



# The effect of digital design in retail banking on customers' commitment and loyalty: The mediating role of positive affect



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## ABSTRACT

Facing an exodus of customers, some banks want to propose a new customer experience in their branches, notably with digital proposals to enhance positive affective reactions. This article studies the influence of digital design factors and the mediating effect of positive affect on two important relationship marketing outcomes: customer commitment and loyalty. This approach is quite innovative because research on the impact of atmospheric factors, and especially design cues, is quite unusual in retail banking sector. The results show that digital factors have a direct effect on positive affect but no direct influence on attitudinal loyalty or commitment. Positive affect has a mediating role between digital displays and these outcomes.

## 1. Introduction

For a few years, customers have been searching for new, unique and singular relationships with brands or companies. Service providers use the store environment to generate more business and improve customer experiences (Moye and Kincade, 2002). Memorable positive experiences lead to positive behaviours towards the company and in turn forms loyal customers (Straker et al., 2015). To enhance emotional experience, the authors emphasized the notion of *emotional design*, which can be described as the emotional connection with everyday products or services.

Banks have realized significant investment in modernizing their agencies, due to many factors as development of on-line transactions, and low-cost banking extensive debit usage that put pressure on them (Allard et al., 2009). Long-established banks have to make different types of improvements in their branches to attract back customers, such as opening in grocery stores, abolishing waiting lines for sofas (Allard et al., 2009). Long-established French banks faced a decline of visits in their branches about 3% between 2004 and 2012 (Latribune.fr 05/05/2015). In response, new branches have been proposed, integrating new digital technologies (with products and information through digital and interactive displays) and modern and open spaces (new wall and floor covering). Creating a superior customer experience is becoming a central objective for differentiation, notably in retailing environments (Srivastava and Kaul, 2016). Customer experience management includes every point of customer contact with products, services or businesses (Grewal et al., 2009). This customer experience depends

on different determinants, such as the social environment, service interface, assortment, price, promotions and retail atmosphere (Puccinelli et al., 2009; Verhoef et al., 2009).

Retail atmospheric stimuli are manipulated by retailers and recognizable by consumer senses (Turley and Chebat, 2002). More than forty years after Kotler (1973) noted the importance of the retail atmosphere for purchase decisions, marketing literature has affirmed the importance of a range of environmental and atmospheric variables (Poncin and Ben Mimoun, 2014), and numerous studies have established the relationships between store atmospherics and consumer behaviour (Turley and Milliman, and Baker et al., 2000, 2002). The term atmospherics has been described as “the conscious designing” of space to create certain effects in buyers (Kotler, 1973). More specifically, Baker (1986) has developed a typology categorizing the environmental elements into three categories: ambient, design and social factors. Some studies evaluate environments as a whole and others focus on individual aspects (ambient, design or social). In the field of bank, previous researches have studied influence of ambient factors (music) on customer emotional response (Dube and al, 1995) or on perceived wait duration (Hui et al., 1997). Greenland and McGoldrick (2005) identified also positive influence of ambient and design factors on favourable customer reaction. In retail banking, design factors can include both functional (modern and open layout for instance) and aesthetic elements (new colours, new digital technologies, classic versus modern style with wooden floor) (Marans and Spreckelmeyer, 1982). Digital design factors impact on behavioural outcomes, such as commitment and loyalty, have not been yet studied.

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Our research focalises on these digital design factors and the study answers several questions: 1) Do digital design elements, in the bank retailing context, trigger consumer positive affect and influence, commitment and loyalty? 2) Could this positive affect also influence consumer commitment, and loyalty? Specifically, we want to investigate the mediating role of positive affect generated by a digital design on two important relationship marketing outcomes, which are customer commitment, and loyalty.

## 2. Theoretical background

This research investigates the capacity of design elements in retail banking to enhance positive affective reactions and to influence behavioural outcomes such as commitment and loyalty.

