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LOYALTY IN BUSINESS BANKING

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INTRODUCTION

INTRODUCTION

The main purpose of this investigation is to analyze the major determinants of loyalty, for the Portuguese business banking customers in the traditional bank branch and in online banking.

The subject customer loyalty has been extensively explored in the marketing literature, especially for the private customers and small companies' bank segments.

Considerable discussion exists in the academic literature over the definition and dimensionality of loyalty. Many definitions are based in behavioral intentions (repurchase or purchase frequency), attitudinal (positive affect toward the relationship continuance), active loyalty (word of mouth and intention to use), passive loyalty (not switching under less positive conditions) and some authors propose a combination between these approaches.

Numerous studies have also been conducted to identify the benefits that customer loyalty delivers to an organization. The majority of this research has concentrated on the financial benefits derived from retaining customers, including the initial cost of introducing and attracting new customers, increases in the number of purchases, and also a reduction in defection can contribute to an increase in profits far more than an increase in the market share.

Loyalty in financial services has been viewed in relation to the length of time a customer has been with a provider, number of services used, and frequency of service use, customer´s recommendations, and customer´s price indifference, low likelihood of switching and high potential of increasing volume of product use.

Few researches have been investigating the determinants of Loyalty for the medium/large corporate bank customers.

This bank segment is more valuable and complex in terms of frequency of multiple banking relationships than the more frequently investigated retail banking market.

Recent research has revealed that there are differences between the nature of the relationship with banks depending on the firm size and as companies grow their bargaining power increases and also their number of banks used, showing that this bank segment has split banking arrangements, preferring to benefit from the relation with several banks.

In business-to-business researches the most important and frequently examined determinants of loyalty in the traditional bank environment are: Perceived Service Quality, Customer Satisfaction, Image and Perceived Switching Costs (Figure A 1)

Figure A 1- Determinants of Loyalty in the traditional bank branch
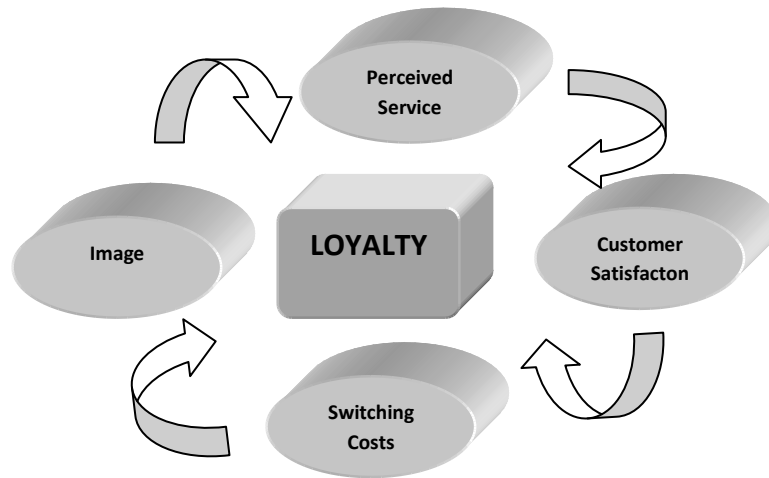
Source: own elaboration

Perceived Service Quality has been widely investigated as being the major determinant of Loyalty. It has been defined as a function of the ability to perform the promised service dependably and accurately, the willingness to help customers and provide prompt service, the knowledge and courtesy of employees and their ability to inspire trust and confidence, the individualized attention the firm provides its customers and the physical facilities, equipment and appearance of personnel, and product variety. These factors among others can contribute for building Loyalty.

Customer Satisfaction has been conceptualized from different ways in previous investigations. It has been defined as the satisfaction with the organization in general, satisfaction with the personnel, and accumulated experience of a customer's purchase and consumption experiences. From any perspective the level of satisfaction affects Loyalty.

The Image of a bank can also play an important role in retaining customers.

Many conceptualizations of Image have been advanced in the past, and it can be viewed as the customers overall impression about the bank.

The exact relationship between Image and Loyalty as still remained a matter of debate.

Switching Costs can be conceptualized as the monetary costs, time and psychological effort generated from the uncertainty of doing business with a new service provider.

These aspects can significantly also affect bank Loyalty.

Given the fact that banks invest billions in the internet infrastructure, customer satisfaction and customer Loyalty are increasingly developing into key success factors in E-banking. Most important, a profitable bank portal requires a strong focus not only on the acquisition of new customers but also on the retention of

existing ones, since the acquisition costs in online banking exceed that of traditional offline business. Consequently, establishing long-term customer relationships is a prerequisite for generating positive customer value on the Internet.

One of the purposes of this investigation is also to analyze Bank Loyalty in an online environment.

Many investigations have been analyzing the adoption of online banking and the major determinants of E-banking Loyalty, but few were the studies which analyzed these issues for business customers.

Many definitions about the concept of E-Banking Loyalty presented in previous studies have similarities with those in an offline context. For that repeat purchasing and recommendation of the service provided by the online bank to other customers, are often part of the definition.

The most frequent determinants of E-banking Loyalty analyzed in previous studies are: E-Banking Perceived Quality, E-satisfaction, E-Trust, Image and Perceived Switching Costs (Figure A 2).

Figure A 2- Determinants of E-Banking Loyalty
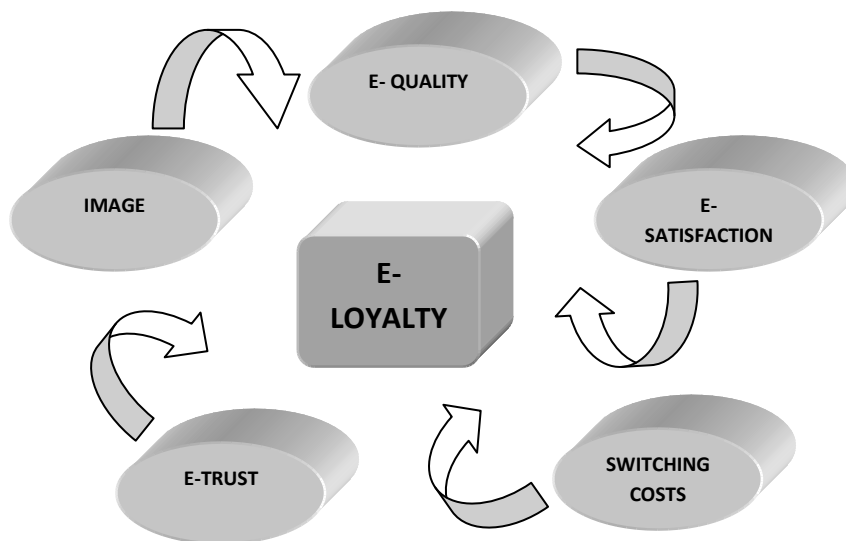
Source: own elaboration

Measuring the quality of Web sites enables banks to take corrective actions, develop an appropriate e-business strategy, and improve their operations. In order to enhance customer Loyalty, portals are required to put a strong emphasis on their customer's quality demands which are steadily increasing over time due to the growing competition in the Internet banking industry. E-Banking Service Quality is incorporated in our structural models because is an important determinant of Loyalty to the bank Web site.

A number of studies have theoretically and empirically investigated satisfaction in the traditional banking service context. Customer satisfaction with an organization's products or services is often perceived as the key to an organization's success and long-term competitiveness. Many authors mentioned that customer's satisfaction is influenced by two factors, namely experience and expectations with service performance. If the service matches the customers' expectations, the customers are satisfied. On the other hand, if the service is below their expectations, customers are dissatisfied and if the gap between their expectations and actual experience is wide, customers are likely to communicate negative word-of-mouth or in worst cases, customers never return to the organization. These are reasons as to why service organizations today are aiming for customer satisfaction as increased customer satisfaction leads to favorable word-of-mouth, customer retention and customer Loyalty. Empirical research examining the effects of service quality and satisfaction on behavioral intentions of customers in the internet banking settings however remains inadequate, especially in the business banking segment.

Trust is an important antecedent in most models dealing with relationships that include Loyalty, and it has been identified as key to e-commerce, because it is crucial wherever risk, uncertainty, and interdependence exist. The lack of customers trust, both in the attribute of the bank and in the overall on-line environment has been an obstacle in the widespread adoption of e-banking.

Customers trust in e-banking can be defined as the willingness of customers to perform on-line banking transactions, expecting that the bank will fulfill its obligations, irrespective of their ability to monitor or control banks actions.

Possessing a good Image is essential for Internet banking to be perceived as a reliable means of transaction thus becoming a satisfactory option for the customer. In an increasingly competitive market such as the banking sector, it is necessary for the management of financial institutions, to be fully aware of the corporate Image they are transmitting, as well as the Image they are attempting to transmit, in order to administer it as effectively and efficiently as possible through their marketing strategy.

This research also included Perceived Switching Costs as an antecedent of Loyalty. They can be conceptualized as the costs involved in changing from one service provider to another. In banking, customers perceive negative consequences if they switch service providers, related with financial consequences and uncertainty. Few were the investigations about the existence of switching costs in E-banking, especially for corporate customers.

