Customer Delight as an Antecedent of Customer Loyalty in the South African Banking Industry

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DECLARATIONS

I, Alexander Coetzee, hereby declare that the thesis that I herewith submit for the Master's degree MAGISTER COMMERCII at the University of the Free State, is my independent work and that I have not previously submitted it for a qualification at another institution of higher education.

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ABSTRACT

Simply delivering customers' expected level of service results in waning customer perceptions of service quality and perceived value in any service industry. Favourable customer perceptions are gained through exceptional service delivery comprising of a high quality of service that represents exceptional value for customers. This is the view of researchers that embrace the notion that simply satisfying customers by delivering expected services is no assurance of customer loyalty, and therefore advocate that banks should strive to exceed the customer's expectations to reach higher levels of customer satisfaction, known as customer delight.

The primary objective of this study was to explore customer delight as an antecedent of customer loyalty within the South African banking industry. The literature review comprehensively explored customer delight within the services context, as well as the various antecedents of customer loyalty, and a conceptual model was formulated. The conceptual model was built upon stated hypotheses based on the findings from the literature. A total of 400 respondents with access to any of the South African banks were used in this study. The statistical analysis used in this study included descriptive statistics, frequency tables, cross-tabulations, ANOVA comparison of means, confirmatory factor analysis (CFA), and partial least squares structural equation modelling (PLS-SEM).

The research findings revealed that, as expected, the dimensions of service quality, namely, responsiveness, and assurance, positively affected customer satisfaction. Contrary to the literary findings, empathy failed to have a significant effect on customer satisfaction, but did, however, have a significant effect on customer delight as hypothesised. Regarding perceived value, all the dimensions, namely functional, monetary, and emotional value, had a positive effect on customer satisfaction, and emotional value significantly affected customer delight as was hypothesised.

As expected, customer delight had a positive effect on overall customer loyalty, accepting the hypothesised positive relationship between the two. The most significant finding was the very strong effect customer delight had on attitudinal loyalty.

Based on the findings from the empirical analysis, this study recommends that banks intensify their efforts of creating satisfied customers, and aim to achieve heightened levels of customer satisfaction known as customer delight. Rather than meeting customer expectations, banks should consider implementing official measures that aim at exceeding customer expectations. Exceeding customers' expectations speaks to their emotions, and has longer-lasting positive effects than when customers' basic expectations are met.

OPSOMMING

Om bloot aan klante se verwagte vlakke van diens te voldoen, lei in enige diensbedryf tot tanende persepsies rakende diensgehalte en waargenome waarde. Gunstige klantepersepsies ontstaan deur buitengewone dienslewering op grond van hoëgehalte diens wat buitengewone waarde vir klante inhou. Dit is die uitgangspunt van navorsers wat die begrip omarm dat om bloot klante tevrede te stel deur die verwagte diens te lewer, geen waarborg vir kliëntlojaliteit is nie en daarom voorstanders daarvan is dat banke daarna moet streef om die klant se verwagtinge te oortref deur na hoër vlakke klantetevredenheid genaamd klantgenoeë te streef.

Die hoofoogmerk van die studie is om klantgenoeë as ŉ voorloper tot kliëntlojaliteit in die Suid-Afrikaanse banksektor te verken. Die literatuuroorsig bied ŉ uitvoerige verkenning van klantgenoeë binne die dienstesektor tesame met verskeie ander voorgangers van kliëntlojaliteit, en ŉ konsepsuele model is formuleer. Die konsepsuele model word uit gestelde hipoteses uit bevindinge in die literatuur gebou. Altesaam 400 respondente met toegang tot enige van die Suid-Afrikaanse banke het aan die studie deelgeneem. Die statistiese analise in die studie vervat beskrywende statistiek, frekwensietabelle, kruistabellering, ANOVA-vergelyking, bevestigende faktoranalise (CFA ("confirmatory factor analysis")) en PLS-SEM parsiële modellering ("partial least squares structural equation modelling").

Die navorsingsbevindinge toon dat, soos verwag is, die dimensies van diensgehalte – naamlik responsiwiteit en gerusstelling – klantetevredenheid positief beïnvloed. In teenstelling met die bevindinge in die literatuur, het empatie nie ŉ beduidende invloed op klantetevredenheid gehad nie, maar wel op klantgenoeë, soos ingevolge die gestelde hipotese. Wat waargenome waarde aanbetref, het al die dimensies, naamlik funksionele, monetêre en emosionele waarde, ŉ positiewe effek op klantetevredenheid gehad, en emosionele waarde klantgenoeë beduidend beïnvloed, soos hipotetiseer is.

Soos verwag is, het klantgenoeë ʼn positiewe effek op kliëntlojaliteit, ter bevestiging van die gestelde hipotetiese positiewe verhouding tussen die twee. Die vernaamste bevinding was die sterk invloed van klantgenoeë op ingesteldheidslojaliteit.

Op grond van die empiriese analise word daar uit hierdie studie aanbeveel dat banke hul pogings om tevrede klante te skep, opskerp en daarna streef om verhoogde vlakke van klantetevredenheid, genaamd klantgenoeë, te verkry. In plaas daarvan om slegs aan klante se verwagtinge te voldoen, moet banke dit oorweeg om amptelike maatreëls te implementeer wat daarop gemik is om klante se verwagtinge te oortref. Wanneer klante se verwagtinge oortref word, word daar ʼn aanspraak op hulle emosies gemaak, wat meer blywende effekte tot gevolg het as wanneer net aan klante se basiese verwagtinge voldoen is.

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CHAPTER 1 INTRODUCTION

1.1 INTRODUCTION

There has been a great deal of deliberation amongst marketers and academics regarding the extent to which business managers should go to satisfy customers in their effort to create customer loyalty (Barnes, Ponder, and Dugar, 2011: 359). From one perspective, the goal is to achieve *ultimate customer satisfaction*, known as *customer delight* (Vargo and Lusch, 2004: 1). From another perspective it is argued that some customers are not worthy of the effort required to achieve delight due to their limited Customer Lifetime Value (Keiningham, Aksoy, and Bejou, 2006: 3), and that customer loyalty has much more to do with how companies deliver on their basic promises (Dixon, Freeman, and Toman, 2010: 116). However, customer delight has become an important focal point of some studies with the realisation that customer satisfaction alone does not ensure customer loyalty (Verna, 2003: 130).

The differing views on what is required to achieve customer loyalty can send conflicting messages to bank managers concerning their efforts to create loyal customers. Customer loyalty is critical as it is an effective tool used to gain strategic advantage in a highly competitive industry (Cohen, Gan, and Yong, 2007: 40) where customers have unprecedented access to competing banks and other financial service providers. Customers' banking experience based on the way they are treated has proven to be a critical driver in loyalty formation (Schlich, 2014: 1), and has been shown to be the single most common reason people close, as well as open accounts with a particular bank (Schlich, 2014: 1). This raises the question as to where banks must draw the line in terms of the service rendered to their customers. Banks must identify ways in which they can delight their customers in order to achieve loyalty.

Within the global banking industry, where products and services are similar and easy to duplicate (Ghazizadeh, Besheli, and Talebi, 2010: 275), achieving customer delight therefore becomes a critical strategic focus for effective differentiation. Customer delight has been recognised as an important antecedent to customer loyalty (Verna, 2003: 130) and is considered to be the next level up from satisfaction (Gorelick, 2010: 12). The importance of customer delight is highlighted by the fact that delighted customers are less sensitive to price fluctuations, and have improved perceptions of service value (Ghazizadeh *et al.*, 2010: 275). The planned study will therefore focus on investigating the impact that customer delight has on customer loyalty within the banking industry in South Africa.

1.2 BACKGROUND LITERATURE

The main four South African banks (Absa Bank, Nedbank, Standard Bank, and First National Bank), commonly referred to as the big four banks, were said to have approximately 34.5 million accounts open in 2011, which was expected to grow to approximately 40 million accounts by the year 2014 (PriceWaterhouseCoopers, 2011: 11). During the entire second half of 2013, the big four banks held a market share in excess of 83% (South African Reserve Bank, 2014). With an estimated population of approximately 50 million people in South Africa in mid-2011 (Statistics South Africa (Stats SA), 2011), of which 76.5% of adults made use of a financial product or service in 2010 (Ramnath and De Beer, 2010: 1), it is apparent that the majority of South Africans are banked. Therefore it can be assumed that the focus of South African banks has largely shifted from the acquisition of new customers to retaining existing customers in a largely saturated market.

With this shift in focus, banks have been able to identify a great shortage of key skills in the areas of customer relationship building (PriceWaterhouseCoopers, 2011: 24) which could have a harmful effect on customer delight levels. With the goal of customer retention strategies being to ensure minimal defections of profitable customers (Rust and Zahorik, 1993: 194), banks have realised that retained customers do not necessarily make loyal customers (Ghazizadeh *et al.*, 2010: 278). For example, customers might be retained due to high switching costs and not necessarily have an attitude of loyalty. Customers might also not necessarily be delighted with the banks' products or services. This has led banks to seek to create customer loyalty rather than to merely retain since retention is the result of loyalty (McHaney, 2010: 24), and retention alone does not guarantee long-term profitability (Farquhar and Panther, 2008: 17).

The global financial crisis of 2008 negatively affected the financial channels of most Sub-Saharan African countries (Massa and te Velde, 2008: 2 – 3), including banks in South Africa. South African banks consequently imposed stricter protocols on loan pay outs to customers already experiencing economic pressure from rising food and fuel prices, compounded by higher interest rates, in order to hold onto liquidity (South African Reserve Bank, 2014). These inflationary pressures, coupled with banks being more stringent regarding financial assistance to customers, resulted in customers being more open to alternative banking solutions. This compounds the need for banks to focus more on delighting customers to achieve customer loyalty, as competitiveness within the banking industry was consequently being affected.

Although loyalty is largely determined by customer satisfaction levels (Baran, Galka, and Strunk, 2008: 397; Baumann, Burton, and Elliot, 2005: 232), it has been argued that satisfaction alone does not necessarily ensure loyalty (Verna, 2003: 130). According to Gorelick (2010: 12), satisfaction is merely the fulfilment of the lowest level of expectations the customer has of a product or service and is derived from the fact that nothing is wrong from the customer's perspective. Gorelick (2010: 12) further argues that the fact that nothing is wrong should not be interpreted to mean that everything is right. Schneider and Bowen (1999) suggest that customer delight is more intense than customer satisfaction due to the stronger emotional aspect of delight, hence the focus should be on creating customer delight in addition to satisfaction. This corresponds with

Verna's (2003) findings which indicate that effort beyond satisfaction is required to achieve customer loyalty.

Furthermore, some studies have revealed that the degree of loyalty can vary substantially depending on whether customers are 'merely satisfied', or 'very satisfied', i.e. delighted (Yang, 2011: 84; Schneider and Bowen, 1999: 36). Schneider and Bowen (1999) illustrate that merely satisfied and dissatisfied customers are in two minds regarding their loyalty, whereas customers that are outraged or delighted are far less in doubt regarding their loyalty. In other words, customers that are outraged (being the opposite of delighted according to Schneider and Bowen, 1999) are not likely to be loyal, whereas on the contrary, delighted customers are very likely to be loyal and have a positive emotional connection to the service provider (Schneider and Bowen, 1999: 36).

Customer satisfaction and customer loyalty are both well-established constructs within academic literature, and their relationship with one another is well tested. With banks now focussing on bringing about extraordinarily high levels of satisfaction, known as delight (Fuller and Matzler, 2008: 116), customers may find themselves experiencing more positive perceptions towards the banks' products and services (Hassan, Raheen, and Subhani, 2011).

Customer satisfaction is a widely understood and implemented strategic concept within the banking industry, yet against the presented background, there is a lack of empirical evidence focussing on customer delight as an antecedent of customer loyalty, especially within the South African banking sector. Therefore a research opportunity to investigate delight within the South African banking industry presented itself.

1.3 RESEARCH PROBLEM

Within a saturated and competitive South African banking industry, gaining competitive advantage by retaining loyal customers has become a major strategic focus (Cohen *et al*., 2007: 40). With the realisation that satisfaction on its own is not sufficient to make customers loyal (Verna, 2003: 130), banks have begun considering the effects of customer delight on loyalty over and above that of customer satisfaction (Hasan *et al.*, 2011).

As mentioned in the previous section, the development and introduction of the customer delight construct has forced researchers to rethink as to which antecedents of customer loyalty are most significant. There is disparity amongst academics and managers as to whether service providers should pursue customer delight (Vargo and Lusch, 2004: 1), or aim at merely satisfying their customers by only delivering on their basic promises (Dixon *et al.*, 2010: 116). There is no longer validation for banks to merely deliver on the basic needs of customers, as these basic needs have become basic expectations. Banks have therefore been compelled to reconsider their customer loyalty strategies, and ascertain as to what it is that causes customers to become loyal.

With the different banks in South Africa providing similar products and services, competitive advantage is difficult to come by. The widely accepted and evidenced fact that satisfied customers return to continue doing business has been well understood up till now, yet evidence is emerging that customer satisfaction may slowly be heading towards becoming increasingly ineffective in the banking industry's endeavour to create loyal customers. Customers may exhibit loyal behaviour through their purchasing activities, yet not exhibit loyal perceptions reflected in their attitude, resulting in spurious or fake loyalty. The researcher found studies that deal with customer delight in the theme park industry (Jun Gao, Scott, and Ding, 2013), and hospitality industry (Loureiro and Kastenholz, 2011; Torres and Kline, 2006). The researcher found one study that deals with customer delight within the context of retention (Hasan, Raheem, and

Subhani, 2011), but no studies were found that investigates customer delight and the role it plays as an antecedent of customer loyalty in the banking industry, as well as the effect it has on attitudinal loyalty, and therefore an opportunity to investigate within the South African banking context presents itself.

1.4 RESEARCH OBJECTIVES

This section provides details on the primary and secondary objectives of this study.

1.4.1 Primary Objective

The primary objective of this study is to explore customer delight as an antecedent of customer loyalty in the South African retail banking industry.

1.4.2 Secondary Objectives

The primary objective will be supported by the following secondary objectives;

- To examine customer loyalty and its' antecedents.
- To examine the influence of customer satisfaction on customer delight.
- To examine the influence of customer delight on customer loyalty.
- To examine the influence of customer delight on attitudinal loyalty.
- To make recommendations to industry managers regarding the effectiveness of customer delight.

1.5 RESEARCH METHODOLOGY

This study includes a literature study followed by empirical research that included a pilot study and a main data analysis section. The literature review is the basis for the empirical study, and deals with the antecedents of customer loyalty.

1.5.1 Research Design

This research project was exploratory in nature, which allowed for a greater understanding of the effects of customer delight on customer loyalty within the banking context. The literature review consisted of secondary data collected by consulting relevant literature resources such as articles, academic journals, books, and published and unpublished reports. Previous related research done on customer loyalty and customer delight was presented to build a background to the study. Literature was obtained from reputable databases such as EBSCOHost, Emerald, and Econlit.

The empirical study consisted of the generation of primary data by means of a quantitative research approach. This research approach consisted of gathering evidence through the measurement of variables that produced numeric outcomes (Field, 2009: 792) which were subjected to rigorous quantitative analysis (Kothari, 2004: 5). A pilot study was conducted where the questionnaire was tested for reliability and validity (Sekaran, 2000: 206) of its items in order to determine whether the items on the questionnaire measure what they intend to measure. Another reason for the pilot study was to determine whether the length of the questionnaire was practical or not.

1.5.2 Data Gathering Instrument

Data were collected through the use of a self-administered questionnaire which contained specific measurement questions addressing the subject content (Cooper and Schindler, 2006: 362). The questionnaire consisted of nominal and ordinal variables where demographic items were concerned, which allowed for easy interpretation and illustration of the respondents' demographics. Five-point Likert-type scale variables were used to measure the relevant constructs derived from literature as well as items used from previous studies.

1.5.3 Data Analysis

The Statistical Package for Social Sciences (SPSS) version 21 was used to analyse the quantitative data during the pilot study, as well as for the demographic variables in the main data analysis. Techniques that were performed included descriptive statistics such as frequencies and cross-tabulations for the pilot study and the main data analysis, and confirmatory factor analysis and partial least squares structural equation modelling (PLS-SEM) for the main data analysis. The Cronbach's Alpha was used to measure reliability of the Likert-type scale variables per construct for both the pilot study and the main data analysis, and the dimensions were tested for discriminant validity (Hair, Black, Babin, Anderson, and Tatham, 2006: 136).

1.5.4 Population and Sample Size

The targeted population consisted of bank account holders in Bloemfontein, which included undergraduate and postgraduate students from the Business School of the University of the Free State, as well as from the Faculty of Economic and Management Sciences. The respondents targeted were those aged 18 years and older that hold any bank account at any of the South African banks. For the pilot study, a sample of 186 respondents was used, and 400 respondents for the main data analysis.

1.5.5 Sampling Method

Non-probability sampling was chosen for this study; more specifically, the convenience sampling method due to the fact that this approach allows for easy reach of respondents in the nearest and most convenient locations. The convenience sampling method was also considered due to the fact that it is the cheapest method of recruiting subjects since anybody can be approached to partake in the survey, and is also the least time-consuming since there is not much preparation necessary in terms of finding respondents.

1.5.6 Significance of the study

It is envisaged that three main parties will benefit from the findings and recommendations of this study. The implementations of the recommendations will enhance South African banks' likelihood of creating loyal customers through the creation of customer delight. In light of the fact that competitiveness within the banking industry is waning due to the stringent lending protocols put in place since the 2008 financial crisis, as well as the fact that competitive advantage is largely gained through interpersonal relationships and interactions within the banking industry due to the similarity of products and services on offer, banks are set to benefit through the provision of recommendations that may enhance competitive advantage and market share through the implementation of customer delight strategies.

This study will provide greater managerial insight into what causes customers to be loyal towards their banks. Since customer expectations are on the rise, customers too will be the beneficiaries of this study through an improved customer experience provided by their banks, centred around specific customer feedback during this research process, where customer needs are consequently addressed more explicitly. The third beneficiary of this study will be the academic research community. This study is the first to take into account all the variables encompassed within this study's proposed framework, with their effects on each other being measured simultaneously, adding to the body of knowledge.

1.5.7 Limitations of the Study

One of the limitations of this study was the fact that customer delight has not been explored in various contexts because it is a relatively new construct in relation to the other constructs explored within this study. This limitation, however, presented an opportunity in terms of the contribution it made to the body of knowledge, and provided justification for this study.

1.6 CHAPTER OUTLAY

This study is organised into six chapters, which are structured as follows:

Table 1.1: Chapter Outlay

Chapter	Description
Chapter 1	Introduction and background for the study. This chapter states the research problem and research objectives of the study.
Chapter 2	Focuses on the importance of customer loyalty in the services context.
Chapter 3	Focuses on customer delight and other antecedents of customer loyalty within the services context.
Chapter 4	Consists of the research design, research methodology and the research sample used.
Chapter 5	Presents a discussion of the research results.
Chapter 6	Concludes the entire study, with results from the literature review and the empirical study.

1.7 CONTRIBUTION OF THE STUDY

Banks continue to compete for greater market share in a competitive and saturated industry. As a result, banks are forced to focus their attention more on retaining existing customers as opposed to acquiring new customers as a major strategic focus. This has brought about the need for banks to understand how to create loyal customers. However, the conflicting interpretations amongst the customer satisfaction and the customer delight schools of thought as to which are the most effective predictors of customer loyalty has resulted in conflicting views in the minds of banking industry managers. This study helps bank managers gain a better understanding of why customer delight strategies should be implemented into their daily business activities to create and harbour loyal customers. This has implications on the strategies banks choose to implement in their effort to convert new and retained customers into loyal customers.

CHAPTER 2 CUSTOMER LOYALTY

2.1 INTRODUCTION

Customers that have their needs fulfilled by an organisation are more likely to continue doing business with, and demonstrate loyalty towards the respective organisation. This loyalty culminates into higher sales volumes due to the established link between customer loyalty and organisational sales (Kristinsdottir, 2010: 1). Early research revealed that it can cost up to six times more to acquire new customers than it does to retain existing customers (Rosenburg and Czepiel, 1984: 49), resulting in organisations putting a stronger emphasis on creating customer loyalty in their marketing efforts. In an effort to create loyal customers, marketers have endeavoured to understand customers better in order to identify their needs (Cant, van Heerden, and Ngambi, 2010: 3; Nieman, 2006: 57) which has allowed for organisations to employ business activities that are more customer centred.

Uncles, Dowling, and Hammond (2003: 295) put emphasis on the human element of loyalty, and therefore advocate the term customer loyalty rather than brand loyalty when they explain that loyalty is a feature of people, and not a trait inherent in brands. It is for this reason that for the purpose of this research, reference will be made to customer loyalty and not brand loyalty, as the focus of this research is on the customer and not the organisations to which the loyalty is expressed. The following sections in this chapter delve deeper into various aspects of customer loyalty.

2.2 DEFINING CUSTOMER LOYALTY

When attempting to define loyalty, words that would typically be used include “faithful to a cause”, “unswerving in allegiance”, “dedication”, and “steadfastness” (Brooks, 2010: 3). In the business context, customer loyalty is commonly recognised as an attribute or distinctive characteristic that people exhibit towards a product, service, or brand (Uncles *et al.*, 2003: 295), and is created from an integration of close relationships between the customer and business personnel (Boonlertvanich, 2011: 40). Customer loyalty is a deeply held commitment to re-patronise a preferred product or service despite marketing efforts that attempt to cause switching behaviour (Oliver, 1997: 392), and is characterised by an unfailing commitment towards a product or service in both good times and bad (Brooks, 2010: 3). However, it is important for marketers to understand that this commitment does not occur naturally. Instead, it is the result of businesses having a clear understanding of the needs of their customers to aid business practises which create positive responses by customers (Boonlertvanich, 2011: 40).

