employee satisfaction is important factor for increasing job satisfaction and service quality (Antoncic and Antoncic, 2011). Any employee who comes in direct or indirect

contact with a customer influences CS, customer perceived quality and revenues (Solnet, 2006). We offer the following hypotheses:

H1. The customer orientation of service employees has a positive influence on customer satisfaction.

In the case of services, such an emotional commitment is based predominantly on the customer's personal familiarity with and affinity to single service employees, consequently, we pressure that the employees handling of interactions with customers strongly influences the level of commitment a customer developed toward a service provider. At the same time, it is assumed that the level of satisfaction the customer experiences with the service provided also contributes to the CC of the service firm, as friendship requires at least a minimum of reliability and fulfillment (Henning-Thurau et al, 2002).

H2. The customer orientation of service employee has a positive influence on emotional commitment.

A sizable number of researcher hold that trust, commitment and satisfaction are important in developing strong relationships between manufacturers and suppliers (Barry et al, 2008; Caceres and Paparoidamis, 2007; Morgan and Hunt, 1994; Palmatier et al, 2006; Rauyruen and Miller, 2007; Skarmeas et al, 2008; Mysen et al, 2011). Most research presents trust and commitment as unique concepts (Morgan and Hunt, 1994). In addition, Geyskens et al, (1999) show satisfaction as a distinct concept from trust and commitment. For example, some studies position satisfaction, commitment and trust, as dimensions of a higher order concept of relationship quality (Rayruen and Miller, 2007; Skarmeas and Robson, 2008; Skarmeas et al, 2008). Other studies indicate satisfaction leads to trust and commitment (Geyskens and Steenkamp, 2000; Moliner et al, 2007), is caused by commitment (Farrelly and Quester, 2005), or is a mediator between trust and commitment and other outcomes (Garbarino and Johnson, 1999; Mysen et al, 2011).

H3. Customer satisfaction has a positive influence on emotional commitment.

There is abundant evidence that, in assessing service delivery, customers attach importance to their personal interactions with service employees. The role of emotions in service delivery has been examined in sufficient detail (Lin and Lin, 2011). The study by Brown et al (2002) and Homburg et al, (2002), show that COSE has an important role in determining the quality of retail customer service evaluation (Jayawardhena and Farrel, 2011). In some research, the concept of the "part-time marketer" (Gummeson, 1991, p60) suggest that because of the nature of service encounter, all customer-contact employees are, in fact marketers (Solnet, 2006).

H4. The customer orientation of service employees has a positive direct influence on customer retention.

For many years CS has been a major goal of business organizations, since it has been deemed to affect CR and a company's market share (Hansemark and Albinsson, 2004). McNaughton et al, (2001, p.991) stated, "MR theory, no matter the sector in which it is applied, focused on the process whereby MR created value". Value created through MR and relationship enablers can facilitates an atmosphere that causes customer to stay (Trasorras et al, 2009). Ranaweera and Prabhu (2003, p.82) added, "It is a held belief that the more satisfied the customers are, the greater is their retention". Fecikova (2004) believes that the key to organizational survival is the retention of satisfied internal and external customers. She proposed measuring satisfaction to manage it effectively (Trasorras et al, 2009). Similarly, Anderson and Sullivan (1993) found that stated repurchase intentions are strongly related to stated satisfaction across product and service category. Researchers in the professional services tend to remain with the same provider if continually satisfied (Chumpitaz and Paparoidomis, 2004).

H5. Customer satisfaction has a positive direct influence on customer retention.

Commitment is considered to be of critical importance in organizational buying behavior and, it leads to important outcomes, and higher motivation among. Commitment is positively related to loyalty and repeated purchases (Chumpitaz and Paparoidamis, 2004). A customer is committed to a service provider, for example, because the provider has proven to be trustworthy and able to offer solutions, that successfully support the value generating process of the customer. Thus, to achieve CC, a company strategy must be customer centered, long-term, and be based on mutual benefits. Long-term business should increase between two parties (Kassim and Abdulla, 2006). For reasons of completeness, a positive direct impact on CR is also postulated for CS and emotional commitment. In the case of satisfaction, it is argued that a service encounter which fulfils the customer's expectations positively influences the customer's evaluation of the firm. The customer expects similarly beneficial treatment the next time he or she makes use of the respective service (Crosby et al, 1990). Similarly, a consumer values interaction with a partner that they feel is committed. Consumers tend to prefer such a partner over an alternative to whom they feel no affective commitment (Morgan and Hunt, 1994).

H6. Emotional commitment has a positive direct influence on customer retention.

4. An empirical test of the COSE consequence model

4.1 Methodology

To test the model of COSE consequences empirically, a customer perspective about Islamic banking was taken with all constructs in the model being assessed by service customers. The selection of respondents was based on a quota sample of age and gender as quota criteria (Table 1). A total of 1800 questionnaire were sent by post office in three provinces of Iran (Khorasan-e Razavi, Khorasan-e Shomali & Khorasan-e Jonobi). A total of 296 questionnaires were completed and remained in the analysis.

The model was tested in the banking sector. This service industry was chosen because of strong interaction intensity and frequently of use by Iranian consumers. It was important that the respondents were able to evaluate a service provider in this context for ensuring a sufficient response rate. When banking service customers completed the questionnaire, they were first asked to name of the bank which they had visited most recently. Using dramatically programmed software, all further questions were then related to the service provider mentioned by the respondent. This procedure was chosen because it provided a systematic distortion of the sample toward highly loyal and satisfied customers and a small number of service providers. Moreover, as intended, the sample was not restricted to loyal customers, but covered a variety of customer-service provider relationships.