There is a strong inclination in business banking towards the fact that the personal relationships generated between the bank manager and the decision maker of the company is the preferable mean trough which interactions occur. Despite the fast growing of internet banking, the technology has not replaced the need for personal interaction, on the contrary research found that as

customers become more satisfied with technological means of interaction , the importance they attach to personalized interaction increases. This means that bank managers should implement a strategy that determines an appropriate balance between personal and remote interaction, instead of trying to replace traditional means of interaction to technological one´s.

These problems have been investigated in many previous researches for private customers and small companies, but few researches investigated these issues for medium and large companies.

Despite the few large companies in Portugal, they are responsible for 42% of the total turnover, and previous studies found that the bigger companies work in average, with more than 5 banks. This means that these big volume bank customers require complex banking needs and also provide the greatest profit opportunities to the bank and is a great challenge for bank managers to develop strategies to ensure customer loyalty.

This investigation is structured in six chapters. The first chapter presents the Portuguese banking sector. It develops an overview of the financial sector and some statistics about business banking and online banking in the country.

The main purpose of the second chapter is to present some literature review about the concept of Loyalty and the influence of Perceived Service Quality on the determination of Loyalty. One major purpose is also to determine the dimensions of Perceived Service Quality in business banking and to measure the impact of this variable on Loyalty.

The aim of the third chapter is to analyze the main determinants of Bank Loyalty for business customers. We present a literature review about the main antecedents of loyalty on a business-to customer and business-to-business market and we propose a Structural Equation Model which presents the interrelations between the constructs Perceived Service Quality, Satisfaction, Image, Perceived Switching Costs and Bank Loyalty.

In the fourth chapter is introduced the concept of Loyalty in online banking. An overview of the literature review in an online environment is presented.

It was presented a model which determines the main dimensions of Perceived Service quality and their influence on the Loyalty to the bank website.

The fifth chapter proposes a Structural Equation Model for the determinants of E-Banking Loyalty, which includes the constructs E-Banking Service Quality, Trust, Satisfaction, Image, and Perceived Switching Costs.

The main purpose of this sixth chapter is to analyze the importance of the generated personal relationships and the perceived service quality in the traditional banking that may influence the perception of Perceived Service Quality and Loyalty to the bank website.

CHAPTER I

THE BANKING SECTOR IN PORTUGAL

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1.THE BANKING SECTOR IN PORTUGAL

1.1 Introduction

In 2008, the financial situation of the Portuguese economy was strongly conditioned by the crisis in the international financial markets, and by its growing interaction with global economic activity. In fact, after a long period characterized by growing financial integration of the Portuguese economy, translated by very substantial financial flows with the rest of the world, there was since the second half of 2007 a gradual reduction in the intensity of these flows, *i.e.*, smaller increases both in external liabilities and external assets (Annual Report, 2008, Banco de Portugal). According to the Financial Stability Report 2008, published by the Banco de Portugal, the Portuguese economy is small and highly integrated in economic and financial terms, and the international turmoil changed dramatically the operational environment of the country's banks. The impact was felt fundamentally in access to funds in the international wholesale markets as turbulence took its hold. In addition, substantial losses drained value from the securities and financial asset portfolio, even though Portuguese banks were not directly exposed to the assets related with the US subprime market. The focus here was the slide in shares. Despite this, Portuguese banks have demonstrated a notable capacity to adapt to a particularly unfavorable climate, having benefited from the government measures to shore up the financial system and from the changes to the regulatory framework of the Euro system monetary policy. In October, in concerted action with the authorities of countries across Europe and other advanced economies, the Portuguese government announced state guarantees to debt securities issues in Euros placed on the market by the country's banks. Some banks took advantage of the facility towards the end of the year and at the start of 2009. Nonetheless, it has still been possible for the banks to issue non-guaranteed debt, particularly in the first quarter of 2009. Against this backdrop, one of the country's banks, the BPN, was nationalized and another, the *BPP*, found itself mired in problems relating to the demarcation between its asset management operations on behalf of customers and its activity in drawing in deposits, covering a considerable part of the contracts it had with its customers. According to the Annual Report of Banco de Portugal the Portuguese economy recorded a strong recession in 2009, in a context marked by the deepest and most synchronized international recession of the post-war period. In fact, the growing and successive interaction between several economic and financial negative shocks at a global level culminated in an abrupt increase in risk aversion and in uncertainty at the end of 2008, which implied substantial falls in trade flows and in activity in the advanced, emerging and developing economies. In this context, the central banks and the

governments of several countries adopted unprecedented policy measures that limited the potential systemic risks associated with that interaction, and which contributed to stimulate economic activity. Thus, from the second quarter of 2009 onwards, the conditions in international financial markets improved significantly and there was acceleration in worldwide economic activity, even though at different speeds across regions. The evolution of the Portuguese economy reflected directly these developments, given its strong economic and financial integration.The generalized economic recovery contributed to decrease the risks regarding global financial stability throughout 2009. However, the uncertainty on the international economic outlook remains high. In fact, the need for an adjustment in financial systems, in public accounts and in the economic agents' balance sheets will tend to condition the economic dynamism in the short and medium term. Additionally, at the end of 2009 and beginning of 2010, there was an increase in sovereign risk in several economies - with prominence to some euro area countries, including Portugal - motivated by significant and non-anticipated increases in public deficits and in public debt levels, combined with the maintenance of several additional structural fragilities.

1.2 The Portuguese financial system

According to the RGICSF (Regime Geral das Instituições de Crédito e Sociedades Financeiras), approved by Decree-Law No. 298/92 of 31 December, the Portuguese financial system is composed by credit institutions and financial companies. A credit institution is an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account .A credit institution is also an undertaking which issues means of payment in the form of electronic money (see Figure 1.2.).

A financial company is an undertaking other than a credit institution, whose principal activity is to carry on one or more of the activities except for financial leasing and factoring.

The article 4 of the Decree-Law is referred to the activities that banks can carry on: Acceptance of deposits or other repayable funds; Lending, including the granting of guarantees and other commitments, financial leasing, and factoring; Money transmission services; Insurance and administration of means of payment, e.g. credit cards, traveler's cheques and bankers drafts; Trading for own account or for account of clients in Money market instruments, foreign exchange, financial futures and options, exchange or interest-rate instruments, goods and transferable securities; Participation in securities issues and placement and provision of related services; Money broking; Portfolio management and advice, safekeeping and administration of securities; Management and management consultancy in relation to the assets; Advice to undertakings on capital structure, industrial strategy and related questions as

well as advice and services relating to mergers and purchase of undertakings; Dealings in precious metals and stones; Acquisition of holdings in companies; Trading in insurance policies; Credit reference services; Safe custody services; Leasing of movable property, under the terms allowed to financial leasing companies and other credit institutions may only carry out those transactions permitted by the laws and regulations governing their activity. A financial company is an undertaking other than a credit institution, whose principal activity is to carry on one or more of the activities referred to in Article 4 except for financial leasing and factoring.

Figure 1. 1- The Portuguese Financial System
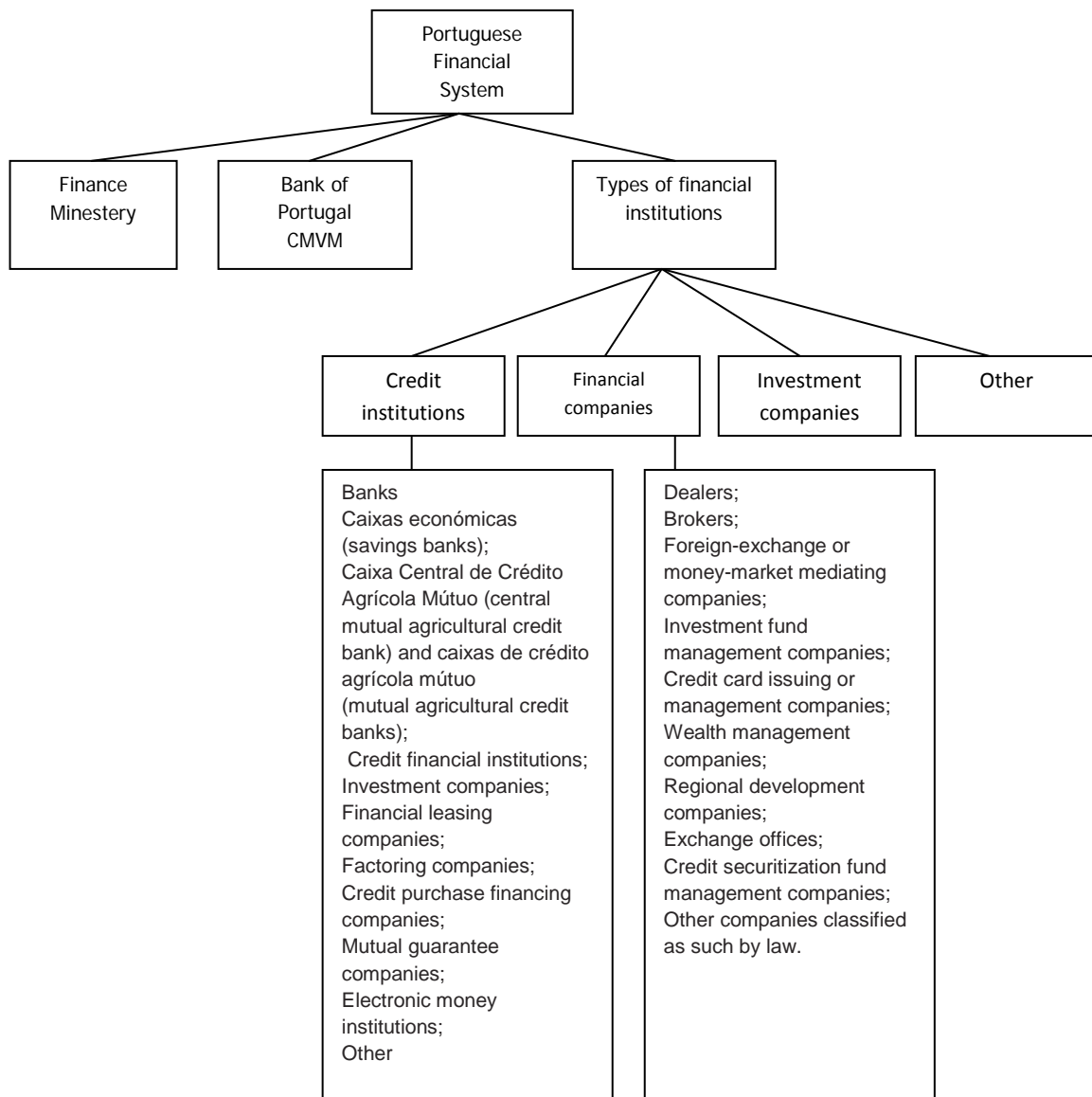
Source: Martins (2005

