

## **The Effect of Mental Engagement on Key Service Relations (From the Perspectives of Customers to Two Private Banks)**

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**Abstract:** *It seems that the contacts customers make with staff members with customer orientation does have effects on the perceived services on the part of the customers, as well as their satisfaction. In addition to these, customer's mental engagement is a source to define the differences in the amount of physical and mental attempts of the consumers in their decision making. In other words, customers of various levels of mental engagement do spend different amounts of efforts in the way to find substitute for their target products. This study tries to investigate if the customers' level of mental engagement with suppliers is under the effect of staff's customer orientation, their perceived level of services, and their satisfaction. In so doing, six hypotheses were developed. As a result of the findings, hypotheses 1, 2, 3, 4, and 5 were confirmed, while hypothesis number 6 was rejected. This applied study employed descriptive data gathering techniques for a correlation investigation. Subjects of the study were the customers of two private banks. Gathered data was put under investigation through Lizrel in order to investigate the hypotheses of the present study. The variables of the study include staff's customer orientation, perceived level of services, customers' level of satisfaction, and their level of mental engagement.*

**Key Words:** *the level of mental engagement with the staff, customer orientation, quality of services, satisfaction.*

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### **I. Introduction**

Engagement in key service relations would normally happen for most of the service organizations. In this way, this is a well-known fact that the key aspects of service management do normally happen during engagement with services. It is no wonder that critical managerial issues within service organizations focus on the way the experience of customers with the staff affect their evaluations. It is, for instance, an old belief that in order for the staff members to be customer oriented, they need to have key concentration on establishing the needs and wants of the customers (Kotler, 1967).

Some studies have attempted to investigate the effect of the characteristics of customer oriented employees on the results of staff-customer interactions (Bitner et al., 1990). These studies focused on such features as self-efficiency, level of stress, competence, and adaptability within the customer oriented staff members. Although these features can play key roles, little has been done on investigation their potential moderating effects of these feature on the part of customers (Mittal & Kamakura, ).

This pitfall in the literature is important due to two reasons. On the one hand, such efforts could lead to managers' better understanding as how to appropriate their services to the characteristics of their consumers. On the other hand, these efforts might lead to a way to distribute consumers more appropriately. In this study, we specifically investigate the role of customers' engagement as the moderating factor in studying the impact of customer oriented service staff's characteristics on customers' perception of service quality and their satisfaction. Customers of various levels of engagement are different with respect to the level of their intended effort to look for alternative products and services as higher levels of engagement mean lesser importance for alternatives. Such customers might feel more satisfied. They might also have a higher perception of the quality of services. Basically, higher levels of engagement signify a higher level of cognitive investment on a specific service provider.

This study aims at investigating the effect of consumer evaluation of staff customer orientation on their perception of service quality and customer satisfaction.

### **Statement of problem**

In most service organizations production and consumption happen simultaneously. In this way, the fact that the key aspects of service management appear when the consumers interact with the service is a remarkable issue. At the moment, service organizations attempt at reaching operational goals so to guarantee new customers for their products. What they do includes attempts at developing customer loyalty and trust.

It goes without saying that the vital nature of the interaction time between the staff and customers is the key reason why managers of service organizations focus on the how-being of the experience of customers from

their interactions with their staff. This study investigates the effect of the level of mental engagement on the part of the customers in modifying their level of perceived service quality, as well as their satisfaction. Consumers' mental engagement can explain the differences in the level of their mental and physical engagement as well as their decisions. As an internal state, mental engagement defines the level of stimulation and interest for any given stimulator. Such features of the products as their type, the communication quality perceived by the customers, and the circumstances where the consumers function affect consumers' personality. For example, higher prices for services or products would make them socially conspicuous and risky. This would lead to an increase in consumers' mental engagement towards shopping that product. The circumstances, too, can have a contextual impression, leading to an effect on consumers' mental engagement. In addition, consumers could express different reaction towards a product.

