

The Impact of Positive Customer Experiences on Customer Loyalty in the Lebanese Retail Banking Sector

A Thesis

Submitted in Partial Fulfillment of the Requirements for the degree of Master in
Business Administration with a Major in Management to the Faculty of
Business Administration and Economics at Haigazian University

By Raphael G. Andonian

Beirut, Lebanon

- June 2013 -

The Impact of Positive Customer Experiences on Customer Loyalty in the Lebanese Retail Banking Sector

A Thesis

Submitted in Partial Fulfillment of the Requirements for the degree of Master in
Business Administration with a Major in Management to the Faculty of
Business Administration and Economics at Haigazian University

By Raphael G. Andonian

Beirut, Lebanon

- June 2013 -

Copyright© 2013

This document is copyrighted material. Under copyright law, no parts of this document may be reproduced without the expressed permission of the author.

HAIGAZIAN UNIVERSITY

**The Impact of Positive Customer Experiences on
Customer Loyalty in the Lebanese Retail Banking Sector**

By

Raphael G. Andonian

APPROVED BY:

Dr. Sona Jerejian

First Reader

Assistant Professor in Business Administration

Faculty of Business Administration and Economics

Dr. Akram Tannir

Second Reader

Lecturer in Business Administration

Faculty of Business Administration and Economics

Date of Thesis Presentation: June 10, 2013

THESIS RELEASE FORM

I, Raphael G. Andonian,

- ☐ Authorize Haigazian University to supply copies of my thesis to libraries or individuals upon request.
- ☐ Do not authorize Haigazian University to supply copies of my thesis to libraries or individuals for a period of two years starting with the date of the thesis defense.

Signature

Date

ACKNOWLEDGEMENTS

After postponing my thesis defense for years, I finally did it!

It wasn't an easy process, and I have to thank all those who helped and supported me in this journey.

The list includes family members, colleagues, classmates and friends, who all know and recognize themselves.

However, I would like to thank particularly Dr. Sona Jerejian and Dr. Akram Tannir for their professional guidance, without which I certainly wouldn't have succeeded in preparing and defending my thesis.

Finally, a special “thank you” to my special one!

ABSTRACT

The Impact of Positive Customer Experiences on Customer Loyalty in the Lebanese Retail Banking Sector

The literature shows that great customer experiences can build and sustain loyalty, which, in turn, improves profitability, market share, sales and growth. Thus, it was important to test if positive customer experience impacts loyalty in the Lebanese retail banking sector, a sector considered as highly competitive. In addition, the paper aimed at showing whether there was a significant difference in loyalty and in customer experience between the group of people dealing with a single bank and the group of people dealing with many banks. Finally, customer experience was compared between people of different levels of loyalty, namely the promoters, the neutrals, and the detractors.

The statistical analysis showed that loyalty was slightly higher in the group of people dealing with one bank. However, this difference was not significant.

Overall, Customer Experience was not significantly different between people dealing with a single bank, and people dealing with more than one bank. Among all the components of Customer Experience, 60% had higher means in the group of people dealing with one bank, of which, 16% significantly higher and 44% slightly higher.

Moreover, Customer Experience was in some aspects significantly different between groups of Promoters, Neutrals and Detractors, while in other aspects, it wasn't. Among all components of Customer Experience, 73.7% had the highest means in the Promoter group, which is the group of strongly loyal customers.

On the other hand, the study showed that among all the components of Customer Experience, being proud of the bank's reputation and ads, never having considered switching the bank, and feeling that the bank cares about building a long-lasting relationship were the most significant in predicting an increase in loyalty.

Combining these findings, we concluded that positive experiences have positive impacts on loyalty in the Lebanese retail banking sector.

TABLE OF CONTENTS

Title Page	i
Copyright Page	ii
Approval Page	iii
Thesis Release Form	iv
Acknowledgements	v
Abstract	vi
Table of Contents	viii
INTRODUCTION	1
CHAPTER ONE: LITERATURE REVIEW	5
CUSTOMER EXPERIENCE	5
The Experience Economy	5
Defining Customer Experience	7
Why Does Customer Experience Matter?	8
Determinants of Customer Experience	9
Phases of Customer Experience	16
CUSTOMER LOYALTY	18
Defining Customer Loyalty	18
Why Does Loyalty Matter?	19
Aspects of Loyalty	20
The Net Promoter Score	21

CUSTOMER EXPERIENCE & LOYALTY	23
CHAPTER TWO: RESEARCH FRAMEWORK AND METHODOLOGY	25
CONCEPTUAL FRAMEWORK	25
THE SAMPLE	25
SURVEY INSTRUMENT	26
ETHICAL CONSIDERATIONS	27
THE VARIABLES	27
RESEARCH QUESTIONS	27
HYPOTHESES	28
CHAPTER THREE: STATISTICAL ANALYSES	29
DESCRIPTIVE STATISTICS	29
RELIABILITY TESTS	33
EXPLORATORY FACTOR ANALYSIS	34
KMO and Barlett's Test	34
Number of Factors to Extract	35
Rotated Component Matrix	37
MULTIPLE REGRESSION ANALYSES	41
Correlations	42
The results of Regression Analysis	42
INDEPENDENT SAMPLES T-TEST	45
Customer Loyalty	45
Customer Experience	46

ONE-WAY ANOVA	48
CHAPTER FOUR: FINDINGS, RECOMMENDATIONS, LIMITATIONS & FUTURE	
RESEARCH	52
FINDINGS FROM THE STATISTICAL ANALYSES	52
RECOMMENDATIONS	57
LIMITATIONS	59
SUGGESTIONS FOR FUTURE RESEARCH	59
APPENDIX I: SURVEY QUESTIONNAIRE	60
APPENDIX II: CORRELATION MATRIX	62
LIST OF REFERENCES	63

INTRODUCTION

A study, cited by R.T.R. Varma (2012), revealed that 85% of business leaders considered that differentiation by price, product, and service was no longer a sustainable business strategy. 71% of them believed that “customer experience” was the new battleground. However, merely 15% of the companies were actually building strategies to enhance the level of customer experiences.

Customer experience refers to the complete experience each customer has with a company or a brand, across a variety of touch-points and across all channels. Recent economic and marketing research has found that products and services might not be the most important offerings anymore. Chang & Horng (2010) cite O’Sullivan & Spangler (1998), Pine & Gilmore (1998), and Schmitt (1999), to affirm that experience, which represents customers’ personal sensations and fulfills customers’ inner needs, is becoming a key element of a new economic stage. The authors argue that consumption experiences are becoming more and more important for customers and are being considered as offerings that can be created or customized to fulfill customers’ needs. Customers are now expecting exceptional experiences from the companies they choose to do business with; they are shaping their attitudes and behaviors toward companies based on the totality of their experiences.

Chakravorti (2011) states that customer experience is becoming an element of differentiation for companies and their brands. Chang & Horng (2010) support the fact that the management and design of experiences are stressed as bases for companies’ efforts to differentiate themselves from competitors and achieve competitive advantage. Companies are

increasingly realizing the impact of superior experiences on customer loyalty and making efforts toward managing these experiences. Shaw & Levin (2002), cited by Sathish & Venkatesakumar (2011), reveal that customer experience has emerged as the next battleground for competitive advantages. Realizing this new reality, many companies are and developing strategies for effective customer experience management (Sathish & Venkatesakumar, 2011). Customer experience management is thus becoming a crucial element for developing and sustaining customer satisfaction and loyalty.

In today's highly competitive markets, customer retention is a major challenge for companies. Maintaining the existing customer base is even more important than capturing new clients. The costs of acquiring new customers are high. In addition, loyal and satisfied customers buy more and may generate positive word-of-mouth promotion for the company. Long-term customers also take less of the company's time and are less sensitive to price. Thus, customer loyalty is essential to companies' success.

According to Deming (2007), a consumer is the most important element in the production chain, even more important than the raw material. Moreover, in the particular case of the banking industry, customers are also suppliers, as their deposits are banks' raw material, which will be further transformed into other financial assets. Thus, bank customers are equally consumers and suppliers. Therefore, customer retention is much more crucial for banks, than any other industry.

However, in the banking industry, loyalty is losing ground. "The Global Consumer Banking Survey 2012" by Ernst & Young (2012), examined the views of more than 28,500 banking customers in 35 countries, and revealed worrying facts concerning customers' loyalty

towards their banks. According to the survey, customers are becoming less loyal to their main bank. The number of customers planning to switch banks grew from 7% in 2011 to 12% in 2012. Dissatisfaction with high fees was the most important driver of attrition (50% of respondents), followed by poor branch experience (31%) and poor interest rates (30%).

Banks are competing for the business and loyalty of increasingly demanding customers. Thus, customer experience as a competitive advantage is considered vital to increase customers' loyalty, in a time when further differentiation opportunities in terms of products and services are getting narrower, while banks are facing increasing competition and customers are gaining more bargaining power.

Customer experience is the means by which banks can establish, nurture and grow their customer relationships. Banks must develop a customized or unique experience, rather than merely introducing new and unique products or services. Demanding customers ask for a banking experience that is personalized and convenient. While excelling in customer experience is not the magic potion for banks' survival, outstanding customer experience will certainly boost customer loyalty, cut attrition rates and increase wallet share.

In Lebanon, the banking sector has steadily grown over the years, with all major aggregates reporting solid progression despite the persistent political instability on the domestic scene since 2005 and the global financial turmoil that surged in 2008. Given the fact that the Lebanese banking sector is consisted of big players in a relatively small-sized market, banks face major challenges to excel and triumph. Thus, banks must find competitive advantages to outdo their rivals.

In this paper, we will base on previous research, to test the theories that relate between customer experience and loyalty. We will question if outstanding customer experiences can drive loyalty in the Lebanese retail banking sector, to find out if, and how, customer experience can be considered a competitive advantage for Lebanese banks.

CHAPTER ONE

LITERATURE REVIEW

CUSTOMER EXPERIENCE

The Experience Economy

As early as the 1970's, in a time when experts were still looking at services as the wave of the future, acclaimed writer and futurist Alvin Toffler asked "Where does the economy go next? After the services, what?" In his book *The Future Shock* (1970), Toffler noted that the fervent growth of the service sector has moved our attention away from another development that will affect both goods and services. "It is this shift that will lead to the next forward movement of the economy, the growth of a strange new sector based on what can only be called the experience industries" (Toffler, 1970). Citing examples, the author wrote that "bankers and brokers, real estate and insurance companies will employ the most carefully chosen decor, music, closed circuit color television, engineered tastes and smells, along with the most advanced mixed-media equipment to heighten or neutralize the psychological charge that accompanies even the most routine transaction." Toffler continued saying that we will see the expansion of certain industries whose sole output consists of pre-programmed experiences.

Later, Holbrook & Hirschman (1982) noted that traditional consumer behavior, based on the information processing model, saw the customer as a logical thinker who solves problems to make purchasing decisions. "Conventional research, however, has neglected an

important portion of the consumption experience” (Holbrook & Hirschman, 1982). The authors note that, while abandoning the information processing approach is not desirable, adding a mixture of the experiential perspective could be extremely useful. They conclude that “such an expansion of consumer research will raise vital but previously neglected issues concerning (1) the role of esthetic products, (2) multisensory aspects of product enjoyment, (3) the syntactic dimensions of communication, (4) time budgeting in the pursuit of pleasure, (5) product-related fantasies and imagery, (6) feelings arising from consumption, and (7) the role of play in providing enjoyment and fun” (Holbrook & Hirschman, 1982).

In customer experience literature, the most cited authors remain Pine & Gilmore (1998 & 1999). The authors bring the example of coffee, which is considered either a commodity (harvested and traded on the futures market), or a good (sold in grocery stores), or a service (served in restaurants and diners). However, when served in a five-star restaurant or espresso bar, where the ordering, creation, and consumption of the cup embodies a heightened ambience or sense of theatre, we talk about a fourth level of value, a fourth economic offering, which is as distinct from services as services are from goods (Pine & Gilmore, 1999). According to the authors, “economists have typically lumped experiences in with services, but experiences are a distinct economic offering because consumers unquestionably desire experiences, and more and more businesses are responding by explicitly designing and promoting them” (Pine & Gilmore, 1998).

Defining Customer Experience

Abbott (1955), cited by Chang & Horng (2010), considered all products as performing services that provide consumption experiences. “Experience is the ‘take-away’ impression or perception created during the process of learning about acquiring, using, maintaining, and sometimes disposing of a product or service” (Chang & Horng, 2010).

Pine & Gilmore (1998) mention that experiences occur whenever a company intentionally uses services as the stage and goods as props to engage individual customers in a way that creates a memorable event. Pine & Gilmore (1998) argue that customers are ready to pay for exceptional experiences, and businesses must deliberately design engaging experiences that command a fee. “At every level in any company, workers need to understand that in the Experience Economy every business is a stage, and therefore work is theatre” (Pine & Gilmore, 1999).

According to Meyer & Schwager (2007), customer experience encompasses every aspect of a company’s offering, including customer care, advertising, packaging, product and service features, ease of use, and reliability. The authors argue, “customer satisfaction is essentially the culmination of a series of customer experiences or, one could say, the net result of the good ones minus the bad ones. It occurs when the gap between customers’ expectations and their subsequent experiences has been closed” (Meyer & Schwager, 2007).

Gentile, Spiller, and Noci (2007) state that “the customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels” (cited by Verhoef et al. 2009).