1.3 Financial System Features

Financial intermediation in Portugal is dominated by the banking sector. While Portugal's financial market depth is somewhat lower than the euro-area average, bank loans represent a larger source of financing for the private sector. Portuguese banks hold strategic stakes in other sectors of the economy, including the insurance sector. Foreign bank participation is relatively high as is state ownership through the Caixa Geral de Depósitos.

Although the banking market is somewhat concentrated, competitive conditions are robust. Financial liberalization and deregulation, and the creation of the European Monetary Union (EMU), helped bolster consolidation in the banking industry in Portugal. As a result, market concentration has increased. Nevertheless, a number of empirical studies suggest that competitive conditions in the Portuguese banking have remained strong.

In the next two tables we show the list of banks with activity in Portugal and some indicators.

Table 1. 1- List of banks with activity in Portugal

BANK	NAME
ABN	ABN AMRO BANK N.V.
ACTIVO BANK	BANCO ACTIVOBANK (Portugal), S.A.
BAC	BANCO ESPÍRITO SANTO DOS AÇORES, S.A.
BAI	BANCO AFRICANO DE INVESTIMENTO EUROPA, S.A.
BANCO BIC	BANCO BIC PORTUGUÊS, S.A.
BANCO INVEST	BANCO INVEST, S.A.
BANCO MAIS	BANCO MAIS, S.A.
BANIF	BANCO INTERNACIONAL DO FUNCHAL, S.A.
BANIF INV	BANIF - BANCO DE INVESTIMENTO, S.A.
BANIF SGPS	BANIF - SGPS, S.A.
BARCLAYS	BARCLAYS BANK PLC
BB	BANCO DO BRASIL, S.A.
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (Portugal) S.A.
BCP	BANCO COMERCIAL PORTUGUÊS, S.A.
BCPI	BCP INVESTIMENTO – BANCO COMERCIAL PORTUGUÊS
BES	BANCO ESPÍRITO SANTO, S.A.
BESI	BANCO ESPÍRITO SANTO DE INVESTIMENTO, S.A.
BEST	BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.
BIG	BANCO DE INVESTIMENTO GLOBAL. S.A.
B I I	BANCO DE INVESTIMENTO IMOBILIÁRIO, S.A.
BNP	BNP PARIBAS
BNP PRIVATE	BNP PARIBAS PRIVATE BANK

BPG	BANCO PORTUGUÊS DE GESTÃO
BPI	BANCO PORTUGUÊS DE INVESTIMENTO, S.A.
BANCO BPI	BANCO BPI, S.A.
BSN	BANCO SANTANDER DE NEGÓCIOS PORTUGAL, S.A.
BST	BANCO SANTANDER TOTTA, S.A.
CAIXA GALÍCIA	CAJA DE AHORROS DE GALÍCIA
CAIXA VIGO	CAIXA DE AFORROS DE VIGO, OURENSE E PONTEVEDRA
CBI	CAIXA – BANCO DE INVESTIMENTO, S.A.
CCCAM	CAIXA - BANCO DE INVESTIMENTO, S.A.
CETELEM	BANCO CETELEM, S.A.
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.
CREDIFIN	BANCO DE CRÉDITO AO CONSUMO, S.A.
DEUTSCHE BANK	DEUTSCHE BANK - DEUTSCHE BANK (PORTUGAL), S.A.
FINANTIA	BANCO FINANTIA, S.A.
FINIBANCO	FINIBANCO S.A
FORTIS BANK	FORTIS BANK
ITAÚ	BANCO ITAÚ EUROPA, S.A.
MG	CAIXA ECONÓMICA – MONTEPIO GERAL
POPULAR	BANCO POPULAR PORTUGAL, S.A.
SANTANDER CONSUMER	BANCO SANTANDER CONSUMER PORTUGAL, S.A.
SANTANDER TOTTA SGPS	SANTANDER TOTTA SGPS

Source: Associação Portuguesa de Bancos (2009)

Table 1. 2- Main bank indicators of the Portuguese banks

BANK	ASSET		CUSTOMER CREDIT		CAUGHT RESOURCES		NET SITUATION		NET INCOME	
	VALUE		VALUE		VALUE		VALUE		VALUE	
	(thousand €)	Ranking	(thousand €)	Ranking	(thousand €)	Ranking	(thousand €)	Ranking	(thousand €)	Ranking
CGD	118.181.417	1	79.050.448	1	62.046.975	1	6.528.582	1	227.423	4
BCP	93.786.471	2	77.785.121	2	44.852.968	2	6.391.995	2	147.480	5
BES	81.427.882	3	48.640.075	3	25.155.915	3	6.229.402	3	246.205	3
BST	50.191.372	4	28.986.402	6	16.014.295	6	1.923.343	6	249.692	2
SANTANDER TOTTA	46.595.851	5	33.068.961	4	16.038.679	5	3.062.908	4	277.956	1
BPIBANCO	43.531.830	6	29.489.771	5	24.642.794	4	2.133.558	5	89.009	6
MG	17.266.354	7	15.204.539	7	9.009.861	8	936.995	8	29.227	10
BANIFSGPS	13.038.623	8	10.826.798	8	6.721.021	10	851.728	9	15.738	15
CCCAM	11.671.869	9	8.531.835	10	9.630.551	7	1.001.930	7	28.941	11
BANIF	11.133.713	10	9.589.809	9	6.760.981	9	473.222	13	374	36
BARCLAYS	10.217.541	11	6.902.595	11	2.850.099	13	147.323	23	29.920	8
POPULAR	8.892.978	12	6.533.744	12	3.261.239	11	737.500	10	32.066	7

BBVA	7.009.150	13	5.890.459	13	3.132.430	12	244.869	16	9.087	17
BESI	5.311.943	14	1.795.106	18	705.903	17	479.439	12	22.470	13
BII	4.205.627	15	3.563.069	14	13	43	223.973	18	17.910	14
ITAU	4.061.994	16	1.143.635	21	14.113	37	587.596	11	85	38
FINANTIA	3.340.649	17	2.149.098	16	136.175	27	347.335	14	6.001	19
FINIBANCO, SGPS	3.056.014	18	2.545.153	15	2.164.771	15	214.364	19	206	37
BPI	3.035.370	19	125.962	34	2.663.930	14	57.894	30	3.471	27
DEUTSCHE BANK	2.780.329	20	1.798.280	17	517.522	18	115.877	26	3.791	25
BSN	2.136.707	21	79.896	36	771.315	16	89.749	28	5.951	20
CBI	1.827.225	22	889.992	23	121.799	28	232.843	17	24.825	12
BCPI	1.812.834	23	283.063	32	10	44	160.438	22	29.688	9
BNP PARIBAS	1.782.102	24	700.359	26	334.386	21	9.980	42	4.615	22
CETELEM	1.600.807	25	1.405.436	19	7.704	39	208.047	20	3.029	28
SANTANDER CONSUMER	1.304.727	26	1.295.638	20	3.242	41	122.414	24	3.688	26
FORTIS BANK	1.214.729	27	539.182	28	195.021	26	26.610	37	3.867	24
BANCO MAIS	1.081.443	28	990.464	22	2.520	42	249.513	15	14.571	16
BANIF INV	975.302	29	359.003	30	255.643	24	58.963	29	1.683	32
BAI	890.528	30	69.438	38	105.987	29	32.853	36	1.815	30
CAIXA VIGO	778.905	31	700.503	25	37.216	35	37.075	32	1.674	33
CAIXA GALICIA	778.025	32	743.791	24	87.372	30	-3.444	45	4.560	23
ABN	704.587	33	244.414	33	480.021	19	-1.529	44	-1.549	44
BIG	644.093	34	29.743	41	300.290	22	115.752	27	6.573	18
COFINOGA, SGPS	641.364	35	654.539	27	7.704	38	119.184	25	-158	39
BANCO INVEST	568.458	36	314.762	31	71.818	32	51.858	31	5.190	21
BEST	510.975	37	48.672	39	450.359	20	23.086	40	2.638	29

Source: Associação Portuguesa de Bancos (2009)

1.4 Business Banking in Portugal

Micro, small and average companies (PME) are widely recognized as the pillar of the national economy, being the main responsible for the creation of job in Portugal. According to the classification of the Recommendation of the European Commission, PMEs are the companies with less than 250 employees, whose annual turnover does not exceed 50 million euro's or whose annual liquid total asset does not exceed 43 million euro's. This definition is applied to micro, small and average dimension companies. The small companies are distinguished from the averages for having less than 50 workers and an annual turnover (or liquid total asset) that doesn´t exceeds 10 million euro's. The micro companies are distinguished from the small ones for having less than 10 workers and an annual turnover (or liquid total asset) that doesn´t exceeds 2 million euro's.

