THE IMPORTANCE OF PERCEIVED SERVICE VALUE IN RETAIL BANKING SERVICES

VAŽNOST PERCIPIRANE VRIJEDNOSTI USLUGA KOD BANKARSKIH USLUGA

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Abstract

Purpose – In many industries, perceived service value is found to be a significant mediator between perceived service quality and customer satisfaction and loyalty. Therefore, this paper aims to test a conceptual model of perceived service value with its antecedents, such as perceived price and perceived service quality, and consequences, customer satisfaction and loyalty, in the retail banking industry.

Design/Methodology/Approach – For the empirical study, a measurement instrument was developed and tested for validity and reliability. Measures were assessed with exploratory factor analysis (EFA), confirmatory factor analysis (CFA) and structural equation modeling (SEM). A structural model with five reflective constructs was evaluated to test direct and indirect relationships among constructs.

Findings and implications – Results confirm a mediating role of perceived value in relationships between perceived price, perceived service quality, customer satisfaction, and customer loyalty in the case of retail banking services.

Limitations – Because the results are directly relevant only to customers and marketing managers of retail banking services, generalizations of the findings beyond the immediate population observed should be made with caution.

Sažetak

Svrha – U različitim granama djelatnosti percipirana vrijednost usluga istaknuta je kao značajan medijator između percipirane kvalitete usluga te zadovoljstva i odanosti korisnika. Stoga je svrha ovoga rada na primjeru usluga u bankarskome sektoru testirati konceptualni model percipirane vrijednosti usluga i njegovih utjecajnih faktora, kao što su percipirana cijena i percipirana kvaliteta usluga, te posljedica, zadovoljstvo i odanost korisnika.

Metodološki pristup – Za potrebe empirijskog istraživanja razvijen je mjerni instrument te testirana njegova valjanost i pouzdanost. Korišteni mjerni instrument provjeren je kroz eksplorativnu faktorsku analizu, konfirmatornu faktorsku analizu te strukturalno modeliranje. Strukturalni model s pet reflektivnih konstrukata analiziran je kako bi se testirale direktne i indirektne veze među konstruktima.

Rezultati i implikacije – Rezultati potvrđuju medijacijsku ulogu percipirane vrijednosti u odnosu percipirane cijene i percipirane kvalitete te zadovoljstva i odanosti korisnika kod usluga u bankarskome sektoru.

Ograničenja – Kako su rezultati istraživanja direktno relevantni isključivo korisnicima bankarskih usluga i marketinškim menedžerima u bankama, treba se uzeti s oprezom generalizacija rezultata na druge usluge osim bankarskih.

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MARKET TRŽIŠTE

Originality – This paper extends existing knowledge with both direct and indirect effects among researched concepts, and shows the importance of perceived service value in achieving satisfied and loyal customers in retail banking services.

Keywords – perceived service quality, perceived price, perceived value, customer satisfaction, customer loyalty, retail banking services

Doprinos – Ovaj rad zasniva se na postojećim spoznajama te ih nadograđuje direktnim i indirektnim efektima među istraživanim konceptima. On naglašava važnost percipirane vrijednosti usluga u postizanju zadovoljnih i odanih korisnika u bankarskim uslugama.

Ključne riječi – percipirana kvaliteta, percipirana cijena, percipirana vrijednost, zadovoljstvo potrošača, odanost korisnika, bankarske usluge

1. INTRODUCTION

The world economy is rapidly transforming into a service-oriented economy (Lovelock & Wirtz, 2011), above all in the emerging economies. This trend is reflected in the vast number of marketing research projects focused on services (Carrillat, Jaramillo & Mulki, 2007). Nowadays, companies increasingly see themselves as service providers where the tangible product is an integral part of the service (Caruana & Ewing, 2011). According to a vast majority of authors (e.g. Molina, Martin-Consuegra & Esteban, 2007; Kaura, Durga Prasad & Sharmam, 2015; Caruana & Ewing, 2011) in the field, the challenge for service firms is primary to identify the critical factors that determine customer satisfaction and loyalty. The perceived value, as well as its antecedents and consequences, have been claimed to be important in industries with higher customer involvement, such as the banking industry (Angur, Nataraajan & Jahera, 1999).

Several research projects dealing with the relationship among perceived service quality, customer satisfaction and loyalty have been conducted, the majority of them in developed economies, mostly in the U.S. (Yavas, Benkenstein & Stuhldreider, 2004; Mittal & Gera, 2012). A limited number of research projects investigating the quality of retail banking services for customers have been implemented in the European Union, and are restricted to Germany and Greece (Athanassopoulos, Gounaris & Stathakopoulos, 2001; Yavas et al., 2004). Lately, this trend of research is gathering pace in developing countries too (e.g. Mittal & Gera, 2012), with some making comparisons to Western economies (Ladhari, Ladhari & Morales, 2011). Very few studies have dealt with the perceived value of retail banking services as a central concept through more sophisticated models of relationships, including analyzing the mediating role of perceived value and perceived service quality, although there is evidence that perceived value is a significant mediator between perceived service quality and behavioral intentions (Mittal & Gera, 2012). Furthermore, to our knowledge, no such research has been implemented in emerging economies of Central Europe (CEE).