In a whitepaper for The European Centre for the Experience Economy, Boswijk, Thijssen and Peelen (2007) describe the characteristics of an experience from the perspective of the individual. To these characteristics, they add the characteristics of “flow” (Csikszentmihalyi, 1990). This results in the following set of characteristics: (1) Heightened concentration and focus, involving all senses; (2) Alteration of one’s sense of time; (3) Emotional touch; (4) Uniqueness of the process and intrinsic value; (5) Contact with the “raw stuff”, the real thing; (6) Doing something and undergoing something; (7) Sense of playfulness; (8) The feeling of having control of the situation; (9) Balance between the challenge and one’s own capacities; (10) Clear goal. Every meaningful experience must satisfy all of these characteristics, and that is no easy task (Boswijk et al. 2007).

Why Does Customer Experience Matter?

According to Pine & Gilmore (1999), the evolution of economic value takes a huge bound when we add an experience to the service or product provided. This means that a much higher price can be charged as the customer finds the offering more relevant to his or her needs (Pine & Gilmore, 1999).

Schmitt (2000) argues that experience marketing can differentiate a product from competitors. Experience marketing can be very useful in creating an image and corporate identity (Schmitt 2000).

According to an analysis of customer tendency toward repeat purchases and loyalty, conducted by industry analyst Forrester Research, companies that deliver a strong customer experience receive and retain greater wallet share from existing customers. Moreover,

companies that deliver a strong customer experience enjoy higher revenue compared to customer experience laggards (Rauen, Hernandez, Sawczuk, Renaud, 2009).

Starr, Arussy & Blackmire (2009) show that customers continue to reward exceptional customer experience even in tough economic times. In Strativity's 2009 Customer Experience Consumer Study, the authors found that premium price, longer relationships and willingness to purchase more are among the ways customers reciprocate for receiving exceptional experiences.

In Strativity's 2010 Consumer Experience Study, Arussy, Starr, Yurowitz & Blackmire (2010) found that greater customer experience will encourage 44% of study respondents to pay a premium price of 5% or more. As consumers generally tend to spread their purchases across vendors, the study shows that 73% of consumer stated that they would shift 10% or more of their budget towards the vendor that exceeds their customer experience expectations). 55% of the respondents stated that they would stay 10 years or longer with vendors that deliver exceptional customer experience. Finally, consumers who experienced a superior customer experience were highly likely to recommend and share their positive experience with others (Arussy et al. 2010).

Determinants of Customer Experience

Berry, Wall, & Carbone (2006) note that while interacting with organizations, customers consciously and unconsciously filter experience clues and organize them into a set of impressions. The authors cite Haeckel et al. (2003), to divide clues into three main categories: functional clues, mechanic clues, and humanic clues.

Functional clues concern the technical quality of the offering. They expose the reliability and competence of the service. Functional clues support the core of any service offering, because they address the problem that brings the customer to the market. Customers buy solutions that depend on functionality.

Mechanic clues come from actual objects or environments and include sights, smells, sounds, tastes, and textures. A potentially important role of mechanic clues is to make a positive first impression that will influence customers' choice of service supplier. Facility design, equipment, furnishings, displays, signs, colors, textures, sounds, and lighting, among other sensory clues, paint a visual picture of the service, communicating to customers without a single word being spoken.

Humanic clues emerge from the behavior and appearance of service providers, namely choice of words, tonality, enthusiasm, body language, appropriate dress, and so forth. The more important, personal, and enduring the customer-provider interaction, the more pronounced and emotional humanic effects are likely to be. Human interaction in the service experience offers the chance to cultivate emotional connectivity that can extend respect and esteem to customers and, in so doing, exceed their expectations, strengthen their trust, and deepen their loyalty.

Experience cues or clues constitute the experience-related data set. Experience data are collected at touch-points, which are instances of direct contact either with the product or service itself or with representations of it by the company or some third party (Meyer & Schwager, 2007). Meyer & Schwager (2007) use the term "customer corridor" to represent the series of touch-points that a customer experiences.

Verhoef et al. (2009) develop several determinants of customer experience:

- Social environment: The customer's experience is affected by the social environment. Often, there are many customers in a store simultaneously and each customer's experience can have an impact on others. In addition, customers often visit a retail space with friends or family members, which can also affect the customer's own experience as well as that of fellow customers. McGrath & Otnes (1995), cited by Verhoef et al. (2009), developed a typology of roles that strangers can play in a retail environment. They identified specific roles such as the help-seeker, helper, competitor, and complainer.
- Self-service technologies: Technology-based delivery systems are becoming an integral part of shopping, and hence are critical to examine in terms of their impact on customer experience. The manifestation of such technology-mediated interactions in retailing is demonstrated by the emergence of online retailing as well as by the introduction of various technology-based systems within the traditional brick-and-mortar shopping environment.
- Branding and customer experience: Brand perceptions may influence customer experience. Ofir and Simonson (2007), cited by Verhoef et al. (2009), found that customer expectations (when stated prior to a service encounter) have a significant effect on post-purchase evaluations of the shopping experience and the firm. This suggests that customer brand perceptions, when primed prior to shopping experience, might significantly influence the customer's experience.

- Customer experience dynamics: A customer experience is not limited to customers' interaction in the store alone. Rather it is affected by a combination of experiences that evolve over time, including search, purchase, consumption and after-sales phases (Neslin et al. 2006, cited by Verhoef et al. 2009). It may also involve multiple retail channels and repeated experiences within a channel.
- Customer experience management strategies: Customer experience management is a retailer's strategy to engineer the customer's experience in such a way as to create value both to the customer and the firm. Popular management books have emphasized that it is important for firms to focus on customer experience, claiming that differentiation strategies based on service and price are no longer sufficient.

Holbrook & Hirschman (1982), present the drivers of customer experience.

- Environmental inputs
 - o Products: Much consumer research has focused on the tangible benefits of conventional goods and services that perform utilitarian functions. By contrast, the experiential perspective explores the symbolic meanings of more subjective characteristics.
 - o Stimulus Properties: In many consumption situations, several sensory channels operate simultaneously. Accordingly, the experiential perspective supports a more energetic investigation of multi-sensory psychophysical relationships in consumer behavior.
 - o Communication Content: Content analyses of communication in consumer research have more often focused on drawing inferences about the source

of a message than on explaining its effects (Kassarjian 1977, cited by Holbrook & Hirschman 1982). Focusing on effects attributable to the syntactic aspects of message content - that is, their structure and style - is more germane to the experiential perspective.

- Consumer inputs
 - o Resources: Conventional research has focused on monetary income constraints and the effects of prices. In more recent economic analysis, this money-oriented focus has been expanded to acknowledge the fundamental role played by the consumer's allocation of time resources to the "household production function" (Becker 1976, cited by Holbrook & Hirschman 1982).
 - o Task Definition: In the information processing view, the consumer is a problem solver engaged in searching for information, retrieving memory cues, weighing evidence, and arriving at carefully considered judgmental evaluations. By contrast, the experiential view emphasizes the importance of primary process thinking in accord with the pleasure principle. This type of consumption seeks fun, amusement, fantasy, arousal, sensory stimulation, and enjoyment.
 - o Type of Involvement: Attention, interest, excitement, and so forth bear more directly on the experiential view by emphasizing degree of activation or arousal, with consequent implications for the availability of

psychobiological indices (Kroeber-Riel 1979, cited by Holbrook & Hirschman 1982).

- Search Activity: An experiential view of search activity might draw more heavily from the work by psychologists on exploratory behavior (Berlyne 1960, cited by Holbrook & Hirschman 1982).
- Individual Differences: Research on individual differences in experiential consumption has already found contrasts among religions and nationalities in the types of entertainment preferred, motives for engaging in leisure activities, and resulting levels of enthusiasm expressed.
- Intervening response system
 - Cognition: The traditional information processing approach has focused on memory and related phenomena. By contrast, the experiential perspective focuses on cognitive processes that are more subconscious and private in nature. Much relevant fantasy life and many key symbolic meanings are subconscious or preconscious as opposed to unconscious - and they can be retrieved and reported if sufficiently indirect methods are used to overcome sensitivity barriers.
 - Affect: It might be argued that, in the area of affect, the conventional information processing approach has been studying experiential consumption all along. However, the information processing perspective emphasizes only one aspect of hedonic response - namely, like or dislike of a particular brand (attitude) or its rank relative to other brands (preference).

The full range of relevant emotions includes such diverse feelings as love, hate, fear, joy, boredom, anxiety, pride, anger, disgust, sadness, sympathy, lust, ecstasy, greed, guilt, elation, shame, and awe.

- Behavior: At the behavioral level, traditional consumer research has focused almost exclusively on the choice. However, Alderson (1957), cited by Holbrook & Hirschman (1982), drew a sharp distinction between buying and consuming. By focusing on the configuration of activities involved in consumption, this viewpoint calls attention to the experiences with a product that one gains by actually consuming it. One's purchase decision is obviously only a small component in the constellation of events involved in the overall consumption experience.

Finally, Gentile et al. (2007), cited by Ismail, Melewar, Lim & Woodside (2011) conceptualize customer experience as a multidimensional structure and its components are as follows:

- A sensorial component, a component of the customer experience, the stimulation of which affects the senses, i.e. sight, hearing, touch, taste and smell, so as to arouse esthetical pleasure, excitement, satisfaction, and sense of beauty;
- An emotional component, this involves the customer's affective system through the generation of moods, feelings and emotions;
- A cognitive component, this is connected with thinking processes, or engaging customers through using their creativity in problem solving;

- A pragmatic component which includes the practical act of doing something, thus, the concept of usability does not only refer to the use of the product in the post-purchase stage, but it extends to all the product life-cycle stages;
- A lifestyle component, in this component of experience, the product itself and its consumption or use become a means of adhesion to certain values the company and the brand symbolize and to which the customers contribute;
- A relational component, a component of the customer experience that involves the person, consumption or use of a product with other people.

Phases of Customer Experience

Consumer and marketing research has shown that experiences occur when consumers search for products, when they shop for them and receive service, and when they consume them (Brakus et al. 2009).

- **Product Experience:** Product experiences occur when consumers interact with products - for example, when consumers search for products and examine and evaluate them (Hoch 2002, cited by Brakus et al. 2009). The product experience can be direct when there is physical contact with the product, or indirect when a product is presented virtually or in an advertisement (Hoch and Ha 1986, cited by Brakus et al. 2009).
- **Shopping and Service Experience:** Shopping and service experiences occur when a consumer interacts with a store's physical environment, its personnel, and its policies and practices. Thus, research in this area investigates how atmospheric

variables and salespeople affect the experience (Arnold et al. 2005, Boulding et al. 1993, Jones 1999, Ofir and Simonson 2007, cited by Brakus et al. 2009).

- Consumption Experience: Experiences also occur when consumers consume and use products. Consumption experiences are multidimensional and include hedonic dimensions, such as feelings, fantasies, and fun (Holbrook and Hirschman 1982).

Experiences arise in a variety of settings. Most experiences occur directly when consumers shop, buy, and consume products. Experiences can also occur indirectly — for example, when consumers are exposed to advertising and marketing communications, including Web sites (Brakus et al. 2009). This thought is based on Meyer and Schwager's (2007) definition of customer experience as customers' internal and subjective response to any direct or indirect contact with the company across multiple touch points.

Prior to purchase or service delivery, this “direct or indirect contact” includes the experience of marketing communications (Brakus et al. 2009) and the vicarious experience of other customers through word of mouth (Kwortnik & Ross 2007, cited by Lemke, Clark & Wilson, 2011), as well as the contextual experience of approaching the company, such as the journey to a store (Pine & Gilmore 1999) or the encounter with the web medium within which a website is located (Sautter et al. 2004, cited by Lemke et al. 2011). Contact with the physical environment provided by the company also forms part of this customer journey (Pullman & Gross, 2004), expanding on the tangibility dimension of service quality.

Indirect contact after the service encounter includes the consumption experience, in which customers apply the product or service to meet their goals (Woodruff 1997, cited by Lemke et al. 2011). Customer experience, then, encompasses “the total experience, including

the search, purchase, consumption, and after-sale phases of the experience” (Verhoef et al. 2009).

Shaw and Ivens (2002) mentioned five stages of customer experience: (1) Expectation setting; (2) Pre-purchase interactions; (3) Purchase interaction; (4) Product/service consumption; (5) Post-experience review. On the other hand, Arnould et al. (2004) presented four classifications of consumer experiences: (1) Anticipated consumption; (2) Purchase experience; (3) Consumption experience; (4) Remembered consumption and nostalgia

CUSTOMER LOYALTY

Defining Customer Loyalty

Blut, Evanschitzky, Vogel and Ahlert (2007) use Oliver’s (1997) definition that presents loyalty as a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behavior.

Mellroy & Barnett (2000), cited by Oladele & Akeke (2012), state, “in a business context loyalty has come to describe a customer’s commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates.”

According to Anderson & Jacobsen (2000), customer loyalty is the result of an organization creating a benefit for a consumer so that they will maintain or increase their

purchases from the organization. The authors mention that true customer loyalty is created when the customer becomes an advocate for the organization (cited by Oladele & Akeke 2012).

Reichheld (2003) states that “loyalty is the willingness of someone - a customer, an employee, a friend - to make an investment or personal sacrifice in order to strengthen a relationship.” This means that a customer stays with a supplier who offers nice treatment and good value on the long run, even if he does not offer the best price in a particular transaction (Reichheld 2003).

