STUDY AND ANALYSIS ON CUSTOMER SATISFACTION: CASE STUDY IN SERVICE COMPANY (BANK)

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This report submitted in accordance with requirement of the Universiti Teknikal Malaysia Melaka (UTeM) for the Bachelor Degree of Manufacturing Engineering (Manufacturing Management) .

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I hereby, declared this report entitled “Study and Analysis on Customer Satisfaction in Service Company” is the results of my own research except as cited in references

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APPROVAL

This report is submitted to Faculty of Manufacturing Engineering of UTeM as a partial fulfillment of the requirements for the degree of Bachelor of Manufacturing Engineering (Manufacturing Management). The member of the supervisory committee is as follow:

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ABSTRAK


Terdapat 2 set kuesioner and pertanyaan dilakukan tentang pelanggan and perkarja untuk mengumpul data dan menganalisis kepuasan pelanggan dan pekerja. Keputusan termasuk dari segi skala Likert, Model Kano, SERVQUAL, teori Herzberg dan hubungan korelasi antara skala Likert dan Model Kano tentang pelanggan dan pekerja. Keputusan akan dimanipulasi dengan menggunakan software SPSS dan cadangan untuk kajian yang lebih lanjut akan dibahas.
ABSTRACT

This project is focused on customer satisfaction in service industries, especially in banking sector. In this service sector, the customer satisfaction is pertinent to the service perception and expectation toward internal and external customer. The objective of this project is to identify the quality of service of banking company toward the customer and employee satisfaction by using SERVQUAL, Kano Model, and Herzberg Theory. The methodologies included used SERVQUAL to integrate the gap model between customer's expectations and perception of the service, while Kano Model is used to mapping the customer needs and expectations as well as the satisfaction criteria of different customer requirements (CRs). Against internal customer satisfaction, Herzberg’s theory is the method used to recognize employee attitudes and motivation and determine which intrinsic and extrinsic factors caused satisfaction or dissatisfaction.

There are 2 set questionnaires were done for internal and external customer to collect the data for analyze the customer and employee satisfaction. The results included part of Likert scale, Kano model, SERVQUAL, Herzberg’s theory and correlation relationship between Likert scale and Kano Model for internal and external customer. The date collections of the results were manipulated by using SPSS software and the suggestions for the further study were being discussed.
DEDICATION

First at all, I would like to thank to my beloved family who had always supported me and encouraged me with good advices in order to complete my final year project (PSM) within 2 semesters to fulfill my Bachelor of Degree requirement.

I would like to express my greatest gratitude to my parent, who had sent me to UTeM to complete my Bachelor of Manufacturing Engineering Degree. My hometown is from east Malaysia which is Kota Kinabalu, Sabah. It is far away to my university which is located at Melaka. I’m sincerely would like to thank them for willing spent money to bought flight ticket for me to complete my final year project (PSM). I’m felt proud to complete my PSM by fully support and encourage by my lovely family and parent.
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I would like to extend my thankful to employees of Maybank for providing their information, willing to help for distribute the questionnaires to customers and completed the questionnaires for employees.

Furthermore, I would like to thank my parents for their love, care, support, and understanding to carry out this project to the best of my ability.
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CHAPTER 1
INTRODUCTION

1.1 Introduction

Customer satisfaction can be experienced in a variety of situations and connected to both goods and services (CSSP, 2007:6; Cengiz, 2010:78). McQuitty et al., (2000:1) argued that by assuming a customer will learn from experience, then the decreasing levels of expectations-disconfirmation against goods and services should affect customer satisfaction. This is supported by Alhemoud (2010:333) in the case of banking service in Kuwait, that the customer satisfaction is resulted from any dimension whether or not it is quality related and its judgment may arise from non-quality issues (e.g. needs, equity, and perceptions of “fairness”) and require experience with the service or provider. In addition, Hsu and Cai (2009:5) said that when customer satisfaction is modelled as a function of disconfirmation arising from discrepancies between prior expectations and actual performance, then the expectations as a critical antecedent of satisfaction becomes a determinant of attitude. This is a highly personal assessment that is greatly affected by customer expectations (CSSP, 2007:6) whereby Grönroos (1998:329) previously emphasized that how good the quality of the service was perceived to be by customers, was expected to be measured using customer satisfaction approaches. Particularly, the customer satisfaction in service industries that related to the service perceptions and expectations (Parasuraman et al., 1985).