Examining the perceived value of retail banking services in a CEE country makes sense for several reasons. First, previous research classified banks according to different criteria, which are primarily economic in nature, while neglecting marketing aspects, in particular perceived service quality (Al-Marri, Moneim, Ahmed & Zairi, 2007) or perceived service value. Second, several authors (e.g. Ahmed, 2002; Nyer, 2000; Sureshchandar, Rajendran & Anantharaman, 2002; Al-Marri et al., 2007) stress the lack of marketing services research in emerging economies to help gain an understanding of which activities contribute to stronger business performance of retail banks. This is important in the time of current economic turmoil and in the current process of bank restructuring. Third, banking environment has changed considerably over the past 20 years (Feldin, Košak, Prašnikar, Rašković & Žabkar, 2009). The banking sector has been dealing with changes in demand, technological changes, regulatory changes, and with the entry of new competitors, from other business (Gardener, Howcroft & Williams, 1999). In such circumstances, higher levels of market orientation are required. Evidence from some CEE countries (Kolar, 2006) suggests that, in comparison to retail banks in developed EU countries, domestic retail banks achieve a lower degree of market orientation. This is probably so because such banks mostly offer core services without implementing any differentiated marketing strategies, and are therefore not specialized or focused on individual customers' needs. Our speculation is that, in the early days of economic transition, retail banks in CEE countries were preoccupied with a reconstruction of core business processes. So, they have started adapting their marketing activities to customer's wants and needs only recently. The intensification of competition from foreign retail banks has somehow forced domestic retail banks in emerging economies to pay closer attention to delivering value to the customer and value related satisfac-

tion and loyalty; these are among the key success factors for many firms that are considered an important source of competitive advantage (Wang, 2010). Customer loyalty, as one of the most important determinants of business success, has recently received increasing scholarly attention, especially in researching drivers that influence loyalty, directly and indirectly (Caruana & Ewing, 2011). Finally, some authors claim that perceived value with its antecedents and consequences plays an important role in the industries with a high degree of client involvement such as retail banking (Angur et al., 1999), and that perceived service value is of focal importance in delivering superior business performance.

The opportunity to advance the understanding of concepts of perceived service quality and perceived value in the banking sector provides the foundation for this paper. Therefore, this paper brings three main contributions to the topic. It provides a deeper insight into the relationships between antecedents (perceived service quality, perceived price) and consequences (customer loyalty and customer satisfaction) in the context of an emerging CEE economy. It also shows how perceived value mediates the relationship between the researched concepts. Furthermore, contribution is also found in identifying both direct and indirect effects of perceived price and perceived service quality on researched consequences.

The theoretical background of this paper is presented in three sections. In the first section, the perceived service value theory is explained, followed by perceived value antecedents in the second and perceived value consequences in the third section. Altogether, five research constructs, namely perceived price, perceived service quality, perceived value, customer satisfaction, and loyalty are defined. Secondly, based on the conceptual model, hypotheses are developed. The empirical study is presented in two sections, methodology and results section. Finally, results are interpreted in the discussion section, also addressing managerial implications and limitations of the research.

2. THEORETICAL BACKGROUND

Perceived service value

In the process of delivering value to its customers, companies should consider the complexity of perceived value, as well its antecedents and consequences. The understanding of these constructs may not only lead to greater satisfaction of customers, but also to building sustainable competitive advantage. While the relationship between perceived service quality and customer satisfaction have been well investigated in the past, perceived value has remained a comparatively neglected aspect of customers' service experiences (Caruana, Money & Berthon, 2000; Petrick, 2002; Gallarza, Saura & Moreno, 2013).

In the literature, perceived value is commonly defined as the customer's overall assessment of the utility of a product (or service) based on the perceptions of what is received and what is given (Zeithaml, 1988). A value judgment is the customer's assessment of the value that has been created for them by a supplier, given the trade-offs between all relevant benefits and sacrifices in a specific-use situation (Ulaga & Chacour, 2001; Woodall, 2003).

Authors also agree that perceived customer value is a multidimensional concept (Gallarza & Saura, 2006; Sanchez, Callarisa, Rodriguez & Moliner, 2006; Cronin, Brady & Hult, 2000), one which can be defined from a rational and emotional perspective (Sanchez et al., 2006). Perceived value is considered as one of the most influential antecedents of customer satisfaction (Eggert & Ulaga, 2002), loyalty, and repurchase behavior (Cronin et al., 2000). As such, perceived value is a relevant issue for banking firms. However, only rare studies in the banking industry (Fandos Roig, Sancez Garcia, Moliner & Monzonis, 2006; Chen, Chang & Chang, 2005; Bick, Brown & Abratt, 2004; Cengiz, Ayyildiz & Bünyamin, 2007; Shamdasani, Mukherjeeb & Malholtra, 2008) have recognized the importance and included the perceived value concept in bank customer satisfaction research. Results of these studies

indicate that perceived value is an important mediator in customer satisfaction and loyalty creation. It is related to bank service quality, perceived risk, and customers' intentions for continued interaction (Shamdasani et al., 2008).

Antecedents of perceived value

Perceived price is the factor in consumer pre-, as well as post-purchase behavior. Although many research studies have emphasized the importance of perceived value and the role of perceived price in that relationship, a limited number of empirical research has investigated the influence of perceived price on consumer behavior in the service industry (Ryu & Han, 2010). Perceived price is usually considered as perceived sacrifice that customers experience as a combination of nominal price (monetary costs) and all other customer costs (non-monetary costs) of service acquisition and its use (e.g. Zeithaml, 1988; Sweeney, Soutar & Johnson, 1999; Ulaga & Chacour, 2001). Concerning retail bank services, monetary price includes the cost of loans and commissions. Non-monetary price consists of factors such as time, effort or energy, which may play just as important role as does price in money terms (Wang, Lo, Chi & Yang, 2004). Regarding non-monetary aspects of price, Zeithaml (1988) dealt with the costs of search, waiting, etc. – in short, all efforts, risks, and insecurities connected to the acquisition and use of a product. Consumer behavior frequently involves risk in the sense that any action of a consumer will produce consequences which cannot be anticipated with certainty, and some of which are likely to be unpleasant (Shamdasani et al., 2008). Broadening the definition of perceived price with non-monetary aspects increases the share of subjective dimension in the perception of prices, which is further enhanced by a heterogeneous attitude of customers towards the utility they obtain from a product or service (Padula & Busacca, 2005).

