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## **Towards achieving strong customer loyalty in the financial services industry: Ghanaian top banks' customers as a test case**

### **Abstract**

**Purpose:** This study intends to develop a better understanding of the practical matter of customer loyalty (CLOY) in the banking industry context. As such, this paper explores, in detail, the antecedent factors to building strong CLOY. More specifically the focus is on the constructs of customer care (CARE), product/service offerings appeal (PSOA), customer satisfaction (CSAT), and brand trust (TRUS).

**Design/methodology/approach:** This work relies purely on a positivist research paradigm. In doing so, structured questionnaires were administered to research subjects. For statistical processing, the PLS-SEM technique was deemed appropriate.

**Findings:** The two biggest takeaways of this work are the findings about the indirect influence of PSOA and CARE on CLOY. This paper reveals the relations to be sequentially mediated by CSAT and TRUS. Besides, data support the mediating effect of CSAT on CARE-TRUS link, as well as the mediation of TRUS on CSAT-CLOY link. Other findings indicate PSOA and CARE are key determinants of CSAT, CARE is also a key determinant of TRUS.

**Research limitations/ implications:** There are limits that come with the present analysis. One of the major limits is in the fact that it was conducted in a single country's setting, thus limiting the generalizability of the research findings. As a result, this research report merits to be adequately scrutinized in differing financial landscapes. Finally, the broader implication of this research is that the road toward achieving strong CLOY is far more complex than previously imagined.

**Practical implications:** To generate sustained CLOY, a solid starting point for bank products managers is to design more attractive products for their target audiences. Meanwhile, the special role of quality CARE cannot be overstated (enough), and so managers should allocate more resources in this area. In sum, this study encourages financial services managers to continue to pay greater attention to critical dimensions related to CLOY, such as PSOA, CARE, CSAT, and TRUS.

**Originality/Value:** The present analysis provides a clearer explanation of how the above-mentioned constructs are interconnected together. By using top Ghanaian banks' customers as a test case for our research, we are helping to develop a more balanced approach to achieving sustained CLOY. Finally, the value of this work rests in the complex relations studied.

**Keywords:** Brand trust, Customer care, Product/service offerings appeal, Customer loyalty, Customer satisfaction

## Introduction

Despite the institutional voids as well as a lack of quality physical infrastructures in several developing countries, the financial services industry and commercial banking in particular have continued to thrive in these nations. What is more, this industry has over the years become highly competitive in developing African nations like Ghana (also see comments by Hinson *et al.*, 2009; Narteh and Kuada, 2014). The entry of foreign banks with strong pan-African presence such as Ecobank, has even made the Ghanaian banking industry more competitively aggressive, and to an extent overcrowded.

We are undertaking this study at a time when the Bank of Ghana has just recently mandated commercial banks to shore up their capital base. This recent policy, no doubt, has huge operational and marketing implications for commercial banks there. Away from the operational implications of this monetary policy, how these financial institutions can capture and retain customers is now more than ever a big challenge for these institutions. Recall also that due to growing competition from both indigenous Ghanaian banks and overseas banks operating there, generating sustained customer loyalty base is critical for banks that want to remain highly competitive. Hence the present analysis is a timely intervention. In this paper, the researchers are interested in developing an in-depth analysis of the relations between the following theoretical constructs: (quality) customer care, product/service offerings appeal, customer satisfaction, brand trust and customer loyalty. The idea behind this analysis is to suggest more practical ways that commercial banks can adopt as part of their customer retention policies. By using top Ghanaian banks' customers as a test case for our research, we hope to increase the understanding of customer loyalty and its related antecedent factors. Building strong customer loyalty, as early research notes, has a dual role to play in the firm. One is that it leads to increased profitability and the other is that it can significantly help lower costs for the firm (Dawes and Swailes, 1999; Duncan and Elliot, 2002; Gupta *et al.*, 2004; Lam and Burton, 2006). To achieve a strong loyalty amongst banks' customers today, banks are expected to allocate key resources in research about shifts in consumers' preferences and consumer behaviour more broadly. Along these lines, it is hoped that our research ideas will inform the customer retention strategy of not only "big" commercial banks, but also relatively small-sized and/or community banks that have become (increasingly) disturbed over the years about the fact that they are losing old customers.

As hinted (before), the overarching objective of this academic work is to increase our understanding of the practical matter of customer loyalty by testing fairly new relations. Although this work focuses mainly on revealing complex links to customer loyalty, this paper also explores in detail some of the predictors of customer satisfaction as well as trust. For example, this paper assesses the extent to which product/service offerings appeal and quality customer care predict customer satisfaction and trust, respectively. In addition, this paper intends to determine if customer satisfaction intersects the relations between product/service offerings appeal, quality customer care and brand trust. More importantly, this paper explores whether the link between product/service offerings appeal and customer loyalty is sequentially mediated by customer

satisfaction and brand trust respectively. It also explores in detail if the link between quality customer care and customer loyalty is mediated sequentially by the constructs of customer satisfaction and brand trust.

Overall, we contribute to bank marketing scholarship on customer loyalty by testing a set of fairly new assumptions in the literature. In doing so, our academic writing will help to improve the customer retention strategies of financial service providers. Additionally, this paper also brings new insights into the financial services industry of a developing country – i.e. Ghana’s retail banking segment – which sadly to this day remains severely underexposed in (bank) marketing literature. Indeed, many have in recent time voiced strong concerns over acute shortage of consumer research in developing Africa and Ghana’s financial space (for additional information on this, cf. Hinson *et al.*, 2009; Narteh, 2013; Narteh and Kuada, 2014). We believe this work is an important step to filling this big void.

Finally, this academic writing is organized into the following sections: a brief literature review on customer loyalty which have succinctly captured as customer loyalty: an overview, conceptual framework of the study, research design, discussion of empirical estimates and theoretical implications, managerial implications of the study, and lastly, concluding remarks.