Boonlertvanich (2011) argues that service loyalty is the willingness of a customer to continue to have service from the same service provider and can be observed from a repurchase behavior or first-in-mind option even though there are many available options. Service loyalty occurs based on both positive attitude and behavior toward a particular service provider and helps prevent a customer from switching to another service providers (Caruana 1999, cited by Boonlertvanich 2011).

Why Does Loyalty Matter?

The positive outcomes of loyalty have been the subject of several theoretical articles and empirical studies (Floh & Treiblmaier, 2006). Reichheld and Sasser (1990) found that reducing defections by 5% yields improvements in profitability of 20% to 85% (cited by Floh & Treiblmaier, 2006)

Research suggested that customer loyalty is the key driver in a company’s profitability and should be set as one of the key strategic goals of the company (Boonlertvanich, 2011).

Many banks started focusing on maintaining long-term relationship with their customers via increasing customer loyalty (Jacoby & Robert 1978, cited by Boonlertvanich 2011).

“When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up, and the cost of acquiring and serving customers goes down” (Reichheld 1993, cited by Bennett & Bove 2002).

Bennett & Bove (2002) mention that loyal customers tend to be less deal prone; they are likely to provide free word-of-mouth advertising and referrals; they are likely to purchase additional products with less marketing effort; they cost less to serve, because they tend to place frequent, similar orders; customer loyalty and employee loyalty tend to be positively correlated; marketing activities and negotiations with customers can become more effective with the increased knowledge of loyal customers; finally, loyal customers allow a service provider to recover in the event of service failure.

According to Reichheld (2003), evangelistic customer loyalty is one of the most important drivers of growth. Reichheld (2003) mentions that customers’ choice to stick with a product or service typically reduces a company’s customer acquisition costs. Moreover, the author notes that loyal customers tend to buy more as their incomes grow, or they devote a larger share of their wallets to a company they feel good about (Reichheld 2003).

Aspects of Loyalty

Jacoby & Kyner (1973) note that the marketing literature suggests that customer loyalty can be defined in two distinct ways (cited by Hallowell 1996). The first defines loyalty as an attitude. Different feelings create an individual’s overall attachment to a product,

service, or organization. The second definition of loyalty is behavioral. Examples of loyalty behavior include continuing to purchase services from the same supplier, increasing the scale and or scope of a relationship, or the act of recommendation (Yi 1990, cited by Hallowell 1996). Dick and Basu (1994), cited by Siddiqi (2010), also identified two dimensions of loyalty - relative attitude and repeat patronage behavior. A study carried out by Jones and Taylor (2007) with 348 service company customers proved the existence of two loyalty dimensions: behavioral (intention to repurchase, intention to change and intention to give exclusivity to the service supplier); and attitude/cognitive (preference to pay more, identification with service supplier) (Zacharias, Figueiredo & Araujo, 2009).

The aspects of loyalty are present in a thirteen-point scale proposed by Zeithaml et al. (1996), whose factor analysis generated five dimensions: (1) loyalty to the company; (2) propensity to change; (3) willingness to pay more; (4) external reaction to the problem; and (5) internal reaction to the problem (cited by Zacharias et al. 2009). Bloemer et al. (1999), cited by Zacharias et al. (2009), replicated the set of behavioral intentions proposed by Zeithaml et al. (1996), analyzing different kinds of services. The results pointed out to the existence of four distinct loyalty dimensions in service, which were kept consistent among the four different kinds of services assessed: (1) word-of-mouth promotion; (2) intention to repurchase; (3) price sensitivity and (4) complaint behavior.

The Net Promoter Score

Reichheld (2003) substituted the complex black box of the typical customer satisfaction survey with a single question, so that companies can actually put consumer survey

results to use and focus employees on the task of stimulating growth. Reichheld (2003) matched survey responses from individual customers to their actual behavior - repeat purchases and referral patterns - over time. Then he ranked a variety of survey questions according to their ability to predict this desirable behavior.

The top-ranking question was the most effective across industries: How likely is it that you would recommend [company X] to a friend or colleague?

This question was adopted by Reichheld, because such a recommendation is one of the best indicators of loyalty. In fact, when customers act as references, they do more than indicate that they have received good economic value from a company; they put their own reputations on the line. They will risk their reputations only if they feel intense loyalty (Reichheld 2003).

Reichheld (2003) settled on a scale where ten means “extremely likely” to recommend, five means neutral, and zero means “not at all likely.” Then, he found three logical clusters:

- Promoters: the customers with the highest rates of repurchase and referral, gave ratings of nine or ten to the question
- Passively satisfied: logged a seven or an eight
- Detractors: scored from zero to six

To calculate the Net Promoter Score, we have to find the percentage of customers who respond with nine or ten (promoters) and the percentage who respond with zero through six (detractors), then subtract the percentage of detractors from the percentage of promoters.

CUSTOMER EXPERIENCE & LOYALTY

According to Sharma & Sharma (2011), experiential marketing is a media mix promotional discipline used to encourage sensual interaction and physical fascination of consumer into brands (goods and services). The authors explain that experiential marketing provides the real experiences to customer with brand (goods and services) that drive sales and increase the brand image and brand awareness among the consumers. When accomplished in right direction it is the most powerful instrument out there to catch brand loyalty. (Sharma & Sharma, 2011).

Sekar & Kalakumari (2011) note that experiential marketing, called also customer-experience marketing, connects potential consumers with brands through personal, relevant and other promotional tactics. “The experiential marketing allows the customer to experience the product and test it for them. It would also help in building brand loyalty” (Sekar & Kalakumari, 2011).

Experiential marketing begins with random experiences, then increases to more expectable experiences, and then it forms the experiential marketing, which finally results in loyalty (Smith & Wheeler, cited by Kustini 2007).

The influence of experiential marketing towards the loyalty is due to the experiences created as the results of the consumers’ interaction with products (Ika, 2011). The statement supports what Schmitt (1999) wrote upon the definition of experiential marketing as “how to get customers to sense, feel, think and relate to your company and brands”.

According to Brakus, Schmitt & Zarantonello (2009), brand experiences vary in strength, intensity and valence; some are more positive than others, and some experiences may even be negative. Moreover, some experiences are short-lived, others last longer. “Over time, long-lasting brand experiences should affect consumer satisfaction and loyalty” (Brakus et al. 2009).

Rauen et al. (2009) show that the ability to deliver a customer experience constantly centered on customer needs and intentions has a significant impact on a company’s ability to create loyalty. “In a time of economic uncertainty - when customer confidence is low and customer behavior increasingly difficult to predict - mastering this ability is more important than ever” (Rauen et al. 2009).

Since emotional bonds are difficult to break, Berry, Carbone & Haeckel (2002) note that companies compete best when they add emotional benefits in their offerings, in addition to functional benefits. “To compete successfully in this territory, a growing number of organizations are systematically applying the principles and tools of customer-experience management to strengthen customer loyalty” (Berry et al. 2002).

CHAPTER TWO

RESEARCH FRAMEWORK AND METHODOLOGY

CONCEPTUAL FRAMEWORK

The purpose of this study is to examine the relation between Customer Experience and Customer Loyalty in Lebanese banks, to compare Customer Loyalty of customers who deal with one bank with those who deal with more than one bank, and finally to compare Customer Experience in different groups of loyalty levels.

THE SAMPLE

Using multiple regression analysis requires 5 observations for each independent variable. Thus, in our case, where the number of independent variables is 25, a sample of 125 observations was needed. In addition, factor analysis implies a sample size preferably greater than 100.

We were able to gather 103 surveys, which constitute 82.5% of the required size for multiple regression analysis; however it satisfies the size condition of factor analysis.

Surveys were collected mainly from Administrative Beirut and Metn regions. The majority of the respondents are employed, while just a few have their own businesses. The respondents are above 18 years old, to be able to have bank accounts.

Securing a proportional representation of the banks was not possible, since the surveys were distributed randomly, without knowing in advance the bank of each respondent.

SURVEY INSTRUMENT

The main instrument for data collection was a survey questionnaire, attached as an appendix, the questions of which were derived from the literature. The survey is composed of 25 statements, reflecting the components of Customer Experience. This part is structured using a five-point Likert scale, where the respondent has to indicate his/her level of agreement with each statement by choosing: Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree.

In addition there are descriptive data about the number of banks that the respondent deals with, the reason for dealing with one or more than one bank, the name of the respondent's main bank, and the most important factor that can strengthen the respondents loyalty towards his/her main bank.

Based on Reichheld's work on the Net Promoter Score, Customer Loyalty is measured by the respondent's likelihood to recommend his/her main bank to a friend or a colleague.

A pilot study was conducted with 7 friends having banking relationships, in addition to 5 classmates working in different banks in Lebanon. The questionnaire was reviewed and adjusted accordingly, mainly by shortening long statements, simplifying complicated phrases, and merging similar statements.

ETHICAL CONSIDERATIONS

During the administration of the survey, ethical considerations were taken into account, such as the right to anonymity, and the confidentiality of information. Respondents were not required to reveal any information that identifies them.

THE VARIABLES

The independent variables in the study are extracted from the literature review on Customer Experience. Each variable reflects a component of the Customer Experience.

The study has a single dependent variable, which is Customer Loyalty.

RESEARCH QUESTIONS

Deriving from the literature review, the research questions were identified as follows:

- 1- Whether Customer Loyalty differs in the group of people dealing with one bank and the group of people dealing with more than one bank.
- 2- Whether the components of Customer Experience differ in the group of people dealing with one bank and the group of people dealing with more than one bank.
- 3- Whether Customer Experience differs in groups of different levels of loyalty.
- 4- Whether positive Customer Experience in the Lebanese retail banking sector improves customers' loyalty towards their banks.

HYPOTHESES

1. Customer Loyalty is different between the group of respondents dealing with one bank and the group of respondents dealing with more than one bank.
2. Components of Customer Experience are different between the group of respondents dealing with one bank and the group of respondents dealing with more than one bank.
3. Customer Experience is different between the Promoter, Passively satisfied and Detractor groups.
4. Customer Loyalty is positively related to Customer Experience in the Lebanese banking sector.

CHAPTER THREE

STATISTICAL ANALYSES

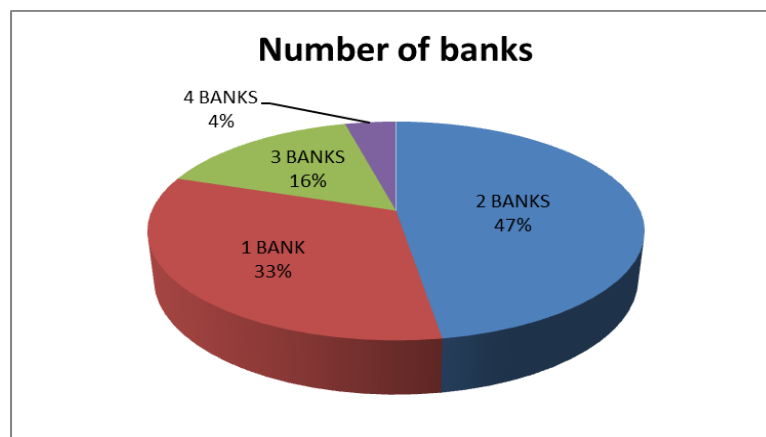
DESCRIPTIVE STATISTICS

Item Statistics			
	Mean	Std. Deviation	N
I am satisfied with my bank's fees/charges	2.95	1.004	103
I am satisfied with the interest rates on my deposits	3.05	.856	103
I am satisfied with the interest rates on my loans	2.76	.944	103
I feel my bank offers me unique attention and care	3.09	.951	103
My bank offers innovative solutions that make my life easier and satisfy all my banking needs	3.25	.904	103
I have lived one or more memorable events/experiences with my bank	2.97	.944	103
My bank shares information openly and honestly	3.28	.890	103
My bank's staff is highly and rapidly responsive	3.60	.963	103
My bank's products/services are easy to use	3.80	.691	103
My bank matches my expectations	3.28	.857	103
I find it fun and enjoyable to visit my bank	2.89	1.028	103
I am ready to pay more charges/fees to receive outstanding treatment	2.36	.948	103
I am ready to buy more products/services from my bank	3.01	.975	103
I want to have a long-term relationship with my bank	3.57	.892	103
My bank cares about building a long-lasting relationship with me	3.34	.881	103
I find the loan simulators very important	3.36	.948	103
My bank's ATMs are user-friendly	3.83	.994	103
My bank's internet banking is very helpful	3.69	.908	103
My bank's mobile banking is very helpful	3.30	.979	103
I feel proud of my bank's advertising campaigns and reputation	3.50	.895	103
The banking products/services that I purchase have great emotional meaning for me	2.93	.820	103
My bank pioneers in adopting the latest technologies	3.30	.927	103
I purchase products/services from my main bank, without comparing them with others'	2.75	1.091	103
I tell about my experiences with my bank to my family, friends and colleagues	3.36	1.018	103
I have never considered switching my main bank	3.07	1.087	103
How likely is it that you would recommend your main bank to a friend or colleague?	6.76	2.162	103

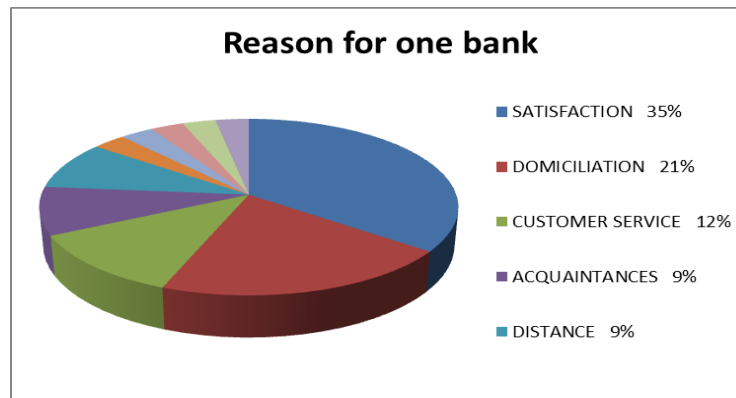
The Item Statistics table displays descriptive statistics for the independent variables generated by SPSS.