According to Ghazizadeh *et al.* (2010: 278), loyalty can only be viewed as a valid concept when customers have alternative service providers from which to choose. This perhaps serves as an illustration of Jacoby and Kyner's (1973: 2) conceptual definition of loyalty which places emphasis on customers' evaluative and decision-making processes when faced with having to decide between a set of brands. Customers build relationships with the selected service provider based on trust and a "commercial friendship" (Han, Kwortnik, and Wang*,* 2008: 23). These evaluative and relational factors merge to form the loyalty attitude of the customer from which the behavioural response is derived (Han *et al.,* 2008: 23).

The Loyalty Research Center (2012: 2) defines customer loyalty in terms of customers that are purchasing the products and services they desire. These customers believe the organisation's products and services to be superior to those offered by competitors, but do however value the relationship they have with the organisation which they perceive to be more important than the products and services offered. Customer loyalty is therefore measured in terms of the strength of this relationship, signifying the importance of the attitudinal component of customer loyalty, as well as the extent to which customers are willing to share their experiences with others.

Han *et al.* (2008: 23) define loyalty within the services context. They embrace Jacoby and Chestnut's (1978) view that customer or service loyalty results from customers favourably evaluating aspects of service delivery such as service quality, service fairness, and customer satisfaction. Han *et al.* (2008: 23) further explain that the relationship customers have with organisations, together with their attitude towards the extent to which the service provider is superior to alternatives, further contributes towards the development of service loyalty. Service loyalty is also the outcome of a sequence of attitude-forming phases that result in loyalty being expressed as behaviour. These phases include cognitive, affective, conative, and action phases of attitude formation (Han *et al.,* 2008: 23). Han *et al.* (2008) employ these phases which are consistent with Oliver's (1999) framework of service loyalty, within their composite view of service loyalty. These phases will be discussed in more detail later on in the chapter.

Despite the various definitions provided, literature falls short of providing a fixed and universally agreed upon definition of customer loyalty (Uncles *et al.*, 2003; Boonlertvanich, 2011; Brooks, 2010). This is so because customer loyalty is achieved through continuous assessments of customer needs on the part of the business as opposed to it being achieved through the use of a fixed formula. Businesses must therefore strive to continuously adapt according to their understanding of why their customers choose to stay with the business (Ghazizadeh *et al.*, 2010: 278).

For the purpose of this research, the preferred definition includes a combination of elements mentioned previously in this section. This study embraces the notion that loyal customers are those that believe that the products or services of a particular organisation, or a combination thereof, are superior to that of the opposition's offerings (Loyalty Research Center, 2012: 2). These customers base their loyalty on elements of business transactions that go beyond the transactions themselves, to include the human or relational element present in most business transactions. This serves to acknowledge the part that relational aspects play in customer attitude formation from which behavioural responses are shaped (Han *et al.,* 2008: 23).

2.3 ORIGIN OF CUSTOMER LOYALTY

Customer loyalty is the desired outcome or end result of well-implemented customer retention programs, which as a whole forms part of Customer Relationship Management (CRM) processes (Baran *et al.*, 2008: 48). In other words, CRM is the root of successful customer loyalty formation. With this in mind, it is important to understand the origin of CRM and how it contributed towards the birth of customer loyalty.

In the late 1970's, services researchers argued that customer satisfaction and loyalty was the outcome of prior quality experiences based on an interaction relationship between customers and business personnel (Moller and Halinen, 2000: 33). It was at this time that the importance of businesses developing and maintaining relationships with their customers began receiving attention, and would ultimately attract a great deal of attention to the newly conceptualised customer satisfaction and customer loyalty constructs.

The concept of CRM originates from the mid 1990's, but the exact origins of the field are varied and difficult to pinpoint (Baran *et al.*, 2008: 48). However, over the years, CRM has evolved into a concept that has borne valuable contributions in various areas of business management. One area of business management that has predominantly benefited from CRM is the area of relationship marketing. This is where customer loyalty features. A major focus of relationship marketing is the preservation of continuous relationships with customers in an effort to build long-term and loyal bonds based on the customers' needs and wants (Baran *et al.*, 2008 48 – 56).

While customer loyalty remains a key focus in relationship marketing, businesses also place their focus on defensive marketing, which is the retention of dissatisfied customers, in order to increase levels of customer loyalty (Fornell and Wernerfelt, 1987: 338). In other words, businesses do not only strive to create new loyal customers, but also strive to retain loyal customers that may be considering defection to different service providers. This illustrates how much emphasis has been put on the importance of creating and maintaining lengthy and mutually beneficial relationships with the organisations' clients.

Businesses therefore allocate many of their resources to the development of loyal customers. The reason for this can be found by looking at the determinants of customer loyalty which include customer perceived value, customer satisfaction, and trust, to name a few (Lin and Wang, 2006: 276). Businesses benefit from having customers that trust them and are satisfied with the business' products or services, perceiving them to be of high value to them.

With established literature advocating customer loyalty as a key aspect of a successful business, it has been made clear as to why this is the case. Customers that have achieved a sense of loyalty towards an organisation will also have reached the critical milestones of trusting the service provider, perceiving their products or services to be of value to them, and demonstrating their intention to remain committed to repurchasing the businesses products or services.

2.4 MARKETING AND CUSTOMER LOYALTY

Marketing has taken a step in a new direction, focussing more on building and maintaining relationships with customers. Marketing is therefore an attitude and a perspective held by management that stresses customer satisfaction, and the set of activities used to implement this philosophy (Lamb, Hair, McDaniel, Boshoff, and

Terblanche, 2008: 4). In order for the philosophy of customer satisfaction to be implemented successfully, managers need to create value for customers which ultimately lead to organisational objectives being achieved. The tools commonly used to create value for customers are known as the marketing mix (Nieman, 2006: 57).

Marketing mix is defined as a combination of all the elements required to achieve satisfaction of a targeted consumer market (Rafiq and Ahmed, 1995: 4). Marketing managers use the elements of the marketing mix to gain competitive advantage over their competitors, and to best serve the needs and wants of their customers. These elements of the marketing mix, commonly referred to as the 4 P's, are Product, Place, Price, and Promotion. By manipulating the elements of the marketing mix, marketing managers can customise the customer offering and achieve competitive success (McDaniel, Lamb, and Hair, 2010: 44) through detailed attention to customers' needs.

The 4 P's, however, are commonly used in business industries in which the organisation has tangible products on offer, and does not specifically cover tools used to harbour customer relationships. A survey carried out by Rafiq and Ahmed (1995) aimed at determining the levels of satisfaction of the 4P's framework amongst marketing academics, and targeted delegates from two major marketing conferences in Europe, namely the European Marketing Academy (EMAC), and the United Kingdom's Marketing Education Group (MEG). The survey found that the majority of the delegates perceived the 4P's as being too simplistic in that it does not cover broader areas that emphasise the importance of the customer, with specific mention to the exclusion in the area of relationship marketing (Rafiq and Ahmed, 1995: 13).

With the abovementioned survey identifying a lack of focus on building relationships with customers, the question is raised as to how businesses can create value for their customers, as the creation of customer value is the ultimate purpose of the utilisation of the marketing mix in the first place (Nieman, 2006: 57). Since customers seek value and benefit from business offerings, it is evident from the survey that some marketing academics may sense a hint of marketing myopia, which exists when a business defines itself in terms of its products and services rather than in terms of the value they can create for customers (McDaniel *et al.,* 2010: 35). The extended marketing mix consequently may address this issue in that it includes the element of customer relationship building essential to achieving customer loyalty.

The extended marketing mix differs from the original marketing mix in that it has 7 P's as opposed to the original 4 P's in order to cater for organisations operating within the services industry. The extra 3 P's are People, Processes, and Physical Evidence (Cant *et al.*, 2010: 451). The extended marketing mix, also referred to as the Services Marketing Mix, seeks to understand the customer in order to establish customer loyalty, and is a tool commonly applied within service industries (Nieman, 2010: 57). Processes as a tool within the services marketing mix is especially important within the service context. This is due to the fact that processes are more operations based and not a marketing orientation, as services are essentially experiences governed by business processes (Nieman, 2010: 63). Positive customer experiences are therefore value creators within organisations that promote an atmosphere of friendliness and personal attention, which encourages repeat purchase behaviour and ultimately harbours customer loyalty (Nieman, 2010: 10).

Therefore, from a marketing perspective, customer loyalty should be the underpinning motivator for managers, which can be achieved through the development and maintenance of relationships with customers. The reason for this, as clearly put by Bhote (1996: 30), is that customer loyalty is the flip side of the same coin called company profit.

2.5 THE THEORY OF REASONED ACTION

Loyalty behaviour does not occur in isolation. Before a customer partakes in a particular purchasing behaviour, certain motivating factors need to be in place in order for customers to willingly choose to partake in purchasing behaviour. The Theory of Reasoned Action (TORA) was developed to help explain how a customer is driven to a particular purchasing behaviour (Fishbein, 1980: 65), as well as to better understand the relationships that exist between attitude, behavioural intentions, and performed behaviour (Fishbein, 1967; as cited in Glanz *et al.,* 2008: 68). This particular purchasing behaviour occurs as the result of two major antecedents as identified by Fishbein and Ajzen (1975: 216), who initially developed the concept. The two antecedents are the customer's *attitude toward the purchasing behaviour*, and *subjective norm*.

2.5.1 Attitude towards purchasing behaviour

Fishbein and Ajzen (1975: 216) define *attitude towards purchasing behaviour* as "an individual's positive or negative feelings about performing target behaviour". These feelings are linked to the individual's perception of whether the intended behaviour bears a desirable outcome or not (Bang, Ellinger, Hadjimarcou, and Traichal, 2000: 453). Supplementary to the individual's feelings based on possible future outcomes, the target behaviour or behavioural intention could also be determined through the individual's levels of trust in the service provider, which affects the individual's attitude (Hong and Cho, 2011: 477; Nasri and Charfeddine, 2012: 950).

Ha (1998: 53; as cited in Lutz, 1991) elaborates on Lutz's (1991) propositions underlying the TORA. Firstly, in order to successfully predict purchasing behaviour, the customers' attitude towards performing the behaviour must be measured. A distinction therefore needs to be made between the customers' attitude toward the purchasing behaviour, and the customers' attitude towards the object. In other words, customers may display a favourable attitude towards a product, but may never consider actually purchasing the product (Ha, 1998: 53; Yu and Wu, 2007: 748). Therefore, the customers’ attitude towards the product is not in question, rather the customers’ attitude towards the act of purchasing the product.

The TORA does not, however, include behaviours such as spontaneous, impulsive, habitual, result of cravings, or mindless behaviours within its explanatory scope. This is due to the phenomenon that these behaviours may not be voluntary, and does most likely not involve a conscious decision by the individual (Hale, Householder, and Greene*,* 2002: 259 – 260). The individual therefore does not have a specific grounded attitude towards the purchasing behaviour.

2.5.2 Subjective norm

Fishbein and Ajzen (1975: 216) describe *subjective norm* as “the perception that most people who really matter to the individual thinks that he either should or should not perform the behaviour in question”. The TORA focuses on constructs dealing with the motivational factors as determinants of the likelihood of performing a particular behaviour (Glanz, Rimer, and Viswanath, 2008: 68). Subjective norm is a motivational component of behavioural intention in that individuals might not be willing to reveal certain information about themselves that could be revealed while performing a specific behaviour (Fitzmaurice, 2005: 924). Therefore, the individual may be demotivated from performing the particular behaviour if s/he were to be unfavourably exposed.

Subjective norm as the second determinant underlying the TORA is intended to measure the customers’ external or social influences on their behaviour (Ha, 1998: 53). Ultimate purchasing behaviours performed by customers may be under the control of the expectations of relevant or significant others, and not under the individuals own attitudinal control. Therefore, the customers partake in purchasing behaviour that does not necessarily reflect their own attitude towards the behaviour, but instead reveals a reflection of the expectations and attitude towards the behaviour of the people that really matter to them.

Individuals may feel that they would open themselves up to possible criticism or social judgement if they partake in a specific purchasing behaviour (Fitzmaurice, 2005: 924). Marketers may therefore be compelled to attempt to enhance the "appealing" or "fun" nature of the new purchasing action in an attempt to heighten the customers' level of enthusiasm. This can be achieved through the depiction of scenes of approval from family and friends in order to influence behavioural intentions (Fitzmaurice, 2005: 925). With the understanding that customer loyalty can be explained by the TORA, which explores the causes of certain purchasing behaviours, the following section explores the various types of customer loyalty established in literature.

2.6 TYPES OF CUSTOMER LOYALTY

As established through the provided literature, marketers need to have a good understanding of their customers' needs in order to manage customer loyalty effectively. This implies that the focal concern of marketers should be to establish what the precursors of customer loyalty are, and aim at capitalising on them to achieve loyalty. A challenge faced by marketers lies in the task of choosing which type of customer loyalty to embrace in order to incorporate within their marketing strategies.

While customer loyalty plays a central role in the marketing of financial services, there is, however, very little consensus as to the common predictors of loyalty and their potential interrelationships (Baumann, Elliot, and Hamin, 2011: 247 - 248). In order for organisations to fully capitalise on loyal relationships harboured with their customers, organisations need to recognise and understand the various dimensions encompassed within the customer loyalty concept. Day (1969) introduced his dual dimensional perspective of customer loyalty which incorporated behavioural and attitudinal components. Building onto this dual perspective of loyalty, Mittal and Lassar (1998, as cited in Rundle-Thiele, 2005: 333) further suggested a multidimensional view to encompass a broader range of loyal qualities which benefit both customers and business marketers. Rundle-Thiele (2005: 342) found that customers can be loyal in different ways, thereby validating the multidimensional view of customer loyalty.

Customer loyalty is a multi-faceted and highly researched concept. Researchers may consequently embrace different types of loyalty without reaching consensus on what they perceive to be the most accurate description of loyalty, especially since customer loyalty exists within a large variety of contexts. The following sections delve deeper into the different types of customer loyalty.

2.6.1 Behavioural Loyalty

Behavioural loyalty can arguably be seen as the most controversial model of customer loyalty. This is attributed to the fact that researchers subscribing to this concept draw conclusions on data that merely refer to patterns revealed from past purchasing behaviour, where attitude and commitment to brands are not considered to be determinants of loyalty (Uncles, 2003: 297). Customers regularly purchase products chosen through the process of trial and error, selecting the most satisfying product. Despite the abundance of empirical evidence arguing in favour of a strong behavioural component of loyalty, the controversy endures. This is partly due to the fact that "behaviour" subscribers emphasize that understanding the customers' behaviour is the root to envisaging future behaviour (Szmigin and Carrigan, 2001: 7), regardless of any factors other than past purchasing behaviour.

Researchers arguing against revealed past purchasing behaviour claim that all alternatives of a particular brand are likely to be equally satisfying (Uncles, 2003: 297), and therefore in the absence of regularly purchased brands, customers will purchase functionally similar brands. This supports the view that if a particular brand is regularly purchased, it cannot be assumed that loyalty exists, as repeat purchasing behaviour is merely how consistent customers are in repurchasing products or services (Chen, Shen, and Liao, 2009: 270).

Kish (2000; as cited in Szmigin and Carrigan, 2001: 7) argues that staying up to date with customers' purchasing behaviour can help organisations identify customers that have declining levels of loyalty based on decreasing levels of purchasing activity. Following this mindset is to completely disregard the existence of any form of attitude being a determinant of loyalty towards the brand. Behavioural loyalty is therefore merely a description of an activity as opposed to developed cognition or emotional connection.

2.6.2 Attitudinal Loyalty

Attitude is the disposition that arises from evaluation processes in an individuals' mind, and is said to form the basis for repeat purchase behaviour (Lim and Razzaque, 1997: 96). Customer loyalty, depicted through repeat purchasing behaviour where customers are presented with different options, is attributed to some strong positive attitude held by the customer towards the service provider (Lim and Razzaque, 1997: 95 – 96). Researchers that subscribe to attitude as being the main antecedent of customer loyalty rule out revealed behaviour as a dominant measure of customer loyalty, as is the case of behavioural subscribers (Uncles *et al.,* 2003: 295). Through this, attitudinal subscribers clearly dismiss the notion that loyalty is measured through the actions of customers, but advocate that loyalty is a perception or attitude held by customers, and should be measured as such.

Oliver (1997: 392), who is widely considered to be on the forefront of loyalty research, defines customer loyalty as follows:

> *"A deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set*

purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour."

In order to apply Oliver's (1997: 392) definition of customer loyalty within context of the attitudinal loyalty framework, an operationalised definition of *commitment* is provided. Malhotra and Galletta (2005: 120) define *commitment* within the context of customer's usage behaviour of information systems. Malhotra and Galletta (2005: 120) define commitment as a customer's psychological attachment to specific system use behaviours. Commitment is therefore viewed as an established psychological attachment based on the customers' attitude towards something. Within the context of Oliver's definition of customer loyalty (1997: 392), commitment is therefore the customers' psychological attachment manifested through the customers' attitude towards a preferred product or service.

With the presented background on the definition of commitment, it has been established that a deeply held commitment, based on attitude, is therefore a key predictor of brand or service provider purchase and repeat purchase according to Oliver's (1997: 392) definition. True loyalty therefore, in addition to repeat purchasing behaviour, implies a true commitment and positive attitude held toward a service provider. Furthermore, Bennett and Rundle-Thiele's (2002) study reveals that attitudinal loyalty can be measured by assessing the customers' attitude toward the actual act of loyalty. This substantiates Richard and Zhang's (2012) statement that attitudinal loyalty is characterised by a psychological predisposition exhibited through preferences and commitment that manifests itself through purchasing behaviour (Bennett and Rundle-Thiele's, 2002: 203).

Attitudinal loyalty subscribers are of the view that positive attitudes held by consumers lead to more frequent purchasing of a particular brand, and ultimately defines customer loyalty through its behavioural manifestation. In agreement with this sentiment, Bennet and Rundle-Thiele (2002: 195) emphasise the importance of attitudinal loyalty by summarising that behavioural loyalty is the observable outcome of attitudinal loyalty.

2.6.2.1 Early conceptualisations of Attitudinal Loyalty

Jacoby and Chestnut (1978) explored the meaning of customer loyalty from a psychological perspective in an effort to distinguish it from behavioural loyalty definitions. Jacoby and Chestnut (1978) concluded that solely measuring behavioural trends in respect of repeat purchasing could be invalid since customers could be multi-brand loyal, or perhaps have a preference for convenience. In an effort to detect true customer loyalty, Jacoby and Chestnut (1978) formulated an attitudinal loyalty framework, which included:

- **Beliefs** – The brand attribute ratings (beliefs) must be preferable to competitive offerings.
- **Attitude** – This “information” must coincide with an affective preference (attitude) for the brand.
- **Conation** – The consumer must have a higher intention (conation) to buy the brand than that of alternatives.

Since then, little research has been conducted that would specifically elaborate on these elements of attitudinal loyalty. Oliver’s (1997) framework, however, follows this psychological pattern of customer loyalty, but argues that customers can become loyal at each attitudinal phase relating to different elements of the attitude development structure. These loyalty phases identified by Oliver (1999: 36) are illustrated in Table 2.1.

Table 2.1: Loyalty Phases

Stage	Marker
Cognitive	Loyalty to information such as price, features, and so forth.
Affective	Loyalty to a liking: "I buy it because I like it."
Conative	Loyalty to an intention: "I'm committed to buying it."
Action	Loyalty to action inertia, coupled with the overcoming of obstacles.

Source: Oliver (1999: 36)

Oliver (1999: 37) identifies a number of vulnerabilities associated with each phase of attitudinal loyalty. The first phase, namely *cognitive loyalty*, is based on performance levels, whether they be functional, pleasing to the eye, or cost based. These dimensions are thereby opened up to failure. Within the service context for example, deteriorating service delivery could be a strong motivator to switch the brand to which the customers choose to show their allegiance. Price of commonly purchased items can also be a powerful competitive weapon. Consequently, cognitive loyalty is not focussed on the brand itself, but rather directed at costs and benefits associated with the brand.

Affective loyalty, described by Oliver (1999: 37) as a loyalty to the liking of a product, can become vulnerable at the cognitive level, thereby inducing shifts in customers' attitudes toward the business. If a customer dislikes a product, then dissatisfaction occurs. Once customers experience dissatisfaction, then their awareness to alternative brands are heightened. Therefore, affective loyalty is first subject to the deterioration of its cognitive base responsible for satisfaction, which in turn has negative effects on the strength of the customers' attitude held towards the brand.

Conative loyalty, according to Oliver (1999: 36), strengthens the customers' commitment to be loyal. Oliver (1999: 36) describes conative loyalty as loyalty to an intention, or the commitment to buying the product. The vulnerability of customers occurs when customers continue receiving competitive messages which could in turn exacerbate the customers' minor dissatisfactions with the current service provider. This may result in the customers' motivation to remain committed being worn down. Therefore, conatively loyal customers have not developed the determination to avoid considering alternative brands.

Once the customer has reached the action phase of loyalty, then the blueprint for loyalty has largely been created. The *action loyal* customer has a deep sense of commitment toward repurchasing of a particular brand, and purchasing behaviour to a large extent occurs habitually. It is in this phase however, where competition can make an impact through the creation or facilitation of any dissatisfaction experienced by the customer. Customers are prompted into dissatisfaction through negative information provided by competitors, which could ultimately be a switching incentive. Oliver (1999: 35) states that customers are theorised to become loyal in the cognitive sense first, then in an affective sense, then in a conative sense, then lastly in a behavioural manner, known as action inertia.