## Customer Loyalty: An overview

While we acknowledge that the subject of customer loyalty has been researched extensively, it remains an issue of huge interest to the academic research community as well as the managerial press (for example, see Caruana, 2002; du Toit and Burns, 2016; EY, 2017; Han *et al.*, 2008; McMullan and Gilmore, 2008; Werner and Kumar, 2002). Not only is the study of customer loyalty a hot issue amongst the larger research community, but it is also an issue of huge concern to marketing practitioners and retail bank managers (cf. comments by Dick and Basu, 1994; Dowling and Uncles, 1997; Evanschitzky and Wunderlich, 2006; Keiningham *et al.*, 2007; Baumann *et al.*, 2011). The construct customer loyalty, amongst several definitions in the literature, is stated to be “the strength of the relationship between an individual’s relative attitude and repeat patronage” (see Dick and Basu, 1994:99). From a practitioner’s point of view, loyalty can be captured broadly as “the willingness of someone - a customer, an employee, a friend - to make an investment or personal sacrifice in order to strengthen a relationship” (see Reichheld, 2003, para. 1 in subsection loyalty and growth). Customer loyalty is a complex issue and remains far from completely understood. It is not surprising that previous investigation on customer loyalty document several factors that can contribute to the generation of sustained customer loyalty base in the commercial organization. Amongst several of the suggested factors believed to contribute positively to a strong customer loyalty base is the issue of quality customer care/service. For example, consistent and quality customer care, as illustrated in previous research (cf. research commentary of Blankson *et al.*, 2009; Leung *et al.*, 1998), could significantly reduce customer attrition. And so, one will expect that customer care will play a prominent role when it comes to enforcing strong customer loyalty base in the firm. Far from being simple, how quality customer care might eventually lead to stronger customer loyalty regarding the context of banking services providers is one aspect that is missing in prior research. This research will want to address this missed opportunity.

Another factor that is frequently imagined to be critically related to customer loyalty is how appealing customers consider a services provider's offerings in the marketplace to be (also cf. Sharma & Patterson, 2000). Academic work has shown that firms with greater product and/or service offerings appeals tend to be viewed as not only more innovative in the marketplace but that their customers also get to be more connected with these firms. In sum, one will expect that product/service offerings appeal will be a key factor of customer loyalty, but that this relationship also is far from a linear process.

From previous literature on customer loyalty, there is increasingly emerging pattern that brand/customer trust is an important predictor of loyalty. Many empirical analyses like Amin et al. (2013), Delgado-Ballester and Munuera-Alemán (2001, 2005), Sirdeshmukh et al. (2002), van Esterik-Plasmeijer and van Raaij (2017), and Yap et al. (2012) suggest this to be the case. It should be noted that this work extends common understanding of the (direct) link between trust and loyalty by its assessment of the mediating role of trust. Hence, the present work differentiates itself from many previous investigations. More so, it is frequently claimed in literature that customer satisfaction is one of the most important drivers of customer loyalty (for example, see Beerli *et al.*, 2004; Bloemer *et al.*, 1998; Han *et al.*, 2008; Hansen *et al.*, 2013; Jamal and Anastasiadou, 2009; Makanyeza, and Chikazhe, 2017; Narteh, 2013). Meanwhile, researchers like Balabanis et al. (2006), Dowling and Uncles (1997), and Mittal and Lassar (1998) write that despite high satisfaction rate consumers could still become increasingly disloyal to the brand/company by switching brands (for example); further suggesting that trust may play a special role in the not-fully-established relations between satisfaction and loyalty. The complexity of the issues around loyalty, undoubtedly, makes this investigation a worthwhile academic exercise.

One of the most interesting things also about the current investigation is its consideration of satisfaction as being one of the sequential mediators, for instance, between the indirect effect of customer care on loyalty. To summarize, the present work builds on past investigation. At the same time, it extends prior bank marketing studies in the sense that it explains why building strong customer loyalty base goes beyond more familiar constructs like trust and satisfaction. We maintain that several substantive elements, among which are consistent and quality customer care and product/services offering appeals, critically undergird the customer loyalty process. This study also complements prior scholarship by acknowledging the role of trust and satisfaction in generating strong customer loyalty over time. We now turn (our) attention to the following section of the paper.

## Conceptual Framework and Research Hypotheses

### ***Relations between product/service offering appeal (PSOA) and customer satisfaction (CSAT)***

Before continuing, the question to ask is whether PSOA correlates positively with CSAT. Finding an answer to this question is a reason, among others, for the current analysis. In this paper, PSOA and attractiveness of the firm's product/service offerings convey same meaning throughout this paper. The idea behind PSOA in this paper is whether customers of Bank X will view the bank's range of product/service offerings as not only basic to their needs and reasonably priced, but also highly adaptable to customers' requirements (for greater details, refer to Ruiz *et al.*, 2014, 2016). For example, Yen and Horng (2010) link attractiveness of alternatives to customer dissatisfaction rate, further implying that PSOA is an important predictor of CSAT. Take for another example, a

study that relies on the famous Kano's model – this paper indicates that product attractiveness predicts CSAT – [for details, see Chen and Chuang (2008)]. Furthermore, previous research within the online context found a strong link between product attractiveness and levels of CSAT (see Maditinos and Theodoridis, 2010). All else considered, we believe that PSOA is a key consideration for CSAT. Therefore, we predict that:

H1: PSOA is positively related to CSAT.

***Relations between customer care (CARE), customer satisfaction (CSAT), and brand trust (TRUS)***

The intangibility of service offerings ordinarily makes CARE the most critical aspect of (long-term) client relationship building. Quite clearly, early research documents the significance of superior customer care, particularly in terms of effort spent on improving customer interaction quality, on outcomes like CSAT and TRUS (cf. Bitner, 1992 as cited in Laroche *et al.*, 2004; Ramsey and Sohi, 1997). To be clear, CARE in this paper is understood to be high-level interaction quality that Bank X offers to its customers (almost) on a regular basis. Accordingly, the present analysis contends that for customers to become highly satisfied with the services of Bank X, the provision of consistent and adequate CARE is paramount. Existing research says that positive evaluation of CSAT is linked to exceptional customer service (i.e. CARE) (see some similarities in Arbore and Busacca, 2009; Blodgett *et al.*, 1995; Choi and Kim, 2013; Emerson and Grimm, 1999; Gupta and Dev, 2012; Karatepe, 2011; Keisidou *et al.*, 2013; Santouridis and Trivellas, 2010). It is logical to say that bank customers who are well-catered for will turn out to be happy and satisfied customers. Similarly in a developing country's context, latest research is revealing that superior customer service predicts CSAT (Mannan *et al.*, 2017). Finally, a theoretical study highlights the important role that employees' attitude in terms of CARE plays in influencing CSAT (see George and Hegde, 2004). In short, drawing from theoretical assumptions in relationship marketing research as well as reports in the managerial press (cf. the recent survey report by PwC, 2015), we predict that:

H2a: CARE is positively related to CSAT.