One should consider that the definition of perceived price in this study is broader than the classic (economic) definition of price according to which the price of a certain product or service consists only of the number of money units that are paid by customers to obtain a unit of a product. Also, the concept of price is understood as a separate concept, which is related to perceived value. Authors who included perceived price in empirical research mostly dealt with monetary factors, although there are some rare exceptions (e.g. Petrick, 2004). Concerning the non-monetary costs in the banking industry, most authors (Cunningham, Gerlach & Harper, 2005; Shamdasani et al., 2008) stress the importance of safety, privacy, and perceived risks. Chen and Chang (2005) claim that, because of the nature of retail banking services, financial risks are the most important.

Most scientific studies of perceived value in the last 20 years have included **perceived service quality** as a major antecedent in the quality-value models (e.g. Cronin et al., 2000; Parasuraman & Grewal, 2000; Petrick, 2002). Marketing literature defines perceived service quality as the customers' overall assessment of service superiority. As such, it differs from objective quality, which involves an objective aspect or feature of a thing or event when considering services (Rowley, 1998). An important development in contemporary marketing is the shift in focus from product towards services dominant logic (Caruana & Ewing, 2011; Vargo & Lusch, 2008). Companies worldwide and those CEE countries increasingly see themselves as service providers, where the tangible elements of the product are an integral part of the service delivered and, therefore, an important aspect of perceived service quality. In that respect, Zeithaml (1988, 2000) defines perceived service quality as the consumers' judgment about an entity's (services') overall excellence. It is created in relationships between customers and suppliers in which both parties are active. It embodies a relatively lower intensity of an affective component in the perception of a service (Oliver, 1997). The most popular definition of quality is very close to the definition of customer satisfaction and relates to meeting/exceeding expectations. That is why the concept of service quality can

be difficult to define (Cronin & Taylor, 1992; Para-suraman, Berry & Zeithaml, 1993; Brady & Cronin, 2001) and shows that there is neither an accepted nor the best definition of quality for every situation. Consequently, theoretical findings in the area of service quality did not match the needs of practice until late.

On the basis of original SERVQUAL scale, Bahia and Nantel (2000) have developed a Banking Services Quality scale. Choudhury's (2007) recent study concerning the perceived service quality dimensionality in the retail banking industry suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India; namely, attitude, competence, tangibles, and convenience. Other authors have empirically researched the quality of retail banking services (Lee & Hwan, 2005; Çalik & Balta, 2006; Choudhury, 2007; Cengiz et al., 2007; Shamdasani et al., 2008). Perceived service quality in most of the cases is explored as a customer's overall assessment of service superiority. Consequently, Zeithaml's (1988, 2000) definition of perceived quality as the consumers' judgment about an entity's (services') overall excellence is also applied in this study.

Perceived value consequences

One of the major and most frequently included consequences of perceived value is **customer satisfaction.** Jones & Sasser (1995) stressed that achieving customer satisfaction is the primary goal for most service companies. In the services marketing literature, customer satisfaction has traditionally been explained as a complex human process, which involves both cognitive and affective processes. According to many studies (Parasuraman, Zeithaml & Berry, 1985; Tse & Wilton, 1988; Chu, 2002), customer satisfaction follows Oliver's expectancy disconfirmation theory (Oliver, 1997). This theory suggests that customer satisfaction should be defined as how well a product or service fulfills pre-purchase expectations of consumers. In some service industries, and in the banking industry as well, services are often homoge-

nous in nature, which implies the importance for managers to seek strategies to differentiate their services from competitors. Based on that and on the research by Giese and Cote (2000), Caruana (2002) defines customer satisfaction with retail banking services as a post-purchase, global affective summary response that may be of different intensities, occurring when customers are questioned and interviewed in relation to the retail banking services offered by competitors. Hence, customer satisfaction in this study is approached by comparing expectations or expected value with the actually delivered perceived value in retail banking services.

A customer's perception of the value received from a service provider could motivate the customer to patronize the provider again (Wang, 2010); it has also been proved by numerous research results to be one of the consequences of perceived value. Usually, authors investigate a direct link from perceived value (e.g. Cronin, Brady, Brand, Hightower & Shemwell, 1997) or an indirect link through customer satisfaction (Cronin et al., 2000; Ryu, Han & Kim, 2008; Gallarza et al., 2013). There are several definitions of **customer loyalty**: (1) loyalty as an attitude sometimes described as a long-lasting desire to be in a relationship with the brand or a firm (Guest, 1944); (2) loyalty mainly expressed in terms of revealed behavior, i.e. the pattern of past purchases (Thiele & Mackay, 2001); and (3) buying moderated by the individual's characteristics, circumstances, and/or the purchase situation (Caruana, 2002). Banking loyalty in this study is defined as the continuing patronage of a particular retail bank by a client over time, through the number and frequency of services used and through likelihood of switching or staying with a provider in the future (Lewis & Soureli, 2006). The benefits of customer loyalty to a provider of either services or products include lower customer price sensitivity, reduced expenditure on attracting new customers and improved profitability (Rowley, 2005).