In this way, the problem could be stated in the following way:

Does the level of engagement between a consumer and a supplier modify the consumer's evaluation of staff's customer orientation, service quality, and customer satisfaction?

Review of the related literature

In the Persian references, no study was found to be directly dealing with mental engagement and its relationship with services. Nonetheless, Nazari&Rezaieearab carried out a study on the effect of external indicators of quality on customers of high level of mental engagement on their perceived quality and intention to purchase a laptop. In this study the researchers employed PLS and found out that such external indicators as price, brand, friends, experience, brand ranking, hardware and guarantee services affect customers' intention to buy a given laptop.

Mahdiyeh&Choobtarash also carried out a research on consumers' mental engagement and the decision to purchase. This case study which investigated cell phone shopping it was found out that the aspects of mental engagement on the part of the consumer, passion towards the product, joy-driven value, symbolic value, the importance of taking risks, and risk probability, are meaningfully related to purchase decision.

Laroche (2003) stated that it was more possible that the customers get engaged with the products as production and consumption are inseparable within services. In addition, it is not possible to change the ownership for services as they cannot return the service they buy. In addition, Larch carried out a study on the relationship between intangibility of products and the perceived danger. He and his colleagues investigated three components of intangibility, namely physical intangibility, mental intangibility, and overall intangibility. The results of their studies showed that customers' mental engagement with the first two components, physical and mental, could modify the perceived danger. This finding is specifically true for customers of higher levels of mental engagement.

Gabbott& Hogg (1999) investigated the effectiveness of employing engagement in defining the relationships within the decision making structure in regard to the service procurement. They concluded that the perceived services could relate to the amount of consumers' engagement with the product.

varki& Wong (2003) studied the effect of mental engagement on consumers' inclination towards establishing relationships with the supplier. They also investigated the effect of mental engagement on consumers' demand related to the efforts by the supplier to establish a relationship. Their findings indicated that consumers of high level of engagement had a bigger inclination to establish long-lasting relationships with the suppliers.

### **Research goals**

The major purpose of this study is to see if the level of mental engagement of the consumers with the suppliers could modify their evaluation of staff's customer orientation, their perceived service quality, and their satisfaction.

Minor research goals

- Studying the effect of service sector staff's customer orientation on customer satisfaction.
- Studying the effect of perceived service quality on customer satisfaction.
- Studying the effect of staff's customer orientation on the perceived service quality.
- Studying if mental engagement could modify the perceived service quality relationship with customer satisfaction.
- Studying if mental engagement could modify the staff customer orientation relationship with perceived service quality.
- Studying if mental engagement could modify the staff customer orientation relationship with customer satisfaction.

### **Theoretical Framework**

Perception, measurement, and the relationships between service quality and satisfaction in the way to develop marketing literature has gained importance in the past twenty years.

As an issue related to perception development and measurement, the problem of how organizations can make a higher level satisfaction and quality perception has attracted attention in the recent years.

Saxe & Weitz introduced customer-centeredness as a practice for the concept of marketing in the level of private customers. In other words, in companies with customer-centered strategy, focus on satisfying the needs of the customers is considered to have an opposing position during the marketing process. Some scholars suggest that the service quality perception and customer satisfaction for a customer-centered company is to be identified (c.f. Goff et al., 1997; Grewal and Sharma, 1991; Zeithmal et al., 1988). Furthermore, Goff (1997) managed to realize some relationships between customer-centered staff and customer satisfaction.

Based on what was stated, there is no doubt that engaging and customer-centered staff do have a crucial role in increasing consumers' perception of service quality, as well as their satisfaction. It goes without saying that, as stated before, customers' mental engagement could have a substantial modifying effect on such relationships. The question is how this engagement could have varying effects on the aforementioned relationships.

Some of the findings are probably in relation to those consumers' decision of higher levels of mental engagement. For example, Michelle (1980) reports that such mentally engaged consumers have more criteria in their decision making. Beatty & Smith (1987) state that these consumers look for more information. Petty & Caciopo (1981) believe that these consumers would normally be reluctant to substitute for the products they chose. Ckaiken (1980) reports that consumers of higher levels of mental engagement would provide related information of more details. In this way, they have a stronger resistance in the face of change.