For measuring the model constructs, validated scales were used when available. Specifically for CC, CR, and CS, we took scales from Morgan and Hunt (1994), Zeithaml et al, (1996), and Hennig-Thurau et al, (2002), respectively, and slightly reworded them by adding the name of the bank the customer has visited recently. Each of three constructs was measured with four items. As data collection took place in the Iranian banking service industry, items were translated into Persian (see the Appendix for a list of items). Initially, three items were formulated for each COSE dimension based on the definition given above. All items were measured on five-point agreement scales, with five indicating maximum agreement and one indicating no agreement.

These scales were pre-tested against a sample of 35 users of the Islamic banking industry who were asked to fill out the questionnaires regarding several bank branches. Reliability was good for all constructs and the COSE dimensions, with alpha values of 0/86 for CS, 0/91 for CC, 0/75 for CR, 0/65 for technical skills, 0/80 for social skills, 0/64 for motivation, and 0/63 and for decision making authority.

4.2 Testing the dimensionality of COSE

The reliability of the COSE dimension scales was excellent in the main study as well, with the alpha values of 0/87 and higher for the four COSE dimensions (see Table 2 for details on alpha values, descriptive statistics and correlations). A confirmatory factor analysis (maximum likelihood algorithm and LISREL 8.5) supported the postulated four-dimensional structure of COSE (Technical skills, Social skills, Motivation and Decision making Authority). Specifically, both the χ^2 difference test and the Fornell-Larcker criterion showed that discriminate validity exists between the four COSE dimensions. In the case of the χ^2 difference test, discriminate validity is assumed if the increase of the models χ^2 values result from setting the correlation between two factors to one (i.e. indicating uni-dimensionality) which is χ^2 distributed with a single degree of freedom. The correlation also needs to exceed the theoretical χ^2 distribution at $\rho = 0.05$, which is true for all pairs of COSE dimensions.

5. Final results

Table 3 reports the path coefficients, the degree of explained variances and the fit index for conceptual model for the total sample of banking industry. As with confirmatory factor analysis, model testing was done with the LISREL 8.5 software using the maximum likelihood algorithm. The overall fit statistics, as shown in Table 3, indicate an acceptable level of fit between the hypothesized model and the data.

As predicted, COSE has a direct positive relationship on CS ($P < 0.05$, $T = 11.27$), thus confirming H1. Results also show that COSE had significant impact on CC ($P < 0.05$, $T = 1.20$), supporting H2. As shown in the results, CS has a direct and positive impact on CC ($P < 0.05$, $T = 2/53$), thereby confirming H3. However, the path from COSE on CR ($P < 0.05$, $T = -0/35$), can be seen as only partially supported by the data. Finally, the impact of CS on CR ($P > 0.05$, $T = 3/04$) and CC on CR ($P < 0.05$, $T = 4/27$), strongly supported, H5 and H6.

6. Discussion

Scholars in service marketing and organizational behavior are giving increasing attention to the personal interaction between customers and the employees on frontline of service business (Bettencourt and Gwinner, 1996)

This study had two objectives. First, understand the role and effect of COSE dimension on CS, CR and CC. And, second, set out to investigate the impact and measure the effect of this variable in the Islamic banking of Iran. It is important to note that Islamic banking in Iran is the biggest of Islamic banking institutions in the world and it has the primary effect in the mind of customers. Overall, results of this study generally confirm earlier work by Henning-Thurau, (2004) who worked this model in the travel and book, CD and DVD industries. This study found that all dimensions of COSE have impact on CS and CC, supporting earlier work (Henning-Thurau, 2002). These results highlight the importance of four dimensions in both variables (CS & CC) in Iranian Islamic banking, and we recommend that top managers, first, consider the main role of this dimension, and then apply this understanding in all stages of recruitment, selection and training programs for service employees. It is also advisable that managers in the Islamic banking industry test or educate service employees in these areas. The study of Sax and Weitz, (1982), and Jayawardhena and Farrell, (2011), point out that customer and service orientation behaviors impact service quality, value and satisfaction among customers. Hiring employees who are more likely to have COSE dimensions should be an important consideration for managers. Previous work found this relationship to be significant. Garbarino and Johnson, (1999), Gwinner et al, (1998), Price and Arnould, (1999), Henning-Thurau, (2004), show the direct impact of CS and CC on CR. This study also demonstrates how CS and CC effect CR in Iranian Islamic banking and that CS and CC are major variables. Managers must set goals to achieve higher levels of CR and CC to receive CR, because in marketing theory, CR is an easier and have lower cost strategy in comparison with advertising to obtain new customers.

7. Limitations and future research

Like any other empirical study, the study reported here includes various limitations. The main limitations include that, numerous questionnaires sent to our population weren't returned. It also took a long time to obtain about 296 completed questionnaires. Other limitations included sparse information provided by some respondents about various services.

Future research should make several extensions of the current study. We suggest using this model in the other service industries including hospitality, restaurants and any other industry in which employees have direct contact with customers. Next, researchers suggest that others studies should use this model in two service industries to compare them together, similar to the study of Henning-Thoreau. The focus of the study was limited to a few concepts, which are important for COSE; it did not include other factors that may also be important for employee growth. In conclusion, we suggest that other research consider the viewpoints of two parties, customer and employee. Employees have a good idea for implementing customer service and other aspects of this study. If managers consider this idea, they may increase employee satisfaction.