2.6.3 Situational Loyalty

Situationists endorse the belief that repeat purchasing behaviour is solely determined by particular situations in which customers find themselves during purchasing transactions (Lim and Razzaque, 1997: 96). Brand choice is dictated through situations and leaves little room for variations of attitude in predicting purchasing behaviour. Such situations may include a businesses' stock being out or unavailable. These situational factors therefore reinforce the need for customer loyalty to be separated from repeat purchasing behaviour (Bandyopadhyay and Martell, 2007: 38). Bandyopadhyay and Martell (2007) also highlight that it is for this reason that the importance of having an attitudinal component of customer loyalty becomes apparent, especially within the service context where customers may be faced with numerous service situations.

Against the presented literature on attitudinal and behavioural dimensions of customer loyalty, situational loyalty supporters find themselves enjoying little support. Situational loyalty may very well feature as a measurement tool within the larger customer loyalty framework. This, however, will most likely only be done in conjunction with measurement tools that have proven to show greater significance in their influence over customer loyalty.

2.6.4 Spurious Loyalty

According to Kim, Morris, and Swait (2008), spurious loyalty should be separated from true loyalty due to the circumstances under which spurious loyalty exists. Kim *et al.* (2008: 100) conceptualise true brand loyalty to include an attitude of brand sensitivity which differentiates true loyalty from spurious loyalty, as spurious loyalty represents a low relative attitude towards a respective organisation (Rowley, 2005: 574). Brand sensitivity is a concept that was theorised to make a distinction between true customer loyalty and spurious loyalty (Kim *et al.,* 2008: 100). This distinction could largely be attributed to the fact that spuriously loyal customers exhibit low levels of psychological attachment towards the respective service provider (Petrick, 2005: 199).

In a service context, spuriously loyal customers may react positively to dissatisfaction as a result of service failures, preferring to persist with the service provider in the belief that a service improvement outweighs the cost of searching for another service provider (Yanamandram and White, 2004: 2). Therefore organisations must endeavour to allocate resources that focus on converting spuriously loyal customers into customers that exhibit a deeply held sense of commitment towards the organisation that translates into more frequent purchasing behaviour.

2.6.5 Inertia

Customers that partake in repeat purchase behaviour of the same brand without giving it much thought often experience loyalty based on inertia (Yanamandram, 2004, 3). These customers repatronise a particular service provider out of habit merely due to the fact that it requires little effort, but will however switch to a new service provider rather easily if there was a convenient reason to do so (Beerli, Martin, and Quintana, 2004: 255). Inertia differs from true brand loyalty in that customers expressing true brand loyalty partake in purchasing behaviour that reflects a conscious decision to continue repatronising a particular service provider (Huang and Yu, 1999: 525). Repurchasing behaviour of true brand loyal customers is normally accompanied by an underlying sense of commitment and positive attitude towards the service provider (Beerli *et al.*, 2004: 255). This positive attitude and commitment is not shared by customers expressing loyalty based on inertia, and are therefore persuaded to switch service providers rather easily as little resistance to switching will be encountered (Beerli *et al.*, 2004: 255).

Huang and Hu (1999: 525) conceptualise inertia as a single-dimensional construct consisting of passive repurchasing behaviour without the presence of true loyalty. They operationalise the construct of inertia as “not being ready to put forth the effort required for switching”. Inertia is therefore present in customers when customers partake in repurchasing behaviour toward a single service provider without the presence of a positive attitude or affiliation towards the service provider. The consequences of inertia for service providers could include an existing customer base that does not partake in positive word of mouth. Even though these customers partake in consistent repurchasing behaviour, the service provider may still require gaining the customers’ loyalty by impressing upon them a positive image of the organisation.

Spurious loyalty and Inertia are similar in that both types of loyalty exist without the presence of any positive attitude held towards the service provider (Rowley, 2005: 574). Spuriously loyal customers may react in a relatively positive manner to a failed service as they place much hope in the fact that the service provider may improve their service with any future encounters (Yanamandram and White, 2004: 2). In the case of a customer that experiences inertia, a failed service may result in the customer switching service providers rather easily (Beerli *et al.,* 2004: 255).

2.7 LOYALTY AS A MULTIDIMENSIONAL CONCEPT

Customer loyalty is not exclusively defined in terms of customers' repurchasing behaviour. Up until the early 1990's, loyalty generally seemed to be defined in behavioural terms within marketing literature (Baldinger and Rubinson, 1996: 22). Little thought was given to the possible relationship that exists between behaviour and attitude. Jacoby and Kyner (1973) expressed the importance of the attitudinal component by differentiating between repeat purchasing behaviour and commitment toward a brand through the notion of customers' psychological evaluations of organisations in their decision to partake in repurchasing behaviour or not. This eludes towards the presence of a specific attitude held by customers toward an organisation that facilitates the development of customer loyalty and repurchasing behaviour. More recently, and in agreement to this belief, several researchers impose the inclusion of attitude along with behaviour to achieve a more accurate definition of customer loyalty (Bandyopadhyay, 2007: 37; Petrick, 2005: 201; Day, 1969: 29-35).

Szmigin and Carrigan (2001: 7) advocate the use of "behavioural–triggering" technology that allows organisations to recognise the different stages of customer dissatisfaction, prompting managers to engage in customer retention activities. Although and perhaps not intentional, for Szmigin and Carrigan (2001) to advocate retention strategy implementation in the event of dwindling satisfaction levels, is in essence an admission of the presence of attitude in all customers as fluctuating satisfaction levels affect loyalty levels (Baran *et al.*, 2008: 397; Baumann *et al.*, 2005: 232). This view is justified in earlier research by Baldinger and Rubinson (1996) who believe that the measurement of loyalty could be better understood by including attitude within the behavioural definitions of customer loyalty.

In 1992, market research company NDP Group developed a model called the BrandBuilder which was designed to identify the relationship between behaviour and attitude in the customer loyalty context. The key concept behind the BrandBuilder model is that buyers that are behaviourally loyal to a particular brand are much more likely to rate the brand more positively in terms of their attitudes toward the brand, over brands that they do not normally patronise (Baldinger and Rubinson, 1996: 23). The BrandBuilder modelling process is based on the premise that once customers' loyalty levels are classified behaviourally, it is possible by means of surveys to establish a possible link to each respondent's attitudes towards the brand (Baldinger and Rubinson, 1996: 23). It is therefore important to treat customer loyalty as a multidimensional construct comprising of attitudinal and behavioural components, and should therefore be treated as such when measuring customer loyalty.

The justification for this is that neither attitudinal nor behavioural measures alone can fully explain customer loyalty (Petrick, 2005: 201). Measuring both attitudinal and behavioural loyalty offers far more insights into customer loyalty than measuring each type of loyalty independently (Bandyopadyay, 2007: 42; Chen *et al.,* 2009: 276). In support of this, Chen *et al's.* (2009: 276) study revealed that attitudinal loyalty positively influences behavioural loyalty, which in turn positively influences the customers' expenditure. It is for this reason that attitudinal loyalty is included in the proposed framework of this study.

CHAPTER 3 CUSTOMER DELIGHT AND OTHER ANTECEDENTS OF CUSTOMER LOYALTY

3.1 INTRODUCTION

Customer loyalty has been established in literature as being a necessary objective for organisations, including banks, to achieve within their marketing and service campaigns (Kristinsdottir, 2010: 1; Rosenburg and Czepiel, 1984: 49; Bandyopadhyay and Martell, 2007: 37). The drive for banks to harbour loyal customers has resulted in efforts to better understand the elements that contribute toward customers becoming loyal. Some researchers support the view that customer loyalty is largely formed on the basis of an underpinning cognition of individuals (Fullerton, 2005: 100; Parasuraman, Zeithaml, and Berry, 1988: 14), while other researchers support the view that customer loyalty is largely formed on the basis of an underpinning emotional reaction towards a service received (Keiningham and Vavra, 2001; Barnes *et al.*, 2011: 359). Although an abundance of empirical evidence supports the different views held of what causes customer loyalty, researchers are generally in agreement that customer loyalty, in which ever way it is achieved, is vital for organisational success. The following sections detail the various antecedents of customer loyalty examined in literature.

3.2 CUSTOMER SATISFACTION

Customer satisfaction is an emotional state arising from customers' interactions with a service provider over a period of time (Liu and Wu, 2007: 141), whereby their minimum expectations are met. Such expectations are based on assessments of their previous experiences with the respective service providers (Liu and Wu, 2007: 136). As a result, customer satisfaction is also described as having one's expectations fully met (Jamal and Naser, 2002: 147). Further on, customer satisfaction has generally been modelled as the outcome of a comparison process between the expectations, and perceived performance of the particular service provider (Wirtz and Bateson, 1999: 56). For many years customer satisfaction has been perceived as one of the key role players as to why customers choose to repatronise a service provider and remain loyal or not (Cohen *et al.,* 2007: 42), and has consequently led to managers recognising that investment in customer satisfaction strategies could lead to increased profitability and a greater market share (Alhemoud, 2010: 335). Hence, the following hypothesis is proposed:

According to Alhemoud (2010), elements studied by Levesque and McDougall (1996) such as situational factors, service quality, service features, and customer complaint handling, all within the retail banking sector, inform customer expectations, which if met lead to customer satisfaction. With customer satisfaction literature focussing mainly on customer expectations (Jamal and Naser, 2002), customer perception of service quality, and customer complaint handling (Alhemoud, 2010; Levesque and McDougall, 1996), it is apparent that customer satisfaction is an emotional state experienced by people as cognitive beings (Wirtz and Bateson, 1999: 56). Such emotional states inform the customers' assessment of their experiences with their service providers (Liu and Wu, 2007: 136), and on this basis form expectations for their future transactions with the service provider. Customers compare their expectations against the actual service performance received, and as a result experience either satisfaction or dissatisfaction.

Customers' experiences of pleasure or displeasure are driven by disconfirmation, depending on whether the customers' expectations were met or not (Wirtz and Bateson, 1999: 61). The disconfirmation paradigm (Lamb *et al.*, 2008) has been used by researchers to measure and conceptualise customers' levels of satisfaction with a service experience (Keh and Lee, 2006: 128) where actual performance of a service, as perceived by the customer, is measured up against the customers' expectations.

3.2.1 Disconfirmation Paradigm

The disconfirmation paradigm is a model that measures customer satisfaction and is commonly used by organisations to track whether they are actually meeting the customers' expectations or not. Also known as the customer expectation – disconfirmation paradigm, the actual performance of a service delivered is measured against what the customer expected from the service or product (Lamb *et al.,* 2008: 5). Thus, prior experience shapes the customers' expectations and attitudes towards the organisation (Keh and Lee, 2006:128). As illustrated in Figure 3.1, if the actual performance meets or exceeds the customers' expectations, positive confirmation and satisfaction is experienced. If an organisation's performance does not meet the customers' expectations, then negative confirmation and customer dissatisfaction is experienced.

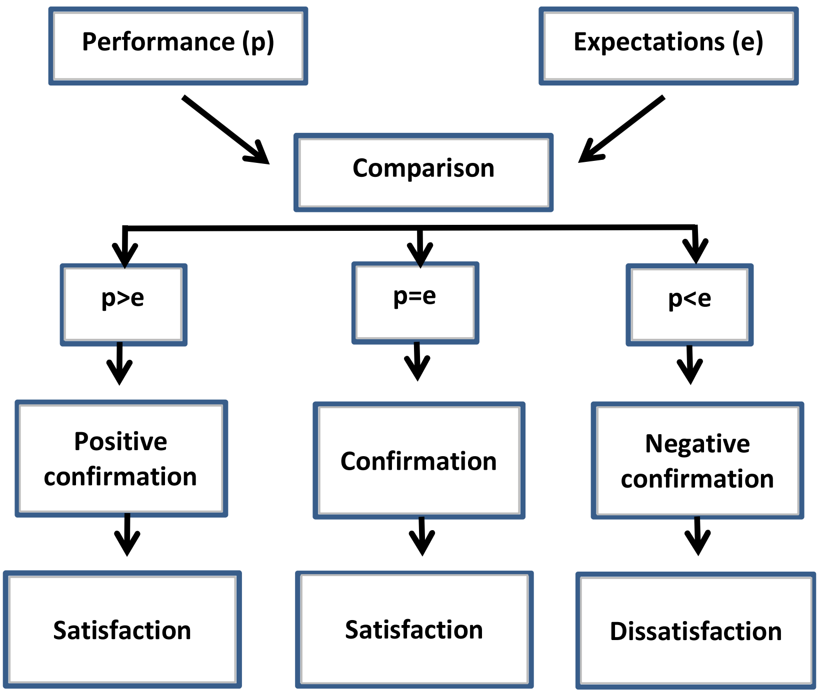

Figure 3.1: Disconfirmation Paradigm

Source: Lamb *et al.* (2008)

From Lamb *et al's.* (2008: 5) interpretation*,* customer satisfaction results from the customers' judgement or response relating to the extent to which an organisation's product or service met their expectations. Customers can, however, experience satisfaction for various service providers at any given time, provided that the customers' expectations are met by all the service providers. Verna (2003) further suggests that satisfaction for a particular service provider can only occur when competing service providers dissatisfy in similar service or product offerings. For service firms such as banks, customer satisfaction may exist for various aspects of the banks' offerings. These include aspects such as customer service, interest rates, financing options, and investments options to name a few. Kano (1984; as cited in Fuller and Matzler, 2008: 117) identified various factors which may influence customer satisfaction, as discussed below.

3.2.2 Three - Factor Theory of Customer Satisfaction

Kano (1984; as cited in Fuller and Matzler, 2008: 117) introduced the idea of customer satisfaction being influenced by three independent satisfaction factors, namely, basic factors (dissatisfiers), excitement factors (satisfiers), and performance factors (hybrids) (Fuller and Matzler, 2008: 117). The three-factor theory (TFT), as it is now known, was adopted by several researchers (Matzler and Sauerwein, 2002; Fuller and Matzler, 2008). These factors are discussed hereafter.

Basic factors (dissatisfiers) are minimum requirements that cause dissatisfaction if not fulfilled, but do not lead to customer satisfaction if fulfilled or exceeded. The fulfilment of basic requirements is expected and is necessary, but not sufficient to cause customer satisfaction. Basic factors establish a market expectation for customers, and if delivered at a satisfactory level, an increase in performance does not lead to an increase in customer satisfaction (Fuller and Matzler, 2008: 117).

Basic factors within the banking context typically include prompt service from frontline employees, correct information passed on for queries, well trained financial advisors, or enough tellers to ensure fast-moving queues. Customers are likely to experience dissatisfaction if they were to be given incorrect account information, or are faced with having to stand in long, slow-moving queues.

Excitement factors (satisfiers) are the factors that increase customer satisfaction if delivered, but do not cause dissatisfaction if they are not delivered (Fuller and Matzler, 2008: 117). Excitement factors are unexpected factors that surprise and delight customers. Failure to deliver on excitement factors does not cause dissatisfaction, as customer satisfaction is already present. Organisations should attempt to differentiate themselves from the rest with regard to excitement factors (Fuller and Matzler, 2008: 117) in order to gain competitive advantage.

Excitement factors aim at delighting customers with joyful and surprising service delivery, and for this reason forms the basis upon which customer delight advocates focus their research. Banks can achieve the element of surprise and delight through outstanding service delivery, where promises made are not merely met, but exceeded to a surprising degree (Oliver, Rust, and Varki *et al.*, 1997: 314). It is therefore for this reason that excitement factors will be discussed in more detail under the customer delight section later on in the chapter.

Performance factors (hybrids) are factors that lead to satisfaction if the service performance is high, and to dissatisfaction if the service performance is low. Performance factors have a direct relationship with customer satisfaction levels, and are explicitly linked to the customers' needs and desires. The customer's needs are normally clearly stated by customers, and provide reason for organisations to be competitive regarding their performance factors (Fuller and Matzler, 2008: 117).

For banks, performance factors include secure and reliable internet banking facilities, prompt service, or quick access to financial advisors. Due to the similar nature of the products and services offered by banks (Ghazizadeh *et al.*, 2010: 275), customers' demands of high levels of performance factor delivery are heightened, as customers may be enticed to defect (Lim and Razzaque, 1997: 96) to service providers that present more positive service situations.

The practical implications of the three-factor structure, according to Fuller and Matzler (2008: 124), is that organisations must simply fulfil the basic requirements to penetrate the market, and to be competitive regarding their performance factors to increase customer satisfaction. As far as excitement factors are concerned, service providers need to stand out from competitors in the ways in which they delight their customers (Berman, 2005: 130). However, there are concerns regarding how long excitement factors can delight customers. Since excitement factors are those that customers do not expect or demand, if service providers consistently deliver on excitement factors, customers may get used to the service or product attribute and begin to expect it (Fuller and Matzler, 2008: 125). The consequence of this would be that the particular excitement factor thus becomes a performance factor, which would be a source of great satisfaction or great dissatisfaction, and ultimately a basic factor or a minimum requirement. Customers therefore come to expect delightful experiences and begin to perceive them as being normal practise as time goes on (Rust and Oliver, 2000: 88).

3.3 CUSTOMER DELIGHT

The 1990's brought about change regarding the perceptions about business's attempts to achieve customer loyalty. Consultants began recommending that firms strive for customer delight as questions were being asked about the effectiveness of treating customer satisfaction as a business objective (Keiningham and Vavra, 2001; as cited in Finn, 2012: 99). Founded upon emotion literature (Barnes *et al.*, 2011: 359; Verna, 2003: 130; Gorelick, 2010: 12; Oliver *et al.*, 1997: 314), customer delight was originally conceptualised as an exceptionally positive emotional reaction resulting from having one's expectations exceeded to a surprising and unexpected degree (Oliver *et al.*, 1997: 314). Hasan *et al.* (2011: 511) are of the view that customer delight is a heightened sense of satisfaction achieved through the immediate fulfilment of customer's needs at the time when those needs are desired most. This strategy of immediate gratification provides distinction for firms with services that are similar such as banks, which is the focus of this study, where differentiation may be more difficult to come by (Hasan *et al.*, 2011: 511).

Giving customers what they do not expect is considered to be value adders within the broader context of the organisations' relationships with its customers, which improves customer loyalty and attracts new customers (Kulkarni, 2009: 14). Kulkarni (2009: 14) emphasises that in order to give customers what they do not expect, organisations need to get inside the minds of their customers to establish what they have grown to expect. This implies that customers must be treated as individual cases requiring unique initiatives to achieve a heightened level of satisfaction with the goal of customer loyalty in mind. This goes beyond merely making good of organisational promises which would be the fulfilment of the basic expectations of the customers.

3.3.1 Customer Delight and the Three - Factor Theory

Customer delight is linked to customer satisfaction in that delight cannot exist without the presence of satisfaction. This is explained by the fact that customer delight is a heightened level of customer satisfaction (Vargo and Lusch, 2004: 1; Gorelick, 2010: 12) proven to be necessary to achieve customer loyalty (Verna, 2003: 130). Within customer satisfaction literature, the TFT explains basic, excitement, and performance factors that contribute differently toward customer satisfaction (Fuller and Matzler, 2008: 117). However, excitement factors not only contribute toward customer satisfaction, but also toward customer delight as excitements factors aim at surprising and delighting customers (Fuller and Matzler, 2008: 117).

Excitement factors increase overall customer satisfaction (Fuller and Matzler, 2008: 117) as opposed to creating customer satisfaction. This implies the presence of customer satisfaction for excitement factors to be effective. Excitement factors are not expected by the customer, and take the customer completely by surprise (Fuller and Matzler, 2008: 117), creating delight. Well-implemented basic as well as performance factors are therefore important pre-requisites that banks need to have in place for customers to derive significant meaning from excitement factors, and for delight to be created.

3.3.2 The Importance of Customer Delight

Businesses need to constantly adapt to meet the needs of demanding customers (Gorelick, 2010: 12), and work on the assumption that competition improves their service and product offerings every year. This premise is derived from Gorelick's (2010: 12) interpretation that organisations that offer the same level of service on a year-to-year basis lose ground as customer expectations evolve and increase over time. The same level of service on a yearly basis merely satisfies customers as their expectations are merely being met, and literature supports the belief that satisfaction alone does not eliminate the possibility of customer defection (Verna, 2003: 120; Schneider and Bowen, 1999: 36). The demand for quality products and services are increasing, therefore organisations need to consistently improve their offerings in order to delight customers if they are to remain competitive and meet the customers' demands, as modest levels of customer satisfaction do not significantly affect customer loyalty (Yang, 2011: 84).

Customers that experience delight are six times more likely to exercise repurchasing behaviour of a brand than customers that are merely satisfied (Yang, 2011: 84). For this reason, it is important to consider customer delight strategies over customer satisfaction strategies if organisations are to achieve the kind of customer loyalty they desire (Yang, 2011: 84). To further illustrate the importance of customer delight, Schneider and Bowen (1999: 36) delve deeper into the levels of satisfaction, which includes delight, and their impact on customer loyalty as depicted in Figure 3.2.

