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## RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND BUSINESS PERFORMANCE IN LLOYDS BANK UK: A CASE STUDY

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### Abstract

**Purpose:** The main purpose of this research is to examine the relationship between customer satisfaction and business performance in Lloyds Bank UK. Moreover, it also examines the extent of customer satisfaction and the business performance of Lloyds Bank through examining various factors of customer satisfaction and business performance respectively.

**Design/Methodology:** The necessary data were collected from the customers and employees through structured questionnaires from 16 branches of Lloyds Bank United Kingdom. The sample of 250 customers and 80 management level employees are considered in this research. The collected data were analysed through correlation, regression, arithmetic mean and standard deviation through SPSS 20.

**Main Findings:** The mean score of every variable is more than 3 out of 5 and mean score of overall customer satisfaction is 3.89 (77.8% satisfaction) indicates that there is high level of customer satisfaction in Lloyds Bank. Similarly, mean score of overall business performance is 3.73 (75%) shows a high level of business performance. The Pearson's coefficient of correlation between overall customer satisfaction and business performance is  $r = 0.343$  indicated that they are positively correlated. But, regression analysis shows that customer satisfaction has not significant effect on business performance as  $P = 0.139$  and  $\beta = 0.343$ . Thus, it shows that customer satisfaction has weak positive relationship with business performance.

**Value:** This research refines and reinforces the body of knowledge and understanding about customer satisfaction and organisational performance. These findings may be useful to the organisation for future planning to enhance customer satisfaction and to increase business performance. The instruments may have practical implications for examining customer satisfaction and business performance in any other business organisations.

**Limitations:** This research was conducted through cross sectional approach and limited sample of 250 customers and 80 employees from 16 branches in the main cities of the UK. So, the findings are limited to a bank in the main cities and so it can be tested through large sample test.

**Key Words:** Customer Satisfaction, Business Performance, Financial Performance, Stock Prices.

### Introduction

Marketing scholars have currently put more focus on different activities and merits of marketing which affect the base-line financial performance of the company. This might contain positive outcomes such as market share, revenue growth or stock price increases (Aksoy *et al.*, 2008). However, most of the marketing researchers have focused on the measurement of attitudes, opinions of customers and perceptions without necessarily connecting these to real behaviours of customers and succeeding financial consequences (Webster, 2005).

According to Brown (2005), the scholars in the field of marketing provide their contribution to business in general. Probably, to document the influence of marketing activities on business and financial performance are the best way to do this (Webster, 2005). Srivastava *et al.* (1998) proposed that marketers should learn to speak the financial language of their superior executives and why most of the business

organisations place the measurement of financial impact by marketing activities as a top priority.

Some of the previous researchers have widely explored the relationships between business performance and attitudes (Kerin *et al.*, 1990; Bernhardt *et al.*, 2000; Morgan and Rego, 2006). The higher customer satisfaction leads to higher level of repurchase intention, customer support and retention of customers. Moreover, loyalty and higher satisfaction leads to increase revenue, cash flows and profitability of the firm (Reichheld and Teal, 1996).

Most of those researches have been conducted using aggregate data from large database such as published financial data and American Customer Satisfaction Index. These studies make significant contributions and are outstanding for development of theories. A similar research of a firm level analysis was conducted by Williams and Naumann (2011) and found that there is a strong consistent link between customer attitudes and financial performances.

In this context, relationship between customer satisfaction and business performance on a case of Lloyds Bank is selected to explore how customer satisfaction influences business performance of a banking organisation.

Customers are the main part for the success of any business. So, measurement of customer satisfaction is becoming vital for the long term sustainability of any organisation. Previous studies have shown that customer satisfaction has statistical impact on various behaviours of customers such as referrals, purchase intentions and customer retentions. Moreover, it is argued that customer satisfaction has significant impact on different business performance metrics such as market share, sales revenue, shareholders value and gross profit margin. Various researchers show that companies with high customer satisfaction have high business performance (Shumway and Wright, 2010).

## Review of Literature

### *Customer Satisfaction*

Customer satisfaction is frequently used term in business literature which indicates how products and services offered by a company meet the expectations of customers. It is a measure of how a company offers its products and services which meet or exceed customers' expectations. Customer satisfaction is mainly related to the whole consumption experience by the customers. The different aspects of customer satisfaction mentioned by Oliver (1997) are:

Satisfaction with final outcomes.