References

- Abdullah, F., Suhaimi, R., Saban, G., & Hamali, J. (2011). Bank Service Quality (BSQ) Index, an indicator of service performance. *International Journal of Quality & Reliability Management*, 28(5), 542-555. <http://dx.doi.org/10.1108/02656711111132571>
- Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing*, 58, 53-66. <http://dx.doi.org/10.2307/1252310>
- Anderson, E.W., Fornell, C., & Mazvancheryl, S.K. (2004). Customer satisfaction and shareholder value. *Journal of Marketing*, 68(4), 172-85. <http://dx.doi.org/10.1509/jmkg.68.4.172.42723>
- Ang, L., & Buttle, F. (2006). Managing for successful customer acquisition: An exploration. *Journal of Marketing Management*, 22 (2), 295-317. <http://dx.doi.org/10.1362/026725706776861217>
- Antonicic, J.A., & Antonicic, B. (2011). Employee satisfaction, entrepreneurship and firm growth; a model. *Industrial Management and Data System*, 111(4), 589-607. <http://dx.doi.org/10.1108/02635571111133560>
- Appiah-Gyimah, R., Boohene, R.A., & Agyapong, G.K.Q. (2011). Customer Satisfaction in the Outdoor Advertising Industry: A Case of Alliance Media Ghana Limited. *International Journal of Marketing Studies*, 3(2), 82-91. <http://dx.doi.org/10.5539/ijms.v3n2p82>
- Asubonteng, P., McCleary, K.J., & Swan, J.E. (1996). SERVQUAL revisited: a critical review of service quality. *The Journal of Services Marketing*, 10(6), 62-81. <http://dx.doi.org/10.1108/08876049610148602>
- Avnet, T., & Higgins, E. (2006). How regulatory fit affects value in consumer choices and opinions. *Journal of Marketing Research*, 43 (1), 1-10. <http://dx.doi.org/10.1509/jmkr.43.1.1c>

- Awwad, M.S., & Agti, D.A.M. (2011). The impact of internal marketing on commercial banks market orientation, *International Journal of Bank Marketing*, 29(4), 308-332. <http://dx.doi.org/10.1108/02652321111145943>
- Barry, J.M., Dion, P., Johnson, W. (2008). A cross-cultural examination of relationship strength in B2B services. *Journal of Service Marketing*, 22(2), 114-134. <http://dx.doi.org/10.1108/08876040810862868>
- Barsky, J. (1995). *World-Class Customer Satisfaction*. Irwin Professional, Burr Ridge, IL.
- Beaton, M., & Beaton, C. (1995). Marrying service providers and their customers: a relationship approach to services management. *Journal of Marketing Management*, (11), 55-70. <http://dx.doi.org/10.1080/0267257X.1995.9964329c>
- Besterfield, D.H. (1994). *Quality Control*. Prentice-Hall, Englewood Cliffs, NJ.
- Bettencourt, L.A., & Gwinner, K. (2006). Customization of the service experience; the role of the frontline employee, *International Journal of Service Industry Management*, 7(2), 3-20. <http://dx.doi.org/10.1108/09564239610113442>
- Bianchi, C. (2001). The effect of cultural differences on service encounter satisfaction. *American Marketing Association Conference Proceedings*, AMA, Chicago, IL, (12), 46-52.
- Bitner, M.J., Booms, B.H., & Tetreault, M.S. (1990). The Service Encounter: Diagnosing Favorable and Unfavorable Incidents. *Journal of Marketing*, 54, (January), 71-8. <http://dx.doi.org/10.2307/1252174>
- Bitner, M.J., Brown, S.W., & Meuter, M.L. (2000). Technology infusion in service encounters. *Journal of the Academy of Marketing Services*, 28(1), 138-49. <http://dx.doi.org/10.1177/0092070300281013>
- Bove, L.L., & Johnson, L.W. (2006). Customer Loyalty to one Service Worker: Should it be discouraged? *Research in Marketing*, (23), 79-91.
- Bowen, D.E., & Schneider, B. (1985). Boundary-Spanning role employees and the service industry; some guidelines for management and research, in Czepiel, J.A. Solomon, M.R, Superman, C.F. (Eds). *The Service Encounter*. D.C. Health, Lexington, MA, PP.127-147.
- Brady, M.K., & Cronin, J.J. (2001). Some new thoughts on conceptualizing perceived service quality: a hierarchical approach. *Journal of Marketing*, 65(3), 34-49. <http://dx.doi.org/10.1509/jmkg.65.3.34.18334>
- Brown, Tom J., John C., Mowen, D., Todd Donovan, & Jane W. Licata (2002). The Customer Orientation of Service Workers: Personality Trait Determinants and Effects on Self- and Supervisor Performance Ratings. *Journal of Marketing Research*, 39 (February), 110–19. <http://dx.doi.org/10.1509/jmkr.39.1.110.18928>
- Browne, M.W., & Cudeck, R. (1993). Alternative ways of assessing model fit, in Bollen, K.A. and Long, J.S. (Eds). *Testing Structural Equation Models*. Sage, Newbury Park, CA, PP.136-162.
- Caseres, R.C., & Papariodamis, N.G. (2007). Service quality, relationship satisfaction, trust, commitment and business to business loyalty. *European Journal of Marketing*, 41(7/8), 339-342.
- Chumpitaz, R., & Papariodamis, N.G. (2004). Service quality and marketing performance in business to business markets; exploring the mediating role of client satisfaction. *Managing Service Quality*, 14(2/3), 235-248. <http://dx.doi.org/10.1108/09604520410528653>
- Cronin, J., & Taylor, S. (1992). Measuring service quality: A reexamination and extension. *Journal of Marketing*, 56, 55-68.
- Crosby, L.A, Evans, K.R., & Cowles, D. (1990). Relationship Quality in Service Selling: An Interpersonal Influence Perspective. *Journal of Marketing*, 54 (July 1990), 68-78. <http://dx.doi.org/10.2307/1251817>
- Czepiel, J.A, Solomon, M.R., Superman, C.F., & Guttman, E.G. (1985). Service encounters; an overview, in Czepiel, J.A., Solomon, M.R., & Superman, C.F. (EDS). *The service encounter*. Lexington books, Lexington, MA, 3-16.
- Czpiel, J.A. (1990). Service encounter and service relationship; implications for research. *Journal of Business Research*, (20), 13-21. [http://dx.doi.org/10.1016/0148-2963\(90\)90038-F](http://dx.doi.org/10.1016/0148-2963(90)90038-F)
- Day, G., & Nedungadi, P. (1994). Managerial representation of competitive advantage. *Journal of Marketing*, 58(2), 31-44. <http://dx.doi.org/10.2307/1252267>
- Day, G.S., & Wensley, R. (1983). Marketing theory with a strategic orientation. *Journal of Marketing*, 47, Fall, 79-89. <http://dx.doi.org/10.2307/1251401>