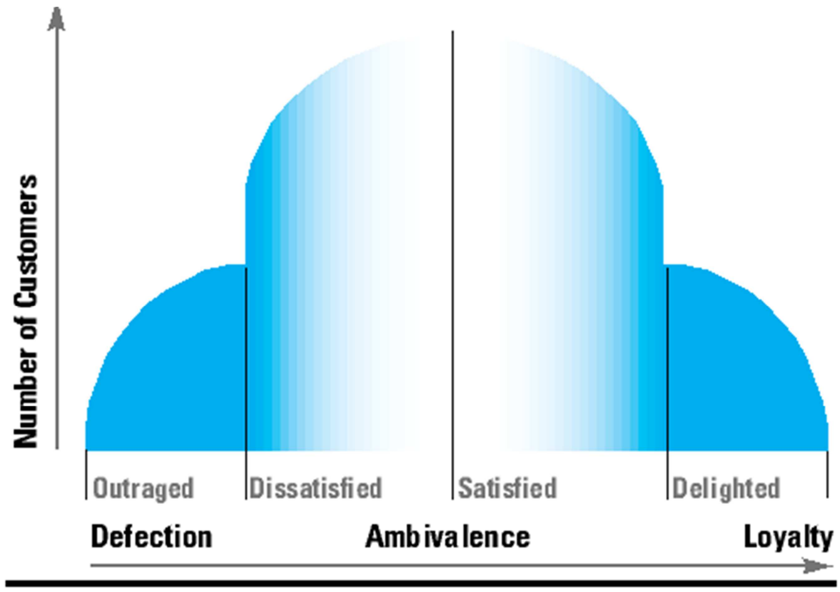

Figure 3.2: Distribution of Customer Loyalty

Source: Schneider and Bowen (1999)

The ranges of satisfaction and dissatisfaction identified by Schneider and Bowen (1999: 36), illustrated in figure 3.2, are outraged, dissatisfied, satisfied, and delighted. Customers that are outraged are very likely to defect to another service provider. Outraged customers are emotionally charged "terrorists" that are motivated to tell others of their negative experiences, and usually exaggerate in doing so.

Delighted customers display signs of loyalty towards their particular service provider, more so than satisfied customers. Since delight is a prolonged emotional state of joy and arousal towards their service provider, delighted customers, compared to satisfied customers, are more likely to become loyal "apostles" who are faithful to the organisation who demonstrate their faith through positive word of mouth practices

(Schneider and Bowen, 1999: 36). This could be explained by the fact that delight is more meaningful and lasts longer than satisfaction.

Satisfied customers are relatively undecided regarding their loyalty levels, implying that customer satisfaction can lead to, but does not guarantee customer loyalty, and that delight needs to be present to achieve customer loyalty. More importantly, Schneider and Bowen's (1999: 36) interpretation of being merely satisfied or merely dissatisfied**,** is that customers may defect to a different service provider for modest reasons such as price or location of the service provider if a positive attitude is not held towards the service provider (Schneider and Bowen, 1999: 36), hence highlighting the importance of achieving customer delight and a favourable attitude towards the service provider, resulting in customer loyalty.

Most customers fall into the dissatisfied to satisfied ranges (Schneider and Bowen, 1999: 36) where they are ambivalent or undecided regarding their intention to re-patronise the service provider or not. Within service industries such as banks, it is especially important for organisations to minimise the number of "terrorists" and maximise the number of "apostles". The competitive nature of the banking industry demands differentiation through distinction of service levels and the banks' ability to solve problems promptly and effectively, resulting in an increase in customers' "apostolic" behaviour.

The TFT (Kano, 1984 as cited in Fuller and Matzler, 2008: 117) differs somewhat from the distribution of customer loyalty (Schneider and Bowen, 1999: 36) in that the factors associated with the TFT culminate within a particular range associated to the distribution of customer loyalty. For example, basic factors within the TFT may culminate into the dissatisfaction range within the customer loyalty distribution, or excitement factors within the TFT may culminate into the delighted range of the customer loyalty distribution (Kano, 1984; as cited in Fuller and Matzler, 2008: 117;

Schneider and Bowen, 1999: 36). Therefore, factors associated with the TFT result in factors associated within the distribution of customer loyalty.

3.3.3 Key differences between Customer Satisfaction and Customer Delight

Berman (2005: 134) makes a clear distinction between customer satisfaction and customer delight. The distinction focuses around customer delight being a longer-lasting emotional response, whereas customer satisfaction is achieved through the mere fulfilment of the customers' expectations. Although customer satisfaction is also an emotional state experienced by individuals (Wirtz and Bateson, 1999: 56), customer delight is perceived to be a heightened emotional state that is longer lasting (Schneider and Bowen, 1999: 36).

Customer satisfaction, as illustrated in previous literature sections, is the mere fulfilment of the expected. Customer delight is therefore more memorable due to the fact that the unexpected is fulfilled (Berman, 2005: 134). Customer delight requires that the out-of-the ordinary performance takes place, exceeding all expectations of service delivery. The most significant conclusion that can be made from Berman's (2005: 134) distinctions of customer satisfaction and customer delight is the longevity of a heightened sense of arousal and joy associated with customer delight, which is present to a far lesser extent in customers who are merely satisfied.

3.4 PERCEIVED SERVICE QUALITY

Perceived Service Quality (PSQ) is generally described as the customers' overall evaluation of a service (Fullerton, 2005: 100; Parasuraman *et al.*, 1988: 14), and is widely defined in terms of how it represents the discrepancy between the customers' expectations of the service, and their perceptions of the actual service performance (Tam, 2004: 899). PSQ is measured from the customers' perspective (Tam, 2004: 899) where a number of service related attributes are put to question (Parasuraman *et al.,* 1988: 14) where the overall impression the customer has of the service providers' actual performance is measured (Ladhari, 2009: 173).

From a managerial perspective, businesses in service industries place much emphasis on procedures and processes, but may unwillingly overlook the importance of the core service when formulating marketing and service initiatives to address the need of positive PSQ (Schneider and Bowen, 1995: as cited in Sureshchandar, Rajendran, and Anantharaman, 2002: 10). Banks, for example, may have state-of-the-art technology such as internet banking fascilities, and modern marketing equipment, but may neglect their core service, which is the operation of intangible bank accounts and the services associated with them, as well as having well-trained financial advisors which may affect the customers' overall evaluation of their PSQ. The nature and quality of the core service largely influences the customer's PSQ perceptions of the service provider (Sureshchandar *et al.*, 2002: 10), and is a strong determinant when customers are faced with the decision as to whether to remain with the service provider or seek alternatives (Sureshchandar *et al.*, 2002: 10), based on customers' satisfactory or unsatisfactory PSQ perceptions.

Gronroos (1983; as cited in Bell, Auh, and Smalley, 2005: 172) originally identified two forms of service quality; namely, functional service quality, and technical service quality.

3.4.1 Functional Service Quality

Functional service quality (FSQ) relates to the nature of the interaction between the customer and the service provider, as well as the process by which the service is delivered (Gronroos, 1983; as cited in Bell *et al.,* 2005: 172). FSQ deals more specifically with the process related elements of service delivery (Bell *et al.,* 2005: 174). Within the banking context, examples of process-related elements would include accessibility of frontline employees or bankers dealing with customer accounts, or customer perceptions of empathy expressed by banking employees in the event of a financial query, complaint, or problem.

Since banks put emphasis on procedures and processes (Schneider and Bowen, 1995: as cited in Sureshchandar *et al.*, 2002: 10), FSQ attests to being an important factor that influences customers' perceptions of the overall PSQ of the service provider. Customers' overall PSQ of their banks are essential due to the sensitive nature of individual's finances, hence FSQ proves to be a vital component of service delivery in banks.

3.4.2 Technical Service Quality

Technical service quality (TSQ) refers to the quality of the organisations' service output (Gronroos, 1983; as cited in Bell *et al.,* 2005: 172). TSQ deals with outcome-related aspects of service delivery. Examples within the banking context include aspects such as accuracy of financial advisors' advice, quality of advice, and frontline service performance (Bell *et al.,* 2005: 174). Although it has been found that customers' perceptions of TSQ have a greater effect on customer loyalty levels (Bell, 2005: 177) than that of FSQ due to the sensitive nature of customers' finances, customers' perceptions on both TSQ and FSQ are positively associated with the customers' attitude towards the service provider, as well as their propensity to remain loyal (Bell *et al.,* 2005: 172). The greater effect of TSQ is informed by the fact that banking customers place more importance on the quality of the banks' service or product delivery (TSQ) than the processes used to achieve the outputs (FSQ). Banks manage their customers' financial risk in an effort to deliver the highest possible returns (Bell *et al.,* 2005: 172), and consequently high levels of TSQ and FSQ delivery proves to be an important deciding factor for customers regarding their loyalty (Bell *et al.,* 2005: 172).

Bell *et al.* (2005: 179) emphasises the importance of both TSQ and FSQ for customers that are evaluating their relationship with their financial service provider. During this evaluation process, customers assess the way in which their bank manages the processes of the service transaction (FSQ), and ultimately the quality of the eventual output delivered by the bank (TSQ).

3.4.1 SERVQUAL

Customers' PSQ is recognised as a critical success factor for businesses in service industries to differentiate themselves from competitors (Ladhari, 2009: 172). With customer retention and positive word of mouth being proven outcomes of high levels of service quality, measurement of customers' PSQ becomes an essential task for managers in service industries such as banks (Rust and Zahorik, 1993: 195; Ladhari 2009: 172). For this reason, Parasuraman (1988) developed the SERVQUAL scale to measure PSQ for businesses operating within the service industry. Originally applied within the retail banking context amongst a few others, the SERVQUAL scale has since been applied in a wide variety of service contexts (Ladhari, 2009: 172). Parasuraman *et al.* (1988) suggested that the SERVQUAL scale be comprised of five dimensions, namely reliability, responsiveness, assurance, empathy, and tangibles.

Reliability is defined as a businesses' ability to perform a promised service dependably and accurately (Wilson, Zeithaml, Bitner, and Gremler, 2008: 84). In its broadest sense, reliability refers to the company's ability to deliver on its promises about service delivery, prices, and problem solving. Customers choose to patronise businesses that put emphasis on keeping promises that pertain to their core service attributes (Wilson *et al.,* 2008: 84). For banks, core service attributes include prompt service, error-free transaction records, accurate service execution, as well as the banks' interest in solving customers' account-related problems or queries. Reliability has repeatedly been shown to be the most important determinant of customers' perceptions of service quality (Wilson *et al.,* 2008: 84).

Responsiveness is the organisations willingness to help customers and provide a prompt service (Wilson *et al.,* 2008: 85). Customers measure responsiveness by the length of time they need to wait for assistance, answers to questions, or addressing of their problems. Banks need to handle customers' requests from the customers' point of view rather than from the banks' point of view (Wilson *et al.,* 2008: 85). Customers may have negative perceptions of their banks' responsiveness if they encounter difficulties in their efforts to access information on the banks' website, are exposed to complex voice mail systems, or are forced to wait to get through to the bank via telephone (Wilson *et al.,* 2008: 85).

The assurance dimension in SERVQUAL is defined as employees' knowledge, courtesy, and the organisation's ability to inspire trust and confidence in its customers (Wilson *et al.,* 2008: 85). Due to the sensitive nature of individuals' personal finances, being able to trust and to have confidence in one's bank is of particular importance to customers, as customers perceive banking services as being high risk (Wilson *et al.,* 2008: 85). In such a case, banks employ the personal banker approach designed to allow customers to develop personal relationships with a particular contact personnel (Wilson *et al.,* 2008: 86).

Once a relationship is developed between bank employees and their customers, customers are ultimately treated as individuals (Wilson *et al.,* 2008: 86). This personal attention allows bank employees to demonstrate that their customers are important. Empathy, as part of SERVQUAL, is expressed when banks demonstrate to their customers that they are unique and that their needs are understood, and is defined as being caring with individualised attention demonstrated through customised service offerings (Wilson *et al.,* 2008: 86) unique to the individual.

Tangibles are defined as the appearance of physical facilities, equipment, personnel, and communication materials. Tangibles provide physical representations that customers, especially new customers, will use to evaluate quality (Wilson *et al.,* 2008: 86). Service organisations such as banks often use tangibles in conjunction with another dimension of SERVQUAL to demonstrate quality to their customers as well as their potential customers (Wilson *et al.,* 2008: 86).

SERVQUAL allows bank managers to measure their own service quality based on the perceptions of their customers, and compare it to that of competing banks (Ladhari, 2009: 192). Measuring their own service allows bank managers to identify areas of their service that may require improvement or further development. Bank managers can also segment their customers according to the customers' unique SERVQUAL scale perception scores, allowing for the implementation of more personalised and direct marketing strategies (Ladhari, 2009: 192) aimed at the different customer segments. Since the SERVQUAL scale measures the customer's perceptions, bank managers can also determine whether they are meeting the customers' expectations, and allows them to monitor the customer's perceptions of expectations over time (Ladhari, 2009: 192).

Ladhari (2009: 192) illustrates the benefits of thorough application of the SERVQUAL scale when attempting to identify customer's PSQ. The SERVQUAL scale not only allows service businesses such as banks to identify key service attributes from a customer's perspective, but also allows for the identification of strong or weak service attributes in relation to competing banks that can be further developed. Customers that have high PSQ for their banks' service are likely to display higher loyalty intentions towards their bank (Fullerton, 2005: 107).

3.5 CORPORATE IMAGE

Corporate image (CI) is defined as the perception of an organisation held by customers that reflects the company's overall prestige and reputation (Kim and Lee, 2010: 4037). CI is based on what people associate with the organisation relative to their beliefs and perceptions formed by their information about the organisation (Martenson, 2007: 546). Organisations, however, do not project an exclusive image, but rather project various images which differ according to specific groups such as clients, employees, and shareholders (Nguyen and Leblanc, 2002: 243). Various CI's may exist due to the fact that the different groups are exposed to different experiences and contact situations with the organisation (Nguyen and Leblanc, 2002: 243). CI is therefore the result of a collective process by which customers, as well as employees and shareholders, compare various attributes about the organisation that they deem important (Nguyen and Leblanc, 2002: 243).

Hart and Rosenberger (2004: 93) strongly advocate the formation of a good CI as their study revealed that CI has direct and indirect effects on customer loyalty, especially within the services context such as banks. Kim and Lee (2010: 4039) conclude in a similar vein with their study revealing an effect of CI on customer loyalty being more significant than brand awareness within high–tech service firms such as banks. These findings can be explained by the fact that there is a substantial influence of CI on the customers' satisfaction levels, as well as the customers' perceptions of the core service offered by the service provider (Hart and Rosenberger, 2004: 93).

In service situations such as banks, the product component is not involved in the actual service act, as a bank account is an intangible product. Customers are consequently often required to be present in the service delivery process. For this reason, contact elements of service delivery are considered as critical factors when determining the customers' perception of the bank before coming into contact with the bank (Nguyen and Leblanc, 2002: 244). Two major contact elements identified by Nguyen and Leblanc (2002: 244 – 255), which form part of the services marketing mix, are namely *contact personnel* and *physical environment*.

3.5.1 Contact personnel

Contact personnel, within banks, include all employees located on the front-line who have direct contact with the banks customers (Nguyen and Leblanc, 2002: 244). Contact personnel play an important role in the total CI perceived by customers, as frontline employees are generally the first point of contact for customers and are considered to mirror the banks' values. Each service encounter carried out by banks, in which contact personnel play a predominant role, is normally comprised of two parts: *service* and *process* (Nguyen and Leblanc, 2002: 244).

The *service* is the result of the social interaction between the customer, the employee, and the physical support system utilised during the service transaction (Nguyen and Leblanc, 2002: 244). Typically in the banking context, customers primarily interact with frontline employees such as enquiries clerks or tellers, and the physical support system utilised would include the computer system used to access account information. The ways in which bank employees utilise the physical support system, as well as treat the customers, both contribute toward the CI customers have of the bank.

The *process* is associated with the manner in which the service is delivered to the customer (Nguyen and Leblanc, 2002: 244). Bank employees may not be able to assist with a particular query, and could refer the customer to another bank employee. Alternatively, if the bank employee were to attempt to find a solution by consulting colleagues as opposed to referring the customer, this could positively impact the customers' CI of the bank. Where bank employees are able to handle queries without referring customers to somebody else, it displays competence on behalf of the bank employee, contributing towards higher levels of customer perceived TSQ, and ultimately improving the customers' CI. The outcome of a service encounter also depends largely on the interaction that takes place between the customer and the contact personnel (Nguyen and Leblanc, 2002: 244), and therefore in evaluating contact personnel, customers can focus on three elements, namely the contact personnel's appearance, competence, and behaviour (Eiglier and Langeard, 1987: as cited in Nguyen and Leblanc, 2002: 244).

The contact personnel's appearance such as dress, hairstyle, and cleanliness, has a significant effect of the customers' first impression of the bank (Eiglier and Langeard, 1987: as cited in Nguyen and Leblanc, 2002: 244), and is therefore a crucial element for banks to uphold (Nguyen and Leblanc, 2002: 244). Customers evaluate the competence of contact personnel that results directly from expertise derived from training and experience, and the ability to communicate with customers in compliance with the bank's standards and procedures (Nguyen and Leblanc, 2002: 244). Lastly, customers evaluate the behaviour of contact personnel based on the employee's personality traits and perception of the interaction with the customer (Nguyen and Leblanc, 2002: 244).

3.5.2 Physical environment

The physical environment in which a service encounter takes place may have a strong impact on the customers' perception of service quality (Parasuraman *et al.,* 1988), as well as the customers' perception of CI (Schmitt, Simonson, and Marcus, 1995: 88). The physical environment is considered to be part of the total package of a service encounter, and includes components such as ambient conditions, spatial layout, and decor and orientation signals (Nguyen and Leblanc, 2002: 244).

Ambient conditions include elements such as colour, light, temperature, noise and music of the bank's branch, which may have an impact on the customers' five senses (Nguyen and Leblanc, 2002: 244) and perceptive response to the environment. Spatial layout includes the design, as well as positioning of furniture, or financial advisors' desks or offices, which enable the bank to engage efficiently in a service encounter (Nguyen and Leblanc, 2002: 244). Decor and orientation signals play an important role in the creation of positive CI (Nguyen and Leblanc, 2002: 244) as they are visual cues which create an appropriate atmosphere in which to conduct business, and help direct customers to enable efficient service delivery.

The bank's physical environment portray non-verbal cues which communicate the nature of the service offering, as well as the value the bank may inscribe on the customer regarding the bank's reputation (Nguyen and Leblanc, 2002: 244). The physiological reaction to the physical environment may cause the customer comfort or discomfort, and may have an influence on the customers' attitudes and behaviours towards the bank (Nguyen and Leblanc, 2002: 244). It is, therefore, through the customers' attitudes and behaviours towards the bank that CI may be formed.

3.6 SWITCHING COSTS

Switching costs (SC) can generally be described as the adverse or harmful effects customers experience when they switch to a different service provider (Maicas, Polo, and Sese, 2009: 544; Kim, Kliger, and Vale, 2003: 25). SC cannot be observed as these costs differ from customer to customer (Shy, 2002: 72), as every customer is affected differently by different service situations. Given that customers are affected negatively if they pursue switching behaviour, organisations utilise SC as a powerful tool to deter customers from changing service providers, and to encourage repeat purchasing behaviour (Chebat, Davidow, and Borges, 2011: 823). Organisations may, for example, choose to charge low prices to attract new customers and lock them in, deterring the customers from switching due to higher expenses they may incur from switching, or the higher costs they may pay with a new service provider. This may affect customer satisfaction levels negatively as customers may feel that they have no choice but to stay with the service provider, eliminating any possibility of experiencing delight. Alternatively, if customers are experiencing delight, then customers' SC perceptions are lowered (Chebat *et al.,* 2011: 823).

Although SC are implemented from an organisational perspective, SC literature focuses on the perceptions held by customers that are considering switching to a different service provider. Within the services context in which banks operate, services SC (SSC) is viewed as being multidimensional in nature (Jones, Mothersbaugh, and Beatty, 2002: 441; Chebat *et al.,* 2011: 823), and ranges from the time customers spend on gathering information about different banks, to the loss of benefits associated with leaving their current bank (Jones *et al.,* 2002: 441). SSC can be grouped into 3 categories (Jones *et al.,* 2002: 441; Chebat *et al.,* 2011: 823), namely *continuity costs*, *learning costs*, and *sunk costs*.

3.6.1 Continuity Costs

Continuity costs can be broken down into two dimensions, namely Lost Performance Costs, and Uncertainty Costs (Jones *et al.,* 2002: 442 - 443). Customers that loyally patronise a particular bank often enjoy certain benefits such as higher quality personalised service, and interpersonal bonds with bank employees (Jones *et al.,* 2002: 442). The personalised service is perceived by the customer as being a special right or privilege resulting from their continued patronage, creating an incentive for the customer to remain in the relationship with the particular bank (Jones *et al.,* 2002: 442). By switching to another bank, the customer runs the risk of not being able to develop interpersonal bonds with the new bank's employees, as the privilege of the personalised service is derived from lengthy and strong relationships with the bank's employees (Jones *et al.,* 2002: 442). This loss is referred to as *lost performance costs.*

Customers that may be considering switching to another bank may be faced with uncertainty regarding the performance of the new and untested service provider (Jones *et al.,* 2002: 442). Given the intangible nature of banking products (Zeithaml, 1985; as cited in Jones *et al.,* 2002: 442), *uncertainty costs* are high amongst banking customers looking to switch, as the service quality of the new bank is difficult to judge without it having been tested first (Jones *et al.,* 2002: 442).

3.6.2 Learning Costs

Learning costs comprise mainly the time and effort put in by customers considering switching behaviour. Learning costs can be broken down into three dimensions, namely *Pre-Switching Search and Evaluation Costs, Post-Switching Behaviour and Cognitive Costs,* and *Setup Costs* (Jones *et al.,* 2002: 442 - 443).

Pre-switching search and evaluation costs, within the banking context, represents the customer's perceptions of the amount of time and effort put into gathering and evaluating information about competing banks, prior to engaging in switching behaviour (Jones *et al.,* 2002: 443). The customer's perception of these costs may be driven by the intangible nature of bank services, as well as the fact that the similar nature of products and services offered by competing banks may not present enough distinction between the banks in order to justify switching behaviour (Jones *et al.,* 2002: 443). The similar nature of banking products and services equates to low levels of pre-switching search and evaluation costs in banking customers that may be considering switching banks (Jones *et al.,* 2002: 447).