We now proceed to what extent scholarship suggests about the relations between CARE and TRUS. To quickly recap, CARE, customer service, and interaction quality convey the same meaning throughout this paper. From service quality research, academics seem to suggest that the construct interaction quality helps to engender TRUS building amongst customers. For instance, the research survey of Qin *et al.* (2009) evidences that high levels of customer service positively correlate with relational outcomes like TRUS. More recently too, research undertakings in the services context (healthcare to be more precise) report interaction quality predicts TRUS (Zarei *et al.*, 2015; Lien *et al.*, 2014). Besides, empirical data from a relatively older study revealed that superior customer service (which the authors refer to as functional service quality) is positively associated with TRUS (Eisingerich and Bell, 2008). All else being equal, we predict that:

H2b: CARE is positively related to TRUS.

***Complexity of the relations between CARE, CSAT, TRUS, and CLOY: A one-way mediation framing***

Let us now briefly consider what past research suggests about the complex relations between CARE, CSAT, and TRUS. Initially, our theoretical framing was that CSAT and TRUS are direct outcomes of CARE. Several scholars agree with this initial idea (cf. Mannan et al., 2017; Santouridis and Trivellas, 2010; Qin et al, 2009, Zarei et al., 2015). Moving forward, we will explore the mediating role of CSAT on CARE-TRUS link. Recent studies indicate that CSAT is essential to developing TRUS in the marketplace (Chinomona and Dubihlela, 2014; Hansen, 2012; Kassim and Abdullah, 2010; Yeh and Li, 2009; Yen and Horng, 2010). Having previously identified CARE as one of the important predictors of CSAT, it is theorized that the subtle relations between CARE and TRUS can be explained in part by CSAT. As the research of Yen and Horng (2010) and other studies seem to illustrate, effective customer communication, which is a critical component of the construct CARE, helps to facilitate strong levels of CSAT, which in turn fuels TRUS in a financial services provider. Similarly, a study in the developing world reported that CSAT partially mediates the relations between service quality (of which CARE is an underlying dimension) and TRUS (Osman *et al.*, 2016). Additionally, a research that was conducted in a healthcare setting claims that positive perceptions of CARE critically influence TRUS via CSAT (Alrubaiee and Alkaa'ida, 2011). To summarize, we test whether the nuanced relationship between CARE and TRUS is mediated by CSAT. Accordingly, we predict that:

H3a: CSAT positively mediates the relations between CARE and TRUS.

Let us now briefly consider the mediating role of TRUS on the link between CSAT and CLOY. Research evidence from academic surveys all seems to support the idea that TRUS potentially mediates the relations between CSAT and CLOY (e.g., see Chen, 2012; Kantsperger and Kunz, 2010; Kumar *et al.*, 2013). Therefore, we join previous research like Kantsperger and Kunz (2010) to reason that CSAT not only directly impacts substantially on CLOY, but that it can also have a strong indirect influence on CLOY once a bank (brand) can consistently earn the TRUS of its customers. In short, theoretical reasoning, as well as empirical evidence drawn from relationship marketing literature, makes us believe that TRUS is a strong differentiator in the financial services industry today considering the recent financial crisis. It is therefore argued that the association between CSAT and CLOY is not necessarily a linear process, further implying that efforts geared on building TRUS are an important consideration for this association. Add to the fact that there are instances where being highly satisfied does not significantly equate to a strong sense of CLOY (also see Balabanis et al., 2006; Dowling and Uncles, 1997). In instances like this, we believe that TRUS can play a defining role. Narrowing it further to the research site, given its relatively low level of formal education (as compared to western countries), it is highly believable that TRUS will play a key role in determining how CSAT impacts CLOY. This complex relationship was earlier conceived in a study by Schirmer et al. (2016), but results were inconclusive. Meanwhile, the research of Zboja and Voorhees (2006) shows TRUS to be an important mechanism for researching into the relations between CSAT and CLOY. Taken collectively, our prediction is that:

H3b: TRUS positively mediates the relations between CSAT and CLOY.

***Complexity of the relations between CARE, PSOA, CSAT, TRUS, and CLOY: A sequential mediation framing***

Since a lot of cognitive, as well as emotive, efforts go into decisions about being loyal to a services provider, it is therefore argued that PSOA is a subtle predictor of CLOY. Accordingly, it is our considered view that the link between PSOA and CLOY is far from a linear view. Before now, TRUS has been noted to be a critically important intermediate factor in the relations between CSAT and CLOY. It is, therefore, argued that the indirect implication of PSOA on CLOY will first go through the intermediary of CSAT and subsequently via TRUS. This theoretical assumption has been motivated by our initial proposition that PSOA is positively related to CSAT (also see Maditinos and Theodoridis, 2010) as well as the argumentation that TRUS mediates CSAT-CLOY link. Meanwhile, the construct attractiveness of competitors' offerings (i.e. alternative attractiveness) is shown to be a strong predictor of switching intention (cf. Yen and Horng, 2010). The good news to the services provider is, as studies like Yen and Horng (2010) demonstrate, that this issue of concern can be strongly curtailed by understanding that PSOA is critical for influencing CSAT, which in turn helps the provider to build strong levels of TRUS and further lead to significant reduction in customer defection rates. Interestingly, a recent study by Picón et al. (2014) depicts perceived alternative attractiveness as a partial mediator of CSAT-CLOY link. Taken together, we test whether the suggested association between PSOA and CLOY is mediated in sequence by CSAT and TRUS. In sum, our proposition in this paper is that:

H4a: The indirect effect of PSOA on CLOY will be mediated sequentially by CSAT and TRUS.