According to INE (2008), in Portugal there are 349 756 PMEs, representing 99.7% of the Portuguese not financial companies. The micro companies have a preponderant role weighing 85.6% in the total of companies, this reflects a Portuguese enterprise environment constituted mainly by companies with less than 10 workers and an annual turnover (or total asset) not superior to 2 million euro's.

The PMEs have been also the main responsible for the job assured in the Portuguese economy (72.5%), although the larger companies are responsible for 27, 5% of the creation of jobs (despite only representing 0.3% of the companies). In average each PME uses 6, 2 workers whereas large companies have 741, 4 employees.

The PME annual turnover in 2008 went up to around the 201 765 million euro's, about 58% of the total companies' turnover, as we can see in Figure 1.2.

Despite the fact of a low percentage of large companies in Portugal they are responsible for a big percentage of the turnover generated in the country, 146787 million euro's, for about 42, 1% of the total turnover.

Figure 1. 2- Companies annual turnover-2008
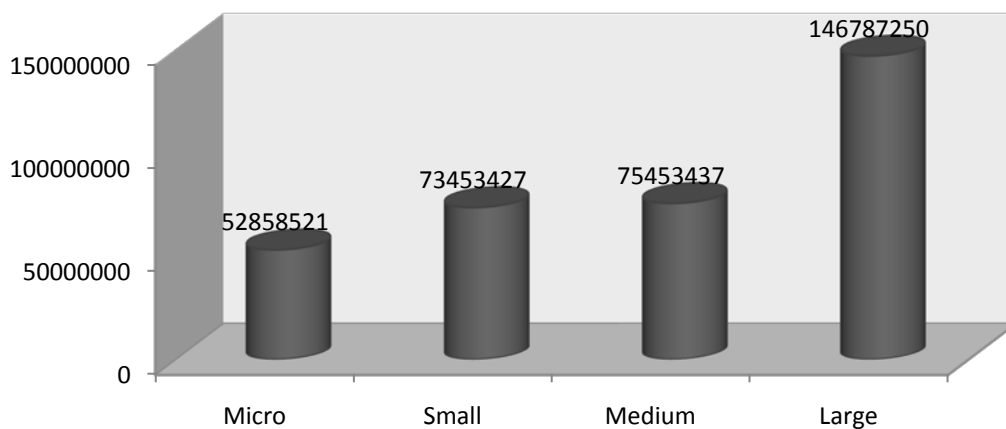
Source: INE (2010)

There are differences between the nature of the relationship between a bank an it´s business customers depending on the size of the customers business, as companies grow, their financial needs increase in complexity as does their bargaining power in the bank customer relationship (O´Donnel et al., 2002).

In a study conducted by Farinha, L. (1999, Banco de Portugal) the number of banks per firm varied according to firm size (see Figure 1.3). The average number of banks is 1.4 for very small firms (with less than 10 employees) and 5 for those with over 200 workers. Most of the latter borrow from 4 banks.

The same firm can also change its behavior over time. The number of banks seems to reflect firm age as well, though contrasts are not as sharp between age classes as they are between the analyzed size classes. Firms aged 2 years or less borrow on average from 1.4 banks, while firms older than 20 years resort to 2.5 banks. The bulk of firms with 10 years or less relate to only one bank .Over 70 per cent of very small firms have only one bank, while this percentage is marginally higher than 10 per cent for firms with 200 or more workers.

This study concludes that firms borrow for the first time from a single bank, but soon afterwards some of them start borrowing from two or more banks simultaneously. These results suggest that firms explore the advantages of an exclusive relationship with one bank, but also take into account that the resulting information monopoly of the single informed bank may result in income losses to firms.

Figure 1. 3—N. of banks used according to firm size

Source: Banco de Portugal (1999)

Banks can´t build the same strategy for small and for bigger companies because these big volume bank customers require complex banking needs and also provide the greatest profit opportunities to the bank.

1.5 E-Banking in Portugal

According to a study conducted by the Deutche Bank (2008) an ever increasing number of Europeans access banking services over the internet. The share of online banking customers in the EU-15 increased from 19% in 2003 to 29% in 2007 (Figure 1.4). If this trend were to continue, we could see an average

adoption rate of 50-60% in the EU-15 by 2020 – a level already reached in Sweden.

In the second quarter of 2008, individuals aged 16-74 in the EU Member States were asked which activities they had carried out on the internet in the previous three months. In the EU27, nearly a third of all individuals had used internet for travel and accommodation services. Around 30% had used internet banking, interacted with public authorities or searched for health-related information. About a quarter had read online news or ordered goods or services. Around 15% had looked for jobs or sent applications by internet.

Figure 1. 4- Use of Internet banking in the EU 27 (%)
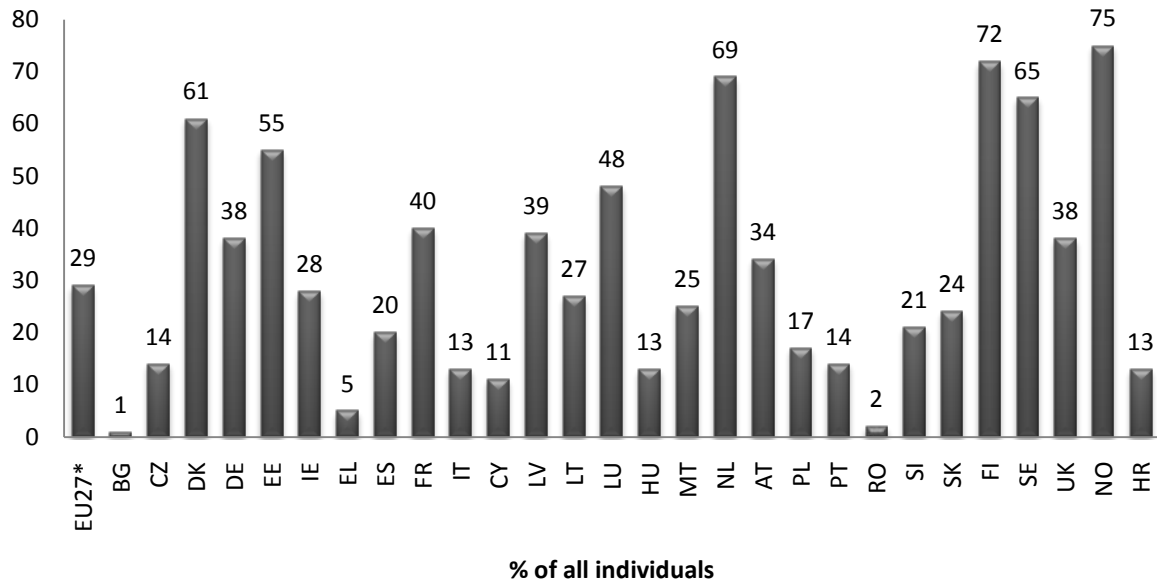
Source: DBReseach, Eurostat, ICT Statistics (2008)

According to the 2008 report of the European Commission on the i2010 initiative for the Information Society, recently published, Portugal has one of the best positions in the European Union (EU) on eBusiness and eCommerce, integrating the group of 5 EU countries that, taking into account all the 10 indicators considered for these areas, are in the best positions. Besides Portugal, this group includes Belgium, Denmark, Netherlands and Austria.

In a previous study made by the INE (2009) in the first trimester of 2009, 9.7% of the individuals between the 16 and 74 years made orders through the

Internet, corresponding 20.9% of the individuals that use Internet (Figure 1.5).The ratio of individuals that have made orders thought Internet has come to increase in last 5 years.

Figure 1. 5- Individuals that made orders through the Internet (%)
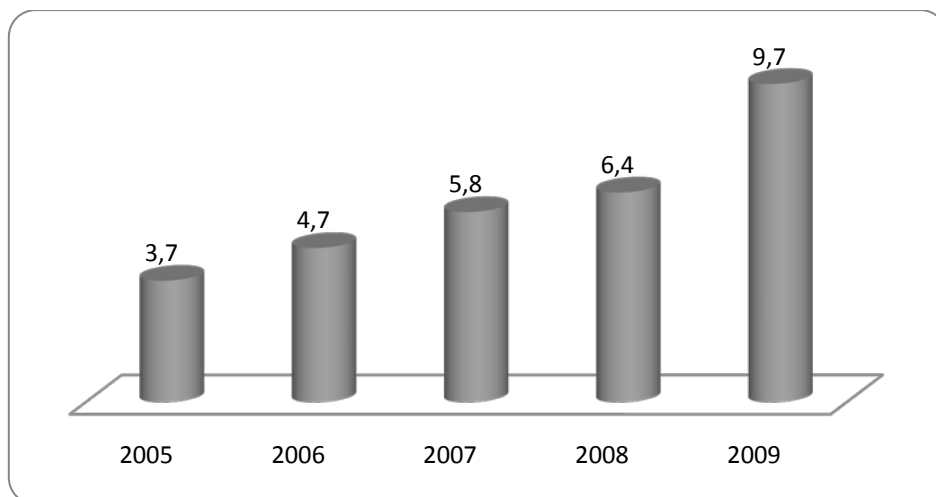
Since 2005, the number of individuals that made online orders has registered an annual average growth of 27, 6%.