Post-switching behaviour and cognitive costs, within the banking context, represent the customer's perceptions of time and effort spent on learning the new service routine of the new bank after having switched (Jones *et al.,* 2002: 443). Customers using a bank for the first time may not fully understand the procedures and policies, and the role they may play in it. For this reason, learning the new routines and procedures takes place after switching has occurred (Jones *et al.,* 2002: 443). Customers may not be willing to go through the processes involved in learning the new bank's procedures, and may therefore see that as a deterrent to switching.

Setup costs pertain to the customer's perception of the time and effort put into communicating their needs to their new service provider after having switched (Jones *et* *al.,* 2002: 443). Often true in services, service provider learning needs to take place in order to facilitate customer satisfaction, as new customers may require service customisation tailored to their needs. Setup costs are not highly characteristic with customers within the banking context (Jones *et al.,* 2002: 443).

3.6.3 Sunk Costs

Sunk costs are the perceptions held by customers of the non-refundable time, effort, and money invested in their existing service provider (Jones *et al.,* 2002: 443). If a customer was to switch to another bank, then all the costs incurred in establishing and maintaining their relationship with their current bank will be lost (Jones *et al.,* 2002: 443). Customers may feel that since they have already invested so much into their current bank, that switching may not be a viable option, regardless of the benefit associated with an alternative bank.

Banks may have a last defence against customers switching to another bank if a customer decides to continue pursuing switching behaviour, regardless of any potential switching cost incurred. This last defence is in the way the bank handles the customers' complaints prior to switching (Chebat *et al.,* 2011: 823). Often within banks, and any business operating within the services context, the bank's response to a customer complaint can not only deter switching behaviour, but could in fact ensure more loyal customers than customers that did not experience a service failure in the first place (Chebat *et al.,* 2011: 823). The reason for this is that complaint behaviour is not necessarily rooted to the customers' judgement of dissatisfaction per se, but rather an expression of the negative emotional state of the customer resulting from unfavourable consumption outcomes (Mattsson *et al.,* 2004: 942 – 943). With this in mind, banks can then customise their service offerings, or even alter the way in which the service offerings are being operationalised.

3.7 PERCEIVED VALUE

Customers' perceived value (PV) can be broadly defined as the perceived benefits or value customers receive from a product or service in relation to the total costs incurred on the customer (McDougal and Levesque, 2000: 394). What constitutes PV is difficult to pinpoint, as PV is highly personal and varies from one customer to another (McDougal and Levesque, 2000: 394; Gallarza and Saura, 2006: 438). The benefits for service providers, however, of having customers that perceive their service offerings to be of high value to them are clear. Customers that have received a service offering that is of high PV are generally more satisfied than customers that have low PV (McDougal and Levesque, 2000: 394), and are more motivated to take part in repeat patronage as they have received what they perceive as being "value for money" (Zeithaml, 1998: 19; Yang and Peterson, 2004: 803).

PV regulates customers' intentions to be loyal toward their service provider, as the exchanges that occur between the customer and the service provider provides value that the customer may perceive to be superior to alternative service providers (Yang and Peterson, 2004: 803; Sirdesh, Singh, and Sabol*,* 2002: 32). Lai, Griffen, and Babin (2009: 984) emphasise the importance of creating PV for customers, as their study revealed that PV has a greater effect on customer loyalty than service quality and corporate image, and predicts customer satisfaction and customer loyalty directly.

Customer PV is a concept that contains relatively diverse components (Sweeny and Soutar*,* 2001: 207; Deng, Lu, Wei, and Zhang*,* 2010: 292). Five dimensions of customer PV have been identified (Sweeny and Soutar*,* 2001: 207), namely functional value, conditional value, social value, emotional value, and epistemic value (Deng *et al.,* 2010: 292). For the purpose of this research, we explore three of these dimensions which are applicable within the banking services context, namely *functional value, emotional value,* and *monetary value.*

3.7.1 Functional Value

Functional value refers to the practical or technical benefits that customers can enjoy from a service offering. Functions of banks that may add functional value for customers include auto teller machine (ATM) functionality and features, cellphone banking, and internet banking. The functional value enjoyed by customers is what helps the customer determine whether to make use of the particular bank, or find an alternative bank (Deng *et al.,* 2010: 292).

At present, convenience of service is becoming an ever-increasing demand, and the banking industry is no exception. Banking customers draw value from being able to transact on their banking profile without hassle or delay, or without having to go through the trouble of finding their nearest branch through the use of cell-phone banking, for example. Modern and improved functionality linked to customers' banking portfolio are important drivers of customers' perceptions of functional value.

3.7.2 Emotional Value

Emotional value within the banking context refers to the customers' mental or psychological needs for using ATM's, cellphone banking, or internet banking (Deng *et al.,* 2010: 292). Emotional value represents the customers' perception of the usefulness of these facilities, as a result of its ability to stimulate or maintain feelings such as comfort or security (Smith and Colgate, 2007: 8). Banking customers need to feel comforted that their transactions are processed securely without the risk of exposure of secure information while transacting.

Passwords and pin numbers are commonly required to perform transactions on internet and cell-phone banking. Within the branch, no transaction can be performed without appropriate identification being provided. This speaks to the customers' feelings of comfort regarding their banks' security procedures, and is a driver of customers' emotional value.

3.7.3 Monetary Value

Monetary value reflects how the bank's service is satisfactory considering the amount of time, money, and effort customers put into using the bank's facilities and services (Deng *et al.,* 2010: 292). The monetary value perceived by customers cannot be ignored by banks, as economic considerations are often regarded as an important aspect for customers that determine which bank they choose to patronise (Deng *et al.,* 2010: 292). When customers perceive the bank's service to surpass the amount of time, effort, and money put in to use the bank, satisfaction and ultimately delight may be experienced.

For a relationship to begin between a bank and a customer, both parties hope to acquire certain benefits or value through the development of the relationship (Roig, Garcia, Tena, and Monzonis*,* 2006: 268). Banks hope to attain market share and build on profits, while customers seek the highest PV they can attain compared to alternative bank offerings. As the relationship develops over time, customers assess their purchase experiences to ascertain the individual PV attained from making use of the particular bank (Gounaris, Tzempelikos, and Chatzipanagiotou*,* 2007: 68). If the customers' expectations of perceived value are exceeded, they experience satisfaction, rendering customer PV a function of customer satisfaction (Gounaris *et al.,* 2007: 68).

3.8 PRICE

The relationship between price and customer loyalty has been researched for many years (Choi, Kim, Kim, and Kim*,* 2006: 930). The reason for this is the apparent influence customers' price perceptions have on their decisions when choosing a particular service provider with whom to develop a loyal relationship (Anuwichanont, 2011: 40). From the customers' point of view, price can often be used as an indication of what to expect from a product or service, as well as to evaluate their experiences with the service provider in forming their attitude towards the provider (Han and Ryu, 2009: 491). Customers' price perception (PP) is therefore the focus of this study as opposed to actual price, as customers encode prices in ways that are meaningful to them, and do not necessarily remember actual prices of specific products or services (Han and Ryu, 2009: 491).

Within the banking context, the actual price (objective price) of a banking product or service may bear less significance if measured up against the customers' quality and value perceptions and found to be "value for money" (Oh, 2000: 139). Price has been shown to positively affect both quality and value perceptions through the customers' internalised price impressions, by first encoding the objective price of the banks product or service and storing it as evaluated price information, then inferring quality from the evaluated price information (Oh, 2000: 139). Under conditions of unjustly high prices charged by banks, more loyal users of the banks products or services may have a more negative PP than customers that patronise the bank less frequently (Martin *et al.,* 2009: 588). However, loyal customers are less price sensitive (Choi *et al.,* 2006: 931) and are willing to pay higher prices for the bank's products and services (Krishnamurthi and Papatla, 2003: 130).

Customers generally react negatively to price increases if the reasons for the increases are unjustifiable, perceiving the price increase to be unfair (Martin *et al.,* 2009: 590). Customers do, however, perceive a price increase to be more fair if the reason for the price increase is external. In banks, for example, if the repo interest rate from the Reserve Bank increases, then the prime lending interest rate of the bank subsequently increases (Martin *et al.,* 2009: 590), resulting in customers having to paying more interest on money lent. An increase in the banks' prime lending interest rate is likely to provoke negative feedback from customers if the reasons for increasing the interest rate are internally motivated, such as an increase in the banks' profits, for example (Martin *et al.,* 2009: 590).

3.9 HYPOTHESIS DEVELOPMENT

3.9.1 Conceptual Framework

Perceived service quality and perceived value have been shown to have positive effects on customer satisfaction and customer loyalty (Sureshchandar *et al.*, 2002: 10; Zeithaml, 1998: 19; Yang and Peterson, 2004: 803) in various industries. The introduction of customer delight in the 1990's brought about a new dimension to customer loyalty research. With the view that satisfied customers are not guaranteed to remain loyal customers (Verna, 2003: 120; Schneider and Bowen, 1999: 36), researchers began focussing on customer delight as an extension of customer satisfaction, and role it plays within the context of customer loyalty. The literature covered in the previous chapters provide justification for the following conceptual framework.

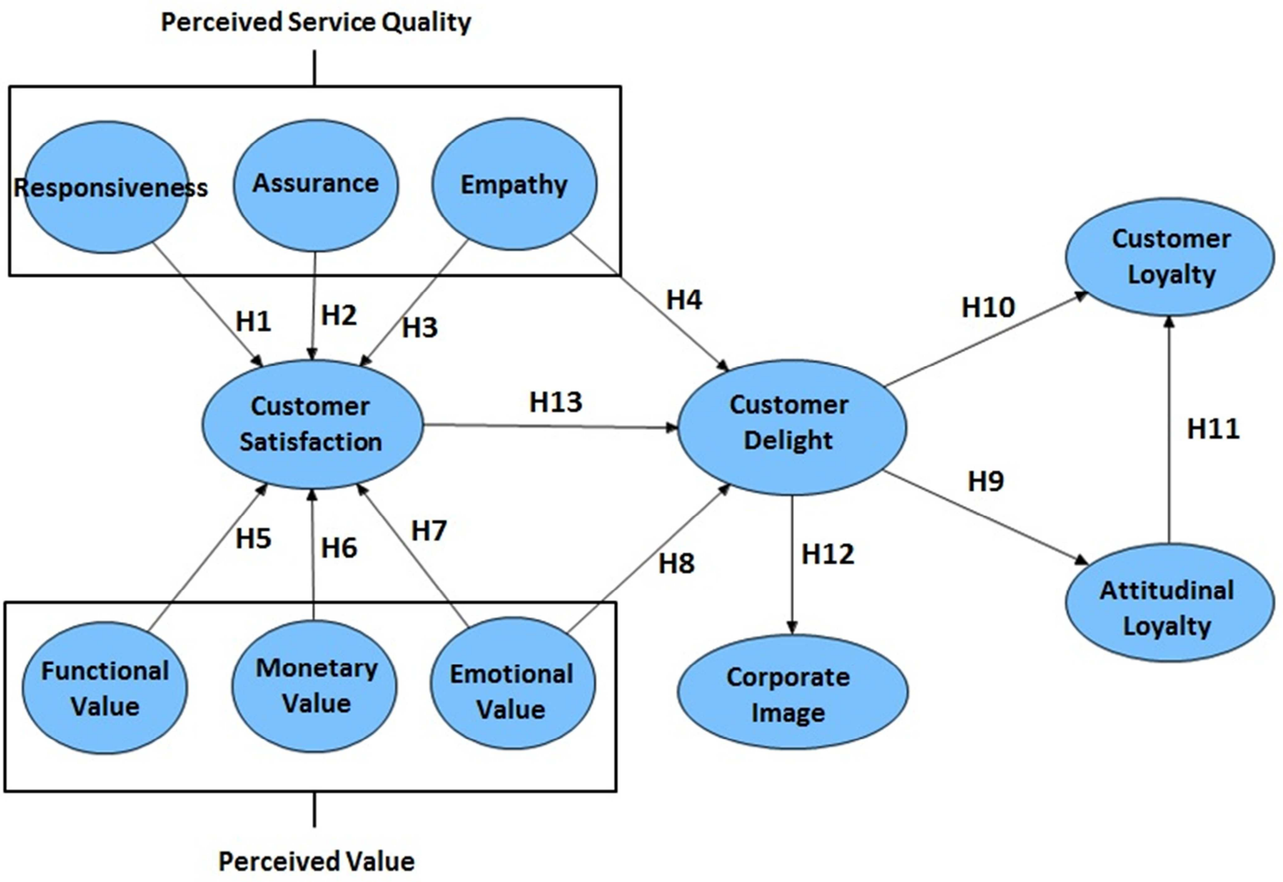

Figure 3.3: Conceptual Framework

3.9.2 Perceived Service Quality (PSQ)

As a measurement of the customers' overall evaluation of a service received (Fullerton, 2005: 100), customer PSQ utilises the SERVQUAL measurement tool which consists of two components, namely, technical service quality (perceived outcome of a service), and functional service quality (how you get the service). Technical service quality refers to the customers' perception of how prompt and accurate the service is, whereas functional service quality refers to the customers' perception of the interpersonal and relational aspects of a service (Rammile and Van Zyl, 2012: 119). The fact that customers are always involved in service situations has led to customer evaluations of services being more personal and emotional (Lewis and Soureli, 2006). These personal and emotional interactions have lead to the development of positive relationships with the service provider.

Functional service quality involves measuring service attributes that involve the bank's employees, and for the purposes of this study was measured using 3 of the 5 SERQUAL dimensions which relate to the customers' perceptions of their banks, more specifically the effort of employees in relation to responsiveness, assurance, and empathy (Rammile and Van Zyl, 2012: 119). In a study done within a retail service context, Olorunniwo, Hsu, and Udo (2006: 70) reported an overwhelming effect of overall SQ on CS. In agreement with this, Naik, Gantasala, and Prabhakar (2010: 240) confirmed that SQ has a positive effect on CS, and perhaps the most critical finding in relation to CS was his confirmation that CS is positively affected by staff performance measured within the SQ construct. In light of how responsiveness, assurance, and empathy deals with perceptions of the bank's employees (Rammile and Van Zyl, 2012: 119), the following hypotheses are proposed:

H1: Responsiveness has a positive effect on customer satisfaction

H2: Assurance has a positive effect on customer satisfaction

H3: Empathy has a positive effect on customer satisfaction

Empathy is expressed when banks exhibit to customers that they are unique and that their needs are well understood by their bank. When customers are treated as individuals and are provided with customised service offerings to meet their individual needs, positive relationships begin to develop with bank employees (Wilson *et al.*, 2008: 86). In light of the fact that Naik *et al.* (2010:240) highlights the positive effect that was found to exist between staff performance components such as responsiveness, assurance, empathy and CS, and the fact that CD is an extension of CS if expectations are exceeded (Berman, 2005: 134) it can be expected that empathy will have a positive effect on customer delight. In light of this, the following hypothesis is proposed:

H4: Empathy has a positive effect on customer delight

3.9.3 Perceived Value

Customers that perceive a service offering to be of high value are far more likely to be satisfied than those who perceive a service to be of low value (McDougal and Levesque, 2000: 394). PV regulates customers' purchasing behaviour (Yang and Peterson, 2004: 803) and has a direct effect on customer loyalty and customer satisfaction (Lai *et al.,* 2009: 984). Functional value refers to the practical benefits customers may associate with their bank, such as ATM functions and features, cell-phone and internet banking (Deng *et al.,* 2010: 292). Lai *et al.* (2009: 984) found that customers have certain expectations pertaining to the practical benefits derived from their banks, and when these expectations are met satisfaction is experienced. In light of this, the following hypothesis is put forward:

H5: Functional value has a positive effect on customer satisfaction

CS represents an overall positive or negative feeling about the net value of services received from a service provider (Woodruff, 1997: 142). MV reflects the customers' level of satisfaction taking into account the amount of time, money, and effort they put into using the bank's facilities and services (Deng *et al.,* 2010: 292), and compares it to the level of service received to create a value perception. If customers perceive the bank's service offering to exceed their effort to do business with the bank, then a positive monetary value perception is created (Deng *et al.,* 2010: 292). Yang and Peterson (2004: 812) as well as Tam (2004: 908) confirm a positive effect of MV on CS. Based on this, the following hypothesis is proposed:

H6: Monetary value has a positive effect on customer satisfaction

Emotional value represents the customer's perceptions of the usefulness of facilities offered by a service provider. Emotional value regulates the customers' feelings of security (Smith and Colgate, 2007: 8), and provides a sense of comfort that banking transactions are not at risk of error or public exposure. By virtue of its name alone, emotional value contains an emotional element that requires that customers' psychological needs are fulfilled (Deng *et al.,* 2010: 292). Emotional value has proven to have a positive effect on customer satisfaction (Tam, 2004: 908). For this reason, the following hypothesis is proposed:

H7: Emotional value has a positive effect on customer satisfaction

Extra measures taken to ensure high levels of emotional value may lead to delight through unexpectedly high levels of the customers' psychological needs fulfilment (Deng *et al.,* 2010: 292). With the confirmed relationship that exists between EV and CD, and the knowledge that CD is an extension of CS (Berman, 2005: 134), it is reasonable to assume that emotional value has a positive effect on CD. The following hypothesis is therefore proposed:

H8: Emotional value has a positive effect on customer delight

3.9.4 Customer Delight

Theorised on the foundation of emotion literature (Barnes *et al.,* 2011: 359), CD is conceptualised as an extraordinarily positive emotional reaction after having one's expectations exceeded to an unexpected and surprising degree (Oliver *et al.,* 1997: 314). A wealth of empirical studies confirm a positive relationship between CS and AL (Cohen *et al.,* 2007: 42; Alhemoud, 2010: 335). With the knowledge that CD is an extension of CS (Berman, 2005: 134) and due to the emotional element of CD (Barnes *et al.,* 2011: 359) linked to attitude, it is reasonable to assume that CD has a positive effect on AL. The same argument is applied to the proposed relationship between CD and CL subsequent to Rundle-Thiele's (2002: 195) conclusion that CL is the eventual culmination of AL. It is therefore similarly reasonable to assume that CD has a positive effect on CL. The following hypotheses are therefore proposed:

H9: Customer delight has a positive effect on attitudinal loyalty

H10: Customer delight has a positive effect on customer loyalty

Repeat purchase behaviour is formed on the basis of a positive pre-conceived attitude (Lim and Razzaque, 1997: 96) held by a customer towards a service provider (Lim and Razzaque, 1997: 95 – 96). As such, attitudinal subscribers dismiss the belief that loyalty is measured solely through the actions of customers, but advocate that loyalty is a perception or attitude held by customers, and should be measured as such. Chen *et al.* (2009: 276) revealed that AL positively influences behavioural loyalty, bringing about the idea that overall customer loyalty is strongly predicted by attitudinal loyalty (Uncles *et al.,* 2003: 295; Chen *et al.,* 2009: 276); hence, the following hypothesis:

H11: Attitudinal loyalty has a positive effect on customer loyalty

3.9.5 Corporate Image

Customers have certain perceptions of an organisation that reflect its overall status and reputation (Kim and Lee, 2010: 4037). Since CI is based on customers' perceptions, various CI's may exist between the different customer groups based on income levels, social class, or employment status (Nguyen and Leblanc, 2002: 243). These various perceptions result from different customer experiences that may have outraged, satisfied, or delighted customers (Schneider and Bowen, 1999: 36). Hart and Rosenberger's' (2004: 93) findings highlight the important role that CS plays in determining the customers' CI of a service provider. Kim and Lee (2010: 4039) conclude in a similar vein with emphasis on the relationship between CS and CI within technology-dependent industries such as banks. With the knowledge that CD is an extension of CS (Berman, 2005: 134), it is reasonable to assume that CD will have an effect on CI perceptions. The following hypothesis is therefore proposed:

H12: Customer delight has a positive effect on corporate image

Hasan *et al.* (2011: 511) concludes that CD is a heightened sense of CS, implying that CD cannot exist without the presence of CS. Schneider and Bowen (1999: 36) substantiate this view in their distribution of customer loyalty (see figure 3.2 on page 44) which depicts CD being preceded by CS in a linear demonstration. Given the above-mentioned information that CD is a heightened sense of CS, it is reasonable to assume that CD will be positively influenced by CS. The following hypothesis is therefore proposed:

H13: Customer delight has a positive effect on customer satisfaction

3.10 CONCLUSION

A number of key considerations pertaining to the antecedents of customer loyalty were examined in this chapter. Key differences between the widely tested antecedent customer satisfaction, and the newly conceptualised customer delight were highlighted amidst the argument that customer delight should be the new focus for banks over and above customer satisfaction. Perceived service quality and perceived value have often featured in customer loyalty research, and were explored within the banking context amongst other antecedents in this chapter.

Three of the five perceived value dimensions were highlighted in this chapter, and incorporated within the conceptual model due to the irrelevance of the remaining two dimensions (epistemic value and conditional value) within the banking context, namely functional value, emotional value, and monetary value. Three of the five perceived service quality (SERVQUAL) dimensions were utilised within the conceptual model (responsiveness, assurance, and empathy) due to human influence (bank employees) as opposed to reliability and tangibles that relate more to bank facilities and not the human influence.