We now turn attention to the investigation of the indirect effect of CARE on CLOY, which is presumed to be sequentially mediated by CSAT and TRUS. Fragmented research evidence from surveys holds that service quality consisting of CARE adds significantly to the levels of CSAT (for details see Karatepe, 2011; Keisidou *et al.*, 2013; Mannan *et al.*, 2017; Ramsey and Sohi, 1997). As previously highlighted, CSAT alone is insufficient for generating strong CLOY over time (cf. commentary by Kumar *et al.*, 2013). However, it plays a facilitating role via TRUS (e.g., see Chen, 2012). Drawing partially upon the research of Zarei et al. (2015) and Yousuf and Wahab (2017), we visualize a robust association between CARE and CLOY. However, we believe this association is likely to be mediated at first by CSAT and followed closely by TRUS. Unfortunately, there is little to no research into the suggested link. Nevertheless, this paper intends to fill this gap by researching into the nuanced relations between CARE and CLOY. In summary, our proposition in this paper is that:

H4b: The indirect effect of CARE on CLOY will be mediated sequentially by CSAT and TRUS.

Finally, the conceptual framework of this study is contained in Figure 1.

[Figure 1 here]

## Research Design

### *Survey and Data*

Over 400 questionnaires were self-administered to research subjects. This exercise took nearly four months in 2016. At the end of the survey exercise, we captured 349 responses which were subsequently used for the (final) analysis. Please take note that some returned responses were

discarded (since they were filled incorrectly). Even though several of the research subjects were (randomly) intercepted, our sampling technique is far from a probability sampling design. Please refer to Table 1 for presentation of the demographic attributes of those surveyed. Although not presented in Table 1, we should point out that most research subjects indicated using the services of these banks: Ghana Commercial Bank (GCB) Limited, Fidelity Bank Ghana Limited, and Ecobank Ghana as their main bankers. The data for this work was collected in Accra metropolis.

[Table 1 here]

### ***Measures***

Except for demographic measures, all the measures used in this study come from previous studies. The measures of CSAT, PSOA, CARE, and CLOY were taken from Ruiz et al. (2014; 2016), while TRUS was taken from Chaudhuri and Holbrook (2001). Note that measurement items were anchored on a 6-point scale with 1 being completely disagree and 6 completely agree. The multi-item measures used in this study are presented in Appendix 1. Descriptive statistics of each of the measures are presented in Table 2.

[Table 2 here]

### ***Choice of Analytical Tool***

In line with recent debate in statistics and/or methodology field, we anchor this analytical part on the statistical technique PLS-SEM (for more on this debate, Hair *et al.*, 2012, 2017 and other studies offer valuable guidance on research situations such as this that warrant the choice of PLS-SEM over covariance-based SEM). Consistent with Hair and others' recommendations, the number one reason we have chosen PLS-SEM in this work is the very fact that empirical evidence on several of the relations explored are severely inadequate at best. Moreover, at this formative stage of consumer research in developing African countries like Ghana, PLS-SEM remains one of the most appropriate techniques to use. In addition, our empirical objective focuses mainly on in-sample prediction, rather than theory confirmation. Overall, the reader should take note that our research is at best explorative. Therefore, we are convinced just like senior scholars like Hair and colleagues that PLS-SEM will be a more appropriate technique. Data has been analysed with the aid of ADANCO software (see Henseler and Djisktra, 2015), which like SmartPLS, is a user-friendly and powerful tool for testing complex relations.

### ***Test for Common Method Bias (CMB)***

Any serious concerns about CMB have been adequately addressed in this analysis. For one, the complexity of the theoretical model alleviates the problematic issue of CMB (similar comments can also be found in a paper by Chang et al. 2010 as cited in Ciunova-Shuleska et al., 2017). Two, procedural steps have been taken in the instrument design stage by assuring respondents of their anonymity as well as the fact that there were no correct or incorrect answers (for more useful guidance on CMB, cf. MacKenzie and Podsakoff, 2012). Meanwhile, there are some suggestions in the methodology literature that the notion of CMB has been blown out of proportion (for an overview, cf. Spector, 2006). Another school of thought even suggests that although CMB is a problematic issue in studies that rely purely on self-report data, like this work, it does not necessarily invalidate empirical results (for more, please refer to Doty and Glick, 1998). To



summarise, the steps taken here have partially eliminated any strong concerns about CMB in this analysis (also see the recommendations for academic gatekeepers, particularly as far as CMB is concerned by Conway and Lance, 2010).

### ***Measurement Model Assessment***

Consistent with recent investigations, we assess construct reliability using Dijkstra-Henseler's rho with values greater than 0.8. For convergent validity, the smallest AVE value was 0.64. For discriminant validity, apart from using the more popular Fornell-Lacker criterion (see Fornell and Lacker, 1981), we also used Heterotrait-monotrait (HTMT) ratio of correlations (Henseler *et al.*, 2015, 2016). A quick inspection of cross-loadings also lend numerical support to discriminant validity of research constructs. Overall, results show that our constructs have higher reliability scores and differ significantly among one another. The highest HTMT score was 0.85 (i.e. correlation between TRUS and CLOY), which is also below the (suggested) maximum threshold of 0.9. Not surprisingly, the HTMT inference of the correlation between BT and CLY was also the highest with a value of 0.91 which also happens to be significantly below the cut-off value of 1. Besides, the overall goodness-of-fit (GoF) index using the standardized root mean square residual (SRMR – estimated model) was 0.06. The reader should be aware at this stage that while the study by Henseler *et al.* (2016) is more optimistic about reporting GoF index in PLS-SEM study, senior researchers like Hair *et al.* (2017) say that given the newness of this statistic in PLS-SEM literature, researchers should be cautious about reporting fit statistics and SRMR values. (Put concisely, there is an ongoing debate on the relevance of fit statistics in PLS-SEM body of knowledge.) In Tables 3, 4a, and 4b, the reader will get more details of the measurement model.

