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The Role of Multichannel Integration Quality and Customer Satisfaction in the Relationship between Service Quality and Customer Loyalty in the Banking Sector

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ABSTRACT

This study aims to investigate the role of multichannel integration quality and customer satisfaction in the relationship between service quality and customer loyalty within the banking sector. The research is applied in nature and descriptive-correlational in method. The statistical population includes all customers of Export Bank, and based on Cochran's formula, a sample size of 385 individuals was selected using convenience sampling. The data collection tool is a standardized questionnaire adapted from Alziedi (2023), which was validated by academic supervisors. Data were analyzed using SPSS and SmartPLS4 software. Findings indicate that service quality has a positive and significant effect on customer loyalty, multichannel integration quality, and customer satisfaction. Additionally, customer satisfaction mediates the relationship between service quality and customer loyalty. Furthermore, multichannel integration quality also plays a mediating role in enhancing customer loyalty through an integrated experience. The results support the importance of omnichannel strategies in modern banking, emphasizing seamless interactions across multiple channels to improve customer experience, satisfaction, and ultimately loyalty. This research contributes to both theoretical understanding and practical implications for banking managers seeking to enhance customer relationships through digital transformation and integrated service delivery.

KEYWORDS: Service Quality, Multichannel Integration Quality, Customer Satisfaction, Customer Loyalty, SmartPLS, Banking Sector

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1. Introduction

In today's competitive business environment, companies are increasingly focusing on developing both physical and digital service environments to expand customer reach, enhance existing service structures, and leverage the advantages of each platform more effectively (Chen et al., 2018). In this context, the concept of omnichannel approach has emerged, where customers use various interaction channels—sometimes simultaneously—to access services (Lazaris & Vrechopoulos, 2014).

The banking industry has made significant technological advancements in recent years, investing heavily in modernizing banks through new technologies and making multiple service channels available to customers (Reddy & Karsandas, 2017). Therefore, the concept of omnichannel becomes particularly important for the banking sector, as it emphasizes coordinated use of different access channels to provide an integrated and consistent experience that meets customer needs.

A key point is that the success of an omnichannel strategy depends on understanding its usability and the positive impact it creates on customer interactions (Shin et al., 2018). The digital transformation path in Iran's banking sector highlights the need to assess whether integrated performance of various service channels can have a positive impact on customer experience, satisfaction, and ultimately loyalty.

According to the Ministry of Economic Affairs and Finance in Iran, given the importance of service channel integration in the banking sector regarding customer satisfaction and experience, the following question arises:

Does the integrated performance of various banking service channels positively affect customer experience and ultimately their satisfaction and loyalty?

This research investigates this question by examining the influence of service quality on customer loyalty, with a focus on the mediating roles of omnichannel integration quality and customer satisfaction.

2. Theoretical Background & Conceptual Framework

Service Quality

Service quality refers to decisions derived from consumer evaluations of what they have experienced. It is defined as the alignment of service delivery with customer expectations; the better the fit, the higher the satisfaction (Glowa et al., 2023).

Service quality influences customer satisfaction and loyalty. As such, it is considered a critical factor in shaping consumer behavior, especially in industries like banking where services are

highly similar. Providing positive experiences enhances customer retention, making this aspect increasingly relevant in today's competitive landscape.

Customer Satisfaction

Customer satisfaction reflects consumers' perceptions of the service received. According to Parasuraman et al. (1988), customer satisfaction increases when service quality aligns closely with expectations. High-quality service delivery significantly improves customer satisfaction, which in turn leads to stronger loyalty.

Omnichannel Integration Quality

Omnichannel integration quality refers to the consistency and coordination across multiple service channels. It ensures that customers can seamlessly switch between platforms while maintaining a unified experience. This concept has become crucial in the banking industry due to increasing digitization and customer demand for flexibility and accessibility.

Customer Loyalty

Customer loyalty represents the long-term commitment of customers to continue using a bank's services. It is influenced by both service quality and the overall customer experience. Enhancing loyalty requires not only high-quality service but also a well-integrated omnichannel system that supports smooth transitions and interactions.