Many scholars with the case of services given have reviewed the service perceptions and expectations, such as banking (Alhemoud, 2010:333; Naeem & Saif 2007:67&79), financial and loan funding (Gray, 2009:349; Gottschalk, 2008:39), insurance, (Kang et
a.l, 2009:670), hospital (Peltola, et al., 2007:320), and health center (Jun et al., 1999; Jabnoun & Al-Tamimi, 2002; Şaafakali, 2007). In brief, they proposed a positive linear relationship between staff satisfaction, service quality and customer satisfaction leading, ultimately, to profitability. However, they are not clearly stated to differentiate the service quality construct distinguishing between functional service quality (FSQ) which means doing things nicely and technical service quality (TSQ) is doing things right (Kumar, et al., 2008:176-177). Although, towards the external customer, means that is related to the service forms and ways provided by company and their employees, while the internal, is means to employee satisfaction towards working environment, company policy and strategy in providing a better service to customers. But in reality, in which the market competition is through service quality required to improve customer satisfaction, many service industries should be paying greater attention to customer service quality and customer satisfaction to increase the competition and deregulation the total perception of the quality of a service as the outcome (technical quality, what) rather than simply addressing service quality from a functional perspective (Grönroos,1998:329; Kumar, et al., 2008:183; Kang & James, 2004:266).

1.2 Background of study

Service is a form of product that consists of activities, benefits, or satisfactions offered for sales that are essentially intangible (Papasolomou & Vrontis, 2006:37). Service quality of the service industries globally remains a critical one as businesses strive to maintain a comparative advantage in the marketplace (Hossain & Leo, 2009:338) and service quality becomes a primary competitive weapon (Stafford et al., 1996). Bank industries should focus on service quality as a core competitive strategy (Chaoprasert & Elsey, 2004:47). Banking service provides financial service that accepts deposits and channels those deposit into lending activities, either directly or through capital markets. (Shelton et al.,1995). Bank industries are using various measures to assess bank efficiency and related functions in the bank lending process. The operating efficiency determined by using measures of bank profitability, such as return on equity, return on
assets, and return on investment by using traditional method and operational ratios, such as monetary output per staff member, and total operating expenses per unit of output. (Shong & Chung, 2006:273).

In order to achieve customer satisfaction, a good service quality provided is matching specifications, stage where consumer specifications are met, fair exchange of a value at a price and potential for utilization to achieve customer satisfaction in service (Collier et al, 1994:165). Customer satisfaction in banking service is a measure of how services supplied by a company meet or surpass customer expectation. It is important for company to get more profitability and achieve the profit target margin. Customer relationship development and management systems are focused heavily by companies (Verhoef et al, 2002). The development of effective customer relationships is recognized as an essential component of marketing strategies in service industries (Chaniotakis et al, 2006:366).

Customer dissatisfaction can affect an organization in various ways. First, the customer who experiences an unsatisfactory service encounter may never patronize that particular service provider again. Second, the customer may not only want to have that incident rectified, but may request that the damage done to their interpersonal relationship with the provider be repaired (Krapfel, 1985, Patterson & Johnson, 1995), thereby incur costs to the organization. Finally, perhaps the most damaging to the organization is the tendency for an unsatisfied customer to engage in negative word-of-mouth communication (Richins, 1983). At this point the organization must worry about losing prospective customers as well as present ones. The organization need to be able to differentiate between the numerous variables that influence the consumer's selection of particular coping strategies, thereby enabling them to respond in the most appropriate fashion and aware that specific coping strategies may influence what consumers perceive to be satisfactory service outcomes.

In order to analysis the quality of service provided by service provider (internal customer), the SERVQUAL and Kano model will be the effective methodologies for
measure the external customer perception, expectation and satisfaction in banking company. The Herzberg theory is the methodology used to better understand employee (internal customer) attitudes and motivation and determine which factors in an employee's work environment caused satisfaction or dissatisfaction. The analysis and measurement on customer satisfaction are conducted by survey, observations, questionnaires and interviews in the banking company selected.