The reasons not to order in the internet were: in first place, nine in each ten individual's point that they never made orders because they prefer the personal contact with the salesman and the product, and also because they "did not have necessity". In Table 1.3 we present the results of this study.

Table 1. 3- Reasons not to order in the Internet

REAZON	%
Have no need	67,1
Prefer the personal contact with the salesman or product	90
Force of habit or loyalty to the usual supplier	69,1
Difficulty in finding in the websites excellent information of the goods or services	14
Problems with the delivery	14,3
Not availability of some goods or services in the Internet	8,8
Problems of privacy	53,1
Problems related with the reception or devolution of goods, concerns with claims or complaints	42,2
Does not have credit card or debit to make online payments	11,3
Speed to the linking	5,2
Doesn't know how to use the Internet or is not prepared	22,2
Others	3,4

Source: INE (2009)

The big percentage of investors with an on-line account for more than 2 years (57.1% of the investors-see figure 1.6) is revealing of the interest excited soon of beginning for the brokerage on-line. However, this initial enthusiasm has decelerated in the past most recent. The inquiry disclosed that 20.7% of the investors on-line had affirmed to have an account on-line for less than 2 years, but for more than one year, and only 11.3% had adhered recently to this new functionality.

Figure 1. 6- Antiquity of the online account
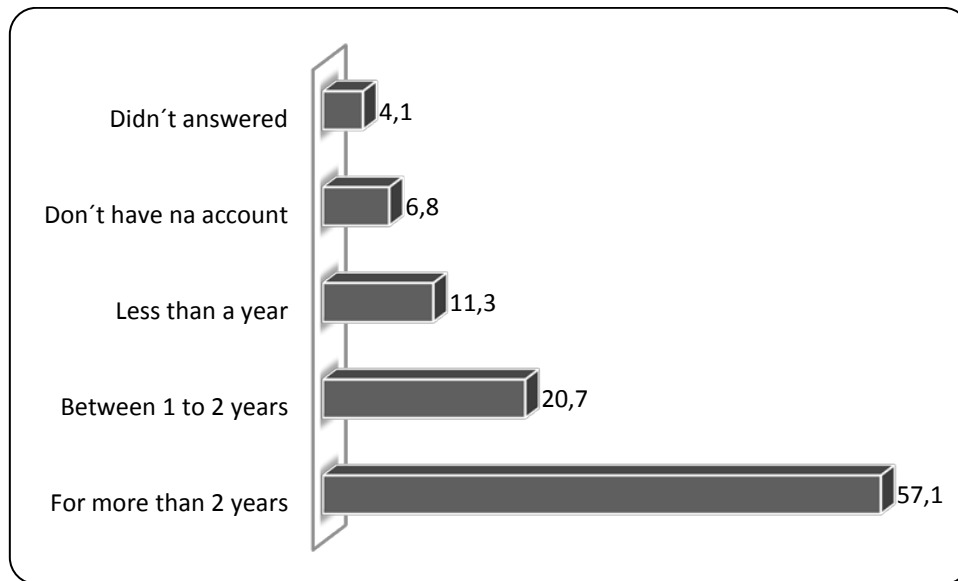
Source: CMVM (2005)

The data of the inquiry confirm the existence of a customer loyalty in relation to the financial intermediate. In fact, about 68, 9% affirmed never had changed of financial institution on-line and those that have made it, have moved relatively little time ago (Figure 1.7).

The figure 1.8 informs which are the main reasons pointed with respect to the change of financial institution on-line. In first place the "Costs/Prices" appears (41.9%), following it "quality of the service (attendance, organization, access, etc.)" (11.8%).

The medium/large corporate bank customers have been neglected in many previous studies about Internet Banking, particularly about loyalty of this important and profitable bank segment.

Figure 1. 7-Loyalty to the on-line financial institution

Categories (top to bottom):
- Didn´t answered
- yes, have changed for less than 6 month´s
- yes,changed for more than 6 month´s and less...
- yes,changed for more than 12 month´s and less...
- yes, changed for more than 18 month´s and less...
- yes, changed for more than 24 month´s
- Didn´t

Axis: 0 10 20 30 40 50 60 70
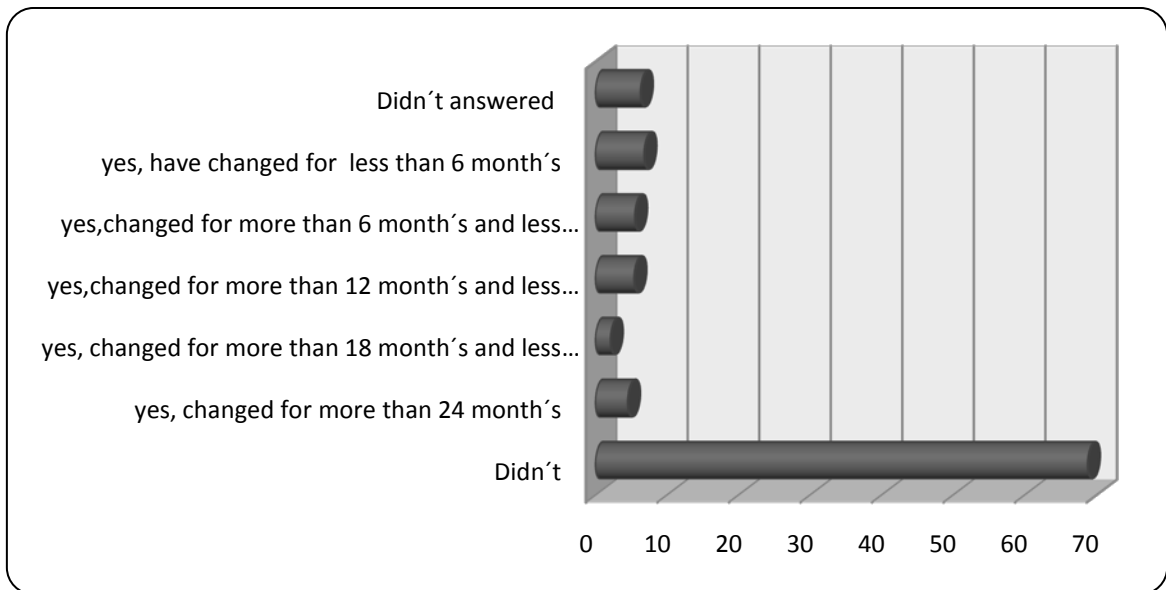
Source: CMVM (2005)

Figure 1. 8- Motives for changing the online financial institution

Axis values: 0 5 10 15 20 25 30 35 40 45

Categories:
- Didn´t answered
- costs/prices
- Quality of the service
- Information
- Search for better
- Speed
- Bad function
- Access to new products
- Fusing and reorganization
- Possibility for a negotiation
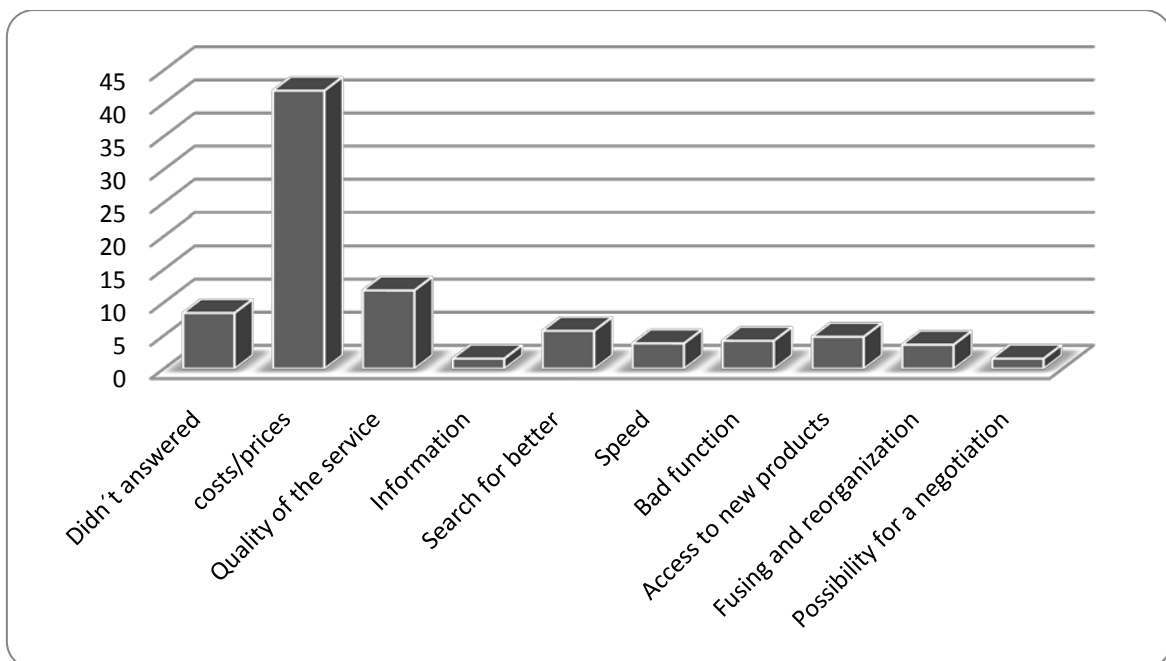
Source: CMVM (2005)

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CHAPTER II

THE IMPORTANCE OF PERCEIVED SERVICE QUALITY ON BANKING LOYALTY FOR BUSINESS CUSTOMERS

2. THE IMPORTANCE OF PERCEIVED SERVICE QUALITY ON BANKING LOYALTY FOR BUSINESS CUSTOMERS

2.1 Introduction

Service providers are increasingly concerned to develop and maintain customer loyalty as they are aware that loyalty leads to increased and guaranteed income and is a key determinant of market share and profitability (Meidan, 1996).