Satisfaction with events that happen during consumptions.

Satisfaction with level of received happiness.

According to Oliver (2010), "Satisfaction is the consumers' fulfilment response. It is a judgement that a product/service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under-or over-fulfilment" (p. 8).

There is a strong relationship between customer satisfaction and profitability of the organisation (Hill, *et al.*, 2007). Customer satisfaction is considered as the measure of success of many organisations. So it became the key operational goals for several companies. They added that "customer satisfaction is a measure of how your organisation's total product performs in relation to a set of customer requirements". According to Cochran (2003), profits and revenues are nothing more than the results of fulfilling customers' expectations and needs. Customer satisfaction may impact the upcoming reactions of customers such as readiness to repurchase, willingness to refer and willing to pay more price without searching cheaper suppliers.

Many researchers such as Parasuraman *et al.* (1991); Hill (1996) focused on the fact that customer satisfaction is a

perceptions and the specific information about satisfaction is not easily available. So, additional efforts are necessary to collect measure and analyse the perceptions of customer satisfaction. As Vavra (2002) states that customer may get satisfaction with overall product and services of the company, departments and representatives of the company, particular performance of the product, organisational transactions like presentations of sales, delivery of goods, post purchase visits, complaints handling, and the pre-purchase and post-purchase link produced by a company with their valuable customers.

According to B2B International (2014) most of companies lose 45% to 50% customers in each five years time and winning new customers may be up to twenty times more costly than current customer retention. If the higher level of satisfaction is experienced by customers then trust and confidence will be higher. As mentioned by Castiglione (2006), when trust and confidence increase there will be a few percentages of customers probably switch from the business company. Many organisations have reserved secure channel to measure customer satisfaction. Measurement of customer satisfaction is the major mechanism for competitors which are successful in the current worldwide economy (Cacioppo, 2000). Existing customers can be hold by doing so and understand how to attract more customers from the competitive marketplace.

According to Chen (2004), understanding of customer satisfaction level may help a company to enhance their customer services. It is accepted that satisfied customers recommend their friends and relatives to use the respective services and products. So, the marketing activities should be focused on improving customer satisfaction level. As Oliver (1997) stated that customer satisfaction is their evaluation after making purchase of product or service as it is against of their expectations. However, customer satisfaction cannot be limited into their evaluation after purchase but it is overall experience of purchasing and consuming the services and products by the respective organisations.

There is long-term impact of customer satisfaction on current as well as upcoming viability of any business organisation. There is a strong relationship between satisfied employees and satisfied customers as shown in the 'Cycle of Good service' (Schlesinger and Heskitt, 1991). The 'Cycle of Good Service' stated that satisfied customer leads to higher profit margin and which can be utilise to pay higher salaries and benefits to the employees. The higher salary enhances employee morale and that assists to decrease employee turnover. The long-term will be more experienced and they do better customer services and that in turn increases customer satisfaction. According to this model, any company which follows this philosophy will get a high level of success, more profitable, and really win-win situation!

Conversely, some researchers have indicated that 'Cycle of Good Service' is unrealistically optimistic and the core criticism is the proposed association between improved employee satisfaction and customer satisfaction (Vavra, 2002). He also asserts that some behaviour which enhances employee satisfaction may be harmful for customer satisfaction. At these circumstances, Dr. Scheneider (2000) suggested that making employees to understand and accept the policies and practices of a company could be a support for employee and customer satisfaction (Cited by Vavra, 2000). Moreover, most of the business performance depends upon achievements of retaining customers or optimising customers' lifetime (Vavra, 2000). Furthermore, he states that happy customers can possibly to be long-time customer and they extend positive 'words of mouth' to their friends relatives regarding to product and services presented by organisations and which leads to increase their expenses to the organisation which best gratified them.

### **Measurement of Customer Satisfaction**

According to Neupane (2012), the first model to evaluate the service quality was proposed by Gronroos (1982). The model focused on the three elements of service quality. They are technical quality (regarding to what is delivered), functional quality (procedures of services delivery) and the image quality (image achieved through technical and functional qualities). The technical quality is correlated with tangible factors like physical structure that is visible to customers which is related to SERVQUAL mode which covered tangible aspects of physical environments. Tangibility plays a significant role which influences on the evaluations of other factors such as reliability, assurance, empathy and responsiveness by the customers.