Higher mean scores indicate questions where participants were at the agreement end of the rating scale. As we notice, the variable with the highest mean is the ATMs' user-friendliness (3.83). It is followed by the ease of use of products/services at the second place (3.8), which also has the lowest standard deviation among all the variables. In the third place comes the internet banking's helpfulness (3.69)

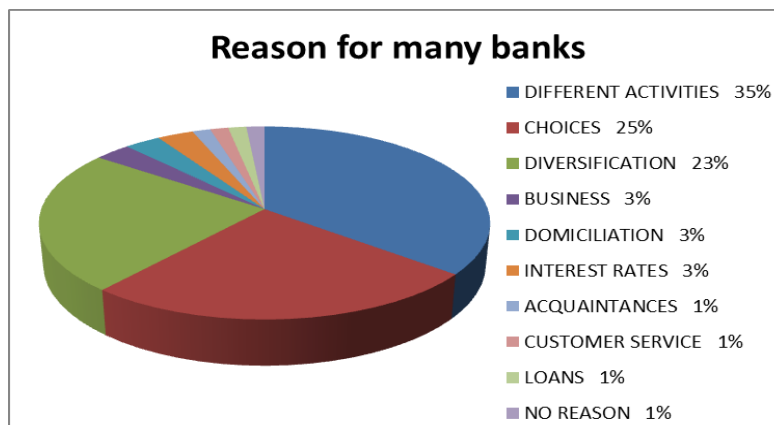
At the lower scale, where respondents were at the disagreement end of the rating scale, we have: the readiness to pay more to obtain outstanding treatment (2.36), the readiness to purchase products services from the main bank without comparing with others (2.75), and the satisfaction with the interest rates on loans (2.76).



Most of the respondents (47%) indicated that they deal with 2 banks, while 33% deal with a single bank. There are only few respondents (4%) who deal with 4 banks. The total percentage of respondents who deal with more than one bank is 67%.

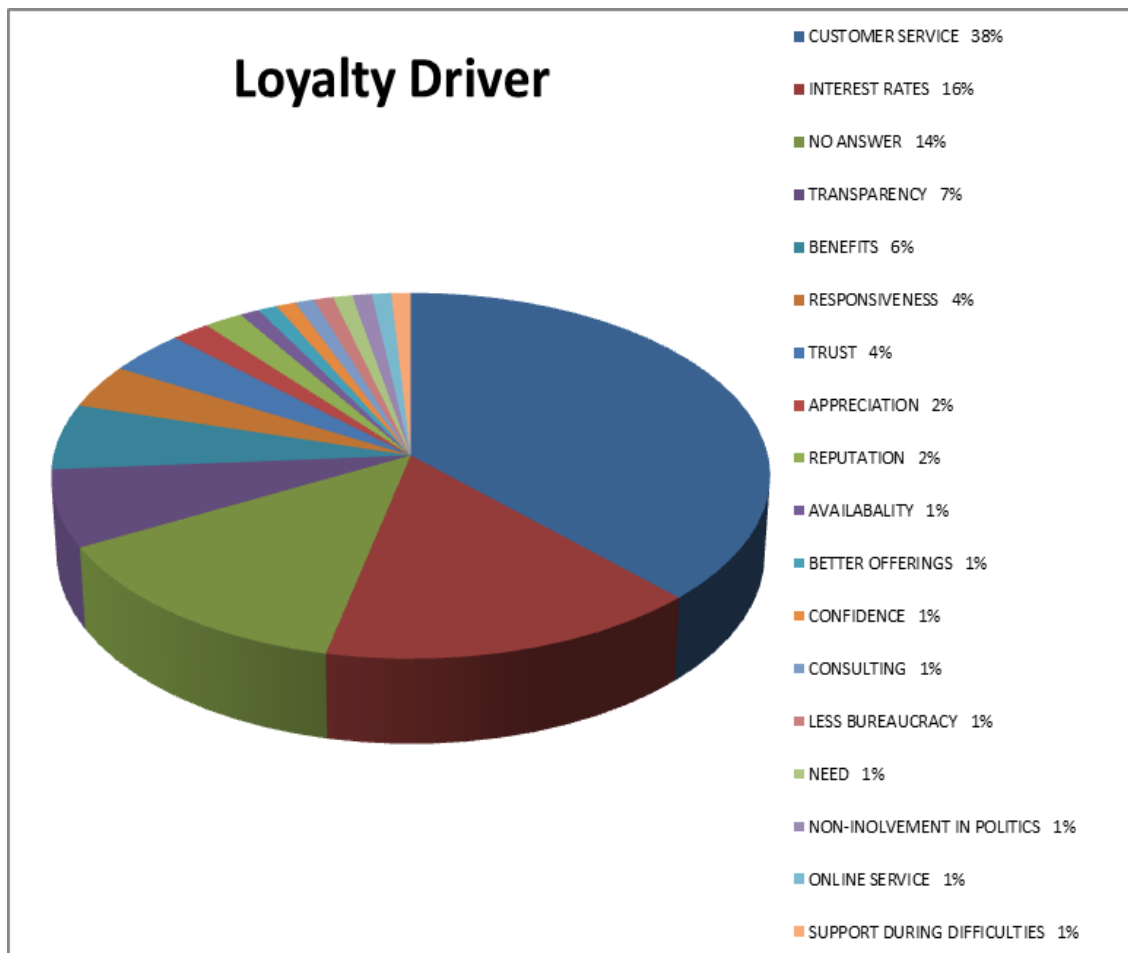


35% of those who deal with one bank stated that “satisfaction” is the main reason. 21% of them deal with one bank because their salaries are domiciled there. Good customer service was the reason for 12% of the respondents who deal with one bank. Having acquaintances and being close to the branch were each the reason for 9% of the respondents with one bank.



35% of those who deal with many banks stated that the main reason is having different activities with each bank (salary, loans, credit cards, deposits, etc.). 25% of them deal with many banks to have more choices and ability to compare. 23% prefer to split their deposits between different banks. Business owners (3%) de facto deal with different banks. 3% of the

respondents who deal with more than one bank have more than one job, thus, more than one salary domiciliation. 3% deal with many banks because of differences between interest rates on loans and deposits. 1% of the respondents with many banks had no particular reason for doing so.



When asked about the most important factor that can strengthen their loyalty towards their main bank, 38% answered “Customer Service”, 16% wanted better “Interest Rates”, surprisingly 14% had no answer, 7% wanted their banks to be more transparent, 6% wanted to see more benefits, such as discounts and reward programs.

RELIABILITY TESTS

Reliability is the ability of the questionnaire to consistently measure the topic under study at different times and across different populations. It can be assessed in a number of different ways. However, Cronbach's alpha is the most common measure of internal consistency.

Cronbach's alpha is mostly used when we have multiple Likert questions in a survey and we wish to determine if the scale is reliable. Cronbach's alpha measures the extent to which the items are related to each other.

Using SPSS, we calculated Cronbach's alpha first for the independent variables alone, then the independent and dependent variables combined.

Independent Variables: Cronbach's alpha equals 0.857, which shows a good level of internal consistency.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.857	.862	25

Independent and dependent variables: Cronbach's alpha equals 0.864, which shows a good level of internal consistency.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.864	.871	26

EXPLORATORY FACTOR ANALYSIS

Factor analysis is a method of data reduction. With factor analysis we can produce a small number of factors from a large number of variables which is capable of explaining the observed variance in the larger number of variables. Factor analysis has as its key objective reducing a larger set of variables to a smaller set of factors, fewer in number than the original variable set, but capable of accounting for a large portion of the total variability in the items.

The identity of each factor is determined after a review of items that correlate the highest with that factor. Items that correlate the highest with a factor define the meaning of the factor by observing what conceptually ties the items together. A successful result is one in which a few factors can explain a large portion of the total variability and those factors can be given a meaningful name using the assortment of items that correlate the highest with it.

KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.736
Approx. Chi-Square		921.051
Bartlett's Test of Sphericity	Df	300
	Sig.	.000

The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. KMO statistics vary between 0 and 1, where a value close to 1 indicates that factor analysis should yield distinct and reliable factors. Kaiser (1974) recommends accepting values greater than 0.5. Moreover, values between 0.5 and 0.7 are

mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, and values above 0.9 are superb (Hutcheson & Sofroniou, 1999). In our case, the value is 0.736, which is considered good.

Barlett's Test of Sphericity lets us know if there is a relationship between variables. If there is no relationship, then there is no point in proceeding with the factor analysis. Barlett's Test of Sphericity tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is matrix in which all of the diagonal elements are 1 and all off diagonal elements are 0. You want to reject this null hypothesis.

Barlett's Test of Sphericity should be significant, which means a value of Sig. less than 0.05. Our data satisfies this condition, since, as per the table below, the value of Sig. is 0. Thus, the significance level is small enough to reject the null hypothesis. This means that correlation matrix is not an identity matrix.

Based on these results, we conclude that it is satisfactory to proceed with the factor analysis for our data set.

Number of Factors to Extract

The latent root criterion is used to reduce the variables, by extracting factors with eigenvalues greater than 1.

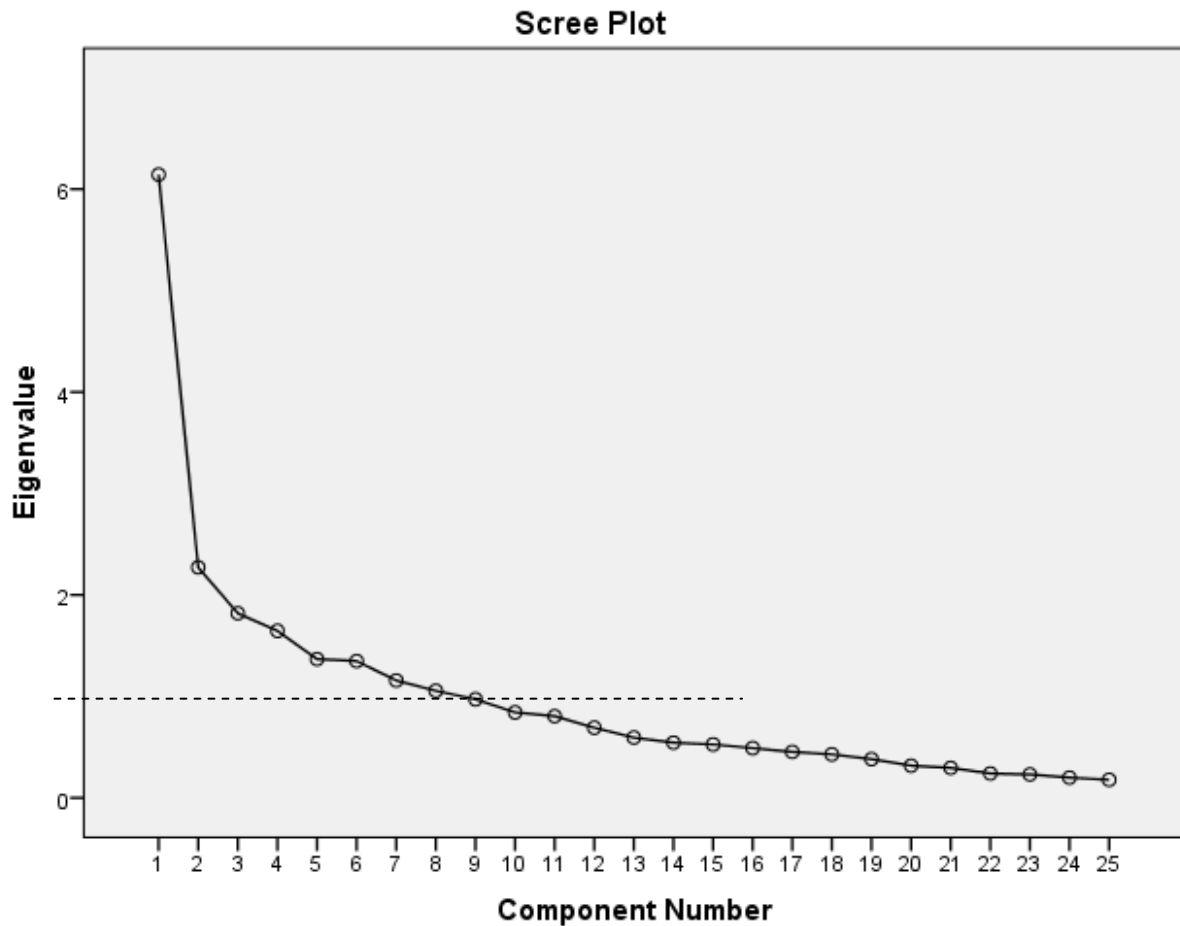
The "Total Variance Explained" table below shows all the factors extractable from the analysis along with their eigenvalues, the percent of variance attributable to each factor, and the cumulative variance of the factor and the previous factors.

The factor analysis generated 8 factors having eigenvalues greater than 1. These 8 factors are capable of explaining 67.24% of all the variable variances.