- Dean, J., & Bowen, D. (1994). Management theory and total quality: improving research and practice through theory development. *Academy of Management Review*, 19(3): 392-418
- Deshpande, R.J., Farley, E., & Webster, J. (1993). Corporate culture, customer orientation, and innovativeness in Japanese Firm; A quadred analysis. *Journal of Marketing*, 57 (January), 23-37. <http://dx.doi.org/10.2307/1252055>
- Dimitriades, Z.S. (2006). Customer satisfaction, loyalty and commitment in service organizations. *Management Research News*, 29(12), 782-800. <http://dx.doi.org/10.1108/01409170610717817>
- Donavan, D.T., Brown, J., & Mowen, J.C. (2004). Internal Benefits of Service- Worker Customer Orientation: Job Satisfaction, Commitment, and Organizational Citizenship Behaviors. *Journal of Marketing*, 68 (January2004), 128-146. <http://dx.doi.org/10.1509/jmkg.68.1.128.24034>
- Donavan, D.T., Brown, T.J., & Mowen, J.C. (2004). Internal benefits of service –worker customer orientation; job satisfaction, commitment, and organizational citizenship behaviors. *Journal of Marketing*, (January), 128-146. <http://dx.doi.org/10.1509/jmkg.68.1.128.24034>
- Farrelly, F.J., & Quester, P.G. (2005). Examining important relationship constructs of the focal sponsorship exchange. *Industrial Marketing Management*, (34), 211-9. <http://dx.doi.org/10.1016/j.indmarman.2004.09.003>
- Farrelly, F.J., & Quester, P.G. (2005). The effects of market orientation on trust and commitment, the case of the sponsorship business to business relationship. *European Journal of Marketing*, 37(3/4), 530-553. <http://dx.doi.org/10.1108/03090560310459078>
- Fecikova, I. (2004). An index method of customer satisfaction. *TQM Magazine*, 16(1), 57-66. <http://dx.doi.org/10.1108/09544780410511498>
- Fornell, C., & Wernerfelt, B. (1987). Defensive marketing strategy by customer complaint management: a theoretical analysis. *Journal of Marketing Research*, (24), 337-46. <http://dx.doi.org/10.2307/3151381>
- Fornell, C., (1992). A national customer satisfaction barometer: the Swedish experience. *Journal of Marketing*, 56(1), 6-21. <http://dx.doi.org/10.2307/1252129>
- Fornell, C., Johnson, M.D., Anderson, E.W., Cha, J., & Bryant, B.E. (1996). The American Customer Satisfaction Index: nature, purpose, and findings. *Journal of Marketing*, (60), 7-18. <http://dx.doi.org/10.2307/1251898>
- Furtmueller, E., Dick, R.V., & Wilderom, C. (2011). Service behaviors of highly committed financial consultants, *Journal of Service Management*, 22(3), 317-343. <http://dx.doi.org/10.1108/09564231111136854>
- Ganduli, S.H., & Roy, S.K. (2011). Generic technology-based service quality dimensions in banking. *International Journal of Bank Marketing*, 29(2), 168-189. <http://dx.doi.org/10.1108/02652321111107648>
- Ganesan, S. (1994). Determinants of long-term orientation in buyer-seller relationships. *Journal of Marketing*, 58(2), 1-19. <http://dx.doi.org/10.2307/1252265>
- Ganguli, S., & Roy, S.K. (2011). Generic technology-based service quality dimensions in banking. *International Journal of Banking Marketing*, 29(2), 168-189. <http://dx.doi.org/10.1108/02652321111107648>
- Garbarino, E., & Johnson, M. (1999). The different roles of satisfaction, trust and commitment in customer relationships. *Journal of Marketing*, (63), 70-87. <http://dx.doi.org/10.2307/1251946>
- Garbarino, E., & Johnson, M. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *Journal of Marketing*, 63(2), 70-87. <http://dx.doi.org/10.2307/1251946>
- Geyskens, I., Steenkamp, J.E.M., & Kumar, N. (1998). Generalizations about trust in marketing channel relationship using meta-analysis. *International Journal of Research in Marketing*, 15(3), 223-248. [http://dx.doi.org/10.1016/S0167-8116\(98\)00002-0](http://dx.doi.org/10.1016/S0167-8116(98)00002-0)
- Geyskens, I., Steenkamp, J.E.M., & Kumar, N. (1999). A Mata-analysis of satisfaction in marketing channel relationship, *Journal of Marketing Research*, 36(2), 223-239. <http://dx.doi.org/10.2307/3152095>
- Greenwood, R., Li, S.X., Prakash, R., & Deephouse, D.L. (2005). Reputation, diversification, and organizational explanations of performance in professional service firms. *Organization Science*, (16), 661-76. <http://dx.doi.org/10.1287/orsc.1050.0159>
- Gronroos, C. (1984). A service quality model and its marketing implications. *European Journal of Marketing*, 18(4), 36-44. <http://dx.doi.org/10.1108/EUM000000004784>