### 2.1. Digital design and its effect on in-store emotions

In the field of environmental psychology, Mehrabian and Russell (1974) suggested that environmental stimuli lead to an emotional response, which, in turn, drives customers' behavioural response. According to these authors, customers show three emotional states, pleasure, arousal and dominance, which result in contrasting consumer behaviours. Using this framework, several authors (Baker et al., 1992; Donovan et al., 1994; Kaltcheva and Weitz, 2006) have explored how retail stores might affect the emotional states and subsequent purchasing behaviours of consumers (Ballantine et al., 2010). Pleasure is a powerful determinant of approach avoidance behaviour (Donovan et al., 1994). Likewise, Straker and Wrigley (2016) highlight the important role of customer emotions in the decision-making process. For service firms, emotions play an important mediating role in the link between experiencing the service and the customer's subsequent behaviour. Wrigley (2013) proposed the notion of *emotional design* which fit with the ability of eliciting emotion through the manipulation of the sensory qualities of a product. In this way, the environment within the consumer and the product interact compose a design dialogue which may generate positive affective responses. This positive emotional experience will, in turn, lead to positive behaviour toward the company, such as loyalty (Straker et al., 2015). In the service field, the emotional design will include all the store environmental elements. More specifically, design factors have been defined by Baker (1986) as the store environmental elements that are visual, and may be functional (as layout, comfort, and privacy) and/or aesthetic (as architecture, color, materials and style) (Marans and Spreckelmeyer, 1982). In retail banking, design factors can include both functional (modern and open layout for instance) and aesthetic (new colours, new digital technologies, classic versus modern style with wooden floor) elements. Concerning the functional elements, Greenland and McGoldrick (2005) showed that modern styles designs in retail banking conduce to better emotional response ratings. Concerning the aesthetic elements, Kim et al. (2007), Wang et al. (2012) observed that richer technology leads to greater enjoyment. Pantano and Servidio (2012) considered enjoyment as positively related to users' satisfaction with some specific technologies. Digital can increase the total service experience by stimulating pleasure and evoking an affective experience (Dennis et al., 2013) and also exert a positive impact on shoppers' spending, with a mediating effect of positive affect (Dennis et al., 2010, 2012). Because most retail atmospheric stimuli focus on developing positive affect, we concentrate on the positive affective reactions that consumers feel during their in-store experience with digital elements. The first hypothesis can be formulated as follows:

**H1.** *Digital design will positively influence customers' positive affect.*

### 2.2. Digital design effects on commitment and loyalty

The customer experience induces various attitudinal and behaviour-

al responses. Managing customers' experience is one of the most important ingredients in building customer loyalty (Crosby and Johnson, 2007). Customer loyalty has often been considered as a central issue for business, which can be defined as a customer's sense of identification with the employees, services or products of a company (Jones and Sasser, 1995). Loyalty is a multi-dimensional construct including purchase intention, recommendations, word of mouth, price tolerance, complaint behaviour and propensity to leave (Kumar et al., 2006). Behavioural loyalty and attitudinal loyalty are two distinctive constructs of loyalty (Baumann et al., 2011; Chen, 2012; Srivastava and Kaul, 2016). Attitudinal loyalty explains a consumer's identification with a particular service provider and the preference for one product or service over alternatives (Jones and Taylor, 2007; Kumar and Reinartz, 2006). When a customer is behaviourally loyal, he intends to repurchase the same brand and accordingly maintain a relationship with a particular service provider (Andreasen and Lindestad, 1998; Jones and Taylor, 2007; Russell-Benett et al., 2007). In the banking context, when clients subscribe to credit, they cannot change service provider. Behavioural loyalty may be more difficult to evaluate in the banking context than in other retailing contexts, such as malls. Hence, only attitudinal loyalty will be studied in this context.

Technology is an important element for constructing an appealing store atmosphere (Poncin and Ben Mimoun, 2014). The latter influences attitudinal loyalty (Yeng et al., 2013). When customers have a good experience in a new digitally designed bank agency (creation of positive affect), they will be more loyal toward the bank (positive word of mouth) than to a classical agency without digital design, leading to the following hypothesis:

**H2.** *Digital design will positively influence customers' attitudinal loyalty.*

**H3.** *Influence of digital design on attitudinal loyalty is mediated by positive affect*

Commitment has been identified as one of the most important constructs in the field of relationship marketing (Morgan and Hunt, 1994). It is a pledge of continuity between relational partners (Gundlach et al., 1995). Various definitions are available, suggesting two major dimensions of relationship commitment: affective and continuance (Fullerton, 2003). Continuance commitment is more rational, that is, an economic-based dependence on products' or services' benefits due to a lack of alternative choices (Anderson and Weitz, 1992; Dwyer et al., 1987). Affective commitment is more emotional and is linked to the personal involvement that a customer has with a company (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Customers tend to acquire an emotional attachment to their partner in a consumption relationship.

In the case of an airport environment, Straker and Wrigley (2016) have shown, that customer emotional experience can be different across the service's stages, and in some cases, digital channel design can enhance positive reactions, and also customers' engagement. Therefore, digital design may have influence on customer behaviour and will strengthen the sense of identification (affective commitment) and the willingness to stay with the bank (meaning that it is more difficult to leave, that is, continuance commitment). Moreover, a customer who experiences positive affect in a new digital agency will probably feel more attached and will have a great sense of identification with the agency. Thus, in-agency positive emotions lead to a high level of customer affective commitment. In the same way, we suppose that a customer who experiences positive affect in a new digital agency will consider that there is no valid alternative in another bank and that it will be too expensive to change to another bank. Consequently, positive affect felt in an agency with digital design will produce a high level of continuance commitment, leading to the following hypothesis.

**H4.** *Digital design will positively influence customers' affective commitment.*

**H5.** *Influence of digital design on affective commitment is mediated by*

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