3. THE CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

Past research shows that authors have often equated the concept of perceived service quality with that of perceived value, but this conflation was due to inadequate understanding of the concepts (Caruana et al., 2000). Concerning the basic definition of perceived value, it is clear that the unification of the two concepts is not appropriate. Perceived service value is the function of customers' comparison of all the benefits derived from the purchase and use of a service, along with all the costs (sacrifices) associated with the purchase and use of the service. Therefore, many authors conclude that the concept of perceived service quality is a similar but different concept from perceived service value (Bolton & Drew, 1991; Wang et al., 2004; Sanchez-Fernandez & Iniesta-Bonillo, 2007). Because of this difference we can conclude that quality is one and, according to Gallarza and others (2013), probably the major component of value. Also, in most cases (Sweeney et al., 1999; Teas & Agarwal, 2000; Petrick, 2004), perceived service quality leads to higher perceived service value, therefore we posit that:

H_1: The higher the perceived quality of retail banking services, the higher their perceived value.

The similarities between the concepts of customer satisfaction and perceived service value are also a matter that demands a thoroughgoing discussion. Since customer satisfaction could be defined as the fulfillment of customer expectations, the affinity between customer satisfaction and perceived value lies in their subjectivity and also in their use of comparison. In the case of perceived value, customers compare benefits and sacrifices, whereas, in the case of customer satisfaction, they compare their expectations or expected value with the actually delivered perceived value. These concepts are different but complementary to one another (Woodruff & Fisher Gardial, 1996; Eggert & Ula-

ga, 2002). A plethora of research on perceived value includes relationships or effects of the perceived value on **customer satisfaction** or vice versa (Parasuraman, 1997; Woodruff, 1997; Oliver, 1999). Most of the authors conceptualize perceived value as an antecedent of satisfaction, rather than satisfaction as an antecedent of perceived value (Caruana et al., 2000; McDougall & Levesque, 2000), as suggested by Woodruff (1997). Based on the above discussion, we propose the following hypotheses:

H_2: The higher the perceived value of retail banking services, the higher the customer satisfaction with these services.

The research exploring a relationship between perceived service quality and customer satisfaction can be divided into two groups. The first group of research studies examined only the direct relationship between perceived service quality and customer satisfaction without taking into account the mediating role of perceived value (e.g., Drew & Bolton, 1991; Jamal & Nasser, 2002; Yavas et al., 2004); The second group considers the relationship together with the perceived value (e.g. Cronin et al., 2000). We can postulate that the increase in perceived service quality leads to higher quality perceptions, which in turn determine higher customer satisfaction. Based on findings by Wang, Lo and Yang (2004) and Cronin and others (2000) that perceived service quality impacts perceived value and perceived value impacts satisfaction, we can speculate that not only a direct but also an indirect relationship exists between perceived service quality and customer satisfaction. This proposes the following two hypotheses:

H_3: The higher the perceived quality of retail banking services, the higher the customer satisfaction with these services.

H_4: Perceived value mediates the relationship between perceived quality and customer satisfaction with retail banking services.

Irrespective of the perceived value definition, perceived price is of prime importance to customer perceptions of value. A higher price

would usually indicate lower perceived value and vice versa, thus price is a negative dimension of perceived value. Monroe (1990) argues that customers value the reduction in sacrifices more than an increase in benefits. The empirical measurement of perceived value usually includes price perceptions (Ryu & Han, 2010). There is limited evidence concerning the relationships between perceived value, perceived price and customer satisfaction. Based on previous research (Wang, Lo & Yang, 2004; Fandos Roig et al., 2006) that perceived price influences perceived value, and studies indicating that perceived value influences forming satisfaction (Cronin et al., 2000), it can be inferred that perceived value is a mediator between those two constructs. Therefore, we propose the following hypothesis:

H_5: The more favorable the perceived price of retail banking services, the higher the perceived value of retail banking services.

H_6: Perceived value mediates the relationship between perceived price and customer satisfaction with retail banking services.

The seventh hypothesis is based on the confidence in a generally accepted positive relationship between customer satisfaction and customer loyalty, as well as the vast amount of research results (Cronin et al., 2000; Ulaga & Chacour, 2001; Sanchez-Fernandez & Iniesta-Bonillo, 2007), and we propose:

H_7: The higher the level of customer satisfaction with retail banking services, the higher customer loyalty.

High customer's value perception of the service experience usually motivates the customer to return to the service provider. Therefore, perceived value should be positively related not only to customer satisfaction, but to customer loyalty as well (Bolton & Drew, 1991; Woodruff, 1997; Yang & Peterson, 2004). Perceived value can contribute to loyalty as a positive form of behavioral intention (Chaudhuri & Holbrook, 2001; Cronin et al., 2000). According to Gallarza and others (2013), besides the indirect relation-

ships between value, satisfaction and loyalty, perceived value can also have a direct influence on customer loyalty. The same author also argues that no study has tested this full set of linkages simultaneously, and that this task should remain a crucial goal for future research. Hence, we define two hypotheses:

H_8: The higher the perceived value of retail banking services, the higher customer loyalty.

H_9: Customer satisfaction mediates the relationship between perceived value and customer loyalty in the case of retail banking services.

In the empirical part of exploration regarding the suggested hypotheses, we attempt to show the mediating role of the perceived value of retail banking services in relationships between perceived price, perceived service quality, customer satisfaction and customer loyalty in the case of retail banking services. By empirical verification of these hypotheses, a comprehensive integrative model of relationships between the perceived value antecedents, i.e. perceived service quality, and perceived price, as well as the perceived value consequences, i.e. customer satisfaction and loyalty in the case of retail banking services, was developed.