Various instruments and techniques are used to measure customer satisfaction in a company. One of the well-known models is SERVQUAL which is proposed by Parasuraman *et al.* (1985) after conducting a research on four service setting: retail banking, credit card services, maintenance of electrical applications and long-distance telephone services. This model represents quality of service as the difference between customer expectations on offered services and their perceptions regarding to service received. The evaluation of the quality of service quality is based on the assessment of service outcomes and service delivery procedures by customers. The service quality which meets or exceeds the customers' anticipation is believed as good quality of service (Parasuraman *et al.*, 1985). The five factors of service quality are tangibles, reliability, responsiveness, assurance and empathy.

As argued by Cronin and Taylor (1992), the evaluation of service quality on the basis of gap between expectations and performance by SERVQUAL model is not sufficient. Similarly, as pointed by Babakus and Boller (1992), it has more explanatory power than the assessments gap between expectations and performances. A similar argument by

Kang and James (2004) pointed that it has focused more on service delivery process than other aspects such as technical dimension. Furthermore, Chang *et al.* (2003) pointed that it is a popular tool for measuring service quality but the psychometric properties of the tool are not yet established. Some researchers asked the psychometric properties and conceptual foundation of SERVQUAL model (Lam and Woo, 1997). Similarly, Orwing *et al.* (1997) have failed to replicate these dimensions and suggested that these dimensions represent only one factor rather than five.

On the contrary, Buttle (1996) pointed that SERVQUAL model is applied by various researchers to measure customer satisfaction in many companies like banking, retailing, telecommunications, restaurants, educations, hospitals and hotels. Similarly, a research carried out by Ladhari (2009), recommended that SERVQUAL is a good scale to use and measure service quality in specific organisations however, it is essential to choose the most meaningful dimensions that corresponds the evaluation of particular service to ascertain reliable and valid results. In this regard, the current researcher used this scale to access the extent of customer satisfaction at Lloyds Bank UK.

### **Customer Satisfaction and Business Performance**

Business performance is achieved when a company is generating the high level of profitability regarding financial, capital as well as other resources (Neely, 2002). However, Richard *et al.* (2009) stated that business performance includes three specific sectors: product market performance such as sales and market share; financial performance such as profitability, return on investments and return on assets; and shareholder return such as economic value added and total shareholder returns. The customer satisfaction has significant influence on different matrices of business performance such as total sales, market share, gross margin, stakeholder value and total revenues (Wiele *et al.*, 2002). Higher level of customer satisfaction clearly influence on customer retention, purchase intention and positive word of mouth. Similarly, according to Kristensen *et al.* (2002), a strong predictor of further business performance such as yearly sales growth, net operating cash flows and market share is customer satisfaction.

### **Measurement of Business Performance**

Business performance can be measured through measuring the effectiveness and efficiency of actions by collecting and standardising information and setting appropriate targets (IFM, 2012). The progress of performance measures plays significant role in clarifying and formulating strategies and plans and setting targets for project teams, employees, as well as business units. It should be a part of constant system of performance measurement which associates the measurement for top managements, middle and lower managements, different business units, employees and individual projects. The measures may include financial and non financial measures; trade off between measures and

leading and lagging indicators such as process, input and output measures. One of the popular performance measurement frameworks is 'Balance Scorecard' which was developed by Kaplan and Norton (1996). The balanced performance measurement system will assist to develop, discourse and formulate the organisational strategies; communication of the strategies throughout the company; define objectives, specify business targets for employees and project teams; monitor and motivate managers and employees and direct their actions; and inform managers, employees as well as shareholders about effectiveness and efficiency of past activities and strategies which have possibilities of success for the future (Kaplan and Norton, 1996).

Conversely, according to Jensen (2001), the Balanced Scorecard does not supply a base line score or a combined vision with sharp recommendations which is simply a list of metrics. Similarly, as Wisniewski and Olafsson (2004) pointed that the Balanced Scorecard was basically designed to discourse the needs of performance measurement of private sector and it is not perfectly match to the public sectors. According to Rillo (2004), it has many inconsistencies which are necessary to be taken into account. Furthermore, Anand *et al.* (2005) suggested that it is difficult to get the balance between non-financial and financial measures because of implementation problems. However, Balanced Scorecard is an easy tool to implement for organisational performance measurements (Niven, 2006). It is easy to develop and easy to apply but it needs significant adaption and modifications to the exclusive requirements of business of every organisation.