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.143	24.572	24.572	6.143	24.572	24.572	3.111	12.442	12.442
2	2.272	9.089	33.661	2.272	9.089	33.661	2.495	9.980	22.422
3	1.819	7.277	40.938	1.819	7.277	40.938	2.120	8.479	30.901
4	1.646	6.583	47.521	1.646	6.583	47.521	1.999	7.995	38.897
5	1.368	5.472	52.993	1.368	5.472	52.993	1.942	7.767	46.663
6	1.348	5.393	58.386	1.348	5.393	58.386	1.811	7.244	53.908
7	1.157	4.628	63.014	1.157	4.628	63.014	1.711	6.843	60.750
8	1.055	4.221	67.235	1.055	4.221	67.235	1.621	6.485	67.235
9	.972	3.887	71.122						
10	.842	3.369	74.491						
11	.805	3.220	77.711						
12	.692	2.766	80.477						
13	.594	2.375	82.852						
14	.545	2.180	85.032						
15	.527	2.106	87.138						
16	.491	1.962	89.101						
17	.453	1.812	90.912						
18	.429	1.715	92.627						
19	.382	1.527	94.154						
20	.318	1.271	95.425						
21	.295	1.179	96.604						
22	.241	.963	97.567						
23	.230	.921	98.488						
24	.200	.799	99.287						
25	.178	.713	100.000						

Extraction Method: Principal Component Analysis.

The Scree Plot also shows that the first 8 components have significant eigenvalues; significant meaning greater than 1.



Rotated Component Matrix

We will use the “Rotated Component Matrix” to interpret the factors. The table is extracted using the Principal Component Analysis method, rotated by the Varimax method with Kaiser Normalization. Factor loadings less than 0.5 are omitted, and the variables are sorted by highest to lowest loading.

Rotated Component Matrix ^a								
	Component							
	1	2	3	4	5	6	7	8
I find it fun and enjoyable to visit my bank	.713							
I feel my bank offers me unique attention and care	.711							
My bank offers innovative solutions that make my life easier and satisfy all my banking needs	.703							
My bank matches my expectations	.640							
My bank's staff is highly and rapidly responsive	.633							
My bank cares about building a long-lasting relationship with me	.547							
My bank's ATMs are user-friendly		.755						
My bank pioneers in adopting the latest technologies		.695						
I feel proud of my bank's advertising campaigns and reputation		.547						
My bank's products/services are easy to use								
I have lived one or more memorable events/experiences with my bank			.826					
I tell about my experiences with my bank to my family, friends and colleagues			.705					
The banking products/services that I purchase have great emotional meaning for me								
My bank's mobile banking is very helpful				.792				
My bank's internet banking is very helpful				.602				
I find the loan simulators very important				.583				
I am satisfied with the interest rates on my deposits					.810			
I am satisfied with my bank's fees/charges					.632			
I am satisfied with the interest rates on my loans					.568			
I purchase products/services from my main bank, without comparing them with others'						.905		
I have never considered switching my main bank						.721		
I am ready to pay more charges/fees to receive outstanding treatment							.872	
I am ready to buy more products/services from my bank							.635	
I want to have a long-term relationship with my bank								.876
My bank shares information openly and honestly								

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 9 iterations.

Based on the literature on Customer Experience and personal understanding of the banking industry, the 8 factors can be summarized as follows:

Factor 1: Bank's Customer Centricity

- I find it fun and enjoyable to visit my bank
- I feel my bank offers me unique attention and care
- My bank offers innovative solutions that make my life easier and satisfy all my banking needs
- My bank matches my expectations
- My bank's staff is highly and rapidly responsive
- My bank cares about building a long-lasting relationship with me

Factor 2: Bank's Adoption and Use of Technology

- My bank's ATMs are user-friendly
- My bank pioneers in adopting the latest technologies
- I feel proud of my bank's advertising campaigns and reputation

Factor 3: Customer's Banking Experience

- I have lived one or more memorable events/experiences with my bank
- I tell about my experiences with my bank to my family, friends and colleagues

Factor 4: Bank's Online Channels

- My bank's mobile banking is very helpful
- My bank's internet banking is very helpful
- I find the loan simulators very important

Factor 5: Bank's Interests & Charges

- I am satisfied with the interest rates on my deposits
- I am satisfied with my bank's fees/charges
- I am satisfied with the interest rates on my loans

Factor 6: Customer's Switching Tendency

- I purchase products/services from my main bank, without comparing them with others'
- I have never considered switching my main bank

Factor 7: Customer's Readiness to Pay/Buy More

- I am ready to pay more charges/fees to receive outstanding treatment
- I am ready to buy more products/services from my bank

Factor 8: Customer Satisfaction

- I want to have a long-term relationship with my bank

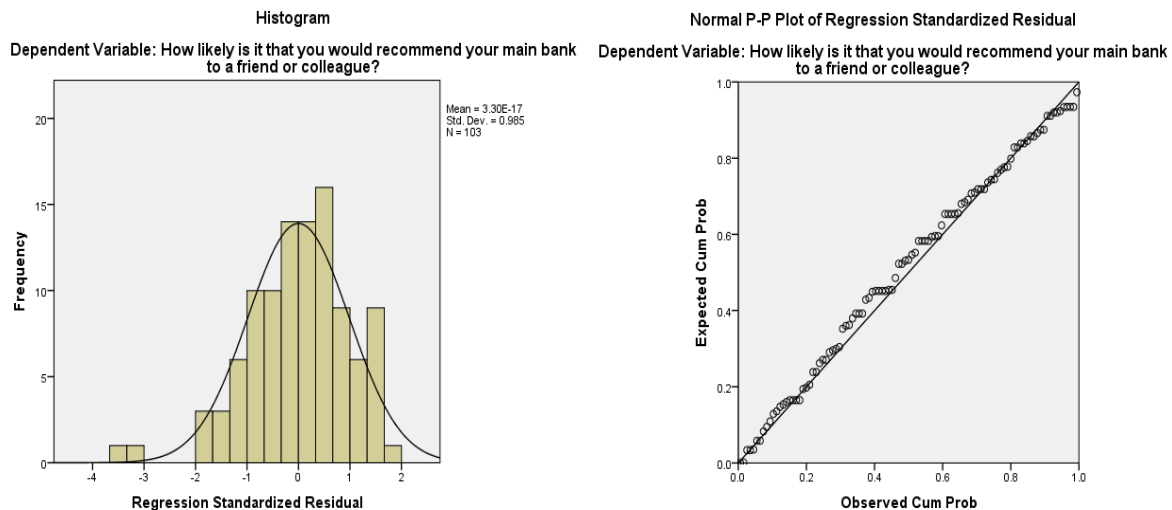
MULTIPLE REGRESSION ANALYSES

Since we have a large number of independent variables, we will use multiple regression with stepwise method. The focus of stepwise regression would be the question of what the best combination of independent (predictor) variables would be to predict the dependent (predicted) variable.

This method should ensure that we end up with the smallest possible set of predictor variables included in our model. One advantage of the Stepwise method is that it should always result in the most parsimonious model.

Multiple regression (stepwise method) was performed with all independent variables that measure Customer Experience, on the dependent variable (Customer Loyalty).

We can check the distribution visually by looking at the Histogram of standardized residuals, where a bell-shaped curve is observed, and the Normal P-P Plot of Regression Standardized Residual, in order to validate the assumption of a normal distribution for the dependent variable. The figures below show that a normal distribution can be assumed.



Correlations

The Pearson Correlation Coefficient (r) measures the degree of linear relationship between two variables. In our correlation matrix produced by SPSS (APPENDIX II), 2 interesting observations can be spotted. First, the 2 independent variables with the highest correlation are “My bank matches my expectations” and “My bank offers innovative solutions that make my life easier and satisfy all my banking needs”, with a coefficient of 0.553. Second, the independent variable that correlates the most with Customer Loyalty is “I purchase products/services from my main bank, without comparing them with others”, with a coefficient of 0.535.

The results of Regression Analysis

Model Summary^f

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.482 ^a	.232	.225	1.904	.232	30.547	1	101	.000
2	.566 ^b	.320	.307	1.800	.088	12.978	1	100	.000
3	.616 ^c	.380	.361	1.728	.060	9.516	1	99	.003
4	.651 ^d	.424	.401	1.674	.044	7.487	1	98	.007
5	.643^e	.414	.396	1.681	-.010	1.742	1	98	.190

a. Predictors: (Constant), My bank matches my expectations

b. Predictors: (Constant), My bank matches my expectations, I feel proud of my bank's advertising campaigns and reputation

c. Predictors: (Constant), My bank matches my expectations, I feel proud of my bank's advertising campaigns and reputation, I have never considered switching my main bank

d. Predictors: (Constant), My bank matches my expectations, I feel proud of my bank's advertising campaigns and reputation, I have never considered switching my main bank, My bank cares about building a long-lasting relationship with me

e. Predictors: (Constant), I feel proud of my bank's advertising campaigns and reputation, I have never considered switching my main bank, My bank cares about building a long-lasting relationship with me

f. Dependent Variable: How likely is it that you would recommend your main bank to a friend or colleague?

With the stepwise method, the independent variable with the greatest contribution to the regression model is added first. Additional independent variables are added as long as they improve the model significantly. It is possible that independent variables are removed, if their predictive power decreases after adding other variables to the model. When no additional independent variable can make a significant improvement, the analysis stops.

Regression Model 5 includes the best subset of independent variables. The predictors are “I feel proud of my bank’s advertising campaigns and reputation,” “I have never considered switching my main bank,” and “My bank cares about building a long-lasting relationship with me.” This model explains 41.4% of the variation in Customer Loyalty, as shown in the last row provided by stepwise in the table above.

The ANOVA table shows that the regression model is significant.

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
5 Regression	197.344	3	65.781	23.293	.000 ^f
Residual	279.588	99	2.824		
Total	476.932	102			

a. Dependent Variable: How likely is it that you would recommend your main bank to a friend or colleague?

f. Predictors: (Constant), I feel proud of my bank’s advertising campaigns and reputation, I have never considered switching my main bank, My bank cares about building a long-lasting relationship with me

The probability (p) of the F-stat (23.293) for the regression model 5 is 0.000, which is less than α (0.05). We conclude that the regression model 5 reliably predicts the dependent variable. In other terms, the group of the independent variables “I feel proud of my bank’s

advertising campaigns and reputation,” “I have never considered switching my main bank,” and “My bank cares about building a long-lasting relationship with me,” can be used to reliably predict the dependent variable “Customer Loyalty.”

Testing the significance of the model coefficients, we obtain the following table:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.507	0.885		-0.573	0.568
5 I feel proud of my bank’s advertising campaigns and reputation	0.877	0.194	0.363	4.513	0.000
I have never considered switching my main bank	0.567	0.156	0.285	3.641	0.000
My bank cares about building a long-lasting relationship with me	0.734	0.200	0.299	3.666	0.000

The first column shows the predictor variables. The first variable (Constant = -0.507) is the predicted value of Customer Loyalty when all other variables are 0.

The slopes of regression of the 3 independent variables with the dependent variable are all positive, and respectively equal to 0.877, 0.567 and 0.734.

The t-values and p-values of the independent variables (4.513 & 0.000; 3.641 & 0.000; 3.666 & 0.000) confirm that the relationship is statistically significant, and that there is a positive linear relationship between the 3 predictors and the predicted variable.

The 2nd column (B) allows us to represent the regression equation as follows:

Customer Loyalty = - 0.507

+ 0.877*(I feel proud of my bank’s advertising campaigns and reputation)

+ 0.567*(I have never considered switching my main bank)

+ 0.734*(My bank cares about building a long-lasting relationship with me)

These estimates tell us the amount of increase in Customer Loyalty that would be predicted by a 1 unit increase in the predictor.

INDEPENDENT SAMPLES T-TEST

Independent Samples T-Test is conducted to test for differences in Customer Loyalty and in Customer Experience, between (1) the group of respondents who deal with one bank and (2) the group of respondents who deal with more than one bank.

We have 2 main assumptions, which are the normality of distribution, and the homogeneity of variance.

The basic criterion for significant difference between the two groups' means is a Sig(2-tailed) less than 0.05, where we reject the null hypothesis that the 2 means are equal, and accept the alternative hypothesis that the 2 means are different.

Customer Loyalty

Independent Samples Test									
		Levene's Test for Equality of Variances		t-test for Equality of Means					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower Upper
How likely is it that you would recommend your main bank to a friend or colleague?	Equal variances assumed	.057	.811	-.896	101	.373	-.406	.454	-1.306 .493
	Equal variances not assumed			-.886	64.025	.379	-.406	.458	-1.322 .509

The means of Customer Loyalty are not significantly different between the groups of respondents dealing with one bank, and those dealing with more than one bank.

In the previous table, the p value (0.811) is higher than 0.05, thus we use the first row (Equal variances assumed). Sig. (2-tailed) is greater than 0.05, so we fail to observe a difference in Customer Loyalty between the group of people who deal with one bank, and the group of people who deal with more than bank.

However, as the below table shows, people dealing with one bank are slightly more loyal than those dealing with more than one bank, though the difference is not significant.

Group Statistics

	How many banks do you deal with?	N	Mean	Std. Deviation	Std. Error Mean
How likely is it that you would recommend your main bank to a friend or colleague?	>= 2	69	6.62	2.143	.258
	< 2	34	7.03	2.209	.379

Customer Experience

Having a look at the table below, we conclude that we fail to observe a difference for 21 variables, while the 4 highlighted variables have significantly different means.