A loyal customer base enables companies to reduce costs, both operational and marketing, to attract new customers, and can also both employee's morale and productivity. Further loyalty can also boost employee's moral and productivity. Further, loyalty can lead to price indifference, favourable word of mouth communication, endorsements and customer referrals, cross sales and resistance to competition (Lewis and Soureli, 2006).

Given the claimed benefits for business of loyal customers, it is not surprising that many businesses have invested substantial amounts in developing customer retention and cross-selling programmes in an attempt to retain customers and to obtain a higher percentage of their business.

In most of the previous investigations Perceived Service quality is viewed as the most important antecedent of loyalty. Parasuraman et al. (1985), among others defined service quality as a function of the ability to perform the promised service dependably and accurately, the willingness to help customers and provide prompt service, the knowledge and courtesy of employees and their ability to inspire trust and confidence, the individualized attention the fir provides its customers and the physical facilities, equipment, and appearance of personal. (Lewis and Soureli, 2006).

The major investigations analyse the dimensions of perceived service quality for private customers, and for the segment of small companies, few were the studies who analysed this issues for business banking customers, especially for large companies.

The present investigation aims to identify and access the dimensions of Perceived Service Quality and his influence on Banking Loyalty for business customers. A resume of research literature is offered, relating to the understanding of customer Loyalty, and previous investigations in financial services, and in particular those that focus on the determinants of Perceived Service Quality.

2.2 The concept of service loyalty

Although loyalty to tangible goods has been studied extensively by marketing scholars, relatively little theoretical or empirical research has examined loyalty to service organizations (Gremler and Brown, 1998).

The review of the literature leads us to analyse five research perspectives of the components of service quality: behaviour, attitudinal loyalty, cognitive and repurchase intent.

2.2.1 Behavioural perspective

In consumer research conducted in the 1960s and 1970s, customer loyalty was approached predominantly from a behavioural perspective.

Behavioural definitions are based on the amount of purchases for a particular brand (Bass, 1974; Tranberg and Hansen, 1986).

Jacoby and Chesnut (1978) observe that in some studies the focus was on interpreting patterns of repeat purchasing in primarily panel data as a manifestation of loyalty.

Consumer's disposition to rebuy is an essential element of loyalty (Gremler and Brown, 1996).

While behaviour can be measured in number of ways, Jones and Sasser (1995), have argued that share of wallet is a key indicator of loyalty and stated that "the ultimate measure of loyalty, is share of purchases in the category".

Critics of behavioural definitions point out that no explanation of the choices made by consumers is sought by this limited definition of loyalty. Behavioural measures simply estimate frequencies with no examination of the reasons for purchases or the factors that may influence choices (Dick and Basu, 1994).

Behavioural measures are insufficient to explain how and why brand loyalty is developed and/or modified, high repeat purchase may reflect situational constraints, such as brands stocked by retailers, whereas low repeat purchase may simply indicate different usage situations, variety seeking, or lack of brand preference within a buying unit. It is clear that behaviour is insufficient as a measure of store or brand loyalty, as a result, the extent to which behavioural measures are of benefit in developing long-term loyalty strategies is clearly questionable (O´Malley, 1998).

2.2.2 Attitudinal perspective

To overcome the limitations of behavioural definitions, many researchers have defined loyalty by including attitudinal measures (Day, 1969).

Attitude denotes the degree to which a customer's disposition towards a service is favourable inclined (Azjen and Fishbein, 1980).

This is reflected in the willingness to recommend a service provider to other consumers or the commitment to repatronize a preferred service provider (Gremler and Brown, 1996; Jain et al., 1987; Pritchard, 1991).

Based on a favourable attitude towards a service provider, customers may develop preference loyalty (Ruyter et al., 1997).

This approach also sees a loyal customer as attached to a brand, and when their positive beliefs are reinforced, these customers are said to buy a brand more often (Riley et al., 1997).

2.2.3 Cognitive perspective

In addition to attitude, it has been argued that the loyalty may also be based on cognition (Lee and Zeiss, 1980; Oliver, 1996).

Berger and Mitchell (1989) showed that the degree to which consumers are exposed to advertising increases the ability and confidence to process information, providing more opportunity for product related elaboration resulting in product commitment. Customer loyalty is frequently operationalised as a conscientious evaluation of the price /quality ratio or the willingness to pay a premium price, or alternative price indifference (Fornell, 1992); Olson and Jacoby, 1971).

2.2.4 Repurchase intent

This final component of service loyalty is often used as the primary measure of service loyalty (Fornell, 1992; Rust and Zahorik, 1993; Selnes, 1993; Zeithaml et al., 1996). Including repurchase intent as a separate component of service loyalty seems justified, as it is not well understood how predictive repurchase intent of actual purchase behaviour (Anderson and Fornell 1994; Gremler and Brown, 1998).

2.2.5 Mixed perspectives

Ganesh et al.(2000) found two factors in their loyalty items, active loyalty (Word of mouth and intention to use) and passive loyalty (not switching even under less positive conditions). Other authors have considered loyalty as a process rather than an outcome (Ball et al., 2004). Oliver (1997), for example distinguishes among four stages of loyalty: cognitive, affective, conative and action loyalty.

Gremler and Brown (1998), also suggests that affective loyalty and cognitive loyalty precede repurchase intent, and that repurchase intent influences behaviour.

Dick and Basu (1994) have developed a framework for customer loyalty that combines both attitudinal and behavioural measures. These authors propose that loyalty is determined by a combination of repeat purchase levels and relative attitude. Relative attitude is determined by attitude strength and attitudinal differentiation

This is a particular useful model because not only does it offer more accurate measures of loyalty, but it also results in a number of different categories of loyalty, each of which have clear managerial implications (see Table 2.1.).

They use two dimensions or measures for loyalty:

- *Relative attitude*: not only focuses on attitude to the entity, but also incorporates attitudes to alternatives. This encapsulates not only satisfaction measures, but also preference measures. The suggestion is that the higher the relative attitude between alternatives, the more likely that attitude will influence behaviour.
- *Patronage behaviour*: This includes traditional measures such as regency, frequency and monetary value of purchases, share of wallet, purchase sequence, etc.

Sustainable loyalty, with its high repeat patronage and high relative attitude, would obviously be the ultimate goal for marketers. Raj (1985) found that firms with large market shares also have larger groups of loyal customers. Loyal customers are less motivated to search for alternatives, are more resistant to counter – persuasion from other brands, and are more likely to pass along positive worth- of- mouth communication about the service to other consumers. Marketers with loyal customers can expect repeat patronage to remain high until competitors find a way to close the gap in attitude among brands. Competition can close the gap in three main ways:
- try to reduce the differential advantage of the leading brand;
- increase the differentiation of their own brand, or;
- Encourage spurious loyalty from customers.

Combining the two dimensions of loyalty, we can identify four categories of loyalty:

1. *No loyalty* exists in a category when consumers see few differences between alternative brands and there are low repeat purchases. Brand switching is common and choice among brands is usually made based on some situational factor, such as the brand that is n on sale or that is noticed in an end-of-aisle display;

2. *Spurious loyalty* occurs when a consumer frequently purchases a brand, but sees no significant differences among brands. This could occur if there were no alternatives in a category or if choice is made strictly on past experiences and habits. As a result the consumer may only temporarily display such loyalty, and is likely to be very open to competing offers, that is f another product comes along that is for some reason easier to buy (e.g. it I cheaper or the original product is out of stock), the consumer will not hesitate to do so (O'Malley, 1998). As a result it is relatively easy to encourage switching behaviour in markets typified by spurious loyalty. In order to defend a customer base against competitive attacks managers can attempt to maintain spurious loyalty and/ or develop sustainable loyalty. However, one problem associated with simply maintaining spurious loyalty is that the company may become involved in a continual spiral of promotions, because, once, the incentives is taken away, customers have lost their primary reason for purchase (Dowling and Uncles, 1997).

3. *Latent loyalty*, exists when a consumer has a strong preference for or attitude toward a company's brand over its competitors brands, but does not exhibit high repeat patronage due to some situational or environmental variable. This is due for instance inconvenient store locations, out-of stock situations, and or influence of other people. Managerial efforts are best focused on removing the obstacles to patronage, for example by extending the branch network.