### **Customer Satisfaction and Financial Performance**

In the present years, the attentions of researcher have drawn on the study of relationship between customer satisfaction and financial performance in the academic literatures. Stivastava *et al.* (1998) found that high level of customer satisfaction leads to an increase in the volume of cash flows, an acceleration of cash flows as well as risk reduction related to cash flows. A similar study by Gruca and Rego (2005) also suggested that enhancing customer satisfaction leads to maximise cash flows and risk reduction connected with cash flows. Some other researchers have also discovered positive association between overall revenues and customer satisfaction (Loveman, 1998; Reichheld and Sasser, 1990).

According to Bolton *et al.*, (2000), the increased revenue is associated to customer's buying behaviour and perceptions towards the organisation whether they have fulfilled their expectations or not. Similarly, Cooil *et al.*, 2007; suggested that the increased income could also be caused to a supplier obtaining an increased portion of satisfied customer's wallet. Homburg *et al.*, (2005) also found that increased cash flows can be attributed through sensitivity of lower price among pleased customers who are willing to pay

more. Moreover, the acquisition of additional customers leads to increase revenue. Profitability is influenced from customer satisfaction and retention which cause higher revenues in the future and reduced operational costs (Reichheld and Teal, 1996).

According to Anderson and Mittal (2000), the satisfaction-profit chain is a next useful model to understand the probable relationship between financial performance and customer satisfaction. This theory argues that attribute performance such as quality of service leads to greater satisfaction of customers and in turn a high level of customer retention which leads to increase profitability. So, customer satisfaction is positively connected to loyalty, revenue and profitability. It is assumed that satisfied customers will be more loyal company and so they make long-term relationship and spend more in this organisation. A similar view by Anderson, *et al.*, (2004) stated that over longer life expectancy of customers, they may increase their expenses annually because highly satisfied customers should have higher profitability through higher annual revenue.

### **Customer Satisfaction and Stock Price**

Some researchers were attracted about the relationship between stock price and customer satisfaction and other market value indicators (Anderson *et al.*, 2004; Aksoy *et al.*, 2008). Commonly used value indicators are Tobin's q statistic and price earnings ratio (P/E). The Tobin's q is a ratio of market value of a company's assets to their cost of replacement. Many researchers have found that customer satisfaction and value indicators of an organisation are positively associated. A research by Aksoy *et al.* (2008) suggested that customer satisfaction is a highly precious intangible asset which creates positive returns. They also added that positive changes and higher level of customer satisfaction will outperform competitors in the stock market.

Based on the above literature we can assume the following hypotheses.

**H1:** Lloyds Bank has a high level of customer satisfaction.

**H2:** Customer satisfaction is positively correlated with stock prices.

**H3:** Lloyds Bank has a high level of business performance.

**H4:** Customer satisfaction is positively related with overall business performance.

**H5:** Customer satisfaction has significant effect on business performance.

### **Research Methodology**

This research is based on inductive approach which was started from observation through structured questionnaires and tentative hypothesis through analysis of pattern to derive generalisation. This research is mainly based on case

study which is a strategy for conducting a research involving empirical investigation of contemporary phenomenon within its real life context applying different evidences (Saunders *et al.*, 2009). Case study strategy assists to investigate information in the real world and relate them with the objectives of the research. It helps researchers to understand complex issues through circumstantial study of specific number of events or conditions with relationships. It is based on cross-sectional approach on the basis of time horizon because it presents a 'snapshot' of results and characteristics associated with it at a specific point of time rather than following same sample over time and frequent observations. It may also minimise attrition whether in longitudinal study people may drop across time. This research is based on quantitative method rather than qualitative because the researcher applied statistical or numerical analysis to set up relationship between the variables and data are examined through computer software.