- Guchait, P., Namasivayam, K., & Lei, P.W. (2011). Knowledge Management in Service encounters; impact on customer's satisfaction evaluations. *Journal of Knowledge Management*, 15(3), 513-527. <http://dx.doi.org/10.1108/13673271111137466>
- Gummesson, E. (1991). Marketing-orientation revisited: the crucial role of the part-time marketer. *European Journal of Marketing*, 25(2), 60-75. <http://dx.doi.org/10.1108/03090569110139166>
- Gupta, S., & Zeithaml, V. (2006). Customer metrics and their impact on financial performance. *Marketing Science*, 25(6), 718-39. <http://dx.doi.org/10.1287/mksc.1060.0221>
- Guterk, B.A., Bhappu, A.D., Liao-Troth, M.A., & Cherry, B. (1999). Distinguishing between service relationships and encounters. *Journal of Applied Psychology*, 84(2), 218-33. <http://dx.doi.org/10.1037/0021-9010.84.2.218>
- Han, S.L. (1992). Antecedents of buyer-seller long-term relationships; an exploratory model On structural bonding and social bonding, working paper. Institute for the Study of Business Markets, Pennsylvania State University, Pittsburgh, PA.
- Hansemark, O.C., & Albinsson, M. (2004). Customer satisfaction and retention; the experience of individual employees. *Managing Service Quality*, 14(1), 40-57. <http://dx.doi.org/10.1108/09604520410513668>
- Hartline, M.D., & Ferrel, O.C. (1996). The management of customer – contact service employees; an empirical investigation, *Journal of Marketing*, 60, 52-70. <http://dx.doi.org/10.2307/1251901>
- Hartline, M.D., Maxham, J.G., & Mckee, D.O. (2000). Corridors of influence in the dissemination of customer-oriented strategy to customer contact service employee. *Journal of Marketing*, (64), 35-50. <http://dx.doi.org/10.1509/jmkg.64.2.35.18001>
- Hellier, P.K., (1995). Discovering the major factors influencing customer retention in services Industries. *Asia Pacific Journal of Quality Management*, 4(2), 62-5.
- Henning-Thurau, T. (2004). Customer orientation of service employees, its impact on customer satisfaction, commitment, and retention. *International Journal of Service Management*, 15(5), 460-478. <http://dx.doi.org/10.1108/09564230410564939>
- Henning-Thurau, T., & Thurau, C. (2003). Customer orientation of service employees-toward a conceptual framework of a key relationship marketing construct. *Journal of Relationship Marketing*, 2(1), 1-32.
- Hesket, J.L., Sasser, W.E., & Schlesinger, L.A. (1997). *The service profit chain; how leading companies link profit and growths to loyalty, satisfaction and value*. free press, New York, NY.
- Hill, C.W.L., & Jones, G.R. (2006). *Strategic management theory- An integrated approach*. (5th ed.). MA: Houghton Mifflin, (Chapter 6).
- Imrie, B.C., Cadogan, J.W., & McNaughton, R. (2002). The service quality construct on a global stage. *Managing Service Quality*, 12(1), 10-18. <http://dx.doi.org/10.1108/09604520210415353>
- Jaworski, B.L., & Kohli, A.K. (1993). Market orientation; antecedents and consequences. *Journal of Marketing*. 57 (July), 53-70. <http://dx.doi.org/10.2307/1251854>
- Johnson, M.D., Gustafsson, A., Andreassen, T.W., Lervik, L., & Cha, J. (2001). The evolution and future of national customer satisfaction index models. *Journal of Economic Psychology*, 22(2), 217-45. [http://dx.doi.org/10.1016/S0167-4870\(01\)00030-7](http://dx.doi.org/10.1016/S0167-4870(01)00030-7)
- Kanji, G., & Moura, P. (2002). Kanji's business scorecard. *Total Quality Management*, 13(1), 13-27. <http://dx.doi.org/10.1080/09544120120098537>
- Kassim, N.M., & Abdulla, A.K.M.A. (2006). The influence of attraction on internet banking; an extension to the trust-relationship commitment model. *International Journal of Bank Marketing*, 24(6), 424-442. <http://dx.doi.org/10.1108/02652320610701744>
- Kelley, S.W. (1992). Developing customer orientation among service employee. *Journal of the academy of Marketing Science*, 20(1), 27-36. Suprenant, C.F (EDS), *The Service Encounter*, Lexington Books, Lexington, M.A, PP.17-34.
- Klaue, P.G. (1985). Quality epiphenomenon; the conceptual understanding of quality in face to face service encounter, in Czepiel, J.A. Solomon, M.R.
- Kohli, Ajay K., & Bernard J. Jaworski. (1990). Market orientation: The construct, research propositions, and managerial, implications. *Journal of Marketing*, 54 (4), 1-18. <http://dx.doi.org/10.2307/1251866>