4. *Sustainable loyalty*, with its high repeat patronage and high relative attitude, would obviously be the ultimate goal for marketers. Raj (1985) found that firms with large market shares also have larger groups of loyal customers. Loyal customers are less motivated to search for alternatives, are more resistant to counter – persuasion from other brands, and are more likely to pass along positive worth- of- mouth communication about the service to other consumers. Marketers with loyal customers can expect repeat patronage to remain high until competitors find a way to close the gap in attitude among brands. Competition can close the gap in three main ways:
   - try to reduce the differential advantage of the leading brand;
   - increase the differentiation of their own brand, or;
   - encourage spurious loyalty from customers.

<p style="text-align:center">Table 2. 1- Categories of loyalty</p>

Category	No loyalty	Spurious loyalty	Latent loyalty	Sustainable loyalty
Relative attitude	low	Low	high	high
Patronage behaviour	low repeat	High repeat	Low repeat	High repeat
Manifestation	Does not patronize the company, and does not wish to	Patronizes the company but does not have a high relative attitude. This may be as a result of other factors, including location convenience, lack of alternatives.	The customer wishes to patronize the organization, but perhaps is not able to do so-store location may be inconvenient, favourite brands not stoked, etc.	The individual enjoys a high relative attitude together with high repeat patronage behaviour.
Implications	Management may attempt to generate "spurious loyalty"	"Spurious loyalty" cannot be relied on. The customer is clearly open to better offers	Managerial efforts are best focused on removing the obstacles to patronage for the customer	Loyalty must be continually reinforced, and the value offered must remain acceptable.

<p style="text-align:center">Source: Dick and Basu, 1994</p>

2.3 Brand loyalty

A common question raised by marketers is how brand and service loyalty are different. Researchers have provided some insights to this question. In an analysis of how consumers evaluate products and services, Zeithaml (1981) included a discussion of the differences in loyalty that exist between goods and services. Some of the main determinants of brand loyalty of products and services are:
- Social ties to the company;
- Satisfaction obtained with a brand in the past;
- Perceived risk associated with a purchase;

- Availability of substitutes, and;
- The costs of changing brands (Switching costs).

Because it may be more costly to change brands of services, because awareness of substitutes is limited, and because higher risks may accompany services, consumers are more likely to remain customers of particular companies with services than with goods.

The difficulty of obtaining information about substitutes, means that consumers may be unaware of alternatives to increase satisfaction aver present brands.

If consumers perceive greater risks with services, they probably depend on brand names to a greater extent than when they purchase products. Brand loyalty, described as a means of economizing decision effort by substituting habit for repeat, deliberate decision, functions as a device for reducing the risk of consumers decision (Zeithaml, et al., 2006).

The difficulty in evaluating quality of services makes switching brands of service less likely as customers become familiar with one service. Since there is also an inseparability of provider and customer in many service settings, consumers may be less likely to switch after they have developed a relationship with a service provider (Javalgi and Moberg, 1997).

Since services are intangible and heterogeneous, most consumers will perceive higher risk in services than goods. As perceived risk increases, the likelihood of loyalty to one brand increases (Cunningham, 1966). The intangibility of services makes the evaluation of service quality and satisfaction more difficult than it is for goods, which means consumers often depend on credence qualities to evaluate services (Zeithaml, 1981). In addition, intangibility makes it more difficult to gather information about services. This makes information about services more expensive, and may lead to consumers having less information about services than about goods.

A final reason that consumers may be more loyal with services is the recognition of the need for repeated patronage in order to obtain optimum satisfaction from the seller. Becoming a "regular customer" allows the seller to gain knowledge of the customer's tastes and preferences, ensures better treatment, and encourages more interest in the consumer's satisfaction. Thus a consumer may exhibit brand loyalty to cultivate a satisfying relationship with the seller (Zeithaml et al., 2006).

2.4 The importance of loyalty

The importance of loyalty has been widely recognized in the marketing literature (Oliver, 1999; Samuelson and Sandvik, 1997; Howard and Sheth, 1969).

Reichheld and Sasser (1990) have studied the impact on profits of having a loyal customer base; they calculated the impact of customer retention on profitability: "As a customer's relationship with the company lengthens, profits rise. And not just a little. Companies can boost profits by almost 100 per cent by retaining just 5 per cent more of their customers" (Reichheld and Sasser, 1990), Reduced to pounds, shillings and pence in this way the business world began to focus aggressively on customer retention. The aim was to reduce marketing's "scrap heap" (customers who defect) and, thus, enhance profitability. This renewed focus on customer retention is generally referred to as loyalty marketing, and is increasingly reliant on a customer database and direct communication (O´Malley, 1998).

Aaker (1991) has discussed the role of loyalty in the brand-equity process, observing that brand loyalty reduces marketing costs and that the relative costs of customer retention are substantially less than those of acquisition.

Fornell and Wernerfelt (1987), have claimed that the costs of customer acquisition, and loyal customers, if served correctly, are said to generate increasingly more profits each year that they stay with a company (Reichheld, 1994), though other authors have pointed out that loyal customers are not always profitable (Dowling and Uncles, 1997).

Gremler, Gwinner and Bitner (1997) also distinguish two sets of consequences that can result from establishment of loyal customer relationships: outcomes for customers and outcomes for providers. For customers they identified four consequences: social, psychological, economic and customization outcomes. For service providers, in addition to the economic outcomes they receive from cultivating loyalty amongst their customers, various customer behaviours (e.g. low customer turnover, generation business for a firm via word-of mouth recommendation, and receptivity to new service offerings) and human resource outcomes (e.g. in the areas of employee attitudes, job satisfaction and commitment, and productivity) can also result.

The loyalty ripple effect (Gremler and Brown, 1999) for service firms has also been analysed by many authors and it's anchored around three key concepts: value of a customer, service loyalty, and word-of-mouth communications;

- *Value of a customer*: firms have increased their efforts to retain customers for various reasons, but most often the reasons relate to the customers' direct value to the company;

- *Service Loyalty*: loyal customers can lead to increased revenues for the firm (Reichheld, 1993, 1996; Schlesinger and Heskett, 1991), result in predictable sales and profit streams (Aaker, 1992), and these customers are more likely to purchase additional goods and services (Clark and Payne, 1994; Heskett et al., 1997; Reichheld, 1996). Yet, to more accurately assess the full value of a loyal customer, we believe firms must look beyond the influence of these direct measures. That is, firms should look beyond direct revenue streams and include the value of all the benefits associated with possessing a loyal customer (Zeithaml and Bitner, 1996);

- *Word-of-mouth communications*: one particularly salient benefit, especially for service organizations, is word-of-mouth (WOM) communication - loyal customers often generate new business via WOM recommendations to prospective and other existing customers of the firm (Reichheld, 1996; Reichheld and Sasser, 1990; Schlesinger and Heskett, 1991; Zeithaml et al., 1996). That is, the recommendations made by a loyal customer, especially those helping to generate new customers, add to the value that core customer brings to the firm.

Given the claimed benefits for business of loyal customers, it is not surprising that many businesses have invested substantial amounts in developing customer retention and cross-selling programmes in an attempt to retain customers and to obtain a higher percentage of their business.

2.5 Obstacles to Loyalty

Oliver (1999) identified two obstacles to the maintenance of a loyalty customer base:

- *Consumer idiosyncrasies*. The fact that the consumers have a great variety of offerings for the same type of product/service. Variety seeking is a trait that will not permit loyalty to develop until is no variety to sample. This will be particularly true at the cognitive level. Other reasons for apparent consumer disloyalty also include multibrand loyalty, withdrawal from the product category and changes in need. This can occur in two forms: the first, the first the consumer matures, and new needs supplant the old, in the second form, a competitive innovation fulfils the consumer's needs more efficiently, or so it may seem.
- *Switching incentives*. Competitors can persuade consumers with messages and incentives with the purpose of attempting to lure them from their preferred offering.

2.6 Loyalty Programmes

Loyalty programmes are developed for a variety of reasons including to reward loyal customers, to generate information, to manipulate consumer behaviour and as a defensive measure to combat a competing scheme (O´Malley, 1998):

- *Reward loyalty customers*: this is achieved through a combination of discounts and other rewards. Consumers are motivated to participate in such schemes because; most people like to get something for nothing.

- *To generate information*: knowing who the best customers are, what they buy and how often provide a secret weapon. This information can be used to improve targeting, create offers and shift merchandise.

- *Manipulate customer behaviour*: the fundamental aim of most schemes is to manipulate consumer behaviour within a sophisticated system, where incentives and coupons can be individually targeted, in order to encourage customers to try new products or brands.

- *As a defensive measure to combat a competing scheme*: in practice the decision to launch a programme is often motivated s much by fears of competitive parity as anything else.

2.7 The concept of Banking Loyalty

Loyalty in financial services has been viewed in relation to the length of time a customer has been with a provider, number of services used and frequency of service use. A definition of the term which incorporates all the dimensions that have been found in the literature should include long –term intentional repurchase of services, high degree of customer preference, customer's recommendations and advocacy, customers price indifference , low like wood of switching and high potential of increasing volume of product use. Thus a combination of cognitive, affective, conative and behavioural loyalty (Lewis and Sourely, 2006).