This necessary primary data was collected through structured closed ended questionnaires. Basically, the questionnaires are multiple choices, likert scaling and closed ended. It is economical in terms of money and time; it preserves more privacy of the participants than from other methods; and it help to generate standardised information (Mittal and Mehra, 2008). So, this method is selected in the current research. The researcher divided questionnaires into two sections for customer participants as well as management level employees. The questionnaires for customers contained 22 questions derived from SERVQUAL dimension with five-point likert scale where higher values indicate high level of customer satisfaction. The business performance questionnaires consist of 20

questions related to five dimensions: business strategy and direction, sales and marketing, team effectiveness, financial management, and systems & procedures; also in a five point likert scale.

Systematic random sampling method was used to collect data from the customers of Lloyds bank because it preserves equal probability of selecting every unit from the entire population and it is more convenient for the researcher (Easterby-Smith, *et al.*, 2012). Moreover, it is commonly used in the academic research. However, this method may takes more time than other convenience sampling but it has a nature of less sampling errors and easy to apply. Similarly, convenience sampling is used to collect data from the management level employees because it is appropriate according to their availability. In this method, a sample is chosen from readily available list such as automobile registration, telephone directory etc. The current research is conducted by using the sample of 250 customers and 80 management level employees from 16 branches of Lloyds Bank.

A pilot study was conducted before undertaking the current research to test the clarity, validity and relevance of questionnaires, to make prediction and test the feasibility of sample size for the whole research. The pilot study consists of 15 participants from the customer's side and 8 participants from employees of Lloyds Bank based on London. The pilot study suggested that questionnaires are understandable, acceptable and could be answered in average of 6 minutes.

The reliability is accessed through Cronbach's alpha ( $\alpha$ ). The result from the pilot study is demonstrated in Table 1.

Table 1: Internal Reliability Analysis

Constructs	Number of items	Cronbach's Alpha ( $\alpha$ )
Tangibles	4	0.822
Reliability	5	0.712
Responsiveness	4	0.753
Assurance	4	0.732
Empathy	5	0.823
<b>Overall Customer Satisfaction Questions</b>	<b>22</b>	<b>0.732</b>
Business Strategy and Direction	4	0.732
Sales and Marketing	4	0.705
Team Effectiveness	4	0.841
Financial Management	4	0.723
Systems and Processes	4	0.821
<b>Overall Business Performance</b>	<b>20</b>	<b>0.830</b>
<b>Overall</b>	<b>32</b>	<b>0.851</b>

Table 2: Evaluation of Customer Satisfaction in Lloyds BANK

Variables	Mean	Median	Standard Deviation
Tangibles	4.02	4.25	0.59
Reliability	3.97	4.00	0.52
Responsiveness	3.68	3.75	0.53
Assurance	3.73	3.75	0.60
Empathy	3.81	3.80	0.59
Overall CS	3.89	3.84	0.55

Table 3: Evaluation of Business Performance in Lloyds Bank

Variables	Mean	Median	Standard Deviation
Business Strategy and Direction	3.55	3.50	0.64
Sales and Marketing	3.61	3.75	0.80
Team Effectiveness	3.70	3.75	0.69
Financial Management	3.77	4.00	0.71
System and Processes	4.00	4.12	0.60
Overall Business Performance	3.73	3.88	0.58

The value of Cronbach's alpha ranged between 0.712 and 0.823 for customer satisfaction variables. Similarly, the value of alpha ranged between 0.705 and 0.842 for business performance variables. The overall value of alpha is 0.851. These values of alpha indicated a high reliability of scales.

The collected primary and other related data regarding business performance of Lloyds Bank is analysed through different mathematical and statistical techniques such trend analysis, correlation and regression analysis with the help of latest version of Statistical Package for the Social Sciences (SPSS 20).

## Data Analysis, Findings and Discussion

### *Evaluation of Customer Satisfaction in Lloyds Bank*

Level of customer satisfaction is accessed by 5-point likert scale in which 1- strongly disagree and 5-strongly agree. The higher value in the scale represents high level of customer satisfaction with product and services offered by Lloyds Bank. The Table 2 shows the mean, median and standard deviation of the score for each variable of SERVQUAL given by 250 respondents from the 16 branches of Lloyds Bank.