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
I am satisfied with my bank's fees/charges	Equal variances assumed	.729	.395	-2.046	101	.043	-.424	.207	-.835	-.013
I am satisfied with the interest rates on my deposits	Equal variances assumed	.340	.561	-1.819	101	.072	-.323	.177	-.675	.029
I am satisfied with the interest rates on my loans	Equal variances assumed	.383	.538	-1.853	101	.067	-.362	.196	-.750	.026
I feel my bank offers me unique attention and care	Equal variances assumed	.309	.579	-1.334	101	.185	-.265	.198	-.658	.129
My bank offers innovative solutions that make my life easier and satisfy all my banking needs	Equal variances assumed	.001	.977	-.558	101	.578	-.106	.190	-.483	.271

I have lived one or more memorable events/experiences with my bank	Equal variances assumed	.045	.832	.666	101	.507	.132	.198	-.261	.526
My bank shares information openly and honestly	Equal variances assumed	.023	.879	-1.523	101	.131	-.282	.185	-.650	.085
My bank's staff is highly and rapidly responsive	Equal variances not assumed	8.151	.005	-2.228	76.195	.029	-.419	.188	-.793	-.044
My bank's products/services are easy to use	Equal variances not assumed	15.771	.000	-1.419	98.234	.159	-.173	.122	-.414	.069
My bank matches my expectations	Equal variances assumed	1.901	.171	-2.095	101	.039	-.370	.177	-.720	-.020
I find it fun and enjoyable to visit my bank	Equal variances assumed	.710	.401	-.534	101	.594	-.116	.216	-.544	.313
I am ready to pay more charges/fees to receive outstanding treatment	Equal variances assumed	.818	.368	-.173	101	.863	-.035	.200	-.431	.361
I am ready to buy more products/services from my bank	Equal variances assumed	.718	.399	1.147	101	.254	.234	.204	-.171	.639
I want to have a long-term relationship with my bank	Equal variances assumed	1.172	.282	-.356	101	.722	-.067	.188	-.439	.306
My bank cares about building a long-lasting relationship with me	Equal variances assumed	2.032	.157	-2.552	101	.012	-.459	.180	-.815	-.102
I find the loan simulators very important	Equal variances assumed	.158	.692	1.606	101	.111	.317	.197	-.074	.708
My bank's ATMs are user-friendly	Equal variances assumed	3.040	.084	.854	101	.395	.178	.209	-.236	.592
My bank's internet banking is very helpful	Equal variances assumed	1.772	.186	-.359	101	.720	-.069	.191	-.448	.310
My bank's mobile banking is very helpful	Equal variances not assumed	4.808	.031	1.434	78.757	.155	.274	.191	-.106	.653
I feel proud of my bank's advertising campaigns and reputation	Equal variances assumed	.110	.741	.271	101	.787	.051	.188	-.323	.425
The banking products/services that I purchase have great emotional meaning for me	Equal variances assumed	.992	.322	.430	101	.668	.074	.172	-.268	.416
My bank pioneers in adopting the latest technologies	Equal variances assumed	.730	.395	.052	101	.958	.010	.195	-.377	.397
I purchase products/services from my main bank, without comparing them with others'	Equal variances assumed	2.251	.137	.462	101	.645	.106	.230	-.349	.561
I tell about my experiences with my bank to my family, friends and colleagues	Equal variances assumed	.124	.725	.044	101	.965	.009	.214	-.416	.435
I have never considered switching my main bank	Equal variances assumed	.180	.672	-1.690	101	.094	-.382	.226	-.829	.066

The next table displays the highest means for the 25 independent variables representing Customer Experience.

CUSTOMER EXPERIENCE	ONE BANK	MANY BANKS
I am satisfied with my bank's fees/charges	3.24	
I am satisfied with the interest rates on my deposits	3.26	
I am satisfied with the interest rates on my loans	3	
I feel my bank offers me unique attention and care	3.26	
My bank offers innovative solutions that make my life easier and satisfy all my banking needs	3.32	
I have lived one or more memorable events/experiences with my bank		3.01
My bank shares information openly and honestly	3.47	
My bank's staff is highly and rapidly responsive	3.88	
My bank's products/services are easy to use	3.91	
My bank matches my expectations	3.53	
I find it fun and enjoyable to visit my bank	2.97	
I am ready to pay more charges/fees to receive outstanding treatment	2.38	
I am ready to buy more products/services from my bank		3.09
I want to have a long-term relationship with my bank	3.62	
My bank cares about building a long-lasting relationship with me	3.65	
I find the loan simulators very important		3.46
My bank's ATMs are user-friendly		3.88
My bank's internet banking is very helpful	3.74	
My bank's mobile banking is very helpful		3.39
I feel proud of my bank's advertising campaigns and reputation		3.52
The banking products/services that I purchase have great emotional meaning for me		2.96
My bank pioneers in adopting the latest technologies		3.3
I purchase products/services from my main bank, without comparing them with others'		2.78
I tell about my experiences with my bank to my family, friends and colleagues		3.36
I have never considered switching my main bank	3.32	

We notice that the 4 variables that are significantly different between the 2 groups have higher means for people dealing with one bank.

In addition, taking all independent variables into consideration, 15 out of 25 (60%) have higher means for people dealing one bank. Thus, 60% of Customer Experience components are higher in the group of respondents dealing with one bank, with 16% being significantly higher, while 44% are slightly higher.

ONE-WAY ANOVA

One-Way ANOVA is used to test whether there are statistically significant differences in the Customer Experience components among the 3 groups of loyal customers.

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
I am satisfied with my bank's fees/charges	.063	2	100	.939
I am satisfied with the interest rates on my deposits	1.015	2	100	.366
I am satisfied with the interest rates on my loans	2.217	2	100	.114
I feel my bank offers me unique attention and care	2.414	2	100	.095
My bank offers innovative solutions that make my life easier and satisfy all my banking needs	1.634	2	100	.200
I have lived one or more memorable events/experiences with my bank	.235	2	100	.791
My bank shares information openly and honestly	1.118	2	100	.331
My bank's staff is highly and rapidly responsive	8.087	2	100	.001
My bank's products/services are easy to use	3.766	2	100	.026
My bank matches my expectations	.568	2	100	.568
I find it fun and enjoyable to visit my bank	5.132	2	100	.008
I am ready to pay more charges/fees to receive outstanding treatment	.287	2	100	.751
I am ready to buy more products/services from my bank	2.483	2	100	.089
I want to have a long-term relationship with my bank	3.429	2	100	.036
My bank cares about building a long-lasting relationship with me	5.789	2	100	.004
I find the loan simulators very important	.526	2	100	.592
My bank's ATMs are user-friendly	1.465	2	100	.236
My bank's internet banking is very helpful	.998	2	100	.372
My bank's mobile banking is very helpful	.154	2	100	.858
I feel proud of my bank's advertising campaigns and reputation	1.286	2	100	.281
The banking products/services that I purchase have great emotional meaning for me	3.671	2	100	.029
My bank pioneers in adopting the latest technologies	2.322	2	100	.103
I purchase products/services from my main bank, without comparing them with others'	.901	2	100	.409
I tell about my experiences with my bank to my family, friends and colleagues	.281	2	100	.756
I have never considered switching my main bank	.065	2	100	.937

The Levene's Statistics for the variables are greater than 0.05, except for the 6 variables highlighted in the table above. The assumption of homogeneity is valid only for 19 variables out of 25. Thus, we proceed with the One-way ANOVA test with these 19 variables, of which homogeneity is not rejected.

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
I am satisfied with my bank's fees/charges	Between Groups	10.486	2	5.243	5.682	.005
I am satisfied with the interest rates on my deposits	Between Groups	5.325	2	2.663	3.835	.025
I am satisfied with the interest rates on my loans	Between Groups	4.956	2	2.478	2.882	.061
I feel my bank offers me unique attention and care	Between Groups	5.610	2	2.805	3.239	.043
My bank offers innovative solutions that make my life easier and satisfy all my banking needs	Between Groups	9.158	2	4.579	6.165	.003
I have lived one or more memorable events/experiences with my bank	Between Groups	1.181	2	.590	.658	.520
My bank shares information openly and honestly	Between Groups	7.076	2	3.538	4.796	.010
My bank matches my expectations	Between Groups	9.746	2	4.873	7.487	.001
I am ready to pay more charges/fees to receive outstanding treatment	Between Groups	5.012	2	2.506	2.891	.060
I am ready to buy more products/services from my bank	Between Groups	10.265	2	5.132	5.918	.004
I find the loan simulators very important	Between Groups	2.006	2	1.003	1.118	.331
My bank's ATMs are user-friendly	Between Groups	2.152	2	1.076	1.090	.340
My bank's internet banking is very helpful	Between Groups	7.225	2	3.612	4.702	.011
My bank's mobile banking is very helpful	Between Groups	2.246	2	1.123	1.177	.313
I feel proud of my bank's advertising campaigns and reputation	Between Groups	12.295	2	6.147	8.851	.000
My bank pioneers in adopting the latest technologies	Between Groups	9.639	2	4.819	6.176	.003
I purchase products/services from my main bank, without comparing them with others'	Between Groups	12.820	2	6.410	5.902	.004
I tell about my experiences with my bank to my family, friends and colleagues	Between Groups	5.220	2	2.610	2.597	.080
I have never considered switching my main bank	Between Groups	18.046	2	9.023	8.805	.000

We can spot 12 variables having ratios of F-statistics less than 0.05. Thus, there is sufficient evidence that these variables are significantly different between the 3 groups of loyalty.

On the other hand, 7 variables have ratios of F-statistics greater than 0.05. Thus, we fail to conclude that these variables are significantly different among the 3 groups of loyalty.

CUSTOMER EXPERIENCE	PROMOTER	PASSIVELY SATISFIED	DETRACTOR
I am satisfied with my bank's fees/charges	3.60		
I am satisfied with the interest rates on my deposits	3.50		
I am satisfied with the interest rates on my loans	3.20		
I feel my bank offers me unique attention and care		3.31	
My bank offers innovative solutions that make my life easier and satisfy all my banking needs		3.54	
I have lived one or more memorable events/experiences with my bank	3.15		
My bank shares information openly and honestly	3.80		
My bank matches my expectations	3.65		
I am ready to pay more charges/fees to receive outstanding treatment	2.55		
I am ready to buy more products/services from my bank	3.65		
I find the loan simulators very important		3.51	
My bank's ATMs are user-friendly	4.10		
My bank's internet banking is very helpful		4.03	
My bank's mobile banking is very helpful		3.46	
I feel proud of my bank's advertising campaigns and reputation	4.15		
My bank pioneers in adopting the latest technologies	3.90		
I purchase products/services from my main bank, without comparing them with others'	3.45		
I tell about my experiences with my bank to my family, friends and colleagues	3.80		
I have never considered switching my main bank	3.85		

Among the 12 independent variables with significance differences, 9 variables (75%) have the highest means in the Promoter group, while 3 variables (25%) have the highest means in the Passively satisfied group.

On the other hand, taking into consideration all the independent variables, we can see that 14 variables (73.7%) have the highest means in the Promoter group, while 5 variables (26.3%) have the highest means in the Passively satisfied group.

CHAPTER FOUR

FINDINGS, RECOMMENDATIONS, LIMITATIONS & FUTURE RESEARCH

FINDINGS FROM THE STATISTICAL ANALYSES

As stated in the research questions, the purpose of this study was to test whether positive Customer Experience improves Customer Loyalty in the Lebanese retail banking sector. Moreover, it was of interest to find out if there were significant differences in Customer Loyalty and in Customer Experience, between (1) the group of respondents who deal with one bank and (2) the group of respondents who deal with more than one bank. Finally, we wanted to test whether there are statistically significant differences in the Customer Experience components among the 3 groups of loyal customers, i.e. Promoter, Passively satisfied and Detractor.

Findings from the exploratory factor analysis

Finding 1

The components of Customer Experience can be grouped under 8 factors.

The first factor groups variables that are related to banks' focus on customers, in terms of providing individual attention and care, offering innovative solutions that satisfies their

banking needs, being highly responsive, matching their expectations, and caring to build a long-term relationship with them, which all would let the customers enjoy visiting their banks.

The second factor reflects banks' adoption and use of technology, in particular, for their ATMs and during their advertising campaigns.

The third factor revolves around customers' intrinsic evaluation of their experiences with their banks.

The fourth factor is related to banks' online channels, especially the mobile and internet banking services, and the loan simulators.

The fifth factor groups variables related to banks' fees, charges, and interest rates.

The sixth factor reflects customers' tendency to switch their banks, and to compare products and services between banks prior to purchase.

The seventh factor shows customers' readiness to pay additional charges for additional benefits, and to buy more products and services from their main bank.

Finally, the eighth factor is related to customers' willingness to have a long-term relationship with their main bank, which can be an indicator of satisfaction.

Findings from the multiple regression analysis

Finding 2

“I purchase products/services from my main bank, without comparing them with others”” correlates the most with Customer Loyalty, with a coefficient of 0.535.

An explanation can be found in the literature, where, according to Boonlertvanich (2011), service loyalty is the willingness of a customer to continue having service from the same provider, and can be observed from a repurchase behavior or first-in-mind option even though there are many available options.

Finding 3

“I feel proud of my bank’s advertising campaigns and reputation,” “I have never considered switching my main bank,” and “My bank cares about building a long-lasting relationship with me,” are statistically significant in predicting an increase in Customer Loyalty, where they explain 41.4% of the variation in Customer Loyalty.