4. METHODOLOGY

Measurement instrument development

The measurement instrument for the empirical study was developed in three steps. First, after the literature review, some of the relevant items for the questionnaire were identified. This preliminary phase also included a focus group with postgraduate students at the University of Maribor, Slovenia. In the second step, in-depth interviews with eight bank managers and four experts from the marketing field were conducted to generate an additional pool of items and in order to test the content validity.

Items from the original SERVPERF scale (Cronin & Taylor, 1992) were used to measure perceived

service quality, while items for the measurement of perceived value were adopted from Cronin (2000). Oliver's (1997) scale was adopted for the measurement of customer satisfaction. In the process of customer loyalty scale development, all generally used items in customer loyalty research of retail banking services have been taken into the consideration (e.g. Beerli, Martin & Quintana, 2004; Pont & McQuilken, 2005; Lewis & Soureli, 2006; Leverin & Liljander, 2006). The development of a scale for measuring perceived price was predominantly based on the results of our qualitative research, with that used for non-monetary costs partially adopted from Petrick (2002). Then, the questionnaire was examined by six academics in the field of marketing to determine content validity and to help avoid redundancy. In the third step, a pilot survey was conducted on a sample of 234 retail banking customers. This way the internal consistency of the scales used in the final study was tested and non-relevant items were dropped where exploratory factor analysis showed low loadings or cross loadings on multiple indicators.

In the final study, the items in the questionnaire were measured on a 5-point Likert scale (from 1 = "strongly disagree" to 5 = "strongly agree"). Eleven items were used for the measurement of perceived service quality, four items for perceived price, three items for perceived value, three items for customer satisfaction, and three for customer loyalty. This accounted for a total of 24 items out of 68 items at the beginning. Measurement scales were validated in the previous study (Pisnik, Snoj & Žabkar, 2012).

Exploratory factor analysis using SPSS, and confirmatory factor analysis and structural equation modeling using AMOS were applied in the data analysis.

Sampling frame and data collection

Data for the main research was collected from 700 retail banking customers in Slovenia by means of a telephone interview. The strata sample framework was representative regarding basic demographic characteristics. It was also representative as far as the structure of retail banking customers and the number of inhabitants in each Slovenian region is concerned. The final structure of the sample corresponded to the market shares of retail banks in Slovenia at the time of the research. The response rate of 59.07 % is relatively high, according to the data collection method. The standard error of the sample at the 95 % confidence level was +/- 3.7 percentage points.

Table A1 in the Appendix shows that the daily visits to retail banking branches are rare, as 42.2 % of respondents visit branches once to three times a month. Using an ATM is more common, with as many as 60.4 % of respondents using ATM retail banking services at least once a week. Web is characterized by a high proportion of respondents who never use e-banking; however, the proportion of e-banking users using web services is rising rapidly not only worldwide (Gerrard & Cunningham, 2003) but in Slovenia as well (Žižek & Žižek, 2015). Very few respondents use retail banking services by telephone or mobile phone. We can conclude that the users of retail banking services in Slovenia still have very traditional behaviors since retail banks in Slovenia have just recently started to develop and promote mobile banking more seriously.

Non-response bias and common method bias

Before the final analysis, we tested the non-response bias using the t-test method, for investigating the differences between the groups of early and late respondents. Insignificant t-test results showed no differences between the answers of early and late respondents. Since the data for the both (dependent and independent) constructs were collected by the same means, we also applied the test for common method bias. According to Podsakoff and Organ (1986), the Harman one-factor test can be used in such cases. The factor analysis showed that we can extract five factors accounting for 51.46 % of the total variance.

Dimensionality, reliability and validity of the scales

After preliminary exploratory factor analysis (EFA), confirmatory factor analysis (CFA) was performed. For the constructs of perceived service quality and perceived price two measurement models were compared: (a) a one-factor model, where perceived service quality and perceived price were conceptualized as uni-dimensional and where the covariance for all the items could

be accounted for by a single factor; and (b) a multi-factor model, where perceived service quality and perceived price were conceptualized as multi-dimensional and where covariations among the items could be accounted for by several restricted first-order factors. Summary statistics for both models are shown in the Appendix, Table A2. For both constructs, the multi-factor models were found to outperform the single factor models on absolute measures

TABLE 1: Items, standardized loadings, construct reliabilities, and average variance extracted for the conceptual model

Construct	Dimensions and items	Coefficients λ (loadings)	Construct reliability (CR)	Average variance extracted (AVE)
Perceived value α = 0.78	This bank offers me a lot of benefits.	0.654	0.75	0.51
	In this bank the ratio between give and get components is very fair.	0.742		
	In the relationship with this bank I perceive more positive than negative things.	0.734		
Perceived price (second order construct) α = 0.66	Monetary costs	0.504	0.52	0.36
	Non-monetary costs	0.681		
Perceived quality (second order construct) α = 0.86	Core service	0.743	0.76	0.51
	Physical evidence	0.679		
	Safety and confidence	0.724		
Customer satisfaction α = 0.87	Services of this bank meet my expectations.	0.831	0.81	0.58
	I have good experiences with this bank.	0.815		
	I am satisfied with this bank.	0.626		
Customer loyalty α = 0.82	If I had to decide again, I would choose this bank again.	0.820	0.83	0.62
	I would always recommend this bank to someone who seeks my advice.	0.822		
	I always speak positively about this bank.	0.716		
Fit indices: X^2/df=3.95, RMSEA=0.06; CFI=0.95; NNFI=0.93, PNFI=0.60				

Source: Research results

($χ^2$, GFI, and RMSEA), incremental fit measure (CFI), and parsimonious fit measures ($χ^2/df$). The majority of the fit indices were within the suggested interval.