The above figures show that there is the highest level of satisfaction in tangible items for which the mean score is 4.02 out of 5. Similarly, every variable has mean score more than average level of satisfaction which is 3. The highest median is also from tangible items which is 4.25. Likewise, median of every dimension is also more than 3. This verifies that maximum number of customers are satisfied with the services and product offered by Lloyds Bank. The standard deviation of the variables is ranged between 0.52 and 0.60 which indicates that there is no more deviation of the scores provided by customers. The average score of overall customer satisfaction  $3.89 \pm 0.55$  (mean  $\pm$  SD). In this way, there is a high level of customer satisfaction in Lloyds Bank.

### *Evaluation of Business Performance in Lloyds Bank*

The business performance of Lloyds Bank is accessed through the five variables regarding business performance. It was examined by 5-point likert scale in which score 1 is for strongly disagree, 5 is for strongly agree and 3 is for average. The greater values represent high level of business performance. The scores are given by management level employees of Lloyds Bank. The above Table 3 demonstrates the mean, median and standard deviation of the scores.

The Table 3 shows that the highest mean score is in 'system and process' which is 4.00 and the lowest mean score is in 'business strategy and direction' which is 3.55 out of 5. All the mean scores are above the average level 3. The median score of the variables is ranged between 3.50 and 4.12. Similarly the overall mean and median score are 3.73 and 3.88 respectively. This indicates that there is high business performance of Lloyds Bank. The standard deviation is ranged 0.60 to 0.80 which indicates a low variation of scores given by the participants. Thus, above figures indicated that all the mean scores and median scores are above average score of 3 and hence it proves that there is a high level of business performance of Lloyds Bank.

### *Relationship between Customer Satisfaction and Business Performance*

Pearson's coefficient of correlation is used to examine the relationship between customer satisfaction and business performance in Lloyds Bank. The coefficients are computed through SPSS. The Table 4 shows the inter-correlation between customer satisfaction variables and business performance variables as well as overall customer satisfaction and overall business performance.

Table 4: Pearson's Coefficient of Correlation between Customer satisfaction and Business Performance

	Tangible	Reliability	Responsiveness	Assurance	Empathy	Overall CS	Strategy & Direction	Sales and Marketing	Team Effectiveness	Financial Management	System and Processes	Overall Business P.
Tangible	-											
Reliability	-.238	-										
Responsiveness	.117	-.233	-									
Assurance	.269	-.062	.668**	-								
Empathy	-.030	.359	.370	.423	-							
Overall CS	.289	.408	.602**	.764**	.784**	-						
Strategy & Direction	-.149	-.24	.361	.232	.305	<b>.160</b>	-					
Sales and Marketing	-.124	-.307	.316	.142	.283	<b>.085</b>	.731**	-				
Team Effectiveness	-.155	-.206	.397	.306	.209	<b>.176</b>	.158	.379	-			
Financial Management	.515*	-.147	.264	.180	.142	<b>.271</b>	-.004	.003	-.071	-		
System and Processes	.417	-.012	.204	.502*	.165	<b>.413</b>	.107	-.030*	-.172	.625**	-	
Overall Business Performance	<b>.121</b>	<b>-.326</b>	<b>.516*</b>	<b>.431</b>	<b>.380</b>	<b>.343</b>	.737**	.789**	.448**	.453*	.447*	-

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

The coefficient of correlation between the four customer satisfaction variables: tangible, responsiveness, assurance, empathy and overall business performance are all positive but the correlation between reliability and overall business performance is negative. The coefficient of correlation between Tangible and business performance is 0.121; responsiveness and business performance is 0.516 which is significant at the 0.05 level; assurance and business performance is 0.431; and empathy and business performance is 0.380 but reliability and business performance is -0.326. This shows the positive relationship between most of the variables of customer satisfaction and overall business performance.

Similarly, the correlation coefficients between business performance variables: 'strategy and direction', 'sales and marketing', 'team effectiveness', 'financial management' and 'system and process' and overall customer satisfaction are 0.160, 0.085, 0.176, 0.271 and 0.413 respectively which all are positive but a low correlation. So, business performance and customer satisfaction are positively associated. The inter-correlation between different variables of business performance and overall business performance are all positive and significant as shown in the Table 4.

Finally, the Pearson's coefficient of correlation between overall customer satisfaction and overall business performance is  $r = 0.343$  which is also positive but not

highly significant. In this way, the overall figures indicate the positive relationship between customer satisfaction and business performance.