- Kong, M., & Jogaratnam, G. (2007). The influence of culture on perceptions of service employee behavior. *Managing Service Quality*, 17(3), 275-297. <http://dx.doi.org/10.1108/09604520710744308>
- Kotler P. (2004). *Marketing management: Analysis, planning and control*. (12th ed.). Englewood Cliffs, NJ: Prentice-Hall Inc. (Chapter 11).
- Kotler, PH. (2000). *Marketing management; analysis, planning, implementation, and control*. (10th ed.). Upper saddle river, NJ; Prentice Hall.
- Krepapa, A., Berthon, P., Webb, D., & Pitt, L. (2003). Mind the gap: an analysis of service provider versus customer perceptions of market orientation and the impact on satisfaction. *European Journal of Marketing*, 37(1/2), 197-218. <http://dx.doi.org/10.1108/03090560310454253>
- Kumar, N., Scheer, L., & Steenkamp, J. (1995). The effects of supplier fairness on vulnerable resellers. *Journal of Marketing Research*, 32 (February), 54-6. <http://dx.doi.org/10.2307/3152110>
- Lasser, W.M., Manolis, C., & Winsor, R.D. (2002). Service quality perspectives and satisfaction in private banking. *Journal of Services Marketing*, 14(3), 244-71. <http://dx.doi.org/10.1108/08876040010327248>
- Lehtinen, U., & Lehtinen, J.R. (1991). Two approaches to service quality dimensions. *The Service Industries Journal*, 11(3), 287-303. <http://dx.doi.org/10.1080/02642069100000047>
- Levesque, T., & McDougall, G.H.G. (1996). Determinants of customer satisfaction in retail banking, *The International Journal of Bank Marketing*, 14(7), 12-20. <http://dx.doi.org/10.1108/02652329610151340>
- Levitt, T. (1983). After the sale is over. *Harvard Business Review*, September-October, 1-8.
- Lewis, R.C., & Booms, B.H. (1983). The marketing aspects of service quality, in Berry, L.L., Shostack, G.L. and Upah, G.D. (Eds). *Emerging Perspectives on Services Marketing*. American Marketing Association, Chicago, IL, 99-104.
- Lin, J.C.CH., Lin, CH.Y. (2011). What makes service employees and customer smile. *Journal of Service Management*, 22(2), 183-201. <http://dx.doi.org/10.1108/09564231111124217>
- Maister, D.H. (1993). *Managing the Professional Service Firm*. The Free Press, New York, NY.
- Malhotra, N.K., Ulgado, F.M., Agarwal, J., & Baalbaki, I.B. (1994). International services marketing: a comparative evaluation of the dimensions of service quality between developed and developing countries. *International Marketing Review*, 11(2), 5-15. <http://dx.doi.org/10.1108/02651339410061937>
- Martin, C.A., & Bush, A. J. (2006). Psychological climate, empowerment, leadership style, and customer-oriented selling: An analysis of the sales manager-salesperson dyad. *Journal of the Academy of Marketing Science*, 34(3), 419-438. <http://dx.doi.org/10.1177/0092070306286205>
- Mavondo, F., & Rodrigo, E. (2001). The effect of relationship dimensions on interpersonal and interorganizational commitment in organizations conducting business between Australia and China. *Journal of Business Research*, 52(2), 111-21. [http://dx.doi.org/10.1016/S0148-2963\(99\)00064-8](http://dx.doi.org/10.1016/S0148-2963(99)00064-8)
- Mc Eachern, M., & Warranty G. (2005). Improving customer orientation within the fresh meat supply Chain. *Journal of Marketing Management*, 21 (1/2), 89-115. <http://dx.doi.org/10.1362/0267257053166802>
- McNaughton, R.B., Osborn, P., & Imrie, B.C. (2002). Market – oriented value creation in service firms. *European Journal of Marketing*, 17(4), 460-469.
- Moliner, M.A., Sanchez, J., Rodriguez, R.M., & Callerisa, L. (2007). Relationship quality with a travel agency; the influence of the post-purchase perceived value of a tourism package. *Tourism and Hospitality Research*, 7(3/4), 194-211. <http://dx.doi.org/10.1057/palgrave.thr.6050052>
- Morgan, R.M., & Hunt, S.D. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, 58 (July 1994), 20-38.
- N'Goala, G. (2007). Customer switching resistance (CSR): the effects of perceived equity, trust and relationship commitment. *International Journal of Service Industry Management*, 18(5), 510-33. <http://dx.doi.org/10.1108/09564230710826278>
- Nakata, Cheryl, & Zhu, Zhen. (2006). Information technology and customer orientation: A study of direct, mediated, and interactive linkages. *Journal of Marketing Management*, 22 (3/4), 319-354. <http://dx.doi.org/10.1362/026725706776861208>