[Tables 3, 4a, and b here]

### ***Structural Model Assessment***

Despite the caution about GoF measures like SRMR statistic in PLS-SEM study, we present the SRMR value of saturated (i.e. structural) model to be approximately 0.06, which resembles the SRMR of the estimated model. In broader SEM literature, it is frequently noted that SRMR value below 0.08 displays a good fit for the data. Based on the (direct) path estimates, there is empirical support for H1, H2a, and H2b (see Table 5 for more information). As presented in Table 6, data offer initial support for the tested mediating effects ranging from H3a to H4b. Worth mentioning is that nonparametric bootstrapping technique was employed to test the suggested mediating effects. As previously highlighted, all the results have been processed using ADANCO with bootstrapped sample values of 999. Concerning the theoretical model explanatory power, we relied on (the) R-squared statistic (also see Hair *et al.*, 2012). The R-squared value of the focal construct CLOY was found to be 0.74, suggesting the model explains about 74 percent variation in this construct (refer to Table 7). Other useful statistics like Cohen's  $f^2$ , a measure for effect size, are also shown in Table 7. The reader should also take note that far from being a rule-based criterion, several senior methodologists like Henseler *et al.* (2009) cite an early work by Cohen that suggests the following range of effect sizes: 0.02 (small effect), 0.15 (midrange effect), and 0.35 (large effect) (see Table 7 for more). (The reader may also choose to refer to Appendix 2 which contains estimates of the total effect.) Next is the discussion of empirical estimates.

[Tables 5, 6, and 7 here]

## Discussion of Empirical Estimates and theoretical contributions

Central to this study was the analysis of the interrelations among CLOY, TRUS, CSAT, PSOA, and CARE. More specifically, we examined three direct relations, namely, H1, H2a, and H2b. Others were based on the observation of mediated relationships (i.e. H3a-H3b) including sequential mediation (see H4a-H4b) (refer to Table 6 for technical details). Let us now briefly discuss the empirical estimates of this study.

Our findings from the direct relationships reveal that PSOA and CARE are strong predictors of CSAT, which therefore offer support for H1 and H2a (we will revisit the latter shortly). However, this study is not alone in reporting that customers' perceptions of PSOA have considerable impact on CSAT, as past research suggests that perceived alternative attractiveness may also lead to higher dissatisfaction rate of the consumer (Yen and Horng, 2010). Meanwhile, the research reinforces other studies that seem to illustrate that PSOA is an important predictor of CSAT (e.g. Maditinos and Theodoridis, 2010). At this moment, it is also important to note that empirical research within the financial services context and understudied geographies like Ghana that finds support for H1 is, at best, very thin. Whether this finding stands up to serious scrutiny is left for future investigation to decide.

With respect to H2a, empirical estimate is revealing that perceptions of CARE significantly correlate with CSAT (see Table 5). The results resonate strongly with several commentaries in the relationship marketing literature and service quality stream included. For example, many like George and Hegde (2004) and Mannan *et al.* (2017) claim that CARE, which is also conveyed to be quality customer service here, is a strong influencer of CSAT. Our analysis offers support for this claim. Compared to a study that was undertaken in the mid-1990s (see Blodgett *et al.*, 1995), this research illustrates that adequate CARE is one of the antidotes for customer complaints. In other words, CARE reduces incidences of dissatisfaction which if not properly handled can lead to growing customers' complaints (for more, see Blodgett *et al.*, 1995). Similarly, the research evidence gives support to a previous study which reported a positive correlation between interaction quality and CSAT (for details see Karatepe, 2011).

Concerning H2b, we earlier visualized that CARE will be a strong predictor of TRUS, which our survey data find significant support for. Simply put, our empirical estimate suggests that adequate and consistent CARE underpins TRUS (also see Table 5). Within the financial services industry, there are suggestions in an early research that for consumers to develop stronger TRUS in the services provider, the provision of continued quality CARE is paramount (for details see Eisingerich and Bell, 2008). As such, the present investigation helps to solidify the position that has been put forth by prior report.

Moving forward, in H3a, the authors propose that the positive link between CARE and TRUS will be mediated by CSAT; our research estimate establishes support for H3a (this information is contained also in Table 6). This finding, though largely unstudied in the context of services companies and banks, shares some similarities with previous research on service quality and relationship marketing (for example, see Yen and Horng, 2010; Alrubaiee and Alkaa'ida,

2011). Finally, there is a chance to (also) compare the research findings with a very recent study on Malaysia's banking industry (see Osman et al., 2016). The present research and the Malaysian study both seem to be heading towards the conclusion that underpinning the relationship between CARE and TRUS is the mediating role of CSAT. The convincing argument is that CARE positively relates to CSAT which, in turn, engenders TRUS in the financial services provider. With that said, we would like to state in very clear terms that more research outside of a few anecdotal and empirical examples is required to be performed. In so doing, it will enable us to reach far reasonable conclusions about the mediating effect of CSAT on the CARE-TRUS link. In other words, this academic paper offers a solid context for future exploration. To summarize, our findings show how CARE solidly impacts TRUS via the mediating mechanism of CSAT (for further details, see Table 6).

Earlier on, we had anticipated that the positive relationship between CSAT and CLOY will be mediated by the strong force of TRUS, which is summarized in H3b. Hard data from our survey exercise confirms this suggestion (see Table 6). To be clear, our research is not alone in the report that TRUS positively mediates the relations between CSAT and CLOY. Rather, this research lends numerical support to previous investigations (cf. Chen, 2012; Kantsperger and Kunz, 2010; Kumar *et al.*, 2013). In contrast, our research differs from recent research that presented a mixed picture on the (complex) relations between CSAT, TRUS, and CLOY (cf. Schirmer et al., 2016). Overall, our research evidence increases the understanding of not just the direct effect of CSAT on CLOY, but far more its indirect effect through TRUS.