### Regression Analysis

Regression analysis is conducted to know the effects of customer satisfaction on overall business performance where overall business performance is dependent variable and overall customer satisfaction is predictor. The Tables 5, 6 and 7 show the model summary, ANOVA and coefficients of regression.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Errors of the Estimate
1	0.343 <sup>a</sup>	0.118	0.069	0.34186

a. Predictor: (Constant), Overall Customer Satisfaction

In the above Table 5,  $R = 0.343$  shows the correlation between overall customer satisfaction and overall business performance.  $R^2 = 0.118$  which is the coefficient of determination.

Table 6: ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.281	1	.281	2.403	0.139 <sup>b</sup>
	Residual	2.104	18	0.117		
	Total	2.385	19			

a. Dependent Variable: Overall Business Performance

b. Predictor: (Constant), Overall Customer Satisfaction



In the following Table 7, coefficient B tells the intercepts and coefficients for independent variables. The sig. (P-value) indicates measure of probability that the difference in outcomes occurred by chance. The larger values of  $\beta$  are associated with greater values of t and lower values of p.

Table 7: Coefficients<sup>a</sup>

Model	Unstandardised Coefficients		Standardised Coefficients	t-stat	Sig. (P-value)
	B	Std. Error	Beta ( $\beta$ )		
(Constant)	1.794	1.326	-	1.353	0.193
Overall Customer Satisfaction	0.515	0.332	0.343	1.550	0.139

a. Dependent Variable: Overall Business Performance

In this model of regression, overall customer satisfaction has not significant effects on business performance because value of P = 0.139 which is not  $p < 0.05$ . It shows a 0.515 change in proper management of customer satisfaction for each point increase in business performance in Lloyds Bank.

Regression equation  $y = a + bx$ . In the above model, overall business performance = y, overall customer satisfaction = x, Constant (a) = 1.794, Slope (b) = 0.515

Business performance = 1.794 + 0.515 Overall CS

Therefore,  $y = 1.794 + 0.515 x$  is the required fitting of straight line to predict business performance through customer satisfaction. Thus, regression analysis shows that customer satisfaction has not significant effect on business performance where  $p = 0.139$  and  $\beta = 0.343$ .

**Financial Performance of Lloyds Bank**

The financial performance is accessed through the current stock price and earnings per share of the Lloyds Banking Group. The stock price of the company in 09<sup>th</sup> March 2014 is 81.70 at in the London Stock Exchange. The historical stock price of three months period is shown in the following figure.

The figure shows that stock price at the beginning of December 2013 was in between 75 to 78. It was continuously increasing in the month of January and became 86 at the peak. It was slightly decreased to 80 at the end of January 2014 and again slightly increasing in February and it became 83 at the End of February 2014. It was slightly decreasing and became to 81.70 in 09<sup>th</sup> March 2014. Lloyds Banking Group reported its annual 2013 earnings per share of 0.0692 February 13, 2014. These figures show that Lloyds Banking Group has good performance in stock price.



Fig. 1: Stock Price of Lloyds Banking Group in Last Three Months

Source: Yahoo Finance

## Discussion

This research sets out to evaluate the relationship between customer satisfaction and business performance of Lloyds Bank. It also examines the customer satisfaction level and its business performance through examining five different constructs of business performance.

The results show that the mean score of each factors of customer satisfaction is more than 3 out of 5 indicating high level of customer satisfaction as in table 2. Similarly, the mean score of overall customer satisfaction is 3.89 (77.8%) which is a high level of customer satisfaction. Thus, high level of customer satisfaction leads to high customer satisfaction which supports the Hypothesis 1 of this research.

The stock of Lloyds Banking Group is strong and increasing in the period of three months of 2013 (Dec, Jan, and Feb) as shown in figure 1. As there is high level of customer satisfaction and strong stock price of Lloyds Bank in stock exchange supports the Hypothesis 2 that customer satisfaction is positively correlated with stock price. This result is similar to the findings by Aksoy *et al.*, (2008). They found that customer satisfaction is an important intangible asset and creates positive returns to the organisation. They added that positive changes and higher level of customer satisfaction may outstrip the competitors in the stock exchange. This result is also consistent with the result suggested by Gruca and Rego (2005) as they found that customer satisfaction leads to increase cash flows and enhance financial performance.