Composite reliability measures were used to assess the reliability of the perceived service quality and perceived price subscales. The construct reliability coefficient (CR) of the three subscales used for measuring perceived service quality ranged from 0.84 to 0.88 (Appendix, Table A3) and from 0.69 to 0.73 for perceived price (Appendix, Table A4), which met the standard of 0.6 suggested by Fornell and Larcker (1981).

Next, construct validity of single subscales was assessed by examining convergent and discriminant validity. Evidence of convergent validity in the single constructs was determined by inspecting the variance extracted (AVE) for each factor, as shown in the Appendix, Table A3 and Table A4. CFA results showed that, in all cases, the AVE reached the suggested value of 0.50 (Fornell & Larcker, 1981). Also, the correlations (Appendix, Table A5) between the suggested dimensions were statistically significant.

Further, discriminant validity was assessed for the subscales of perceived service quality and perceived price of retail banking services. Series of CFAs were performed for all pairs of constructs. In every case, the chi-square differences between the fixed and free solutions were significant at p<0.05.

Finally, reliability, convergent validity, and discriminant validity were assessed for all other constructs in the conceptual model (perceived value, satisfaction, and loyalty) and also for second-order perceived price and perceived service quality constructs. The results, presented in Table 1, indicate that all measures are within the suggested intervals.

5. RESULTS

In the final stage of the research, the proposed conceptual model was tested by using structural equation modeling. The overall structural model is shown in Figure 1.

An overall fit assessment of the model yielded a significant chi-square value ($χ^2(67)$=264.9;

FIGURE 1: Standardized direct path estimates
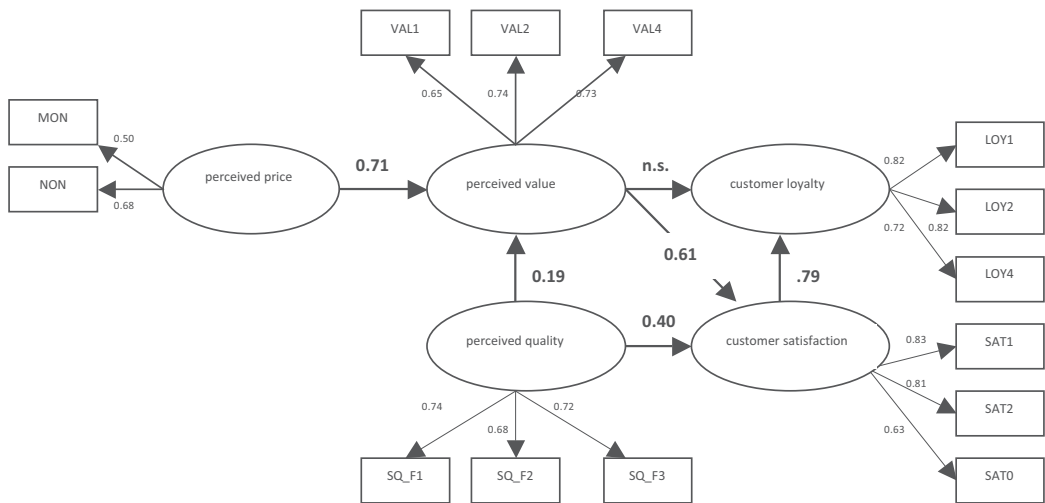
All paths significant at p<.01

Fit indices: $X^2/d.f.$=5.034, RMSEA = 0.07; CFI = 0.94; NNFI = 0.92, PNFI = 0.71

p < 0.05), which indicates a non-perfect fit. However, according to Bollen (1989) other fit indices should be used, since χ^2 may be an inappropriate standard when dealing with the complex model and with the large sample size. Other fit indices remained in the proposed range (Hooper, Coughlan & Mullen, 2008). Also, significance levels for both indirect and total impacts were calculated using bootstrapping method. Table 2 provides an overview of the estimated effects within the causal model regarding the selected hypotheses.

As predicted by H_1, perceived retail banking service quality is positively related to perceived value ($\beta_1 = 0.194$; p<0.05). The relationship between perceived service quality and customer satisfaction with retail banking services is stronger than the quality-value relationship ($\beta_2 = 0.401$; p<0.01). Therefore, it can be assumed that the relationship between perceived service quality and customer satisfaction is direct, but also indirect through perceived value. As expected, positive and significant coefficient were also present for the path from perceived value to customer satisfaction ($\beta_3 = 0.608$; p<0.01). According to these findings, we can confirm hypotheses H_1, H_2 and H_3.

The indirect effect of perceived service quality on customer satisfaction through perceived value was also positive and significant, with a regression coefficient of 0.118 (p<0.05). The results showed that the total effect of perceived service quality on customer satisfaction, which is defined as a sum of direct effect ($\beta_2 = 0.401$; p<0.01) and indirect effect ($\beta_{11} = 0.118$; p<0.05), was greater ($\beta_{11} + \beta_2 = 0.519$; p<0.01) than just a direct relationship between perceived service quality to customer satisfaction ($\beta_2 = 0.401$; p<0.01). Considering the results, perceived value mediates the relationship between perceived quality and customer satisfaction of retail banking services; therefore, we can confirm hypothesis H_4.