The framework to clarify the effect of engagement for us is the Elaboration Likelihood Model (ELM) developed by Petty & Caciopo (1981). This model suggests that for every consumer of a higher level of engagement with a product, there is a good chance of paying more attention to the details.

When the complexity is high, this means that the customer would actively involve in the process to gather purchase information. Under circumstances of lower engagement, with lower levels of complexity, this model states that consumers would have more possibility to go for other ways. This means that they have trust the information of a lesser relation to the specific context of shopping.

In the context of the present study, it is expected that the high level of consumers' engagement with the details is more probable for relying on the information provided by the staff. In this way, these customers find the information more useful in making decisions which would eventually lead to an increase in their satisfaction and perceived service quality. On the other hand, lower levels of engagement would give them lesser ability in evaluating the information provided for them by those related to those products. It is therefore that their purchase decisions are less correlated with the information provided through those who contact the customers, as well as the failure in the relationship between customer orientation, service quality and customer satisfaction. In this way, the following hypotheses are provided:

- Perceived engagement felt by the consumer, would eventually modify the relations between perceptions of customer-centered staff and service quality.
- Perceived engagement by the consumers would modify the relations between customers' perceptions of customer-centered staff, as well as their satisfaction.

### **Service quality and satisfaction**

Although the relations between satisfaction and service quality have been profoundly investigated, the major entity of these relations is somehow ambiguous. As stated by Kronin (2000), there is a consensus on the idea that service quality is prior to satisfaction. These researchers tested 4 competition models and found out that based on the studies investigating these relationships service quality would eventually lead to satisfaction. The present study considers the view that service quality leads to satisfaction.

Although the present study has no intention to investigate the relationships between these constructs, the researchers prefer to find out the amount of engagement that would modify the relationship between service quality and satisfaction. Based on the literature and the model introduced, consumers engaged with one supplier would pay more attention to the elements of the process of providing services and can better evaluate the value of this process. In this way, another hypothesis is also put forward:

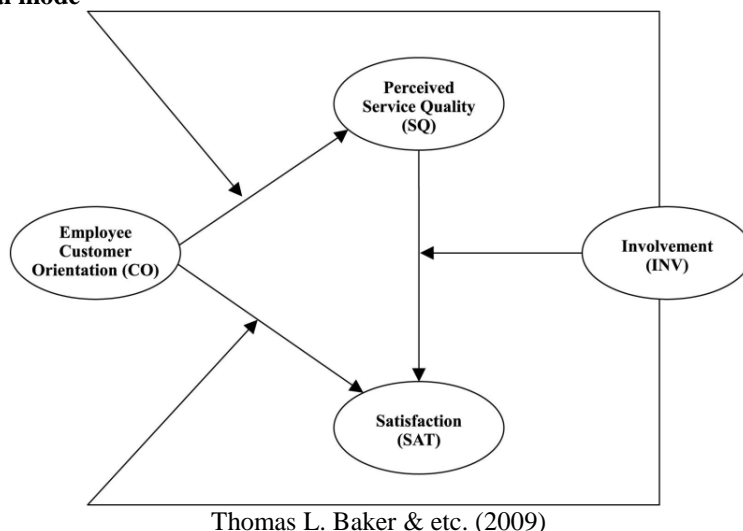
- The perceived level of engagement of the customer modifies the relationships between service quality perception and satisfaction of the customers. This is specially true for consumers of higher level of engagement.

### **Research hypotheses**

- Staff customer orientation is meaningfully effective on customer satisfaction.
- Perceive service quality is meaningfully effective on customer satisfaction.
- Mental engagement modifies the relationship between perceived service quality and customer satisfaction.
- Staff's customer orientation meaningfully affects the perceived service quality.

- Mental engagement modifies the relationship between staff's customer orientation and perceived service quality.
- Mental engagement modifies the relationship between staff's customer orientation and customer satisfaction.