Indeed, advertising campaigns and reputation are part of a bank’s branding. According to Sharma & Sharma (2011), experiential marketing increases the brand image, which can increase brand loyalty. On the other hand, switching tendency is naturally related to loyalty, since the more customers do not tend to switch their banks, the more loyal they are. Finally, according to Jacoby & Robert (1978), many banks focus on maintaining long-term relationship with their customers via increasing customer loyalty. Thus, the more the customers feel that their bank cares about building a long-lasting relationship with them, the more loyal they become.

Findings from the independent samples t-test

Finding 4

Customer Loyalty is slightly higher in the group of people dealing with one bank than the group of people dealing with more than one bank. However, this difference is not significant.

Many people do not necessarily feel disloyal because they deal with more than one bank. In fact, the survey shows that that people deal with different banks because they have different banking activities, or they want to compare products or services prior to purchase, or even because they would feel more secure by diversifying their deposits.

Finding 5

Overall, Customer Experience is not significantly different between people dealing with a single bank, and people dealing with more than one bank.

In particular, among the 25 components (independent variables) of Customer Experience, only 4 are significantly different between the 2 groups.

The 4 variables with significant differences are: (1) “I am satisfied with my bank’s fees/charges,” (2) “My bank’s staff is highly and rapidly responsive,” (3) “My bank matches my expectations,” and (4) “My bank cares about building a long-lasting relationship with me.” The means of these variables are higher in the group of respondents who deal with a single bank.

On the other hand, among all independent variables 60% of the Customer Experience components have higher means in the group of people dealing with one bank, with 16% being significantly higher, and 44% being slightly higher.

Findings from one-way ANOVA

Finding 6

Customer Experience is not significantly different in all its aspects between groups of Promoter, Passively satisfied and Detractor.

In particular, 12 variables are significantly different between the 3 groups of loyalty, while 7 variables are not significantly different among the 3 groups.

Among the independent variables with significance differences, 75% have the highest means in the Promoter group, while 25% have the highest means in the Passively satisfied group.

Among all the independent variables, 73.7% have the highest means in the Promoter group, while 26.3% have the highest means in the Passively satisfied group.

We can observe that means of Customer Experience components are mostly higher for the Promoters group, which is the group of strongly loyal customers.

Combining this conclusion with the findings of the regression analysis, we can conclude that positive Customer Experiences have positive impacts on Customer Loyalty in the Lebanese retail banking sector.

RECOMMENDATIONS

During every interaction, at each stage, and at every touch-point, customers always have an experience. It might be good, bad or indifferent; the key is how effectively the bank will manage the experience.

Banks' "Know Your Customer" philosophy must go beyond gathering personal and professional information about the customers. To fully "Know Your Customer," you must also know about their expectations in terms of product functionality, service delivery, and desired experiences. As Berry et al. (2002) state, "companies must gain an understanding of the customer's journey – from the expectations they have before the experience occurs to the assessments they are likely to make when it's over."

Through customer and employee surveys, interviews, and behavioral analysis, banks must gather experience data, then group them into categories and derive a work plan for each one. These categories are related to (1) physical interaction with the premises, staff and products/services, (2) emotional engagement with the premises, staff and products/services (3) technology and online delivery channels, (4) advertising campaigns, (5) fees and interest rates, (6) loyalty programs, and (8) customer service and relationship management.

Senior management should empower employees to enhance customer experiences. As Stephen Covey states, "the front line now produces the bottom line. That is where leadership needs to be, at the front line. Stop telling the front line what to do and let them be leaders" (cited by R.T.R. Varma, 2012).

Moreover, the 3 predictors of loyalty revealed by the regression analysis should be the subject of focus. In particular, customers have to “feel proud of their bank’s advertising campaigns and reputation.” This can be ensured through effective branding strategies. Customers must “never consider switching their main bank,” which can be done through implementation of loyalty programs. Customers must feel that “their bank cares about building a long-lasting relationship with them”. Here comes the role of effective customer relationship management.

Other areas of improvement are the components that have means less than 3, which mean neutral or less, as shown in the descriptive statistics.

Thus, banks have to provide memorable experiences to their customers. They can do so by organizing non-banking events and activities that engage customers, especially entertainment activities that delight them or activities with social impact on the community.

They must reduce their file fees and interest rates. This reduction will certainly be offset by increased satisfaction and loyalty.

Banking products and services must be developed in a way that emotionally pleases customers. Such “emotions” can be input by offering customized products/services that takes customers’ situation and needs into consideration, and helps in solving their financial problems, which eventually leaves them emotionally satisfied.

Branches’ environmental and design settings must be appealing for customers. In addition, friendly and familiar faces are important to make customers feel home.

Banks offerings must be reliable and acknowledged as the best in the market, so that their customers purchase products and services without comparing them with other banks.

LIMITATIONS

The statistical analysis faced some limitations in terms of the sample size. In fact, we were able to gather 82.5% of the required size for multiple regression analysis.

On the other hand, the surveying process was not totally random, as it was done within malls in Beirut and Metn, in addition to personal contacts and acquaintances that filled the survey themselves, or assisted in gathering surveys from their workplaces.

SUGGESTIONS FOR FUTURE RESEARCH

In 2005, Bain & Co. surveyed 362 firms. They found the existence of a “delivery gap” between experiences that companies believe they offer, and what customers perceive (Allen, Reichheld, Hamilton & Markey, 2005). This can be suggested as an area for future studies, in order to find out if banks’ delivery of customer experiences matches indeed their customers’ perceptions.

Another area for further development is to define a “Customer Experience Score,” similar to the Net Promoter Score for loyalty. This will allow us to compare customer experiences in all banks, individually, or by groups.

APPENDIX I: SURVEY QUESTIONNAIRE

No.	Kindly consider any mention of the term “bank” as your main bank, and fill the check box that indicates your level of agreement with the statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am satisfied with my bank’s fees/charges					
2	I am satisfied with the interest rates on my deposits					
3	I am satisfied with the interest rates on my loans					
4	I feel my bank offers me unique attention and care					
5	My bank offers innovative solutions that make my life easier and satisfy all my banking needs					
6	I have lived one or more memorable events/experiences with my bank					
7	My bank shares information openly and honestly					
8	My bank’s staff is highly and rapidly responsive					
9	My bank’s products/services are easy to use					
10	My bank matches my expectations					
11	I find it fun and enjoyable to visit my bank					
12	I am ready to pay more charges/fees to receive outstanding treatment					
13	I am ready to buy more products/services from my bank					
14	I want to have a long-term relationship with my bank					
15	My bank cares about building a long-lasting relationship with me					
16	I find the loan simulators very important					
17	My bank’s ATMs are user-friendly					
18	My bank’s internet banking is very helpful					
19	My bank’s mobile banking is very helpful					
20	I feel proud of my bank’s advertising campaigns and reputation					

21	The banking products/services that I purchase have great emotional meaning for me					
22	My bank pioneers in adopting the latest technologies					
23	I purchase products/services from my main bank, without comparing them with others'					
24	I tell about my experiences with my bank to my family, friends and colleagues					
25	I have never considered switching my main bank					

26. How many banks do you deal with?

☐ 1 ☐ 2 ☐ 3 ☐ 4 or more

27. If you deal with one bank, please specify the best reason:

28. If you deal with more than one bank, please specify the best reason:

29. Kindly name the main bank that you deal with (required for statistical reasons):

30. What is the most important factor that can strengthen your loyalty towards your bank?

31. How likely is it that you would recommend your main bank to a friend or colleague? 0 means “not likely at all”, 5 means “neutral” and 10 means extremely likely.

Not likely at all					neutral				extremely likely	
0	1	2	3	4	5	6	7	8	9	10

APPENDIX II: CORRELATION MATRIX

			Correlation Matrix ^a																																			
			I am satisfied with my bank's fees and charges	I am satisfied with the interest rates on my deposits	I am satisfied with the interest rates on my loans	I feel my bank offers me unique attention and care	My bank offers innovative solutions that make my life easier and satisfy all my banking needs	I have had one or more memorable experiences with my bank	My bank shares information openly and honestly	My bank's staff are highly and rapidly responsive	My bank's products/services are easy to use	My bank matches my expectations	I feel it fun and enjoyable to visit my bank	I am ready to pay more than others to receive outstanding treatment	I am ready to top more products/services from my bank	I want to have a long-term relationship with my bank	My bank cares about building a long-lasting relationship with me	I find the loan simulations very important	My bank's ATMs are convenient	My bank's internet banking is very helpful	My bank's mobile banking is very useful	I feel proud of my bank's advertising campaigns and reputation	The banking products/services that I purchase have great emotional meaning for me	My bank pioneers in adopting the latest technologies	I purchase products/services from my main bank, without comparing them with others	I feel about my experiences with my bank to my family, friends and colleagues	I have never considered switching my main bank											
Correlation	I am satisfied with my bank's fees and charges	1.000	.414	.277	.261	.385	.338	.263	.313	.242	.331	.164	.111	.234	.134	.277	.147	.217	-.036	.069	.351	.242	.154	-.008	.264	.238												
	I am satisfied with the interest rates on my deposits	.414	1.000	.318	.091	.263	.338	.252	.309	.133	.342	.151	.111	.234	.134	.277	.147	.217	-.036	.069	.351	.242	.154	-.008	.264	.238												
	I am satisfied with the interest rates on my loans	.277	.318	1.000	.177	.222	.148	.164	.238	.119	.243	.266	.087	.189	.197	.136	.175	-.142	-.138	.048	.163	.194	.039	.225	.153	.265												
	I feel my bank offers me unique attention and care	.261	.091	.177	1.000	.382	.340	.144	.311	-.317	.355	.351	-.024	.841	.008	.351	-.027	.366	.118	.067	.224	.286	.126	.107	.038	.188												
	My bank offers innovative solutions that make my life easier and satisfy all my banking needs	.385	.263	.222	.362	1.000	.266	.361	.358	.334	.553	.388	.156	.231	.147	.364	.122	.191	.234	.135	.374	.328	.283	.165	.027	.192												
	I have had one or more memorable experiences with my bank	.338	.338	.148	.340	.266	1.000	.153	.160	.246	.285	.363	.056	.224	.158	.283	.165	.368	.115	-.001	.641	.327	.145	-.035	.470	.356												
	My bank shares information openly and honestly	.263	.252	.164	.144	.361	.158	1.000	.161	.317	.384	.130	.148	.132	.313	.414	.076	.196	.121	-.109	.263	.265	.241	.205	.201	.284												
	My bank's staff are highly and rapidly responsive	.242	.309	.238	.311	.388	.168	.361	1.000	.422	.529	.402	.640	.130	.386	.485	.051	.285	.192	.163	.213	.226	.377	.062	.057	.288												
	My bank's products/services are easy to use	.242	.333	.119	-.017	.334	.246	.317	.422	1.000	.429	.231	-.007	.387	.255	.437	.128	.261	.173	.163	.263	.384	.357	.165	.147	.188												
	My bank matches my expectations	.301	.342	.243	.255	.553	.285	.384	.529	.429	1.000	.435	.164	.196	.185	.522	.052	.312	.189	.108	.427	.283	.287	.129	.288	.327												
	I feel it fun and enjoyable to visit my bank	.194	.131	.266	.351	.388	.388	.133	.402	.231	.405	1.000	.630	.136	-.072	.409	.361	-.308	.048	.120	.059	.388	.316	.004	.178	.194												
	I am ready to pay more than others to receive outstanding treatment	.070	.111	.087	-.024	.156	.268	.145	.040	-.087	.154	.020	1.000	.410	.148	-.030	.019	.306	-.138	.009	.235	.234	.110	.041	.170	.371												
	I am ready to top more products/services from my bank	.141	.234	.109	.041	.231	.224	.132	.150	.287	.196	.158	.410	1.000	.185	.213	.378	.184	.181	.315	.365	.486	.178	.094	.322	.364												
	I want to have a long-term relationship with my bank	.168	.134	.167	.068	.147	.168	.313	.136	.285	.185	-.072	.148	.145	1.000	.286	.079	.180	.218	.211	.375	.218	.130	-.019	.283													
	My bank cares about building a long-lasting relationship with me	.263	.237	.135	.351	.384	.283	.414	.485	.437	.522	.409	.630	.213	.286	1.000	.122	.315	.315	.187	.260	.286	.318	.009	.289	.180												
	I find the loan simulations very important	.036	.147	.175	-.057	.122	.165	.075	.051	.128	.082	.181	.019	.378	.079	.122	1.000	.327	.359	.210	.350	.410	.166	-.015	.210	-.362												
	My bank's ATMs are convenient	.168	.217	-.140	.059	.191	.268	.166	.265	.261	.312	-.039	.036	.184	.189	.315	.327	1.000	.341	.228	.486	.238	.434	-.005	.169	-.334												
	My bank's internet banking is very helpful	.177	-.036	-.102	.168	.284	.115	.121	.162	.273	.189	.048	-.181	.218	.281	.359	.341	1.000	.437	.267	.165	.357	.011	.207	-.127													
	My bank's mobile banking is very helpful	.185	.049	.048	.067	.136	-.001	-.109	.168	.193	.138	.120	.009	.315	.272	.167	.236	.437	1.000	.265	.276	.245	.161	.067	.314													
	I feel proud of my bank's advertising campaigns and reputation	.380	.351	.183	.224	.374	.341	.263	.313	.263	.427	.059	.235	.385	.211	.290	.250	.486	.237	.265	1.000	.435	.485	.061	.283	.385												
	The banking products/services that I purchase have great emotional meaning for me	.248	.242	.184	.098	.328	.327	.255	.126	.384	.293	.369	.234	.486	-.027	.290	.410	.238	.189	.270	.435	1.000	.324	.222	.382	.170												
	My bank pioneers in adopting the latest technologies	.388	.154	.099	.128	.383	.145	.241	.377	.367	.287	.115	.110	.170	.228	.319	.166	.484	.367	.245	.485	.324	1.000	.163	.341	.141												
	I purchase products/services from my main bank, without comparing them with others	.177	-.038	.225	.107	.165	-.036	.205	.042	.145	.129	.064	.041	.884	.130	.009	-.016	-.381	-.011	.191	.041	.222	.153	1.000	.047	.536												
	I feel about my experiences with my bank to my family, friends and colleagues	.238	.284	.153	.038	.887	.478	.201	.057	.147	.288	.178	.170	.322	-.013	.289	.210	.158	.237	.067	.283	.382	.341	.047	1.000	.137												
	I have never considered switching my main bank	.285	.239	.285	.108	.192	.288	.294	.289	.188	.327	.155	.071	.884	.283	.180	-.062	-.334	-.127	-.019	.085	.110	.145	.535	.137	1.000												
Sig. (2-tailed)	I am satisfied with my bank's fees and charges	.000		.008	.002	.004	.881	.384	.003	.015	.087	.031	.025	.241	.078	.139	.004	.347	.345	.037	.031	.001	.388	.019	.037	.008	.000											
	I am satisfied with the interest rates on my deposits	.000		.001	.180	.884	.351	.005	.001	.880	.008	.064	.132	.889	.147	.002	.008	.314	.477	.159	.000	.387	.009	.469	.002	.000												
	I am satisfied with the interest rates on my loans	.002	.031		.037	.012	.071	.049	.008	.116	.032	.001	.160	.136	.046	.086	.039	.380	.157	.315	.026	.025	.344	.011	.002	.002												
	I feel my bank offers me unique attention and care	.004	.188	.037		.880	.192	.073	.000	.431	.008	.000	.454	.325	.249	.000	.264	.155	.045	.190	.011	.168	.103	.142	.251	.138												
	My bank offers innovative solutions that make my life easier and satisfy all my banking needs	.001	.034	.012	.000		.254	.000	.000	.880	.008	.000	.058	.010	.009	.000	.110	.305	.019	.087	.000	.386	.002	.048	.472	.028												
	I have had one or more memorable experiences with my bank	.384	.351	.071	.162	.354		.065	.044	.086	.033	.080	.288	.011	.054	.002	.448	.218	.123	.486	.341	.386	.073	.383	.000	.388												
	My bank shares information openly and honestly	.003	.035	.049	.073	.880	.265		.000	.881	.008	.066	.070	.881	.031	.000	.221	.368	.111	.135	.004	.385	.037	.019	.021	.381												
	My bank's staff are highly and rapidly responsive	.015	.031	.008	.000	.880	.264	.000		.880	.008	.000	.344	.885	.008	.000	.305	.382	.033	.054	.016	.311	.008	.267	.283	.383												
	My bank's products/services are easy to use	.007	.048	.115	.421	.880	.208	.001	.000		.008	.009	.473	.816	.005	.000	.059	.084	.033	.025	.004	.381	.008	.048	.069	.028												
	My bank matches my expectations	.001	.038	.007	.000	.880	.203	.000	.000	.880		.000	.000	.649	.823	.031	.000	.179	.381	.028	.138	.000	.381	.002	.097	.002	.000											
	I feel it fun and enjoyable to visit my bank	.015	.044	.001	.000	.880	.288	.004	.000	.880	.008	.008	.008	.422	.866	.334	.000	.034	.363	.115	.114	.376	.386	.171	.293	.036												
	I am ready to pay more than others to receive outstanding treatment	.241	.132	.180	.404	.888	.288	.073	.144	.473	.049	.422		.880	.087	.381	.426	.359	.029	.464	.009	.386	.134	.343	.043	.238												
	I am ready to top more products/services from my bank	.018	.039	.135	.329	.810	.011	.091	.005	.818	.023	.056	.000		.031	.015	.000	.332	.034	.001	.000	.386	.043	.171	.000	.280												
	I want to have a long-term relationship with my bank	.136	.147	.045	.249	.888	.264	.001	.000	.885	.031	.238	.067	.831																								