Overall, research evidence illustrates how CSAT impacts CLOY through the 'causal' mechanism of TRUS. Now, we would like to comment on findings of the more complex relationships, starting with H4a. To recap, H4a states that the indirect effect of PSOA on CLOY will be mediated sequentially by CSAT and TRUS. As seen in Table 6, research evidence supports H4a. In building upon previous investigation such as the work of Maditinos and Theodoridis (2010), Picón, *et al.* (2014), Schirmer et al. (2016), and Yen and Horng (2010), this paper has made a strong case that CSAT or TRUS alone is insufficient to mediate the link between PSOA and CLOY. Our research evidence justifies our earlier position that the positive perceptions of PSOA on CLOY will be firstly conveyed through CSAT, which in turn considerably leads to higher levels of TRUS and eventually generates sustained CLOY.

Stated differently, our empirical evidence highlights the critical significance of the joint mediating effect of CSAT and TRUS in the relations between positive perceptions of PSOA and CLOY. From a statistical standpoint, the VAF value of 47.7% (see Table 6) suggests a partial complementary mediation (for more technical details on mediation analysis, cf. Nitzl *et al.*, 2016). Our interpretation of this is that the joint mediation of CSAT and TRUS is important for positive perceptions of PSOA to translate to strong CLOY. To be sure, the positive confirmation of H4a in this work requires to be interrogated in future lines of enquiry. To conclude, our analysis has validated the mechanism through which PSOA eventually leads to stronger CLOY.

Moving forward, H4b proposes that the indirect effect of CARE on CLOY is mediated sequentially by CSAT and TRUS. What makes this investigation interesting is that it demonstrates how CARE potentially impacts CLOY strongly. As reported in Table 6, research evidence lends support to our theoretical demonstration which rests on reasoning from previous conversation in literature (cf. Kumar *et al.*, 2013; Yousuf and Wahab, 2017; Zarei *et al.*, 2015). The reported

finding offers guidance on the nuance relations between CARE, CSAT, TRUS, and CLOY. What is clear from our analysis is that the joint mediating effect of CSAT and TRUS has far-reaching consequences on the relations between CARE and CLOY. Simply put, research evidence suggests the effect of CARE upon CLOY is (firstly) transmitted by CSAT, which in turn acts upon TRUS before finally leading to greater levels of CLOY. Similarly, with a VAF of about 65%, analysis suggests partial complementary mediation (see Table 6). In closing, our new evidence helps to clarify the mechanism through which adequate and consistent CARE successfully impacts CLOY. This result would have to be strongly examined across differing contexts as this would certainly help us to make more sense of the evidence presented here.

To summarize, the present analysis provides at least four main contributions to the increasing research on CLOY particularly in financial services setting. One, is the report that the levels of CSAT intersect the positive relations between CARE and TRUS. Simply put, our empirical data support the proposition that for CARE to have an increased impact on TRUS, it is 'best' channeled through CSAT. As such, academics looking to gain more insights about the relationship between CARE and TRUS should consider CSAT as an important mediator. Two, is the confirmation that TRUS mediates the relations between CSAT and CLOY. This confirmation helps to solidify our understanding of how CSAT influences CLOY beyond the common wisdom in the field that CSAT has a direct influence on CLOY. Three, this paper offers much deeper insights on how PSOA affects CLOY. From our analysis, evidence suggests that the connection between PSOA and CLOY is jointly (i.e. sequentially) mediated by higher levels of CSAT and TRUS, respectively. (For this entirely new evidence, we beckon on future research to subject it to empirical testing in differing contexts.). Four, we shed new insights about the relations between CARE and CLOY. Concerning this, hard data support the idea that the effect of CARE upon CLOY is mediated in sequence by CSAT and TRUS. (Given that this is a completely new finding, we urge scholars to also scrutinize it in future research.) Overall, this work has made significant academic contributions to scholarship on CLOY as we have extended the frontiers of previous academic thinking in the field. This does not also dismiss the fact that this work has its limits and we will be (fully) addressing this same issue in the concluding section of this paper.

## Managerial implications of the study

For managers of financial services companies and banking corporations, this study points at the critical need for these managers to better understand customer allocation perspective and consumer decision-making process more broadly.

For example, the finding that CSAT and TRUS sequentially mediate the relations between PSOA and CLOY provides valuable guidance to product managers in the banking industry. This clearly requires these managers to refine and/or develop new product initiatives that can connect easily with the aspirations of their clients beyond the typical savings and/or checking account. Once these products become increasingly perceived as not only attractive but also reasonably priced, it will in turn lead to greater CSAT. This in turn is expected to drive TRUS and eventually lead to strong CLOY. However, the complex mechanism involving PSOA, CSAT, TRUS, and CLOY requires a lot of strategic patience and investment too since the payoff will not come immediately. We reason that product managers can skilfully develop more attractive offerings by

collaboratively working with some of their customers and/or perhaps partner with other stakeholders in the society like the research community. The main message here is to seek useful inputs from the broader community as this will enable product managers to design more appealing and relevant products to their differing customer segments, if any. Meanwhile, given the (over) competitive nature of banking today, for the above relations to consistently hold, Bank X, for example, must consistently communicate to its customers why it is different from others. As such, one would expect Bank X to anchor its brand communications on novelty of products and/or reasonably priced banking products.

Adequate CARE matters also. Insight gleaned from our analysis suggest CARE is critically linked to CLOY via the mediating mechanism of CSAT and TRUS, respectively. A starting point for developing strong CARE is employee training. Simply put, employees need to be properly trained on how to listen and respond to customers' requests. As there are scores of academic research on the role employee training and motivation plays in the firm success and CLOY included, we wish to (once again) direct banks' managers to read the appropriate literature. With that said, equipping staff at all levels with proper training on how to skilfully treat customers' requests, and handle very aggressive and/or fault-finding customers is critical for positioning the image of the bank as one that is deeply caring, which in turn plays a facilitating role in improving the outcomes of the impact of CSAT on TRUS and finally leading to strong CLOY. For this reason, banks must continue to work harder to improve customer service experiences at all its available touchpoints. Overall, a customer who is adequately taken care of will not only be happy and highly satisfied, but also display greater level of trust in the bank and in turn remain a potentially loyal customer.