1.3 Problem statement

In the banking industry, the lending function is considered as the most important function for the utilization of funds. The highest gross profits earned from the loans, the administration of loan portfolios seriously affects the profitability of bank, but the large number of non-performing loans is the main cause of bank failure (Shong & Chung, 2006:272). The problems of this project is regarding to customer satisfaction in section external and internal in banking industry.

The external problem of the customer dissatisfaction is the period for loan approval process might be taken a few days or within a week to progress it (Lymperopoulos, Chaniotakis & Soureli, 2006:367). There was several documentation processes have to proceed to get the financing loan approval. The loan documentation for processing included application form, personal detail, loan processing, and loan approval. The documentation personal detail included income statement, document related to property be finance, and personal detail such Identity Card (IC). The loan processing is managed by loan officer which is included site visit and premise business. The loan processing is taken the lengthy period for the loan approval process because the loan officer need to site visit to verify and confirm the property be finance is in good condition and premise business to verify and confirm the applicant position in the company or business. Other than that, the officer needs to verify the income statement by checking the employee provident fund (EPF). The main purpose for verification of loan processing is to prevent any fraud documentation by customer but the period for loan approval process might be
taking long period to progress it. There is one of the factors caused customer dissatisfaction in loan service provided by bank selected.

Besides that, the requirement and qualification for proposal loan approval is very tight. There are need some documentation such as fixed deposit, property, monthly high income or guarantor to guarantee the financing loan. Without any guarantee or monthly low income is quite difficult to get the loan approval due to the low ability financial. Other than that, the character of bad payment master, high exposure and non performing loan were difficult to get loan approval due to the payment not on time and updated, many commitment, and do not pay the payment more than 3 months. The bad character will notice and bad list in the bank company. The tight requirements and qualifications caused customer dissatisfaction in loan service. Other than that, the margin of the proposal loan does not necessarily guarantee can get fully margin of the financing loan. The customer needs to wait a long period for the documentation processing approval without any guarantee on their loan proposal. In some case, bank only offer less than 80% margin of financing loan or do not get loan approval. The margin of financing loan approval does not fulfill the customer requirement or loan proposal do not approve by bank. Therefore, some customer prefers to get a loan from private money lender with high interest charged. The loan approval was fast and easy to get approve without any guarantee.

The internal problem is the internal customers or the employees’ dissatisfaction in the working environment with intrinsic and extrinsic factors (Morgan, McDonagh & Tracey, 1995:10) The intrinsic and extrinsic factors may include low salary, low allowance, poor environment or facilities, high job requirement, bad treatment from top management, company policies and administration. The job requirement was high and a lot of works have to follow up, but the salary and allowance given is low. The top management always urges and pressure employees to complete the work in certain dateline or complete by that day, so that the employees were stress and need to work overtime to follow up and complete the works. The problem cause internal customer dissatisfaction is the bank company does not pay the overtime charge according the labor policies to
employees. The employees work in under stress condition and dissatisfaction working environment will affect the overall performance in the job. The factors of job dissatisfaction will cause the employees cannot provide the better service for external customer and affect or cause the external customer dissatisfaction during getting the service.

1.4 Objectives

(a) To identify the quality of service of banking company toward the customer satisfaction.
(b) To analyze customer satisfaction in banking company through Kano model and SERVQUAL.
(c) To analyze the employee satisfaction in banking company through Kano model and Herzberg’s Theory.

1.5 Scope of project:

The project was focused on customer satisfaction towards the banking service by selecting loan service which is mortgage as product in this project. The loan service was provided at a cost and referred to as interest on the debt to customer, which provides an incentive for the lender to engage in the loan. The requirement, qualification, margin proposal loan approval, and loan processing are analyzed further detail in section external customer satisfaction. The job requirement, benefit and allowance offer to loan officer are analyzed further detail in section internal customer satisfaction. The survey will be conducted during PSM I and PSM II project and carry out at ABC Bank which is located at Melaka Raya in Melaka Malaysia.