Considering the effect of perceived price on perceived value, the analysis showed that the relationship between perceived price and perceived value is quite strong and significant, with a regression coefficient $\gamma_2 = 0.707$ (p<0.05). Thus, hypothesis H_5 was also confirmed. Furthermore, the indirect effect of perceived price on customer satisfaction through perceived value was

TABLE 2: Direct, indirect, and total impacts with global fit indices of the model

Direct impact		Sig.	Indirect impact	Sig.	Total impact	Sig.
QUAL-VAL	0.194	p<0.05	-	-	0.194	p<0.05
QUAL-SAT	0.401	p<0.01	0.118	p<0.05	0.519	p<0.01
QUAL-LOY	-	-	0.423	p<0.05	0.423	p<0.05
PRICE-VAL	0.707	p<0.05	-	-	0.707	p<0.05
PRICE-SAT	-	-	0.430	p<0.05	0.430	p<0.05
PRICE-LOY	-	-	0.381	p<0.01	0.381	p<0.01
VAL-SAT	0.608	p<0.01	-	-	0.608	p<0.01
VAL-LOY	0.056	n.s.	0.483	p<0.01	0.539	p<0.01
SAT-LOY	0.794	p<0.05		-	0.794	p<0.05

Fit indices: χ^2/df=5.034, RMSEA=0.07; CFI=0.94; NNFI=0.92, PNFI=0.71

Notes: QUAL – perceived quality; VAL – perceived value; SAT – customer satisfaction; LOY – customer loyalty, PRICE – perceived price

Source: Research results

also quite strong, positive, and significant, with a regression coefficient of 0.430 (p<0.05). Results show that perceived value mediates the relationship between perceived price and customer satisfaction of retail banking services; hence, we can also confirm hypothesis H6.

As expected, our results show very strong, positive and significant effect of customer satisfaction on customer loyalty of retail banking services. The regression coefficient for this relationship is $\beta_4 = 0.794$ (p<0.01), confirming hypothesis H_7. Finally, perceived value has a non-significant effect on customer loyalty, but the indirect effect is strong (0.483) and significant at p<0.01. We can clearly conclude that customer satisfaction plays a significant role of a mediator between perceived value and customer loyalty. On that basis, we can confirm H_8 and H_9 as well.

6. DISCUSSION AND IMPLICATIONS

Our research highlights the role of perceived service value as the core element of contemporary marketing efforts with its antecedents and consequences. Nowadays, offering as many benefits that are important to customers as possible and minimizing their monetary and non-monetary costs is crucial for business success. This paper has attempted to extend the existing knowledge with both direct and indirect effects among researched concepts, and to research a mediating role of perceived value in retail banking services.

The results demonstrate that the concept of perceived value is valid and reliable for companies operating in the banking industry in a CEE economy. It can be applied to understanding customers' overall assessments of the utility of retail bank services. In the empirical study of retail banking services, we linked: (1) perceived price to perceived value, (2) perceived service quality directly and indirectly to customer satisfaction and directly to perceived value, (3) perceived value to customer satisfaction and

customer loyalty, and (4) customer satisfaction to customer loyalty.

The first important finding of our study is that perceived service quality includes a set of subjective components, which means that customers do not perceive only rational components of offerings, but are also growing increasingly sensitive to the emotional aspects of services.

Perceived price, which is composed of monetary and non-monetary components, has a very strong direct influence on perceived value; indeed, this relationship is the strongest in the whole model. That is somehow expected as the price might be one of the greatest competitive advantages in financial services. Furthermore, price is one of the tangible elements of the offer, while perceived service quality is first of all a multi-dimensional concept, which is very intangible and can also vary heavily among different banking services providers. However, increased competition and liberalization of markets have influence on the equalization of prices. Therefore, authors believe that, in the future, non-monetary elements will become even more important for enhancing perceived service value in the eyes of customers and will form a strong basis for competitive differentiation.

In addition to direct effects, indirect effects of perceived price are also important and significant. The results show quite strong, positive, and significant indirect relationships between perceived price, customer satisfaction, and customer loyalty. Therefore, we can clearly see the importance of perceived value which mediates these relationships. This result has an important implication for business practice. Indeed, in search for providing higher levels of customer satisfaction and loyalty, retail bank managers should consider both sides of perceived value respectively; benefits, as well as monetary and non-monetary elements of the price.

According to the results, we can conclude that higher perceived service quality of retail banking services can contribute to perceived value and to more satisfied clients. It is interesting

that the impact of perceived service quality on satisfaction is significantly stronger than the impact on perceived value. The explanation of the results may be that (high) quality of retail banking services today is largely expected and, therefore, does not present additional benefits to customers. On the other hand, it is very important for their perception of satisfaction. As soon as customers perceived a lack of expected high quality, they might be dissatisfied. Also, perceived service quality by itself does not necessary directly produce greater levels of satisfaction, since it does not include the concept of sacrifice, which is a prominent dimension of perceived value. Further, it is necessary to emphasize that this study did not specifically evaluate disconfirmation between the expected value and the actual perceived value, which could give us even more insight into the problem and probably definitive answer on commented relationship. Ensuring the quality of retail banking services is highly important because, besides the direct, perceived service quality also has an indirect positive impact on satisfaction.

In addition, medium strong indirect impact of perceived service quality on customer loyalty was identified. Perceived service quality in our model affects customer loyalty only through customer satisfaction. The relationship between perceived value and customer satisfaction is insignificant, meaning that we cannot confirm any mediation impacts. The high quality of retail banking services is therefore not only important in order to create customer satisfaction, but also in order to achieve customer's loyalty. An indirect impact of satisfaction on perceived service quality is even stronger than its direct impact.

The results of this research are in accordance with previous results of authors who suggested that higher levels of perceived value of organization's offerings lead to greater levels of customer satisfaction and loyalty (e.g. Ulaga, 2001; Cronin et al., 2000; Wang et al., 2004; Lin, Sher & Shih, 2005; Gallarza & Saura 2006). However, previous studies did not highlight or empirically test the

importance of perceived value as a mediator in price-satisfaction and price-satisfaction-loyalty relationships. The results of our study confirm that these indirect impacts are strong and positive. Therefore, it is obvious that managers in retail banks should evaluate and enhance customers' perceptions of value associated with their retail banking services.