In closing, we hope with this work that bank managers will be able to develop a proper understanding of the role that exceptional CARE as well as strong PSOA plays when it comes to the implementation of customer retention strategies. We are of the view that the constructs presented here, among others, are necessary lock-in strategies for banks not only in the research site but elsewhere in the world. In relation to our empirical estimates, our research reveals that CARE and PSOA are not only strong predictors of CSAT and/or TRUS, but also foundational for building strong CLOY. Finally, evidence drawn from this study suggests that in developing strong CLOY strategies, banks are expected to offer their customers innovative as well as reasonably priced banking products, deliver consistent service experience and care included, proactively taking measures to curb incidences of dissatisfaction, and signal trust in their brand communications with members of the public.

## Concluding remarks

It is important to draw the attention of readers and bank managers included to some of the limits of the present analysis. First, is the familiar issue of data collection which is, though relatively large, falls significantly short on (broader) generalizability. Put simply, because of the sampling technique employed in this work; it is hard to generalize the results of the research for the entire banking population in Ghana and elsewhere. Even if we assume that the research can be generalized across the population of bank customers in countries like Ghana, an issue of concern remains that all data points for the study come from a given point in time (i.e. cross-sectional).

This on its own provides some evidence that what we are dealing with here are just deterministic at a point in time, and so probably far from a causal estimate.

All these limitations and more suggest the need for further study in the research site and elsewhere in the world. For instance, since it is also possible that bank customers who are very loyal to their service providers at a point in time will shift their loyalty base to other service providers over time - not necessarily due to poor CARE and/or even dissatisfaction rates - this is one area future research should consider exploring in detail. We are of the view that the use of qualitative techniques will be more helpful in the suggested line of inquiry. Moreover, an interesting line of inquiry will be to scrutinize the role of demographic factors in all the relations investigated here. The readers of this premier research outlet should also keep in mind that opportunities for more academic study in this area can also be found in the discussion section of this academic writing. In closing, the present analysis has just shown that the road toward building strong CLOY (in the financial services industry) is far more complex than previously imagined. For bank managers, the reported research evidence is a welcome opportunity for them to reflect upon. Even as they reflect upon the findings, we urge them to continue to allocate substantial resources to banking innovations, customer service, brand communications, among others.

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[Appendices 1 and 2 here]

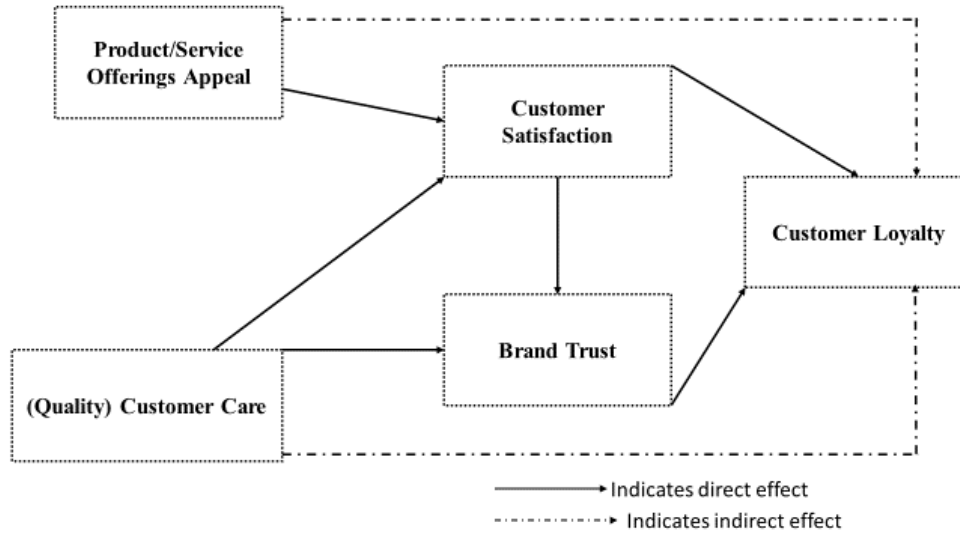


Figure 1. Conceptual framework

**Table 1: Sample Demographics (N = 349)**

	Frequency	Percentage
<b>Gender:</b>		
Female	155	44.4
Male	194	55.6
<b>Age group:</b>		
17-26	53	15.2
27-36	79	22.6
37-46	83	23.8
47-56	105	30.1
57+	29	8.3
<b>Perceived income status:</b>		
Lower	62	17.8
Middle	261	74.8
Upper	26	7.4
<b>Years of banking relationship:</b>		
< 1 year	6	1.7
1 - 5 years	103	29.5
6 – 10 years	159	45.6
> 10 years	81	23.2

**Table 2: Descriptive statistics of research measures**

Construct	Item	Mean	SD	Min	Max
Customer Satisfaction	CSAT1	4.65	1.041	1	6
	CSAT2	4.36	0.986	1	6
	CSAT3	4.42	1.163	1	6
	CSAT4	4.46	1.140	1	6
Product/Service Offerings Appeal	PSOA1	4.65	1.038	1	6
	PSOA2	4.25	1.190	1	6
	PSOA3	4.18	1.183	1	6
	PSOA4	4.36	1.018	1	6
Brand Trust	TRUS1	4.67	1.024	1	6
	TRUS2	4.77	1.057	1	6
	TRUS3	4.85	0.996	1	6
Customer Care	CARE1	4.36	1.236	1	6
	CARE2	4.50	1.090	1	6
	CARE3	4.65	1.127	1	6
	CARE4	4.53	1.115	1	6
Customer Loyalty	CLOY1	4.66	1.250	1	6
	CLOY2	4.64	1.142	1	6
	CLOY3	4.27	1.300	1	6