- Narver, J.C., & Slater, S.F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54 (October), 20-35. <http://dx.doi.org/10.2307/1251757>
- Noble, C.H., Rajiv, K.S., & Kumar, A. (2002). Market orientation and alternative strategic orientations: a longitudinal assessment of performance implication. *Journal of Marketing*, 66(4): 25-40. <http://dx.doi.org/10.1509/jmkg.66.4.25.18513>
- Nonaka, I., & Teece, D.J. (2001). *Managing Industrial Knowledge*. Sage, London.
- Oliver, R.L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research*, 17(4), 460-9. <http://dx.doi.org/10.2307/3150499>
- Oliver, R.L. (1993). A conceptual model of service quality and service satisfaction: compatible goals, different concepts, in Swartz, T.A. (Ed.). *Advances in Service Marketing and Management*, 12. JAI Press, Greenwich, CT, 65-85.
- Palmatier, R.W., Dant, R.P., Grewal, D., & Evans, K.R. (2006). Factors influence the effectiveness of relationship marketing; a meta-analysi. *Journal of Marketing*, (70), 136-153. <http://dx.doi.org/10.1509/jmkg.70.4.136>
- Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41-50. <http://dx.doi.org/10.2307/1251430>
- Pervin, L.A., & O.P. John (1997). *Personality Theory and Research*. (7th ed.). New York: John Wiley & Sons.
- Pfeifer, P.E., Haskins, M.E., & Conroy, R.M. (2005). Customer lifetime value, customer profitability and the treatment of acquisition spending. *Journal of Managerial Issues*, 17(1), 11-25.
- Price, L.L., Arnould, E.J., & Tierney, P. (1995). Going to extremes; managing service encounters and assessing provider performance. *Journal of Marketing*, (59), 83-97. <http://dx.doi.org/10.2307/1252075>
- Raajpoot, N. (2004). Ualizing service encounter quality in a non-western context. *Journal of Service Research*, 7(2), 181-201. <http://dx.doi.org/10.1177/1094670504268450>
- Rahman, F.E., & Sheikh, A.E. (2002). The underground banking systems and their impact on control of money laundering; with special reference to Islamic banking. *Journal of Money Laundering Control*, 6(1), 42-45. <http://dx.doi.org/10.1108/13685200310809392>
- Ranaweera, C., & Praghu, J. (2003). On the relative importance of customer satisfaction and trust as determinant of customer retention and positive word of mouth. *Journal of Targeting, Measurement and Analysis for marketing*, 12(1), 82-90. <http://dx.doi.org/10.1057/palgrave.jt.5740100>
- Rauyruen, P., & Miller, K.E. (2007). Relationship quality as a predictor of B2B customer loyalty. *Journal of Business Research*, (60), 21-31. <http://dx.doi.org/10.1016/j.jbusres.2005.11.006>
- Reichheld, F., & Sasser, W.E. (1990). Zero defections; quality comes to services. *Harvard Business Review*, (68), 105-11.
- Sangeetha, J., & Mahalingam, S. (2011). Service quality models in banking; a review. *International Journal of Islamic and Middle Eastern Finance and Management*, 4(1), 83-103. <http://dx.doi.org/10.1108/17538391111122221>
- Saxe, R., & Weitz, B. (1982). The SOCO Scale: a measure of the customer orientation of salespeople. *Journal of marketing research*, xix, (August 1982), 343-351. <http://dx.doi.org/10.2307/3151568>
- Schneider, B., Ehrhart, M., Mayer, D., Saltz, J., & Niles-Jolly, K. (2006). Understanding organization-customer links in service settings. *Academy of Management Journal*, 48 (6), 1017-1032. <http://dx.doi.org/10.5465/AMJ.2005.19573107>
- Shahinpoor, N. (2009). The link between Islamic banking and micro financing. *International Journal of Social Economics*, 36(10), 996-1007. <http://dx.doi.org/10.1108/03068290910984777>
- Shamdasani, P., & Sheth, J. (1995). An experimental approach to investigating satisfaction and continuity in marketing alliances. *European Journal of Marketing*, 29(4), 6-24. <http://dx.doi.org/10.1108/03090569510086620>
- Skarmeas, D., & Robson, M.J. (2008). Determinants of relationship quality in importer-exporter relationship. *British Journal of Management*, (19), 171-184. <http://dx.doi.org/10.1111/j.1467-8551.2007.00537.x>

- Skarmeas, D., Katisikeas, C.S., Spyropoulou, S., & Salehi-sangari, E. (2008). Market and supplier characteristics driving distributor relationship quality in international marketing channels of industry products. *Industrial Marketing Management*, (37), 23-36. <http://dx.doi.org/10.1016/j.indmarman.2007.04.004>
- Solnet, D. (2006). Introducing employee social identification to customer satisfaction research. *Managing Service Quality*, 16(6), 575-594. <http://dx.doi.org/10.1108/09604520610711918>
- Strong, E.K.JR. (1925). Theories of selling. *Journal of applied psychology*, 9 (January), 75-86. <http://dx.doi.org/10.1037/h0070123>
- Teece, D.J. (2003). Expert talent and the design of (professional services) firms. *Industrial and Corporate Change*, 12(4), 895-916. <http://dx.doi.org/10.1093/icc/12.4.895>
- Trasorras, R., Weinstein, A., & Abratt, R. (2009). Value, satisfaction, loyalty and retention in professional services. *Marketing Intelligence & Planning*, 27(5), 615-632. <http://dx.doi.org/10.1108/02634500910977854>
- Tsoukatos, E., & Mastrogianni, E. (2010). Key determinants of service quality in retail banking. *EuroMed Journal of Business*, 5(1), 85-100. <http://dx.doi.org/10.1108/14502191011043170>
- Varca, P.H.E. (2004). Service skills for service workers; emotional intelligence and beyond. *Managing Service Quality*, 14(6), 457-467. <http://dx.doi.org/10.1108/09604520410569793>
- Vilares, M.J., & Coelho, P.S. (2003). The employee-customer satisfaction chain in the ECSI model. *European Journal of Marketing*, 37(11/12), 1703-1722. <http://dx.doi.org/10.1108/03090560310495429>
- Zahorik, A.J., & Rust, R.T. (1992). Modeling the impact of service quality on profitability: a review. *Advances in Services Marketing and Management*, (1), 247-76.
- Zeithaml, V.A., Berry, L.L., & Parasuraman, A. (1988). Communication and control process in the delivery of service quality. *Journal of Marketing*, (52), 35-48. <http://dx.doi.org/10.2307/1251263>
- Zeithaml, V.A., Berry, L.L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(April), 31-46. <http://dx.doi.org/10.2307/1251929>

Appendix

List of items in the final questionnaire

Technical Skills

1. The employees of \$ have a high level of knowledge.
2. \$s employees are experts in their job.
3. The employees of \$ are highly competent.