For companies, it is of prime importance to focus their activities on the benefit side of perceived value. More precisely, companies should refine their offerings by increasing the benefits instead of lowering their prices. This is especially the case for companies operating in service industries, such as retail banking, where the core offering is usually intangible. In this context, managers' decisions regarding their activities with customers should be holistic and systematic, taking into account both direct and indirect effects among them.

However, in assessing the implications of this study, the research approach has a few inherent limitations. Because its results are directly relevant only to customers of retail banking services and may be of interest to marketing managers in the retail banking service sector, generalizations of the findings beyond the immediate population observed should be made with caution. Also, the model of perceived value could be further expanded to account for more indicators of perceived value (e.g. culture, market orientation), as well as more consequences of perceived value (e.g. consumers' trust), since consumers in emerging economies are expected to have less experience with retail banks than consumers from in developed economies.

As we found out, it can be assumed that the price paid for a service by a customer in retail banking is more important than the quality of service delivery itself. This prediction calls for further investigation in the future. Also, any future models should include the measurement of customers' disconfirmation in order to obtain more complete information regarding the value-quality-satisfaction interrelationships.

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Appendix

TABLE A1: The main characteristics of the sample

Age	Frequency	%
18 - 25 years	101	14.4
26 - 35 years	111	15.9
36 - 45 years	124	17.7
46 - 55 years	140	20.0
56 - 65 years	96	13.7
66 - 75 years	83	11.9
76 years and older	45	6.4
Total	700	100.0
Gender		
Male	336	48.0
Female	364	52.0
Total	700	100.0
Education		
Primary school or lower	178	25.4
Vocational school	178	25.4
Secondary school	227	32.4
High school or University	115	16.4
Doesn't want to tell	2	0.3
Total	700	100.0
Number of family members		
1	91	13.0
2	196	28.0
3	167	23.9
4	188	26.9
5	40	5.6
6	17	2.4
Total	700	100.0

The frequency of banking services used

	Retail bank branches (%)	ATM (%)	Web (%)	Telephone banking (%)	Mobile banking (%)
Every day	0.4	1.6	2.0	0	0
Few times a week	0.9	30.7	4.3	0.2	0
Once a week	4.4	28.2	4.7	1.6	0.2
Once to three times a month	42.2	12.3	7.2	2.2	1.3
Less than once a month	49.7	3.0	1.1	1.5	0.1
Never	2.4	24.2	80.7	94.5	98.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Research results

TABLE A2: Summary statistics for the one-factor and multi-factor models for perceived quality and perceived price

	Perceived quality*	Perceived price**
One-factor model	χ2/df = 266.61 / 44 RMSEA = 0.099 NFI = 0.92 CFI = 0.93 SRMR = 0.18 GFI = 0.83	χ2/df = 80.10 / 2 RMSEA = 0.237 NFI = 0.84 CFI = 0.84 SRMR = 0.15 GFI = 0.92
Multi-factor model	χ2/df = 125.5 / 41 RMSEA = 0.094 NFI = 0.97 CFI = 0.97 SRMR = 0.03 GFI = 0.97	χ2/df = 1.98 / 1 (P=0.16) RMSEA = 0.037 NFI = 0.99 CFI = 0.99 SRMR = 0.01 GFI = 0.99

* Multi-factor model: core service, safety and confidence, as well as physical evidence

** Multi-factor model: monetary costs, non-monetary costs

Source: Research results

TABLE A3: Items, standardized loadings, construct reliabilities and average variance extracted for perceived quality

Dimension	Item	Standar. loadings	Composite reliability (CR)	Average variance extracted (AVE)
Core service	SQ1_This bank offers me a complete range of products.	0.800	0.87	0.69
	SQ3_This bank is innovative.	0.795		
	SQ5_This bank matches my specific needs.	0.888		
Safety and confidence	SQ24_The employees of this bank are well-educated and professional.	0.610	0.84	0.57
	SQ27_My money and savings are safe in this bank.	0.829		
	SQ28_Using services outside bank facilities (ATM, telephone banking, e-banking) is safe.	0.684		
	SQ29_Recommedations of employees of this bank are trustworthy.	0.864		
Physical evidence	SQ6_Employees of this bank are neat in appearance.	0.873	0.88	0.65
	Sq7_This bank has up-to-date facilities and equipment.	0.822		
	SQ8_The outdoor facilities of my bank are visually appealing.	0.755		
	SQ9_Informative materials (website, advertisements, brochures, etc.) are visually appealing.	0.776		

Source: Research results

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TABLE A4: Items, standardized loadings, construct reliabilities and average variance extracted for perceived price

Dimension	Item	Standar. loadings	Construct reliability (CR)	Average variance extracted (AVE)
Monetary costs	PP2_This bank has favorable commissions.	0.596	0.73	0.59
	PP1_This bank has favorable interest rates for loans.	0.910		
Non-monetary costs	PP4_In this bank I spent a little time for information acquisition about banking services.	0.758	0.69	0.53
	PP3_This bank provides banking services quickly.	0.706		

Source: Research results

TABLE A5: Correlations between researched constructs

	Perceived price	Perceived value	Perceived quality	Customer satisfaction	Customer loyalty
Perceived price	1				
Perceived value	0.743	1			
Perceived quality	0.613	0.627	1		
Customer satisfaction	0.709	0.824	0.745	1	
Customer loyalty	0.802	0.728	0.698	0.825	1

Source: Research results