CHAPTER 4 RESEARCH METHODOLOGY

4.1 INTRODUCTION

The research problem section in chapter 1 highlighted the void of empirical evidence that deals with customer delight within the banking context, including within the South African banking context. This research project's primary objective was therefore to determine the effect that customer delight has on the customer loyalty levels of South African retail banking customers. This study sought to investigate how customer delight affects customer loyalty, as well as attitudinal loyalty, with the inclusion of various variables such as perceived value and perceived service quality as illustrated in the conceptual framework. The use of structural equation modelling allowed all the hypothesised effects to be measured simultaneously, with the inclusion of all the variables illustrated within the conceptual framework.

The previous chapters provided an in-depth examination of customer loyalty, as well as the precursors of customer loyalty. The data for this study were obtained through self-administered questionnaires, and targeted customers of any of the retail banks of South Africa. The literature review was the basis upon which the objectives of this empirical study was formulated, and covered the various antecedents of customer loyalty as presented in previous empirical studies.

4.2 RESEARCH DESIGN

This study adopted a quantitative approach, entailing the collection of numerical data through a survey approach. Quantitative research attempts the precise measurement of something, normally measuring consumer behaviour, knowledge, opinions, or attitudes (Cooper and Schindler, 2014: 146). Quantitative research attempts to test theory, whereas qualitative research attempts to build theory (Cooper and Schindler, 2014: 146). For these reasons, a quantitative approach is deemed appropriate for this research project, as the stated hypotheses in chapter 3, based on literature, were put to the test.

In order to gain a better understanding of the effects of customer delight on customer loyalty, an exploratory research design was adopted which allowed for the easier development of hypotheses, and the development of operational definitions within the context of customer delight in banks (Blumberg, Cooper, and Schindler, 2011: 150). A conceptual framework illustrating the hypothesised relationships between the relevant constructs was consequently developed. Secondary data were collected through the consultation of industry-relevant literature sources such as published academic journal articles, books, and published and unpublished reports. Existing literature of empirical studies within the same or similar contexts were used to build a background to this study, and were useful in helping to determine which methodology would most likely prove to be successful within this research project (Blumberg *et al.*, 2011:151).

This study makes use of a positivistic paradigm which stipulates that the goal of knowledge is to simply describe the phenomena that we experience, and to focus solely on what can be observed and measured (Krauss, 2005: 760). A positivistic paradigm is used when formulating hypotheses in quantitative research as it allows for deductive reasoning to propose theories that can be tested. Positivists believe in empiricism, which is the notion that observation and measurement are at the heart of scientific activities (Krauss, 2005: 760).

4.3 QUESTIONNAIRE DESIGN

Questionnaire design concerns aspects such as the type of questions to be included, as well as the layout of the questionnaire. The literature review was the basis upon which the questionnaire for use in this study was designed. Various published journal articles were consulted, upon which relevant constructs and their items were adapted in order to be made relevant to this study (see Table 4.1). The questions were easy to read, and relatively short to ensure a greater degree of respondent participation. All the items were previously tested for reliability and validity, however, since the items were adapted and modified to suite the context of this study, the reliability and validity of the items may have been compromised, and therefore justified the need a pilot study to be conducted.

4.3.1 Categorical variables (Ordinal and Nominal)

In order to measure variables that dealt with the demographic details of the respondents, categorical variables were used. Categorical variables are closed-ended questions that describe categories of respondents, and included gender, age, and occupational status (Field, 2005: 680). Ordinal variables were used to provide questions that represent a specific ranked order; such as, age group to which the respondents belong was presented as; between 18 and 25 years old, and between 26 and 30 years old for example. The category with the younger age represented will be displayed before the older category on the questionnaire.

Nominal variables are also grouped categories, except there is no ranked order of the categories; for example, male and female. Whether male appears on the questionnaire before female, or vice versa, makes no difference. In this study, nominal variables were used to measure variables such as customers' main bank, and the respondents' gender. Categorical variables (including ordinal and nominal variables) can easily be coded by assigning artificial numbering to each category; for example, male coded as 1, and female coded as 2 (Pallant, 2013: 8). Respondents were also asked to indicate how long they had been banking at their main bank at the time of completing the questionnaire (measured as an ordinal variable), as well as whether they had any accounts at any bank other than their main bank (measured as a nominal variable).

4.3.2 Scale Variables

Scale variables are used to measure perceptions of respondents. Numbers (quantitative measures) are assigned to abstract measures such as customer perceptions, and is referred to as scaling (Botes, 2005: 161). Five-point Likert-type scale questions were used in this study which ranged from strongly disagree (coded as 1) to strongly agree (coded as 5), with the mid-point (coded as 3) representing a neutral opinion. The researcher made use of scale variables when measuring the relevant constructs, namely; Perceived Service Quality, Customer Satisfaction, Customer Delight, Customer Loyalty, Attitudinal Loyalty, Corporate Image, and Perceived Value. The method of employing scale variables within a questionnaire allows for clearer determination of perceptions (Botes, 2005: 161) through its capacity to be utilised within inferential statistical analysis, which allow for the formulation of assumptions.

The variables measuring the relevant constructs within the questionnaire were sourced and/or adapted from various studies, and are represented in Table 4.1.

Table 4.1: Questionnaire Items' Sources

Construct	Source
Responsiveness	Adapted from Bahia and Nantel, 2000: 91; Wilson *et al,* 2008: 84
Assurance	Adapted from Bahia and Nantel, 2000: 91; Wilson *et al,* 2008: 84
Empathy	Adapted from Bahia and Nantel, 2000: 91; Wilson *et al,* 2008: 84
Corporate Image	Nguyen and Leblanc, 2001: 235
Customer Satisfaction	Boonlertvanich, 2011: 53
Customer Delight	Adapted from Tsai, 2011: 528
Customer Loyalty	Deng *et al.,* 2010: 293; Yang and Peterson, 2004: 811
Attitudinal Loyalty	Lee and Wang, 2010: 331; Bodet, 2007: 159
Functional Value	Adapted from Boonlertvanich, 2011:53
Emotional Value	Adapted from Boonlertvanich, 2011:53; Deng *et al,*2010:293
Monetary Value	Adapted from Boonlertvanich, 2011:53; Deng *et al,*2010:293

4.4 Sample Population and Sampling Method

4.4.1 Sample Population

The sample population consisted of bank account holders with any South African bank in Bloemfontein. The respondents were 18 years or older, and made use of any type of bank account offered by any South African bank. The type of account utilised by the respondent was irrelevant, as long as the respondent had a South African bank to which they refer to as their "main bank". The research frame, as illustrated in Figure 4.1, illustrates this study's target population, sample units, the sampling elements, and the actual sample size used in this study.

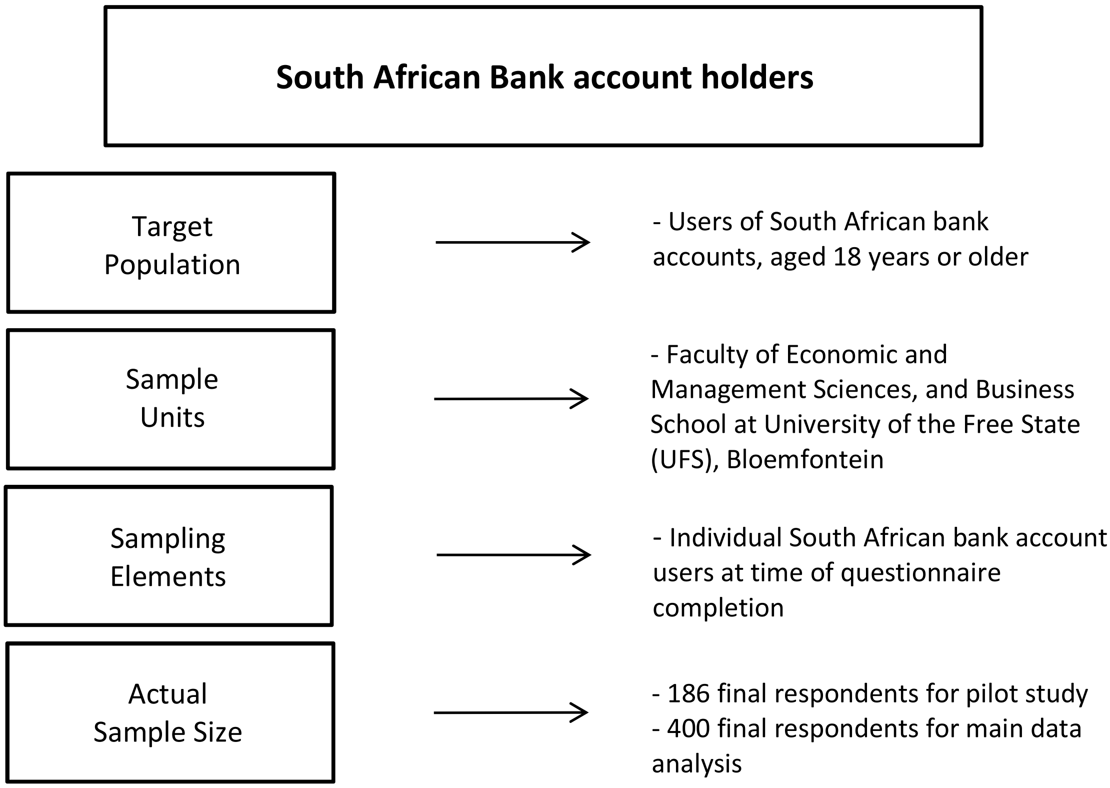

Figure 4.1: Target population, sample units, sample elements, final sample size

For convenience reasons, individual students with any South African bank account at the University of the Free States' Faculty of Economic and Management Sciences were approached to complete the questionnaire. The respondent details for the pilot study, as well as the main respondents will be detailed later on in this chapter.

4.4.2 Sampling Method

There are two main sampling techniques utilised within empirical research, namely, probability sampling and non-probability sampling. Probability sampling involves a controlled process by which a randomly-selected sample has a real known chance of being selected to complete the survey (Bryman and Bell, 2011: 176; Blumberg *et al.*, 2011: 174). Non-probability sampling does not entail selecting a random sample (Bryman and Bell, 2011: 176), and allows respondents to be selected at random wherever they may be found (Blumberg *et al.*, 2011: 174). A non-probability sampling method was chosen for this study as respondents could be recruited wherever they were available.

Non-probability sampling essentially captures a number of sampling techniques that are not linked to selecting random samples (as is the case with probability sampling) (Bryman and Bell, 2011: 190) such as quota sampling, convenience sampling, and snowball sampling. Quota sampling involves producing a sample that reflects the population in terms of the relative proportions of people in different demographic categories such as gender, ethnicity, or age group (Bryman and Bell, 2011: 193). The researcher then selects people to be interviewed within each category. A convenience sample is a sample that is simply available to the researcher by virtue of the accessibility of the respondents (Bryman and Bell, 2011: 190). Snowball sampling is a form of convenience sampling, but differs in that a small group of people relevant to the research topic are contacted, and the researcher then uses this small group to establish contact with other people (Bryman and Bell, 2011: 192).

For this study the convenience sampling method was adopted due to the fact that respondents could be found in the nearest and most convenient locations, and because it is the easiest and cheapest method of recruiting subjects and the least time consuming. With immediate access to respondents at the UFS, this was deemed the most appropriate sampling method for this study. The problem that may arise with this form of sampling is that not all respondents may be representative of the intended population, but in the case of this study, that problem is largely overcome by the fact that most people over the age of 18 years have access to a bank account of some sort.

4.5 DATA COLLECTION

Permission to distribute questionnaires amongst the students of the faculty of Economic and Management Sciences (EMS) of the University of the Free State (UFS) was obtained from the Vice-Dean of Student Affairs of the UFS. Similarly, permission was obtained from the Director of the UFS Business School to distribute questionnaires to students at the Business School. Hard copy questionnaires were distributed by the researcher during specific class times as arranged with the relevant lecturers, for students to complete. Once the questionnaires were completed, they were immediately handed back to the researcher.

In order to collect a more balanced demographic in terms of age of respondents, the questionnaire was advertised directly via email to all students registered in working adults programmes such as the Bachelors of Management Leadership (BML) degree, and the Masters in Business Administration (MBA) degree. Students who were not able to attend classes were also provided access to the questionnaire via an email link. All data collected via the online questionnaire were immediately available to the researcher. This approach was used consistently for the pilot study, as well as the main data collection process.

4.6 PILOT STUDY DATA COLLECTION AND ANALYSIS

200 hard copy questionnaires were distributed to second and third year business management students during their class times at the UFS, of which 140 were usable. An online version of the questionnaire was also made available to students and advertised at the Business School of the UFS, returning 46 usable respondents, resulting in a total of 186 respondents for the pilot study. A pilot study was conducted in order to test the questionnaire for reliability and validity (Sekaran, 2000: 206) of its measures using SPSS software. SPSS was also used to code and label the data, and to correct any errors made during the initial data capturing phase.

4.6.1 Reliability and Validity

In statistical terms, reliability is the ability of items or scales within a questionnaire to consistently reflect the construct it is measuring (Field, 2005: 666), and validity refers to the degree to which the items measure what they should be measuring (Pallant, 2013: 7). Reliability was tested using the SPSS software by means of Cronbach's alpha. Discriminant validity was tested using Fornell and Larcker's (1981) method of comparing the squared construct correlations to the average variance extracted (AVE's) of each construct. All constructs are latent, meaning that they cannot be directly measured (Field, 2005: 619), which progressively warranted Fornell and Larcker's (1981) approach that identifies whether constructs are discriminant from one another, measuring their own underlying constructs (Field, 2005: 619). No changes were made to the questionnaire due the satisfactory levels of reliability and validity with all the measures and constructs, and the researcher subsequently proceeded with the main data collection.

4.7 MAIN DATA COLLECTION AND ANALYSIS

The same approach adopted in the pilot study was used for the main data collection. Hard copy questionnaires were distributed to students at the Business School of the UFS during their class times. The online version of the questionnaire was once again made available and advertised to students of the Business School, returning 134 usable questionnaires. The distribution of 400 hard copy questionnaires to Business School students returned 266 usable questionnaires, resulting in a total of 400 respondents once combined with the online questionnaires.

Regarding the data analysis, the categorical variables pertaining to the respondents' demographics were analysed using SPSS software. The perception scores relating the all the constructs within the proposed framework were analysed using the SmartPLS (Partial Least Squares) version 2.0 software.

4.7.1 Reliability and validity

The most common measure of scale reliability is the Cronbach's alpha (Field, 2005: 667) which should ideally reflect a value of above 0.70 (Pallant, 2013: 101) to be considered reliable. Reliability was confirmed using SmartPLS, producing satisfactory composite reliability scores, confirming the consistency of the measurement items. Reliability was also confirmed using the confirmatory factor analysis (CFA) technique which yielded factor loadings higher than the required 0.707 (Vinzi, Chin, Henseler, and Wang, 2010: 462). The assessment of individual reliability amongst the items, as well as internal consistency revealed satisfactory levels of reliability in all the items and constructs.

In respect of validity, techniques to ascertain convergent and discriminant validity were performed. For convergent validity, a PLS bootstrap was run for the outer measures (Siponen and Vance, 2010: A5) and were all found to be significant, confirming convergent validity. Convergent validity was further confirmed when the AVE figures for all the constructs measured above the required level of 0.5 (Fornell and Larcker, 1981: 45). To determine discriminant validity, Fornell and Larcker's (1981) technique which entailed comparing the squared construct correlations to their associated AVE's was adopted. This test requires that the squared correlations of each construct are lower than AVE of that construct. The squared correlations of each construct within the proposed model were compared to their associated AVE's, and all presented satisfactory levels of discriminant validity with squared correlations lower than their associated AVE's. Satisfactory levels of reliability and validity were determined and subsequently allowed for the commencement of the hypothesis testing.

4.7.2 Hypothesis Testing

Bryman and Bell (2011: 715) define a hypothesis as an informed speculation about the possible relationship that may exist between two or more variables, and is subsequently put to the test. Hypotheses are stated either in a specific direction (one-tailed), or in no specific direction (two-tailed). In this study, each informed hypothesis is stated in the form of positive relationships and are therefore directional (one-tailed). With all hypotheses stated as positive relationships, hypotheses are accepted if these relationships are shown to be positive, and rejected if these relationships are shown to be negative. Hypotheses are also rejected if a positive relationship exists but is shown to be not significant at the 0.05 level of significance.

SmartPLS 2.0 was used to test the hypothesised relationships within the conceptual model. SmartPLS performs PLS (partial least squares) regression and returns standardised coefficients or beta weights (β), as well as T values indicating significance at the 0.05 level.

4.8 CONCLUSION

This chapter made reference to the methods whereby data were collected as part of this empirical quantitative study, and how the data were analysed and interpreted. The method of data collection, as well as the analysis adopted, was considered the most appropriate to address this study's primary and secondary objectives as stated in Chapter 1. The following chapter reports the results of the data through the use of SPSS and SmartPLS.

CHAPTER 5 DATA ANALYSIS AND FINDINGS

5.1 INTRODUCTION

The analysis of the data in this study was divided into two parts - the findings from the pilot study, and the findings from the main data collection. The findings from the pilot study were analysed in order to pre-test the data for reliability and validity (Sekaran, 2000: 206). The main data were used to test the hypotheses stated in Chapter 3. The data were analysed using the Statistical Package for the Social Sciences (SPSS) version 21 for the demographic information, and SmartPLS version 2.0 in order to test the stated hypotheses.

5.2 PILOT STUDY RESULTS

5.2.1 Reliability

The Cronbach's alpha test was run in order to test for internal consistency of the construct measures. The Cronbach's alpha measures the extent to which a specified set of variables is consistent in measuring the underlying construct (Vinzi *et al.*, 2010: 462), and is deemed to be of a satisfactory level of reliability when the Cronbach's alpha value equals 0.70 or higher (Pallant, 2013: 101). All 11 constructs showed satisfactory Cronbach's alpha values above 0.70 and are indicated in

Table 5.1. This confirmed that every time the questionnaire was completed, the scale items satisfactorily measured the underlying construct consistently.

Table 5.1: Reliability Statistics

Variable #	Multi - Dimensional Constructs	Constructs	Cronbach's Alpha	Number of Items
1	Perceived Service Quality	Responsiveness	0.839	5
2		Assurance	0.848	4
3		Empathy	0.866	4
4		Corporate Image	0.853	4
5		Customer Satisfaction	0.933	4
6		Customer Delight	0.941	6
7		Customer Loyalty	0.940	3
8		Attitudinal Loyalty	0.901	4
9	Perceived Value	Functional Value	0.912	4
10		Emotional Value	0.913	5
11		Monetary Value	0.903	3

5.2.2 Validity

Discriminant validity was tested by adopting Fornell and Larcker's (1981) method of comparing the squared correlations of each construct to the construct's associated AVE scores. Table 5.2 illustrates the AVE's (in bold) on the diagonal, and the squared construct correlations per construct in the rows and columns (Fornell and Larcker, 1981). The requirement for acceptable discriminant validity is that each squared construct correlation must be lower than the construct's associated AVE (Fornell and Larcker, 1981). The results revealed all squared correlations to be lower than the constructs' associated AVE, and therefore the conditions for discriminant validity are met. This confirmed that each construct is shown to be unrelated to one another, and can therefore be treated as separate constructs.

Table 5.2: Construct Squared Correlations vs AVE – Pilot Study Data

	AL	Assu	CD	CI	CL	CS	EV	Emp	FV	MV	Res
AL	**0.7701**										
Assu	0.3304	**0.6741**									
CD	0.4412	0.3604	**0.7468**								
CI	0.6491	0.3972	0.4241	**0.8942**							
CL	0.6178	0.4017	0.4552	0.6353	**0.8733**						
CS	0.4676	0.3824	0.3939	0.4990	0.5927	**0.6834**					
EV	0.5583	0.4507	0.5172	0.5963	0.5472	0.4094	**0.7302**				
Emp	0.2778	0.3892	0.3794	0.3151	0.2869	0.3124	0.3452	**0.7057**			
FV	0.3981	0.3866	0.3943	0.4538	0.4248	0.3024	0.5489	0.4436	**0.6369**		
MV	0.3170	0.2658	0.4057	0.3432	0.3207	0.2182	0.4088	0.2685	0.3826	**0.8375**	
Res	0.3449	0.5089	0.3681	0.4684	o.4051	0.3949	0.4249	0.4034	0.4162	0.3318	**0.6037**

During the pilot study phase, the time it took for respondents to complete the questionnaire was also measured. Measuring at approximately 10 to 15 minutes per questionnaire, it was concluded that the length of the questionnaire was acceptable in that it was not too time-consuming to complete, which could otherwise hamper response accuracy, and therefore did not warrant any changes. With the structure of the questionnaire being found to be acceptable, and with satisfactory levels of reliability and validity, the data collection for the main analysis commenced.

5.3 MAIN DATA RESULTS

5.3.1 Sample Demographics

Of the 400 respondents, males and females were fairly equally represented as shown in

Table 5.3, and the age groups mostly represented were between the ages of 18 and 45, comprising of 88.7% of the total population, as shown in Table 5.4.

Table 5.3: Gender

	Frequency	% Sample Represented
Male	183	45.8%
Female	217	54.3%
Total	**400**	**100.0%**

Table 5.4: Age Groups of Respondents

	Frequency	% Sample Represented
18 - 25 years	158	39.5%
26 - 35 years	113	28.2%
36 - 45 years	84	21.0%
46 - 55 years	38	9.5%
56 - 65 years	7	1.8%
Total	**400**	**100.0%**

Table 5.5 represents the ethnic breakdown of the respondents, with black and white groups representing the majority of the sample population (53.8% and 37.3% respectively). The sample population of this study may therefore not be entirely representative of the total population, as more than 90% of the sample population is represented by black and white ethnic groups alone.