**Research conceptual mode**



**Research Method**

The present study is an applied research. Data gathering method for this study was correlational descriptive. In order to gather information a questionnaire was employed. In order to analyze the questionnaire inferential and descriptive statistical methods were used. The descriptive statistics of the study are frequency and mean. In the inferential stage, too, Pearson's correlation coefficient and structural equation model including confirmatory factorial analysis was used.

**Statistical population:** The population included consumers of the services of two private banks in Iran. As private banks seem to be more sensitive towards issues related to customer orientation, the study was decided to be carried out in private banks.

**Sampling method:** In order to determine the sample population number the sampling population formula was used.

$$n_p = \frac{Z_{\alpha/2}^2 pq}{\epsilon^2}$$

where,

p is the ratio in the society. If this figure is not available, it can be considered to be equal to 0.5.

q = 1 - p which is .5.

α = (1 - confidence quotient) as confidence level is 95%, α (error index) is 0.05.

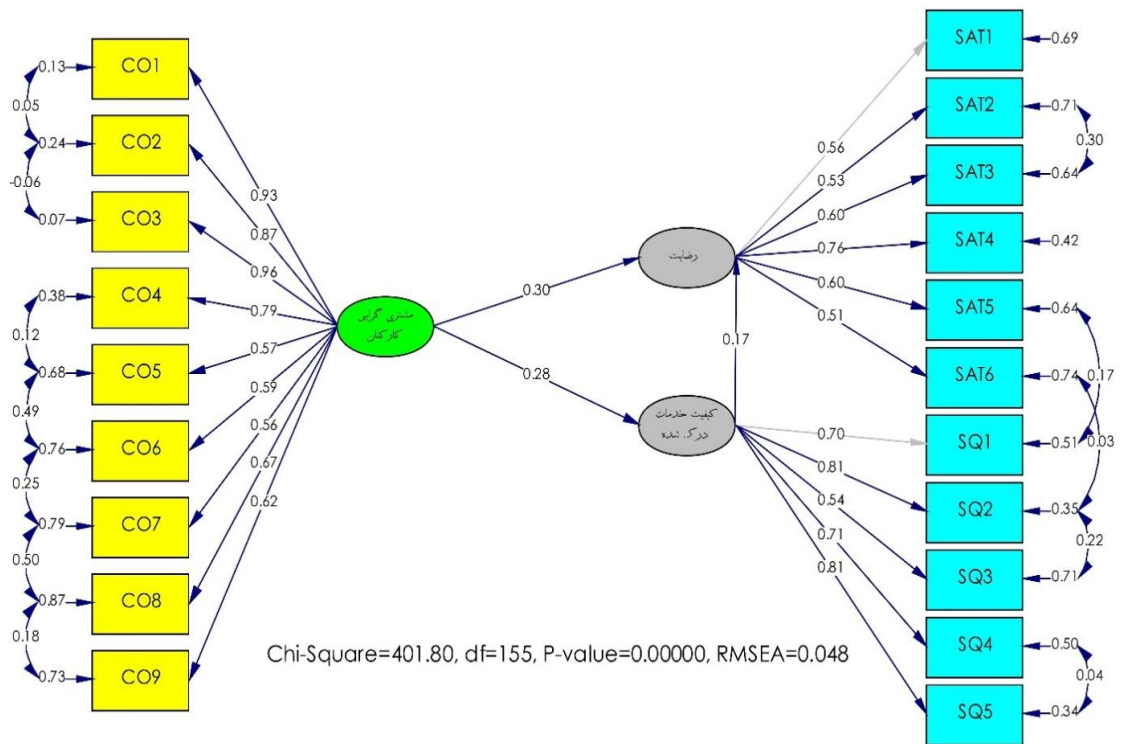
Z<sub>α/2</sub> normal variable amount which corresponds to the 95% level of confidence. It equals 1.96.

ε the allowed error considered to be 0.06.