Social Skills

1. The employees of \$ have extensive social skills.
2. The employees of \$ are able to consider their customers perspective.
3. The employees of \$ know how to treat a customer well.

Motivation

1. The employees of \$ show strong commitment to their job.
2. The employees of \$ do their best to fulfill their customers needs.
3. The employees of \$ are always highly motivated.

Decision-Making Authority

1. The employees of \$ show strong commitment to their job.
2. The employees of \$ have appropriate room for maneuver in solving customer problems.
3. In the case of customer requests, \$s employees do not need to ask their superior for permission.

Customer Satisfaction

1. I am fully satisfied with \$.
2. \$ Always fulfills my expectations.
3. \$ has never disappointed me so far.

4. My experiences with \$ are excellent.

Emotional Commitment

1. I feel committed to \$.
2. My relationship with \$ is important for me.
3. If \$ were no longer to exist, this would be a significant loss for me.
4. I would turn a blind eye to a minor of \$.

Customer Retention

1. In future I will buy most service at \$.
2. I am a loyal customer of \$.
3. My next service purchase will take place at \$.
4. \$ is my first choice when it comes to buying service.

Note: \$ was replaced in the questionnaire by the service provider most recently visited by the customer.

Table 1. Profile of respondent

Classification	no	percent
Gender (n=296)		
Male	212	72.1%
Female	79	26.9%
Missing value	3	1.0%
Education (n=296)		
Before diploma	37	12.6%
Diploma & after	121	41.2%
Licensee	103	35.0%
M.S	10	3.4%
PH D.	10	3.4%
Regional Education	10	3.4%
Missing Value	3	1.0%
Employment (n=296)		
Employees	199	67.7%
Unemployed	87	29.6%
Miss value	8	2.7%
Bank (n=294)		
Saderat	60	20.4%
Melli	63	21.4%
Sepah	26	8.8%
Tejarat	41	13.9%
Mellat	22	7.5%
Maskan	18	6.1%
Keshavarzi	29	9.9%
Parsian	14	4.8%
Refah	8	2.7%
Saman	6	2.0%
Mehr	6	2.0%

Table 2. Descriptive statistics and correlations & R2

	No. of Item	Mean	Std dev.	Min	Max
Customer Satisfaction	4	13.67	3.612	4	20
Customer Commitment	4	14.68	3.236	7	20
Customer Retention	4	14.92	4.10	4	20
Technical skill	3	11.109	2.210	3	15
Social skill	3	9.614	2.826	3	15
Motivation	3	9.880	2.637	3	15
Decision making Authority	3	9.041	4.404	3	15
R2	COSE	→	Customer Satisfaction		0.83
R2	COSE	→	Customer Commitment		0.61
R2	COSE	→	Customer Retention		0.68
R2	Technical skills	→	COSE		0.57
R2	Social skills	→	COSE		0.59
R2	Motivation	→	COSE		0.67
R2	Making Decision Authority	→	COSE		0.16

Note: Significant at p<0.05

Table 3. The results of hypotheses testing

Hypotheses	Relationship of construct	Result	T-value
H1	COSE → CS	supported	11.27
H2	COSE → CC	supported	1.20
H3	CS → CC	supported	2.53
H4	COSE → CR	partly	-0.35
H5	CS → CR	supported	3.04
H6	CC → CR	supported	4.27
χ^2			261.90
Df			98
CFI			0.96
NFI			0.93
NNFI			0.95
RMSEA			0.085

Note: Significant at p<0.05

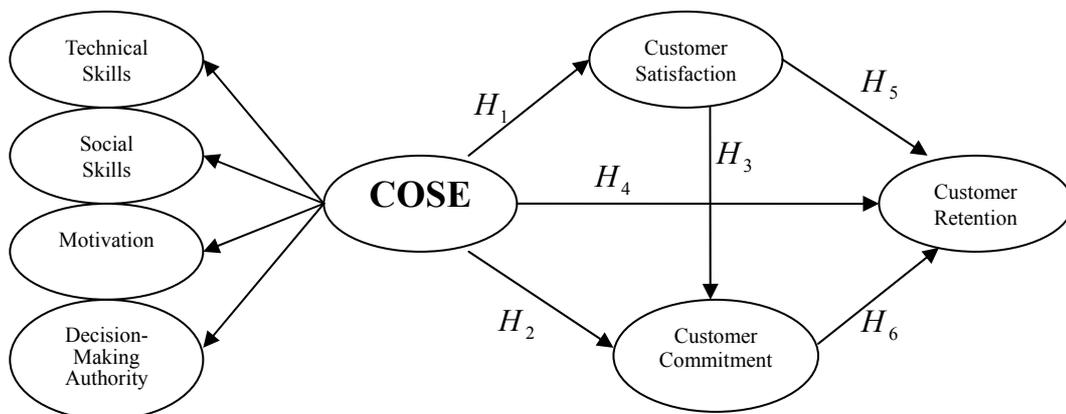


Figure 1. A model of COSE dimensions and consequences
Source: Hennig-Thurau (2004)