Based on previous studies, the conceptual model of the research includes four main variables:

- **Independent Variable** : Service Quality
- **Dependent Variable** : Customer Loyalty
- **Mediating Variables** : Multichannel Integration Quality and Customer Satisfaction

Research Hypotheses:

1. Service quality has a positive impact on customer loyalty.
2. Service quality has a positive impact on multichannel integration quality.
3. Service quality has a positive impact on customer satisfaction.
4. Customer satisfaction mediates the relationship between service quality and customer loyalty.
5. Multichannel integration quality mediates the relationship between service quality and customer loyalty.

3. Research Methodology

This study is applied in purpose and descriptive-correlational in method. To develop a theoretical framework, a library-based approach was first employed to define relevant concepts and models. Based on the conceptual framework and expert consultation, a conceptual model was developed. Data were collected using a standardized questionnaire adapted from Alziedi (2023) and Glowa et al. (2023). For data analysis, both descriptive and inferential statistics were used. Descriptive statistics included mean and standard deviation to describe research variables, along with frequency percentages for demographic characteristics. Cronbach's alpha was calculated to assess the reliability of the questionnaire. Hypotheses were tested using structural equation modeling (SEM) via SmartPLS4 and SPSS software.

4. Findings

The goodness-of-fit index (GOF) value of 0.43 confirms the overall acceptable fit of the model. Factor loadings, which range between 0 and 1, indicate the strength of the relationship between latent variables and observed indicators. A factor loading below 0.4 indicates a weak relationship and is excluded, whereas values between 0.4 and 0.6 are acceptable, and those above 0.6 are excellent (Kline, 2010). All constructs in the measurement model showed factor loadings greater than 0.4, confirming acceptable reliability. SmartPLS4 tests relationships at a 95% confidence level. Since the t-value threshold at this level is ± 1.96 , any path coefficient outside this range is statistically significant at $p < 0.05$.

Table 1. Path Coefficients and Significance Levels

Customer Satisfaction → Customer Loyalty	0.413	6.852	<0.001	Confirmed
Service Quality → Customer Satisfaction	0.317	4.710	<0.001	Confirmed
Service Quality → Customer Loyalty	0.255	5.391	<0.001	Confirmed
Service Quality → Multichannel Integration Quality	0.507	9.917	<0.001	Confirmed
Multichannel Integration Quality → Customer Loyalty	0.480	9.265	<0.001	Confirmed
Service Quality → Integration Quality → Customer Loyalty	0.243	7.188	<0.001	Confirmed
Service Quality → Customer Satisfaction → Customer Loyalty	0.131	3.895	<0.001	Confirmed

As shown in the table, all hypotheses were confirmed at the 95% confidence level.

5. Discussion & Conclusion

The findings reveal that service quality has a significant positive effect on customer loyalty, multichannel integration quality, and customer satisfaction. These results are supported by previous studies conducted by Rakkala (2014), Machirori & Fataki (2014), Vali et al. (2014), and Elwy & Elshendy (2015). They all found that service quality significantly improves customer satisfaction.

Given the similarity of services offered in the banking sector, creating positive experiences for customers to retain them has become increasingly important. Thus, the third hypothesis of this research focuses on how integrated channel interaction quality affects positive customer experiences.

The study shows that multichannel integration quality plays a vital mediating role in improving customer loyalty. This suggests that banks should invest in omnichannel systems that offer seamless and integrated experiences to customers.

Practical Implications

- Banks should focus on delivering high-quality services that align with customer expectations.
- Investing in omnichannel systems can enhance customer loyalty by providing seamless transitions between platforms.
- Managers should prioritize customer satisfaction through personalized service delivery and proactive engagement.
- Digital transformation initiatives should be aligned with customer needs and preferences.

Research Recommendations

- Future studies may test this model in other regions of Iran or in larger financial institutions.
- Researchers could explore the moderating effects of organizational culture and perceived justice in the model.
- Longitudinal studies may help track the long-term impact of omnichannel integration and service quality on customer loyalty.

Research Limitations

- The cross-sectional nature of the study limits the ability to track long-term trends.
- The population is limited to Export Bank customers.

- The measurement instrument relied solely on questionnaires without incorporating interviews or observations.

Overall, this research provides important insights into how omnichannel integration and customer satisfaction influence customer loyalty in the banking sector. Findings suggest that banks that deliver high-quality, integrated service experiences can achieve higher levels of customer loyalty. Given the importance of digital transformation in Iran's banking sector, this research can assist managers in strengthening customer relationships through omnichannel integration and improved service delivery.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.