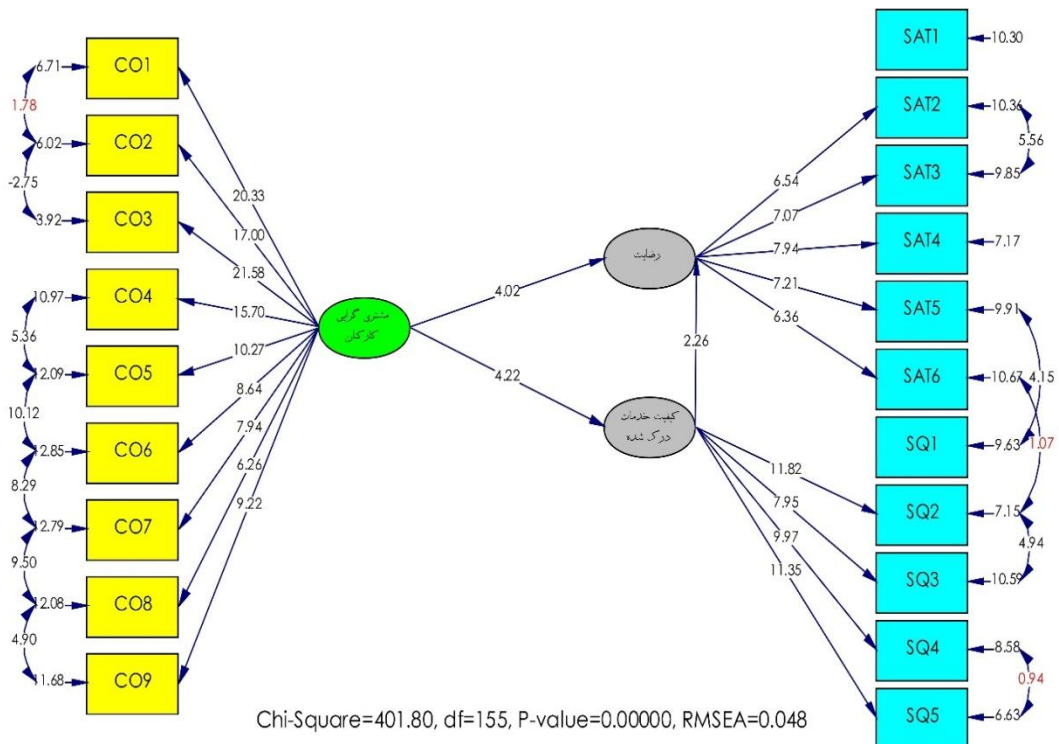
In this way, the minimum population needed for the study was found out to be:

$$np = \frac{(1.96^2)(0.25)}{0.06^2} = 266$$

**Data analysis:** In order to analyze the data, at the descriptive level statistical indicators were used to summarize and describe the demographic features of the sample population. At the inferential level, the hypotheses were tested using structural equation models. Route analysis technique was specifically put into use through Lizrel version 8/72 and SPSS 19.



Model diagram without modifying variables in estimating standard coefficients



**Model diagram at t-value**

The model above shows the real model at t-value. This model tests all measurement equations and structural equations, using t statistic. Based on this model, the route coefficient and factorial load are meaningful at 95% level of confidence if t statistic is out of the -1.96 to 1.96 interval.

**Validity of the structural model**

After verifying measurement models, it is time to investigate the structural, the internal, model of the study. At this stage, too, the criteria for validating the structural model are provided in table 1.