Table 5.5: Ethnicity

	Frequency	%
Black	215	53.8
White	149	37.3
Coloured	29	7.3
Asian	4	1.0
Other	3	.8
Total	**400**	**100.0**

Main bank refers to the bank which respondents identify as doing the most or most frequent banking, or into which bank they receive their salary if relevant. The three banks mainly utilised by respondents' as main banks are FNB, Standard Bank, and Absa (27.5%, 25.3%, and 23.8% respectively), as shown in Table 5.6. although Capitec Bank was not considered as being part of the big 4 banks at the inception of this study, it is fairly well represented with 13.5% of respondents indicate Capitec Bank as their main bank.

Table 5.6: Main Bank

	Frequency	%
ABSA	95	23.8%
FNB	110	27.5%
Standard Bank	101	25.3%
Nedbank	38	9.5%
Capitec	54	13.5%
Other	2	0.5%
Total	**400**	**100.0%**

The majority of the respondents between the ages of 18 and 25 bank at Standard Bank, Absa, and FNB, as shown in Table 5.7. FNB is the most utilised bank with a total of 110 out of the 400 respondents (27.5%), with Standard Bank and Absa coming second and third (25.3%, and 23.8% respectively). This table illustrates that the banks' with the highest level of competitiveness within the respondent groups are centred around 3 banks, namely ABSA, FNB, and Standard Bank.

Table 5.7: Age Group and Main Band Cross-tabulation

		MAIN BANK						
		ABSA	**FNB**	**Standard Bank**	**Nedbank**	**Capitec**	**Other**	**Total**
	18 - 25	43	36	48	9	20	2	**158**
Age Group	**26 - 35**	19	34	28	14	18	0	**113**
	36 - 45	22	24	20	10	8	0	**84**
	46 & older	11	16	5	5	8	0	**45**
Total		**95**	**110**	**101**	**38**	**54**	**2**	**400**

Table 5.8: Main Bank and Length of time at Main Bank Cross-tabulation

	MAIN BANK						
	ABSA	**FNB**	**Standard Bank**	**Nedbank**	**Capitec**	**Other**	**Total**
0-5 years	30	47	48	16	40	2	**183**
> 6 years	66	63	52	23	13	0	**217**
Total	**96**	**110**	**100**	**39**	**53**	**2**	**400**

Just under half (45.7%) of respondents had utilised their bank for less than 5 years where as 54.3% had utilised their bank for 6 years or longer, as shown in

Table 5.8. This means that the findings of the respondents perceptions are reflective of the all the respondents irrespective of how long they have banked with their main bank. Gross monthly income was asked as an open-ended question in the questionnaire. Income was therefore grouped into categories for easier interpretation. Forty-nine (49) respondents (12.3%) indicated that they do not have a monthly income. Most respondents (57.3%; excluding respondents with no income) earn less than R15 000 per month before deductions, of which a large portion (27.3%; excluding respondents with no income) earning less than R5 000 per month, as shown in Table 5.9.

Table 5.9: Gross Monthly Income

	Frequency	%
R0	49	12.3%
R1 - R5 000	109	27.3%
R5 001 - R15 000	120	30.0%
R15 001 - R25 000	59	14.8%
R25 001 and more	63	15.8%
Total	**400**	**100.0%**

Table 5.10 indicates that out of all the respondents from the various banks, most respondents do not have an account at another bank (67.0%). Large percentages of respondents that bank at Absa, FNB, Standard Bank, and Capitec do not have accounts at another bank, whereas responses are relatively evenly split amongst the other banks.

Table 5.10: Main Bank and Accounts at Another Bank Cross-tabulation

		Have accounts at another bank?				
			Yes		**No**	**Total**
MAIN BANK	**ABSA**	26	(27.4%)	69	(72.6%)	95
	FNB	39	(35.5%)	71	(64.5%)	110
	Standard Bank	31	(30.7%)	70	(69.3%)	101
	Nedbank	17	(44.7%)	21	(55.3%)	38
	Capitec	18	(33.3%)	36	(66.7%)	54
	Other	1	(50.0%)	1	(50.0%)	2
	Total	**132**	**33.0%**	**268**	**67.0%**	**400**

5.4 SCALE RELIABILITY AND VALIDITY

With all the constructs in our model containing reflective measures, assessment of individual item reliability, internal consistency, and discriminant validity were performed using the Partial Least Squares (PLS) method upon recommendation of Vinzi *et al.* (2010: 462).

5.4.1 Reliability

Reliability refers to the degree to which each set of items measures the same underlying construct (Hair, Black, Babin, and Anderson, 2010: 636). In other words, it is the extent to which a set of items all measure the same latent construct it was intended to measure. In order to determine the reliability of the items, confirmatory factor analysis (CFA) was applied (Vinzi *et al.,* 2010; 462; Hair *et al.,* 2010: 703). Items are deemed to be of an acceptable level of reliability when the factor loadings equal or exceed 0.707 (Vinzi *et al.,* 2010: 462). As shown in Table 5.11, all the questionnaire item loadings exceed the 0.707 level of acceptable reliability (Vinzi *et al.,* 2010: 462), therefore demonstrating individual item reliability.

Table 5.11: PLS Item Factor Loadings

Item	Item Loading	Item	Item Loading
AL1	0.913	**CS2**	0.925
AL2	0.900	**CS3**	0.907
AL3	0.871	**CS4**	0.928
AL4	0.911	**Emp1**	0.881
Assu1	0.860	**Emp2**	0.872
Assu2	0.861	**Emp3**	0.908
Assu3	0.846	**Emp4**	0.899
Assu4	0.859	**EV1**	0.847

CD1	0.906	**EV3**	0.902
CD2	0.928	**EV4**	0.877
CD3	0.940	**EV5**	0.919
CD4	0.941	**FV1**	0.829
CD5	0.944	**FV1**	0.850
CD6	0.820	**FV1**	0.728
CI1	0.843	**MV1**	0.933
CI2	0.897	**MV2**	0.939
CI3	0.880	**MV3**	0.934
CI4	0.844	**Res1**	0.781
CL1	0.953	**Res2**	0.756
CL2	0.956	**Res3**	0.833
CL3	0.959	**Res4**	0.842
CS1	0.924	**Res5**	0.784

Internal consistency assessment measures the extent to which a set of variables is consistent in what it intends to measure (Vinzi *et al.,* 2010: 462). Cronbach's Alpha is commonly used (Vinzi *et al.,* 2010: 50) to measure internal consistency; however, for this research project the PLS measure for composite reliability is used as it calculates reliability for each construct in order to determine construct reliability, similar to Cronbach's Alpha (Vinzi *et al.,* 2010: 433). The benchmark set for acceptable construct reliability is 0.7 or higher (Vinzi *et al.,* 2010: 433). All constructs load with acceptable levels of reliability at above 0.7, as shown in Table 5.12.

Table 5.12: PLS Construct Reliability Scores

	Construct	Composite Reliability
	Assurance	0.917
Employee Effort	Responsiveness	0.899
	Empathy	0.938

Perceived Value	Emotional Value	0.949
	Functional Value	0.845
	Monetary Value	0.955
	Customer Delight	0.968
	Customer Satisfaction	0.957
	Corporate Image	0.923
	Attitudinal Loyalty	0.944
	Customer Loyalty	0.970

The assessment of individual item reliability and internal consistency revealed satisfactory levels of reliability in all the items and constructs.

5.4.2 Validity

In order to test for convergent validity, a method put forward by Fornell and Larcker (1981: 45) was performed where the average variance extracted (AVE) per construct is determined. Table 5.13 shows the AVE's for all constructs to be above the accepted benchmark of above 0.5 (Fornell and Larcker, 1981: 45), confirming convergent validity.

Table 5.13: Average Variance Extracted (AVE)

	Construct	AVE
Service Quality	Assurance	0.734
	Responsiveness	0.639
	Empathy	0.792
Perceived Value	Emotional Value	0.790
	Functional Value	0.646
	Monetary Value	0.875
	Customer Delight	0.836
	Customer Satisfaction	0.848

Corporate Image	0.750
Attitudinal Loyalty	0.807
Customer Loyalty	0.914

Discriminant validity was tested using Fornell and Larcker's (1981) method of comparing the squared correlations for each construct to each construct's associated AVE (see Table 5.13). Table 5.14 illustrates the AVE's (in bold) on the diagonal, and the squared construct correlations per construct. The squared correlations for each construct loaded values lower than the AVE's per construct, demonstrating satisfactory levels of discriminant validity between the constructs (Fornell and Larcker, 1981). The results for convergent and discriminant validity have returned satisfactory levels of overall validity in the measurement model.

Table 5.14: Construct Squared Correlations vs AVE – Main Data

	AL	Assu	CD	CI	CL	CS	EV	Emp	FV	MV	Res
AL	**0.8075**										
Assu	0.4043	**0.7341**									
CD	0.6247	0.5038	**0.8360**								
CI	0.5587	0.4212	0.4371	**0.7504**							
CL	0.6733	0.4376	0.5129	0.5468	**0.9143**						
CS	0.6271	0.5396	0.6446	0.5101	0.6280	**0.8487**					
EV	0.5959	0.4894	0.6119	0.5388	0.5750	0.6315	**0.7900**				
Emp	0.3621	0.4803	0.4465	0.3147	0.3200	0.4417	0.4164	**0.7922**			
FV	0.5504	0.5294	0.5374	0.5428	0.5565	0.5826	0.6302	0.4339	**0.6464**		
MV	0.4206	0.2783	0.3874	0.3153	0.4005	0.4346	0.5341	0.3001	0.4073	**0.8750**	
Res	0.4028	0.5727	0.4645	0.3998	0.3891	0.5234	0.4931	0.4628	0.4704	0.3003	**0.6457**

The satisfactory levels of reliability and validity suggests that the measurement model meets the standard of having good explanatory power. Testing of the hypotheses as stated in Chapter 3 therefore commenced.

5.5 HYPOTHESIS TESTING

To test all the hypotheses stated in chapter 3, partial least squares structural equation modelling (PLS-SEM) was employed utilising the SmartPLS software. Figure 5.1 represents the final accepted model for this study. The conceptual framework as proposed in Chapter 3 remains unchanged as all except one hypothesised relationship (rejected) reveals a significantly positive relationship (hypotheses accepted).

5.5.1 Coefficients (β)

A beta weight (β) is a standardised value which represents the extent to which a particular variable will increase or decrease based on the influence of another variable. For example, if SQ has a negative effect on switching costs (SC) (β will be preceded with a negative sign, i.e: β= -0.155). Therefore, for every 1 increase in standard deviation in SQ, SC will decrease with 0.155 standard deviations since it is a negative relationship. If the relationship was positive, SC would increase with 0.155 standard deviations. Standard deviations are estimates of the average variance (spread) of a data set, which is measured in the same units of measurement as the original data (Field, 2005: 745). A PLS algorithm was run on the hypothesised model providing the standardised coefficients (β), and the significance of each beta weight was determined by running a bootstrapping procedure. The results of these analyses are illustrated in Figure 5.1. The coefficients and significance values will all be used to explain the effect that each independent variable in question has on the hypothesised dependent variables.

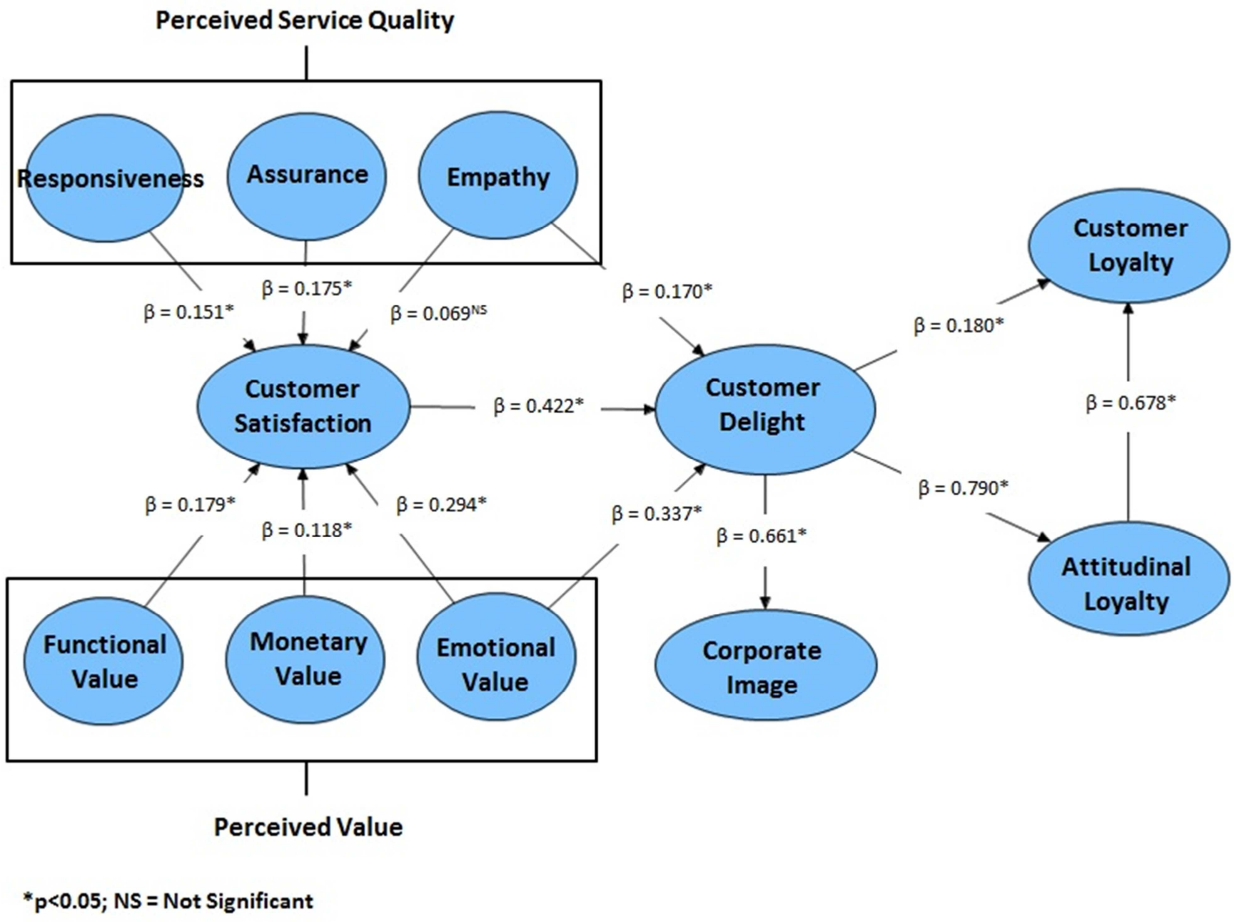

Figure 5.1: Structural model analysis

In order for relationships between constructs to be significant, the bootstrap method in PLS-SEM must yield estimated significance values (T-values) that exceed 1.96 (Vinzi *et al.,* 2010: 526), and are indicated by an asterisk (*) above the β score in text, as well as in Figure 5.1. Concerning SQ, the results indicate that there is a positive relationship between responsiveness and customer satisfaction (β=0.151*), as well as between assurance and customer satisfaction (β=0.175*). Although a slight positive effect exists, empathy failed to have a significant effect on customer satisfaction (β=0.069^{NS}), but does, however, have a positive and significant direct effect on customer delight (β=0.170*).

Respondents therefore perceive to be satisfied with their main banks' delivery of service, showing empathy when faced with queries or requests (responsiveness). Respondents are also comfortable with the banks' security measures that deals with confidentiality of personal financial information, and perceive their main banks' employees to be knowledgeable and courteous during their encounters (assurance). Surprisingly, and in contrast to literature, empathy by the respondents main banks failed to cause significant satisfaction in respondents, but instead caused respondents to be significantly delighted. The following hypotheses pertaining to SQ are therefore accepted or rejected:

Hypothesis	Beta Weight	T Value	Accept or Reject
H1: Responsiveness has a positive effect on customer satisfaction	0.151	2.434	Accepted
H2: Assurance has a positive effect on customer satisfaction	0.175	2.518	Accepted
H3: Empathy has a positive effect on customer satisfaction	0.069	1.267	Rejected
H4: Empathy has a positive effect on customer delight	0.422	7.691	Accepted

Functional, monetary, and emotional value all have positive effects on customer satisfaction (β=0.179*, β=0.118*, and β=0.294* respectively). Respondents perceive the employees of their main banks to know their jobs well, and to provide a service without fault, justifying the lending rates imposed (functional value). In weighing up the cost versus effort of using their main banks, respondents generally feel that their banks offer them value for money, and that the fees they are paying are economical (monetary value). Respondents' main banks also generally make them feel at ease and positive, which significantly effects their satisfaction levels (emotional value). The emotional value perceived by the respondents however, have a stronger effect on their delight levels than on their satisfaction levels. This is not surprising taking into account the emotional building blocks of customer delight as illustrated in the literature chapters. The following hypotheses are therefore accepted or rejected:

Hypothesis	Beta Weight	T Value	Accept or Reject
H5: Functional value has a positive effect on customer satisfaction	0.179	2.759	Accepted
H6: Monetary value has a positive effect on customer satisfaction	0.118	2.213	Accepted
H7: Emotional value has a positive effect on customer satisfaction	0.294	3.505	Accepted
H8: Emotional value has a positive effect on customer delight	0.337	6.559	Accepted

Customer delight has a weak yet positive effect on customer loyalty (β=0.180*), but a very strong positive effect on attitudinal loyalty (β=0.790*). Within the realms of this particular study, this is a hugely important finding. According to the addressed literature in Chapter 2, customers' loyalty behaviour (customer loyalty) is pre-disposed by an existing positive attitude held in the form of attitudinal loyalty. With customer delight being the focal point of this study, the fact that there is a strong and significant positive relationship between customer delight and attitudinal loyalty illustrates the importance that customer delight plays within the context of attitudes held by customers, and its' eventual culmination into loyal behaviour. This is illustrated by the finding that attitudinal loyalty has a strong positive effect on customer loyalty (β=0.678*) and is significant with a T-value of 13.308. The following hypotheses are therefore accepted or rejected:

Hypothesis	Beta Weight	T Value	Accept or Reject
H9: Customer delight has a positive effect on attitudinal loyalty	0.790	35.396	Accepted
H10: Customer delight has a positive effect on customer loyalty	0.180	3.388	Accepted
H11: Attitudinal loyalty has a positive effect on customer loyalty	0.678	13.308	Accepted

Customer delight has a strong positive effect on corporate image (β=0.661*), with a significance value of 19.183. This finding highlights that when customers feel delighted about their main bank, their image perception (corporate image) of their main bank improves, highlighting yet another important reason to focus on delighting customers. Customer satisfaction has a positive effect on customer delight (β=0.422*), which is to be expected after having determined from literature that customer delight cannot exist without the pre-disposed perception of customer satisfaction. The following hypotheses is therefore accepted or rejected:

Hypothesis	Beta Weight	T Value	Accept or Reject
H12: Customer delight has a positive effect on corporate image	0.661	19.183	Accepted
H13: Customer satisfaction has a positive effect on customer delight	0.442	20.063	Accepted

5.5.2 Explained variance (R^2)

Explained variance (R^2), also known as the coefficient of determination, is a statistical measure of the variability in one variable that is explained by another (Field, 2005: 128).

There is no benchmark in terms of what is acceptable or required in terms of an R^2 value. The R^2 merely illustrates how much of a particular variable is explained by another variable, or by a specified model. In order to ascertain the explanatory power of the conceptual model, a PLS algorithm was run providing the R^2's for customer satisfaction, customer delight, attitudinal loyalty, customer loyalty, and corporate image.

The results indicate that the model accounts for 71.6% of variance of customer delight, 62.5% of varaince attitudinal loyalty, and 68.6% of overall customer loyalty. The model also accounts for 43.7% of the varaince of corporate image. Service quality and perceived value together explain 73.1% of the variance of customer satisfaction. The model therefore has good predictive validity over customer satisfaction, customer delight, attitudinal loyalty, and customer loyalty. The implication is therefore positive for this study in that it illustrates that customer delight, as part of a model that includes a number of well tested variables, also plays an important role within the context of customer loyalty, and fits successfully within the final structural model. The results of the test for explained variance are illustrated in Figure 5.2.