**Table 3: Measurement model**

Construct	Indicator	Loadings	Indicator Reliability	CR( $\rho_A$ )	AVE
Customer satisfaction	CSAT1	0.811	0.658	0.851	0.670
	CSAT2	0.745	0.555		
	CSAT3	0.827	0.683		
	CSAT4	0.886	0.784		
Product/Service offerings appeal	PSOA1	0.797	0.635	0.835	0.657
	PSOA2	0.814	0.663		
	PSOA3	0.761	0.579		
	PSOA4	0.868	0.753		
Brand trust	TRUS1	0.820	0.672	0.830	0.747
	TRUS2	0.890	0.793		
	TRUS3	0.880	0.775		
Customer care	CARE1	0.801	0.641	0.875	0.726
	CARE2	0.871	0.759		
	CARE3	0.881	0.776		
	CARE4	0.853	0.727		
Customer loyalty	CLOY1	0.804	0.646	0.842	0.636
	CLOY2	0.842	0.710		
	CLOY3	0.744	0.553		

Note: AVE = Average Variance Extracted, CR = Composite Reliability

**Table 4a: Discriminant Validity (Fornell and Lacker's criterion)**

Construct	1	2	3	4	5
1. Customer satisfaction	0.670				
2. Product/Service offerings appeal	0.469	0.657			
3. Brand trust	0.414	0.363	0.747		
4. Customer loyalty	0.536	0.499	0.606	0.636	
5. Customer care	0.425	0.399	0.351	0.455	0.726

Squared correlations; AVE in the diagonal.

**Table 4b: Discriminant Validity (HTMT criterion)**

Construct	1	2	3	4	5
1. Customer satisfaction					
2. Product/Service offerings appeal	0.811				
3. Brand trust	0.766	0.723			
4. Customer loyalty	0.795	0.776	0.854		
5. Customer care	0.760	0.740	0.695	0.721	

**Table 5: Summary of direct effect empirical estimates (H1 – H2b)**

Effect	Beta	Percentile bootstrap quantiles				
		SE (bootstrap)	t-value (bootstrap)	2.5%	97.5%	
PSOA -> CSAT	0.454	0.053	8.623***	0.346	0.551	H1: Supported
CARE -> CSAT	0.365	0.056	6.495***	0.257	0.476	H2a: Supported
CARE -> TRUS	0.301	0.067	4.485***	0.167	0.432	H2b: Supported

Notes: \*\*\*p<0.001; Bootstrapped sample values = 999

**Table 6: Summary of mediating empirical effect estimates (H3a - H4b)**

Relations	Indirect effect estimate	t-value	Percentile bootstrap quantiles		Variance accounted for (VAF) %	Theoretical support IRO Hypothesis
			2.5%	97.5%		
CARE->CSAT->TRUS	0.163	4.913	0.100	0.232	35.20	H3a
CSAT->TRUS->CLOY	0.189	5.465	0.127	0.259	46.01	H3b
PSOA->CSAT->TRUS-> CLOY	0.187	4.301	0.109	0.276	47.67	H4a
CARE->CSAT->TRUS-> CLOY	0.277	6.389	0.197	0.368	65.04	H4b

Notes: VAF = (indirect effect ÷ total effect) \*100.

Take for example, the point estimate of the mediating effect of CSAT on CARE-TRUS link. This mathematically equals 0.163 (ie, 0.365\*0.447).

(The arrows with path coefficients as reflected in Appendix 2 offer sufficient information on how to extract estimates of the mediation analyses presented here – see Table 6.)

**Table 7: Report of R-Squared statistic and Cohen's Effect size**

Effect	R <sup>2</sup>	Cohen's f <sup>2</sup>	f <sup>2</sup> Interpretation
CSAT -> TRUS		0.215	Midrange effect
CSAT-> CLOY		0.077	Small effect
PSOA -> CSAT		0.275	Midrange effect
PSOA -> CLOY		0.072	Small effect
TRUS -> CLOY		0.349	Large effect
CARE -> CSAT		0.177	Midrange effect
CARE -> TRUS		0.097	Small effect
CARE -> CLOY		0.041	Small effect
CSAT	0.549		
TRUS	0.466		
CLOY	0.738		

**Appendix 1: Measures used in questionnaire design**

Construct and items

**Customer Satisfaction**

CSAT1: I feel satisfied with the banking relationship I have with Bank X

CSAT2: My relationship with Bank X is close to ideal

CSAT3: Overall, the service of Bank X fulfills my needs and expectations

CSAT4: In general, I am happy and very satisfied and with my relationship with Bank X

**Product/Service Offerings Appeal**

PSOA1: Bank X offers a wide and complete range of attractive banking products

PSOA2: Bank X offers the most attractive conditions for savings/ time deposits and/or current account/mortgage products

PSOA3: Bank X service costs (commissions) are reasonably priced

PSOA4: Bank X range of offered products and services are

**Brand Trust**

TRUS1: I trust this brand (Bank X).

TRUS2: Bank X is a dependable bank brand

TRUS3: Bank X is a reliable financial brand

**Customer Care**

CARE1: Bank X customer service unit/department responds to customers queries on time

CARE2: Bank X employees are willing to assist me when needed

CARE3: Bank X treats customers respectfully

CARE4: Bank X employees are proactive and customer-oriented

**Customer Loyalty**

CLOY1: I consider Bank X as my first choice for banking services/financial transactions

CLOY2: I will conduct more financial transactions with Bank X in the next few years

CLOY3: Other things being equal, I consider myself a lifetime customer of Bank X

Except for brand trust that was adapted from Chaudhuri and Holbrook (2001), all others came from Ruiz et al. (2014; 2016)



**Appendix 2: Total Effects Inference**

Effect	estimate	Bootstrapped percentile CI			
		SE	t-value	2.5%	97.5%
CSAT -> TRUS	0,4474	0,0639	7,0018	0,3112	0,568
CSAT -> CLOY	0,4117	0,0772	5,3326	0,2616	0,561
PSOA -> CSAT	0,4542	0,0527	8,6226	0,346	0,551
PSOA -> CLOY	0,3923	0,0671	5,8473	0,2638	0,524
TRUS -> CLOY	0,4234	0,0511	8,2893	0,3188	0,521
CARE -> CSAT	0,3649	0,0562	6,4951	0,2566	0,476
CARE -> TRUS	0,4639	0,0574	8,0765	0,3422	0,572
CARE -> CLOY	0,4267	0,0712	5,9896	0,2828	0,563