Source	Index interpretation	index	Validity type
Chin (1988) ; Ringle (2004)	Measures the explanatory variance of an intrinsic variable in relation to the overall variance. Values bigger than 0.670 are considered strong. Those bigger than .333 are moderate, and those below .190 are considered to be weak.	Coefficient of determination (R <sup>2</sup> ) <sup>1</sup>	Model validity
Chin (1988)	coefficients for covert variables are to be studied based on algerbic sign and their meaningfulness.	Path coefficients <sup>2</sup>	Model validity

The results of the structural equations for studying minor hypotheses

Direction of correlation	Hypothesis status	R <sup>2</sup>	Sig	t	β	hypotheses
+	confirmed	0/15	0/001	4/02	0/30	Staff's customer orientation>>> customer satisfaction
+	confirmed		0/001	2/26	0/17	Perceived service quality >>> customer satisfaction
+	confirmed	0/08	0/021	4/22	0/28	Customer satisfaction >>> service quality

**Hypothesis 1:** staff's customer orientation has a meaningful effect on customers' satisfaction

As p<0.05, at a 95% level of confidence, it can be claimed that staff's customer orientation has a meaningful effect on customers' satisfaction. As there is a positive beta, staff's customer orientation has a positive and direct effect on customers' satisfaction.

**Hypothesis 2:** perceived service quality has a meaningful effect on customers' satisfaction.

As p<0.05, at a 95% level of confidence, it can be claimed that perceived service quality has a meaningful effect on customers' satisfaction. As there is a positive beta, staff's customer orientation has a positive and direct effect on customers' satisfaction.

Coefficient of determination was 0.15. Therefore, staff's customer orientation and perceived level of services could explain 15% of changes in customers' satisfaction. As Beta was bigger for staff's customer orientation, it can be stated that this variable had a bigger effect.

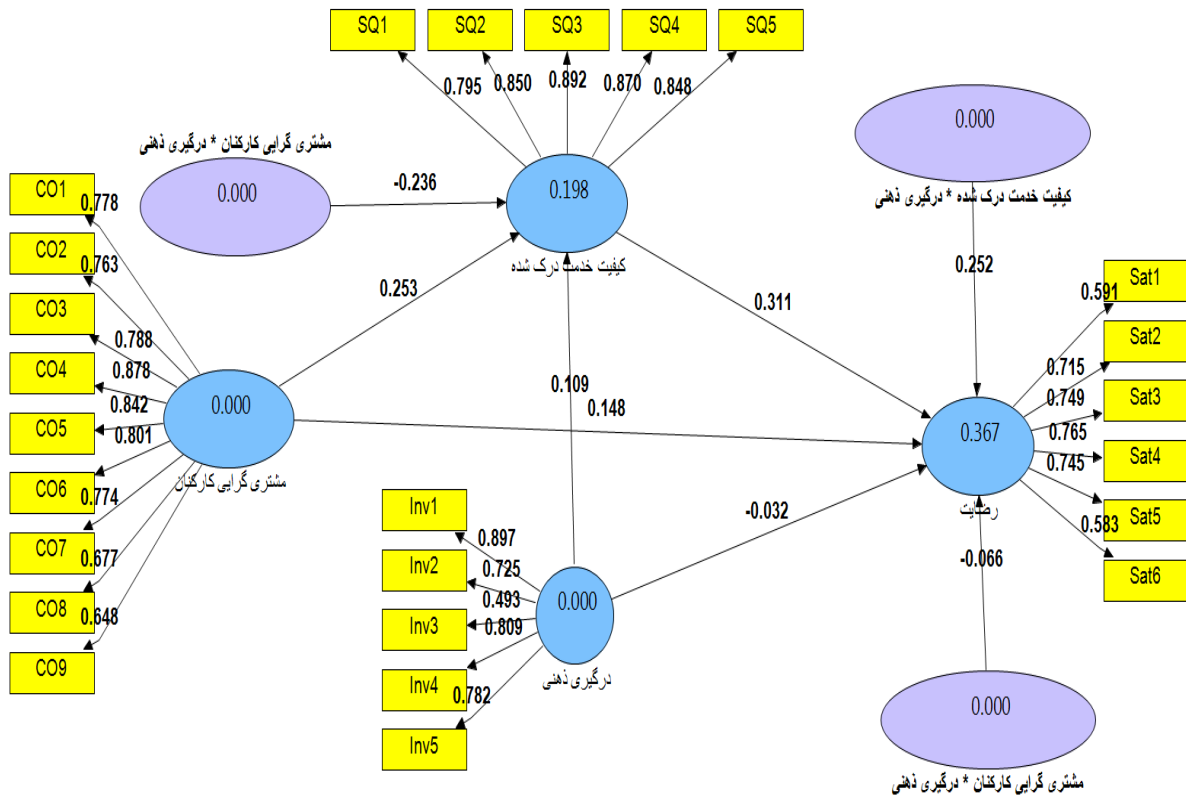
**Hypothesis 3:** Staff's customer orientation has a meaningful effect on perceived service quality.