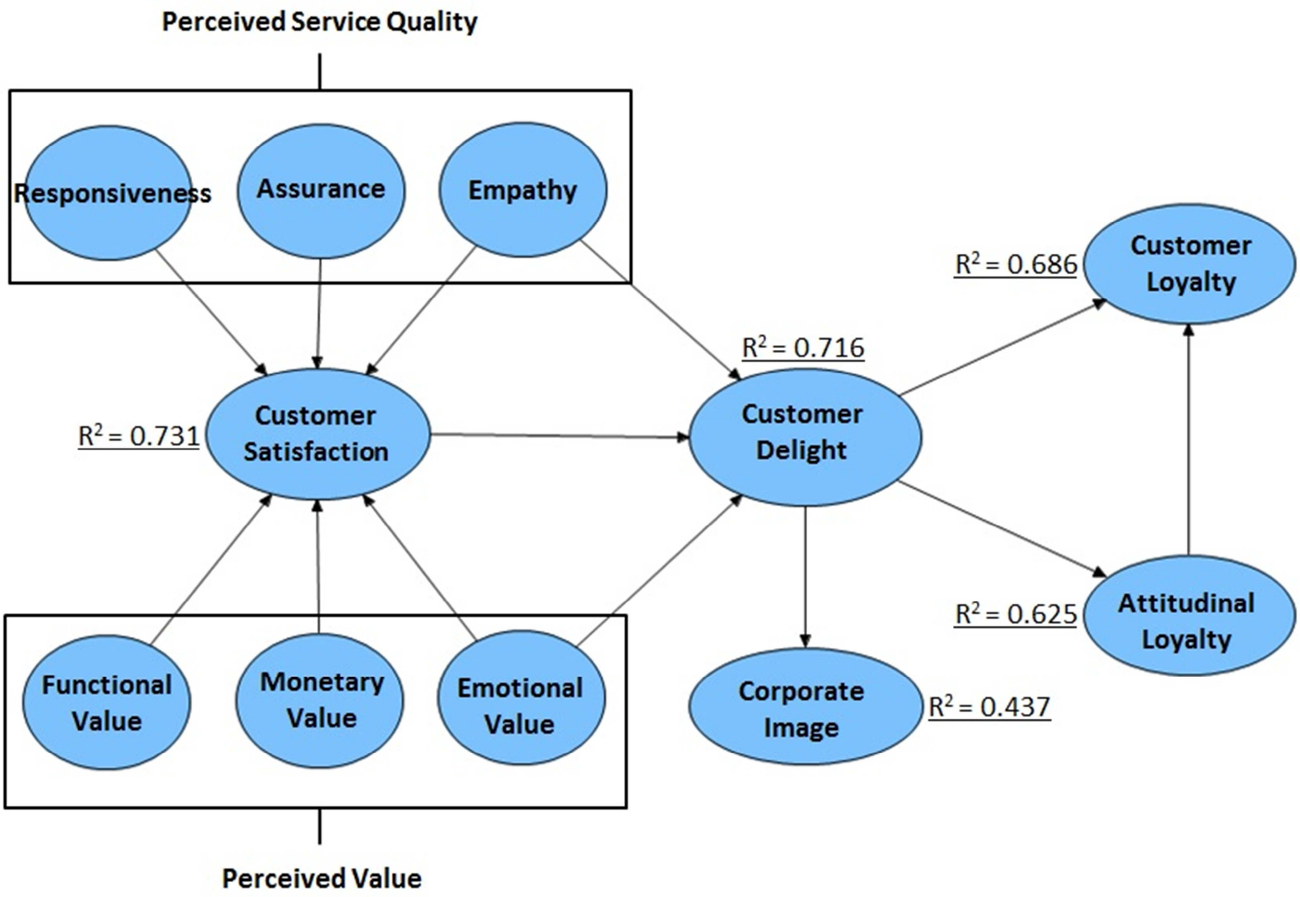

Figure 5.2: Explained Variance (R^2)

5.6 COMPARISON OF PERCEPTION MEAN SCORES

In order to test whether perception scores differed significantly between respondents from the different ethnic groups, as well as respondents within the different income levels, a one-way ANOVA comparison of means was performed using SPSS. Perception scores were also compared between male and female groups through the use of the independent t-test. Amongst ethnic groups, perception scores were compared pertaining to all the constructs within the measurement model. The results are illustrated in Table 5.15.

Table 5.15: ANOVA Comparison of Means – Ethnic Groups

	ANOVA	Sig.
Service Quality	Assurance	0.629
	Responsiveness	0.161
	Empathy	0.013*
Perceived Value	Emotional Value	0.005*
	Functional Value	0.094
	Monetary Value	0.158
	Customer Delight	0.012*
	Customer Satisfaction	0.241
	Corporate Image	0.379
	Attitudinal Loyalty	0.222
	Customer Loyalty	0.813

***p=significant at <0.05 level**

Perception scores for empathy, emotional value, and customer delight differed statistically significantly between the different ethnic groups with significance values (p values) smaller than 0.05 (p=0.013; p=0.005; and p=0.012 respectively). These 3 constructs all touch on the emotional aspect of customer perceptions. The fact that respondents perceptions differ significantly eludes to vast inconsistency amongst respondents regarding their emotional, empathetic, and delight level perceptions. Since the ANOVA test is run amongst all respondents which utilise different banks, using this analysis we are unable to pinpoint which respondents hold and which banks are associated with particular respondent perceptions. Perception scores for all the constructs were also compared between males and females, revealing no statistically significant differences for any of the constructs. This indicates that between males and females, perceptions are fairly consistent.

One-way ANOVA was also performed to test for difference in perception scores between respondents that make use of the different banks as their main banks. The results are illustrated in Table 5.16. Statistically significant differences exist for all constructs between respondents making use of different banks as their main banks. This indicates that respondents that make use of different banks differ considerably in their perceptions of their associated main banks. Although this test determines whether perception scores differ between respondents that make use of different banks as their main banks, this test is unable to pinpoint the banks to which specific perception scores belong. Since probing deeper into the specific banks and respondents perceptions thereof would result in veering away from this study's stated objectives, no further analysis was performed in this regard.

Table 5.16: ANOVA Comparison of Means – MAIN Banks

	ANOVA	**Sig.**
Service Quality	Assurance	0.000**
	Responsiveness	0.000**
	Empathy	0.000**
Perceived Value	Emotional Value	0.000**
	Functional Value	0.000**
	Monetary Value	0.000**
	Customer Delight	0.000**
	Customer Satisfaction	0.000**
	Corporate Image	0.000**
	Attitudinal Loyalty	0.000**
	Customer Loyalty	0.000**

****p=significant at <0.01 level**

One-way ANOVA was also performed for all the constructs, comparing the perception scores of the various age groups, and no statistically significant differences were found. Respondents have similar perceptions relating to all the constructs regardless of their age. This is somewhat surprising, as it would be expected that the more experience customers have in dealing with their main bank, the more their expectations of their main bank would evolve. However this was shown not to be the case, and no further analysis in this regard was warranted.

5.7 CONCLUSION

The data collected for the pilot study were analysed for reliability through the use of Cronbach's alpha measure of internal consistency, of which satisfactory levels were reported. Discriminant validity was tested adopting Fornell and Larcker's (1981) technique of comparing each construct's squared correlation to each construct's associated AVE. Satisfactory levels of discriminant validity were also reported, confirming that each construct is distinct from one another. The process was repeated for the main data collection, of which satisfactory levels of reliability and validity were reported.

This study aimed to explore customer delight as an antecedent of customer loyalty within the South African banking industry. Customer delight and the other antecedents of customer loyalty were explored in the literature chapters, and hypotheses were developed on the basis of the presented literature. These hypotheses were tested using SmartPLS structural equation modelling. All hypotheses except one were accepted on the basis that significant positive effects were reported between the proposed relationships. Surprisingly, the effect of empathy on customer satisfaction was found to be not significant, resulting in the hypothesis being rejected. As expected, empathy and emotional value had significant positive effects on customer delight due to the emotional foundation upon which customer delight is built. Although customer delight has a significant positive effect on corporate image, the proposed model accounts for less than 50% of the variance of corporate image. This means that the entire model only has 50% explanatory power on how corporate image perception scores are affected.

Positive effects were reported between customer delight and attitudinal loyalty, and attitudinal loyalty and overall customer loyalty. The most significant finding was the very strong positive effect that customer delight has on attitudinal loyalty. The objectives of this study were met through the exploration of customer delight and other antecedents of customer loyalty in literature, as well as the data analysis performed in this chapter. The role that customer delight plays as an antecedent of customer loyalty with the inclusion of perceived service quality, perceived value, and customer satisfaction in the proposed framework was explored in depth, and conclusions and recommendations can therefore be made upon this basis.

CHAPTER 6 CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The study represents an attempt to explore customer delight as an antecedent of customer loyalty in the South African banking industry. This was achieved by conducting a comprehensive literature review regarding customer delight, customer loyalty, and the various antecedents of customer loyalty, and were explored within the context of the retail banking industry. There exists a wealth of knowledge in the areas of customer loyalty in the banking industry; however, the shortage of research regarding customer delight within the banking industry has provided justification for this research study. This chapter captures the significant findings observed in the previous chapters, and makes conclusions and recommendations on aspects of customer delight and customer loyalty in the South African banking industry.

6.2 CHAPTER REVIEW

It became clear in Chapter 2 that customer loyalty features significantly in most marketing strategies, and that banks are no different. Loyal customers can express their loyalty in a number of ways that are beneficial to banks, such as partaking in continuing business with the bank, or talking positively of the bank to potential customers. Although attempts to define customer loyalty have resulted in an array of conflicting conceptualisations, most researchers are in agreement that attitude and behaviour are significant determinants of customer loyalty. Although strong contingents exist that support either attitudinal or behavioural definitions on their own, many researchers conclude that customer loyalty cannot be defined exclusively in these terms. The current inclination is to provide a definition that encompasses both attitudinal and behavioural aspects within one definition. Consequently, marketing has taken a new approach, now focussing more on developing and maintaining relationships with customers than merely creating awareness of products on offer. Upon the realisation that loyal customers are the driving force behind company profits, customer loyalty has become a main underpinning motivator for managers.

With customer delight in the context of customer loyalty being the main focus of this study, the literature study in Chapter 3 made clear that customer delight cannot exist without the presence of customer satisfaction. Customers are satisfied when their basic expectations are met, and delighted once their expectations are surprisingly exceeded. Customer delight is increasingly being seen as being essential to achieve customer loyalty, as some researchers are of the opinion that customer satisfaction, although a critical component, is no longer adequate to achieve customer loyalty on its own. With a constantly changing banking environment, as well as ever-changing customer demands, banks need to keep up with the changes if they are to meet and exceed customer demands and needs. Banks must therefore aim to continually adapt in order retain customers successfully, rather than to partake in more costly acquisition activities.

Chapter 3 further pointed out key distinctions that are made when differentiating between customer satisfaction and customer delight, with customer delight being a longer lasting and stronger emotional response than customer satisfaction. Chapter 3 also examined perceived service quality (PSQ) and perceived value (PV) as important antecedents of customer delight through customer satisfaction, and explored possible relationships that may exists through the development of the following hypotheses:

6.2.1 Hypotheses

Hypotheses

H1: Responsiveness has a positive effect on customer satisfaction

H2: Assurance has a positive effect on customer satisfaction

H3: Empathy has a positive effect on customer satisfaction

H4: Empathy has a positive effect on customer delight

H5: Functional value has a positive effect on customer satisfaction

H6: Monetary value has a positive effect on customer satisfaction

H7: Emotional value has a positive effect on customer satisfaction

H8: Emotional value has a positive effect on customer delight

H9: Customer delight has a positive effect on attitudinal loyalty

H10: Customer delight has a positive effect on customer loyalty

H11: Attitudinal loyalty has a positive effect on customer loyalty

H12: Customer delight has a positive effect on corporate image

H13: Customer satisfaction has a positive effect on customer delight

Chapter 4 detailed the methodology of this research study, which included the research design, the method of data collection, and the techniques used during the data analysis for both the pilot study and the main data collection. Chapter 5 detailed all the findings from the data analysis, which are concluded in the next section.

6.3 CONCLUSION OF THE EMPIRICAL FINDINGS

The main focus of this study was to examine customer delight as an antecedent of customer loyalty in the South African banking industry. Recent literature adopts the approach that customer delight, over and above customer satisfaction, is needed in order to create customer loyalty. Empirical evidence from this study ties in with these views with significant effects reported between customer delight and customer loyalty. As per the study's literature findings and the subsequent proposed hypotheses, banking customers place relatively high importance on bank service quality in order for delight to be achieved. Customers also achieve delight when they have high levels of perceived value, taking a stand in agreement with findings from the literature chapters.

In light of the fact that customer delight is a state of mind characterised by a highly emotional component, it is not surprising that empathy and emotional value has a significant effect on customers' delight levels, and proves to be a critical finding within the context of this study. Customers place high importance on bank employees' ability to be empathetic to their banking needs, and are sensitive to their banks' ability to satisfy their psychological needs of comfort or security. Customers' image of their banks are also affected by customer delight levels, demonstrating the importance of delighting customers, since, according to literature, customers exercise their word of mouth based on their perceptions and image of the bank. However, the final model in this study only explains half of corporate image perceptions within this study's context, and would require further refinement in pursuit of a better understanding of customers' corporate image perceptions.

As expected, customer delight (as a heightened form of customer satisfaction) has a positive effect on customer loyalty. The most significant finding pertaining to customer delight was that when customers are delighted, they express their loyalty more predominantly in their attitudinal levels in the form of attitudinal loyalty, more so than on overall customer loyalty. This was expected due the established link between customer emotions (upon which customer delight is built) and customer attitudes. In turn, attitudinal loyalty has a stronger influence on customer loyalty through customer delight. The effect that customer delight has on loyalty could therefore be argued from an attitudinal perspective and adopted as such in banks' marketing efforts.

When comparing the different ethnic groups, all respondents' perceptions regarding empathy, emotional value, and customer delight differed between the groups. Due to the emotional component of all 3 of these constructs, the implication is that not all respondents reflect positive emotions towards their bank, and implies that not all customers experience delight with their banks. Between grouped respondents from the different banks, perceptions differed significantly regarding all areas of perceived service quality, perceived value, customer satisfaction, customer delight, attitudinal and overall customer loyalty. This implies that certain banks stand out in terms of having positive customer perceptions, and other banks have negative customer perceptions.

Since identifying which ethnic groups or which banks' customers recorded positive or negative perceptions would steer this study away from addressing the stated objectives, no further scrutiny was required. The group comparisons do however raise awareness to the fact that differences do exist between customer perceptions based on which bank they use as their main bank. This presents an opportunity for future research, by focussing on customer perceptions relative to the customers' specific bank, as well as customer perceptions based on ethnicity.

6.4 RECOMMENDATIONS

Customer delight, as a heightened form of customer satisfaction, should be considered as one of the main strategic focuses in a bank's effort to create loyal customers. According to the literature presented, customer delight is critical if customer loyalty is to be achieved, and empirical findings from this study confirm this. Banks should go beyond merely meeting the customers' expectations, and aim to exceed their expectations to a surprising degree. With the ever-changing banking environment coupled with the continual introduction of new and innovative products, banks must focus their attention on providing innovative customer service, personalised to address individual customer needs.

Banks have, to a degree, addressed the customer's individual demands through the implementation of personal bankers; however, only with the mandate to satisfy basic needs upon the customers' request. Banks should, however, go a step further and introduce strategies that aim at delighting customers through exceptionally high, and surprisingly innovative levels of service with the aim of creating positive customer perceptions and customer delight. This could be done through empowering bank employees with a certain mandate that allows them to go the extra mile without stepping out of required banking procedure. Rather than having only one manager per branch, banks could designate additional managers who are mandated to deliver specific delight-focussed service initiatives such as consulting customers at the customers' home for convenience purposes, as an example.

When customer satisfaction is being achieved by meeting the customers' basic expectations, it is implied that bank employees have simply performed the customers' requested task without attempting to lock the customer in emotionally. Further justification is therefore given for customer delight activities, without deviating from the bank's responsiveness towards addressing the original requested task. Alternatively, bank employees could receive training to develop their interpersonal skills due to the discrepancy of positive and negative emotions experienced by customers as revealed in this study. The similarity of products and services offered by the different banks further justifies the incentive of providing employees with interpersonal skills training, as employees play a crucial role in driving competitive advantage within the banking industry.

Pertaining to the final accepted structural model analysed in this study, the following sections delve deeper into providing recommendations based on the findings of the various elements within the structural model.

6.4.1 Perceived Service Quality

Respondents are satisfied with the responsiveness and assurance shown by their main banks when making particular requests or queries, and are also satisfied with the manner in which their main banks deliver their service. It is important to note however, that empathy shown in the form of individualised attention towards respondents by their banks had a direct and significant effect on customer delight, and not on customer satisfaction. This proven direct and significant relationship is cause for banks to strongly consider ways in which they can consistently delight customers through a service that highlights the banks' understanding that each customer should be treated as individuals, with personalised needs.

Banks have identified the fact that each individual has personalised needs, hence the allocation of different account statuses based on certain demographic information such as the individuals' income level. Banks have created "personal bankers" who are solely mandated to oversee and solely serve the needs of high-income earners, with added benefits such as eliminating the need for the high-income earners to enter a branch for many transactions. The personal banker status however neglects to accommodate lower to medium income earners. Although this could be fully justified by the fact that the high-income earners are large contributors to a bank branches revenue, lower to medium income earners should not be overlooked.

Concerning the empathy shown by banks (or rather the ability of banks to give customers individualised and personalised attention based on the customers' specific needs), empathy should be demonstrated to all customers, regardless of account status. With the direct effect empathy has proven to have on customer delight, and the subsequent effect customer delight has on attitudinal loyalty, banks should employ a "personal banker" approach on every customer that walks into the branch. In order for customers to feel that their individual needs are a priority to their bank, a follow up service could be initiated where bank employees contact customers in order to follow up as to whether the customers' needs or request were fulfilled successfully. This would demonstrate the banks' ability to make their customers feel that their best interests are at heart.

6.4.2 Perceived Value

With overall perceived value being a source of satisfaction for this study's respondents, it is important to break the perceived value construct down into its' various elements in order to apply them within the context of this research project, which includes the element of customer delight in its fray. Respondents feel that their main banks' employees know their jobs well (functional value), make them feel positive and at ease (emotional value), and that their banks offer value for money (monetary value), resulting in a positive impact on their satisfaction levels. It is important to note however, that emotional value perceived by the respondents had a stronger direct effect on customer delight, than it did on customer satisfaction.

Customers place high importance on the emotional aspect of their main banks' offering, such as being happy with the banks' services, feeling relaxed and at ease during the time of servicing, and being made to feel positive by their main bank. With the relationship between emotional value and customer delight being found to be stronger than the relationship between emotional value and customer satisfaction, bank managers can take cognisance of the fact that delighting customers can play a critical role in the greater picture of customer loyalty formation. Banks should therefore focus more intently on creating greater levels of emotional value due its' proven link with customer delight, and its' culmination into customer loyalty.

Banks could create higher levels of perceived emotional value amongst its’ customers by creating non-threatening environments in their branches that make customers feel positive, relaxed, and at ease. Bank employees should be urged to provide their service with a smile, and also be encouraged to be courteous to customers they are attending to, as well as customers waiting to be attended to. Banks have generally grasped this idea with the implementation of hosts, which are employees tasked to greet customers upon entry into a branch. These employees, however, only direct customers in the right direction when customers are unsure with whom they need to speak in order to address their particular needs. Hosts, as well as other employees that deal directly with customers, should therefore be encouraged to help customers feel at ease through ensuring customers that their needs are well understood, and attended to. Customers should be reassured and made to feel that they are not alone, and that their financial needs are being addressed empathetically and without prejudice.

6.4.3 Customer Satisfaction’s effect on Customer Delight

The literature explored in chapter 3 highlighted the fact that customer delight is a heightened form of customer satisfaction, and that customer delight can therefore not exist without the presence of customer satisfaction. This was indeed found to be the case in this study. The important finding to also note is that there is a positive effect reported between customer satisfaction and customer delight. The final structural model therefore analysed perceived service quality and perceived value and its’ effect on customer delight through customer satisfaction. These proposed paths proved successful in that nearly three quarters (71%) of customer delight was explained with this study’s final model. They question asked however, is how does this implicate the relationship found to exist between customer satisfaction and customer delight. The answer lies in the fact the final model clarifies and confirms literatures contentions that customer delight cannot exist without the presence of customer satisfaction.

Several authors observe that customer satisfaction is the mere fulfilment of customers' expectations, and that more is needed if customers are to remain loyal. The proven positive relationship between customer satisfaction and customer delight highlights therefore that banks should focus first on satisfying customers basic needs. Only in this way is customer delight even possible, as customer delight is a heightened form of customer satisfaction. Consequently and operationally, in the banks' renewed effort to create customer delight, banks should not lose focus on the request at hand, and rather aim at fulfilling the customers' request to a surprising degree.

6.4.4 Customer Delights' effect on Corporate Image

Although not a stated objective in this study, the effect customer delight has on corporate image was analysed in order to ascertain as to whether respondents perceived delight levels have an effect on their corporate image perceptions. With a positive and significant effect reported, banks can take heed to the fact that positive word of mouth activity (a proven outcome of positive corporate image) is likely to take place when customer experience positive levels of customer delight. The model does however explain less than half (43.7%) of respondents corporate image. Improved models to this end should therefore be developed in studies that have corporate image perceptions stated in their main objectives.

6.4.5 Customer Delight, Attitudinal Loyalty, and Customer Loyalty

Customer delight, in acceptance of the hypothesised framework, has a positive and significant effect on customer loyalty. Since customer satisfaction has a proven positive effect on customer loyalty, this is to be expected since customer delight is an extension of customer satisfaction, and cannot exist without the presence of customer satisfaction. The most significant finding in this study is the relationship that exists between customer delight and attitudinal loyalty, which is shown to be stronger than the relationship that exists between customer delight and customer loyalty. With many researchers defining customer loyalty from an attitudinal perspective, this is a critical finding in that attitudinal loyalty is commonly referred to as being the pre-cursor of customer or behavioural loyalty. A pre-conceived attitude is held by a customer before any loyalty behaviour takes place, and banks should therefore take cognisance of this finding.

With the development of customer delight through high levels of perceived service quality and perceived value, delighted customers express their loyalty pre-dominantly in the form of their attitude held towards their main bank. This study also showed a strong positive relationship to exist between attitudinal loyalty, and customer loyalty (which includes behavioural items such as 'continuing doing business', or 'intending to do MORE business with your main bank'). This finding is critical in that it confirms and highlights the importance of creating positive customer attitudes for overall customer loyalty to be achieved. This finding also proves that in order for positive customer attitudes to be established in the effort to create customer loyalty, customer delight plays a key role. Bank should therefore take cognisance of the important role that customer delight plays in the formation of attitudinal loyalty, and its' culmination into positive customer loyalty. In order to do this, banks should acknowledge and act on the elements that create customer delight, that include, as discussed earlier in this section, creating positive perceived service quality and perceived value perceptions.

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