LIST OF REFERENCES

- Bennett, R., Bove, L. (2002). Identifying the Key Issues for Measuring Loyalty. *Australasian Journal of Market Research*, 9(2), 27-44. Retrieved November 8, 2012, from <http://eprints.qut.edu.au/10634/1/10634b.pdf>
- Berry, L., Carbone, L., Haeckel, S., (2002). Managing the Total Customer Experience. MIT Sloan Management Review Spring 2002, Volume 43, Number 3. Retrieved April 17, 2011, from <http://sloanreview.mit.edu/the-magazine/2002-spring/4339/managing-the-total-customer-experience/>
- Berry, L., Wall, E., Carbone, L. (2006). Service Clues and Customer Assessment of the Service Experience: Lessons from Marketing. (Academy of Management Perspectives). Retrieved March 27, 2011, from http://omqrvtqm.apollohosting.com/new_wp2/downloads/Service_Clues_AMP_5-06_Berry_Wall_Carbone.pdf
- Blut, M., Evanschitzky, H., Vogel, V., Ahlert, D. (2007). Switching Barriers in the Four-Stage Loyalty Model. *Advances in Consumer Research* (Volume 34), 726-734. Retrieved November 8, 2012, from www.acrwebsite.org/volumes/v34/500528_101350_v1.pdf
- Boonlertvanich, K. (2011). Effect of Customer Perceived Value on Satisfaction and Customer Loyalty in Banking Service: the Moderating Effect of Main-Bank Status. *International Journal of Business Research*, Volume 11, Number 6, 40-54.
- Boswijk, A., Thijssen, T., Peelen, E. (2007). A New Perspective on the Experience Economy. (The European Centre for the Experience Economy) The Netherlands. Retrieved October 9, 2011, from <http://yuiworld.files.wordpress.com/2011/07/1-a-new-perspective-on-the-experience-economy.pdf>
- Brakus, J., Schmitt, B., Zarantonello, L. (2009). Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty? *Journal of Marketing* Vol. 73 (May 2009), 52–68. Retrieved October 5, 2011, from <http://bear.warrington.ufl.edu/weitz/mar7786/Articles/brakus%20et%20al%202009%20brand%20experience.pdf>
- Chakravorti, S. (2011). Managing Organizational Culture Change and Knowledge to Enhance Customer Experiences: Analysis and Framework. *Journal of Strategic Marketing* Vol. 19, No. 2, April 2011, 123–151.
- Chang, T. Y., Horng, S. C. (2010). Conceptualizing and Measuring Experience Quality: the Customer's Perspective. *The Service Industries Journal* Vol. 30, No. 14, December 2010, 2401–2419.

- Ernst & Young (2012). Global Consumer Banking Survey 2012. Retrieved October 26, 2012, from [http://www.ey.com/Publication/vwLUAssets/Global_Consumer_Banking_Survey_2012_The_customer_takes_control/\\$FILE/Global_Consumer_Banking_Survey_2012.pdf](http://www.ey.com/Publication/vwLUAssets/Global_Consumer_Banking_Survey_2012_The_customer_takes_control/$FILE/Global_Consumer_Banking_Survey_2012.pdf)
- Hallowell, R. (1996). The Relationships of Customer Satisfaction, Customer Loyalty, and Profitability: an Empirical Study. *International Journal of Service Industry Management*, Vol. 7 No. 4, 27-42. Retrieved April 17, 2011, from http://www.emeraldinsight.com/journals.htm?articleid=851602&show=html&WT.mc_id=alsoread
- Holbrook, M, Hirschman, E. (1982). The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun. *The Journal of Consumer Research*, Vol. 9, No. 2.(Sep., 1982), pp. 132-140. Retrieved May 15, 2011, from http://www.dies.uniud.it/tl_files/utenti/crisci/1982%20Holbrook.pdf
- Ismail, A., Melewar, T., Lim, L., Woodside, A. (2011). Customer experiences with brands: Literature review and research directions. *The Marketing Review*, Vol. 11, No. 3, 205-225. Retrieved October 14, 2012, from <http://dx.doi.org/10.1362/146934711X589435>
- Kustini, N. (2011). Experiential Marketing, Emotional Branding, and Brand Trust and their Effect on Loyalty on Honda Motorcycle Product. *Journal of Economics, Business and Accountancy Ventura*, Volume 14, No. 1, April 2011, 19-28. Retrieved October 26, 2012, from <http://academicjournalonline.com>
- Lemke, F., Clark, M., Wilson, H., (2011). Customer experience quality: an exploration in business and consumer contexts using repertory grid technique. *Journal of the Academic Marketing Science*, 39, 846–869. Retrieved October 14, 2012, from http://www.wiwiss.fu-berlin.de/institute/marketing/dateianhang/SS2012_LemkeClarkWilson_CEQ_JAMS11_AsPublishedOnline.pdf
- Meyer, C., Schwager, A. (2007). Understanding Customer Experience. *Harvard Business Review*, February 2007. Retrieved April 17, 2011, from <http://www.dea.univr.it/documenti/Avviso/all/all845856.pdf>
- Oladele, P., Akeke, N. (2012). Effect of Customer Satisfaction on Customer Loyalty Among Selected Bank Customers in Ado-Ekiti Metropolis, Nigeria. *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 3, No 11, 228-236. Retrieved October 14, 2012, from <http://journal-archievs16.webs.com/228-236.pdf>
- Peppers & Rogers Group (2012). The ROI of Customer Experience. Retrieved February 16, 2012, from http://www.teletech.com/media/15161385/the_roi_of_customer_experience_prg.pdf

- Pine, J., Gilmore, J. (1998). Welcome to the Experience Economy. Harvard Business Review, July-August 1998, 97-105.
- Pullman, M., Gross, M. (2004). Ability of Experience Design Elements to Elicit Emotions and Loyalty Behaviors. Decision Sciences, Volume 35, Number 3, Summer 2004, 551-578. Retrieved November 2, 2012, from <http://jungkirbalik.files.wordpress.com/2008/05/ability-of-experience-design-elements.pdf>
- Reichheld, F. (2003). The One Number You Need to Grow. Harvard Business Review, December 2003. Retrieved November 8, 2012, from <http://clients.marketingsavant.com/smbootcamp/docs/academics/The%20One%20Number%20You%20Need%20to%20Grow.pdf>
- Rossat, J., Larsen, J., Ruta, D., Wawrzynosek, M. (1998). Customer loyalty, a literature review & analysis. (UNIPED/EURELECTRIC Documentation) Brussels, Belgium. Retrieved October 29, 2012, from www.eurelectric.org/Download/Download.aspx?DocumentID=2965
- Sathish, A., Venkatesakumar, R. (2011). Coffee Experience and Drivers of Satisfaction, Loyalty in a Coffee outlet- With special reference to “café coffee day”. The Journal Contemporary Management Research 2011, Vol.5, No. 2, 1-13.
- Schmitt, B. (2003). Competitive Advantage Through The Customer Experience. The EX Group. Retrieved October 26, 2012, from http://www.exgroup.com/thought_leadership/articles/competitive_advantage_cem.pdf
- Sharma, R., Sharma, V. (2011). Experiential Marketing: a Contemporary Marketing Mix. International Journal of Management and Strategy, Vol. No. II, Issue 3, July-Dec 2011. Retrieved October 26, 2012, from [http://www.facultyjournal.com/webmaster/upload/Paper_\(Dr._Rachna_Sharma_and_Dr._Vishal_Sharma\).pdf](http://www.facultyjournal.com/webmaster/upload/Paper_(Dr._Rachna_Sharma_and_Dr._Vishal_Sharma).pdf)
- Siddiqi, K. (2010). Interrelations between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh. (International Trade & Academic Research Conference - ITARC). London, UK.
- Siddiqi, K. (2011). The Drivers of Customer Loyalty to Retail Banks: An Empirical Study in Bangladesh. Industrial Engineering Letters Vol. 1, No.1, 40-55. Retrieved October 29, 2012, from www.iiste.org/Journals/index.php/IEL/article/download/639/532

- Starr, M., Arussy, L., Blackmire, M. (2009). 2009 Customer Experience Consumer Study. Strativity Group Research Report. Retrieved August, 25, 2011, from <http://www.strativity.com/media/2009%20Customer%20Experience%20Consumer%20Study.pdf>
- Starr, M., Arussy, L., Blackmire, M., Yurowitz, R. (2010). 2010 Consumer Experience Study. Strativity Group Research Report. Retrieved August, 25, 2011, from www.strativity.com/media/2010%20Consumer%20Study.pdf
- Toffler, A. (1970). The Future Shock. New York. A Bantam Book. Retrieved October 5, 2011, from <http://resource.1st.ir/PortalImageDb/ScientificContent/eae29e30-4f13-4016-8dc4-95f8ff7e1209/Future%20Shock.pdf>
- Verhoef, P., Lemon, K., Parasuraman, A., Roggeveen, A., Tsiros, M., Schlesinger, L., (2009). Customer Experience Creation: Determinants, Dynamics and Management Strategies. Journal of Retailing 85 (1, 2009) 31–41. Retrieved March 27, 2011, from http://129.125.2.51/staff/p.c.verhoef/JR_Customer_experience.pdf