As p<0.05, at a 95% level of confidence, it can be claimed that Staff's customer orientation has a meaningful effect on perceived service quality. As there is a positive beta, staff's customer orientation has a positive and direct effect on customers' satisfaction.

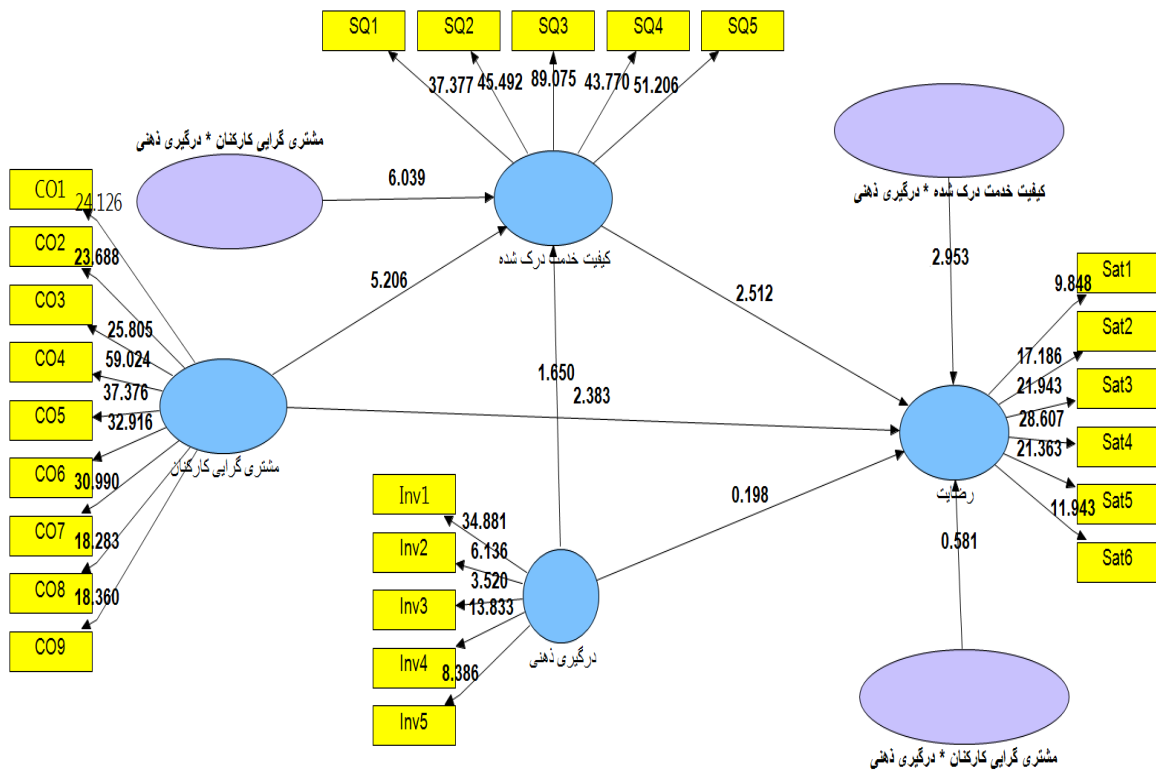
Coefficient of determination was 0.08. Therefore, staff's customer orientation could explain 8% of changes in customers' satisfaction. As Beta was bigger for staff's customer orientation, it can be stated that this variable had a bigger effect.