The business performance is evaluated through five variables regarding business performance of the organisation. The figures indicate that the mean score of each variable is more than 3 out of 5 which shows high level of business performance in Lloyds Bank. Also, the mean score of overall business performance is 3.73 which is about 75% indicating high level of business performance. This fact supports the Hypothesis 3 which is Lloyds Bank has a high level of business performance. This result is similar as claimed in annual reports of Lloyds Bank 2013.

The correlation analysis between customer satisfaction and business performance shows that customer satisfaction is positively correlated ( $r = 0.343$ ) with business performance which is considered as a low correlation. This result supports the Hypothesis 4. This result is equivalent with the result obtained by Wiele *et al.* (2002). They found that there is a positive relationship between customer satisfaction and business performance.

The regression analysis shows that customer satisfaction has not significant effect on business performance as  $P = 0.139$  and  $\beta = 0.343$ . This fact violates the Hypothesis 6 which states that customer satisfaction has significant effect on customer satisfaction. This fact is different from the

report by Wiele *et al.* (2002). They found significant impact of customer satisfaction on business performance. The result of current research is different than that research due to some constraints such as small sample size; data was collected from the just 16 branches form Lloyds Bank, non-probability sampling method and cross sectional method of research.

## Conclusion

This study was completed as cross-sectional approach with a limited sample of 250 customers and 80 management level employees from 16 branches of Lloyds Bank. The instrument of questionnaires derived from SERVQUAL model for customer satisfaction and five dimensions of business performance are used to access the business performance of the organisation. SPSS 20 is used to analyse the collected data.

This research evaluates the relationship between customer satisfaction and business performance on a case of Lloyds Bank. The five factors of customer satisfaction: tangible, reliability, responsiveness and assurance; and five elements of business performance: strategy and direction, sales and marketing, team effectiveness, financial management and system & process are used to access the relationship between customer satisfaction and business performance.

## Main Findings

The mean score of every variable is more than 3 out of 5 and mean score of overall customer satisfaction is 3.89 (77.8% satisfaction) indicates that there is high level of customer satisfaction in Lloyds Bank. The mean score of every business performance variable is more than 3 and mean score of overall business performance is 3.73 (75%) verifies that Lloyds Bank has a high level of business performance. The Pearson's coefficient of correlation between overall customer satisfaction and overall business performance is  $r = 0.343$  suggested that they are positively correlated with each other but a low correlation. Similarly, regression analysis indicates that customer satisfaction has not significant effect on business performance as  $P = 0.139$  and  $\beta = 0.343$ . So, this empirical research suggested that customer satisfaction has weak positive relationship with business performance and the impact of customer satisfaction on business performance is not significant.

## Implications of this Research

This research refines and reinforces the body of knowledge and understanding regarding to customer satisfaction and organisational performance analysis. This study found the positive relationship between customer satisfaction and business performance which has laid the foundation for the future researchers to investigate those associations using other designs of research. These findings added some strength in literature of business management. As customer satisfaction has positive relationship with business performance, having meaningful importance in the field of

business management. The proposed structure of this research could be used as basis of enhancing business performance.

The instrument used to evaluate business performance can be used to access the business performance by any organisation. The findings may have some practical implications to the policy makers of Lloyds Bank for further enhancement of its business in the competitive market. This research opens the doors for the further researchers to test the validity of this by using large sample size and different research instruments. These frameworks may be useful for the further researchers in the same field while testing business performance of any organisations.

### Limitations

The cross-sectional approach is used in this research. This approach does not allow the analysis of cause and effect or it has complications in establishing the time sequence of events. The researcher considered five variables of customer satisfaction from SERVQUAL dimension. There may have some other important factors which may affect the research. Similarly, five business performance variables are used to test business performance of Lloyds Bank from the view of management level employees. There may have other better processes to evaluate business performance.

The questionnaires instrument is used to collect necessary data in which respondents may not understand some questions and they may misinterpret their vision while answering and it may affect the outcomes of the study. The research is based on quantitative process. If this research is conducted by qualitative method then it may have different findings.

Furthermore, the limited sample size of 250 customers and just 80 management level employees are considered from just 16 branches of Lloyds Bank in the city regions only because of limited time and resources. This sample may not denote the vision of all respective peoples. So, a large sample size survey with more number of branches from different places is necessary to test the validity of these findings.

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