<sup>1</sup> - Coefficient of Determination

The effect of the modifying variable of mental engagement



Model diagram at the presence of the modifying variable with standard coefficients estimation



**Model diagram at the presence of the modifying variable with an absolute value**

The diagrams above depict the research model at the presence of mental engagement as the modifying variable with coefficient estimation and absolute value. Based on these two diagrams, we can state if the modifying variables could have a meaningful effect on the two variables.

**Table 2: Route coefficients, t value, and the results of the research hypothesis**

Effect type	Sig	t	$\beta$	Research hypotheses
+	0/007	2/953	0/252	Perceived service quality*mental engagement >> customer satisfaction
NS	0/677	-0/581	-0/066	Customer orientation*mental engagement >> customer satisfaction
-	-/001	-6/039	-0/236	Staff customer orientation*mental engagement >> perceived service quality

**Hypothesis 4:** mental engagement modifies the relationship between the perceived service quality and customer satisfaction. Based on the results from structural equations and t value (table 4.9),  $t = 2.953$  for value out of the -1.96 and 1.96 interval. As this figure is bigger than 1.96, the hypothesis is confirmed at the 95% level of confidence. As the route coefficient is positive (0.252), it can be stated that mental engagement has a positive and meaningful effect on the relationship between the perceived service quality and customer satisfaction. In this way, when there is a high level of mental engagement the relationship between the perceived service quality and customer satisfaction is stronger than when the mental engagement is at a lower level.

**Hypothesis 5:** mental engagement modifies the relationship between staff's customer orientation and the perceived service quality.

Based on the results from structural equations and t value (table 4.9),  $t = -6.039$  for value out of the -1.96 and 1.96 interval. As this figure is smaller than -1.96, the hypothesis is confirmed at the 95% level of confidence. As the beta for this variable is negative, it can be stated that mental engagement has a negative and meaningful effect on the relationship between staff's customer orientation and perceived service quality. In this way, when there is a high level of mental engagement, the relationship between the staff's customer orientation and perceived service quality is weaker than the time when the mental engagement is at a lower level.

**Hypothesis 6:** mental engagement modifies the relationship between staff's customer orientation and customer satisfaction. Based on the results from structural equations and t value (table 4.9),  $t = -0.581$  for value out of the -1.96 and 1.96 interval. As this figure is within the interval, this hypothesis is rejected at the 95% level of confidence.

**Applicable suggestion**

- Based on the results of the study, the customer-centered staff are effective on customers' satisfaction. In addition, based on the findings of this study, along with the staff customer orientation, perceived service quality is effective on customers' satisfaction. On the other hand, staff customer orientation is effective on the perceived service quality which would confirm the important and effective role of customer orientation amongst the bank staff in achieving customers' satisfaction. In this way, banks need to take appropriate measures regarding customer orientation and addressing needs and wants of the customers. It is due to the importance of creating loyalty as a resource for the success of the firms in this competitive business environment of today.
- Based on the research findings regarding the level of mental engagement on the part of the customers and its effect on the perceived service quality, as well as satisfaction, it is suggested that service provider staff pay attention to the nature of their activity as opposed to selling products. They need to try to address needs and problems of the customers so to increase the level of mental engagement within them.
- Considering mental engagement with respect to the risk perceived by the customers, when the level of mental engagement is high, the relationship between the perceived service quality and customer satisfaction is bigger than the time when the level of mental engagement is low. Therefore, regarding the customers who intend to start using bank services or those with very limited information on bank services (high level of mental engagement) the service quality provided by the staff can have a stronger effect on their satisfaction. Here, the need for the staff to try their best to address customers' problems is asserted again.

**Suggestions for further studies**

- The present study carried out with the customers of two private banks. This can be duplicated with the customers of other banks.
- The present study carried out with the customers of two private banks in the northern and north western parts of the city of Tehran. It can be carried out with the customers from the branches in other regions of the city.



- The present study investigated the modifying effect of customers' mental engagement on the perceived service quality, customer satisfaction, and staff's customer orientation in the service sections of the banks. Further studies can be carried out in other service sectors.

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