Meidan (1996) argues that the degree of loyalty in banking can be gauged by "traking customer accounts over a defined time period and noting the degree of continuity in is patronage".

Bloemer et al. (1998) defines bank loyalty as the biased (i.e. non random) behavioural response (i.e. revisit), expressed over a period of time, by some decision-making unit with respect to one bank out of a set of banks, which is a

function of psychological (decision-making and evaluative process resulting in brand commitment).

2.8 Banking Loyalty for business customers

Loyalty for business customers has been relatively neglected in research studies, perhaps due to the complexity of decision-making processes by organizational buyers (Lam and Burton, 2006).

While there are studies that have reviewed the extent of banks understanding of their business customers needs (Nielsen et al., 1995, 1998; Zineldin, 1995) and the relationship between customer participation and retention (Ennew and Binks, 1999), studies investigating the drivers of bank loyalty by business customers are almost completely lacking in the bank marketing literature.

Corporate banking is traditionally considered a complex function since it involves relationships between corporate firms and financial institutions (Athanassopoulos and Labroukos, 1999).

With respect to corporate banking there are differences between the nature of the relationship between a bank and its business customers depending on the size of the customers business (Butler and Durkin, 1998), as companies grow, their financial needs increase in complexity, as does their bargaining power in the bank customer relationship (Moriarty et al., 1983).

For the banks, the large corporate market segment provides the possibility for high, volume rated margins, and it`s therefore important to win lead bank status as this ensures the largest slice of the corporate banking business.

However, the larger the corporate, the grater the number of banks used (Tyler y Stanley, 1999).

This means that the competition between banks in this segment of large companies is very big and that is a great challenge for banks to provide high standards of service quality to assure customer loyalty.

2.8.1 Small and medium sized business customers

Lam and Burton (2006) investigated the SME banking loyalty trough a qualitative study made in Hong Kong, and found that this market is characterized by high levels of disloyalty. They also found that perceived service quality and the length of business relationship appear to have strong associations with loyalty behaviour, in terms of customer's willingness to continue to use a bank and to recommend the bank to others.

The same authors (Lam, Lo and Burton, 2005) in a later study about banking loyalty found that perceived service quality in the form of efficiency of service delivery appears to be an important driver for SME banking loyalty, the results

also indicate that pricing of a loan facility has a strong impact on customer loyalty and that the relationship in the form of "guanxi" appears to have a significant negative impact on SME likelihood of switching banks. Building "guanxi" requires continuous social interactions (Tong and Yong, 1998), and thus bank managers may benefit from social interaction with the SME decision makers.

2.8.2 Large business customers

Turnbull and Gibbs (1989), in an empirical study focused on the banking behaviour of large corporate customers in South Africa, investigated the selection of banks and bank services and the most important factors in selection were found to be quality of service, quality of staff, the nature of relationships with managers, and price of services. Further, although most of responding companies had split banking arrangements, strong loyalty existed between organizations and their lead commercial banks.

Tyler and Stanley (1999), also investigated the large corporate expectations of service delivery from their banks, and identified some elements of operational quality service: reliability, assurance, empathy, responsiveness and proactivity.

Athanassopoulos and Labroukos (1999), examined the corporate behaviour towards financial services with a sample of the largest and profitable Greek companies, and found that some firms prefer to collaborate with the same bank for all their products while some others are not tied to one supplier and prefer a more open relationship.

2.9 The influence of Perceived Service Quality on Banking Loyalty for Business customers.

Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers. Attention to service quality can lead an organization different from other organizations and gain a lasting competitive advantage.
In the services marketing literature, the service quality construct is a controversial topic.
In the literature researchers have adopted three broad conceptualizations:

-The first proposed by Grönroos (1982, 1984, 1990), defined the dimensions of service quality in global terms as being functional and technical-Technical/Functional Quality Model. Technical quality involves what is provided (the actual outcome of the service encounter), the functional quality considers

how it is provided (is concerned with the interaction between the provider and recipient of a service and is often perceived in a subject manner) and the corporate image (that is concerned with consumer´s perceptions of the service organization. The image depends on: technical and functional quality; price; external communications; physical location; appearance of the site and the competence and behaviour of service firm's employees).

-The second proposed by Parasuraman et al. (1985), defined service quality to be a function of pre-purchase customer expectations, perceived process quality and perceived output quality. This SERVQUAL instrument is based on the gap theory and suggests that a consumer's perception of service quality is a function of the difference between his expectations about the performance of a general class of service providers and his assessment of the actual performance of a specific firm within that class (Cronin and Taylor, 1992). According to Parasuraman et al. (1985), ten detailed dimensions of service quality were found through focus group. Among these ten service quality determinants reliability is identified as the most important. In their subsequent research (Parasuraman et al., 1988), they then purified and distilled the tem dimensions to five: tangibles, reliability, responsiveness, assurance and empathy. Based on these five dimensions, the researchers developed 22-item Service quality scale. Moreover, they state that there's a range of tolerance where customer perception on a service dimension anchored by the minimum level consumers would be willing to accept and the level that customers believe can and should be delivered. According to their study, reliability was the most critical dimension, followed by responsiveness, assurance and empathy. The tangibles were the one of least to consumers.

Subsequent research conducted in a variety of settings and many other studies suggest that the five SERVQUAL dimensions are not universal across all services.
Across the years the researchers have tried to improve the SERVQUAL model, incorporating other construct's and measures (see Table 2.2).

In 1995, for instance Johnston, analysed the perceptions of service quality in the banking sector, and found 18 attributes of service quality (Access, Aesthetics, Availability, Care, Cleanliness, Comfort, Commitment, Communication, Competence, Courtesy, Flexibility, Friendliness, Functionality, Integrity, Reliability, Responsiveness and Security).
- The third, proposed by Rust and Oliver (1994), considered overall perception of service quality to be based on the customer's evaluation of three dimensions of service encounters; the customer- employee interaction, the service environment and the service outcome.

Table 2. 2- Other studies about the dimensions of service quality

JOHNSTON (1995)		TYLER Y STANLEY (1999)	BAHIA Y NANTEL (2000)	OPPEWAL AND VRIENS (2000)	BARNS Y VIDGEN (2001)
Access Aesthetics Attentiveness Availability Care Cleanliness Comfort Commitment Communication	Competence Courtesy Flexibility Friendliness Functionality Integrity Reliability Responsiveness Security	Reliability Assurance Empathy Responsiveness Proactivity	Effectiveness Assurance Access Price Tangibles Service portfolio Reliability	Accessibility Competence Accuracy and Friendliness Tangibles	Reliability Competence Responsiveness Access Credibility Communication Understanding the individual

Source: own elaboration

Perceived service quality has also been found to have a positive association with customer loyalty, and it´s defined as a function of expected quality (generated from market communication, image, worth-of-mouth and customer needs) and experienced quality (generated from functional and technical quality) (Veloutsou el al., 2004).

Service quality has also been found to have a profound input on customers satisfaction and loyalty as a whole and is defined as the result of the comparisons that customers make between their expectations about a service and their perception of the way the service has been performed (Caruana, 2002).

In various studies the relationship between service quality and customer preference loyalty had been examined (Boulding, Kalra, Staelin, & Zeithaml, 1993; Cronin & Taylor, 1992). In their study Cronin and Taylor (1992) focused solely on repurchase intentions, whereas Boulding et al. (1993) focused on the elements of repurchasing as well as the willingness to recommend. In the study by Cronin and Taylor service quality did not appear to have a significant (positive) effect on repurchase intentions (in contrast to the significant positive impact of satisfaction on repurchase intention), whereas Boulding et al. (1993) found positive relationships between service quality and repurchase intentions and willingness to recommend.

Rust and Zahorick (1993) related service quality perceptions to consumer loyalty in banking.

Ruyter et al. (1998), also found a positive relationship between perceived service quality and preference loyalty and price indifference loyalty.

In a study conducted by Bahia & Nantel (2000) and Oppewal & Vriens (2000), proposed alternative models of perceived service quality in traditional banks.

Lewis and Soureli (2006), in a study about the antecedents of customer loyalty in retail banking, found that Service Quality, together with perceived value, service attributes satisfaction and trust were important antecedents to loyalty.

Few are the studies who analysed the relations between the largest companies and their banks, but Tyler & Stanley (1999), investigated, the expectations of the largest companies to the quality of the service provided by their banks and found some elements of operational quality: Reliability (Minimal Mistakes, Efficient mistake handling, Not needing to chase, Consistency, Confidence), Assurance (Technical knowledge of bank structure), Empathy (Understanding customer needs, Trust), Responsiveness and Proactivity.

2.10 Proposed Model

The corporate banking segment deserves attention because it is more valuable and more complex than the more frequently examined retail banking segment, especially in terms of frequency, value of transactions and frequency of multiple banking relationships (Tyler and Stanley, 1999).

Lack of empirical evidence has investigated the elements that business clients valuate has important to the perception of banking service quality and if this perception influences the long-term retention.

The proposed model aim is to identify the main determinants of perceived service quality of business bank customers, specially medium and large companies, and to analyse if it influences Banking Loyalty.

Perceived service quality influences the customer's intentions to buy a specific brand or the portfolio of products and brands provided by a given organization. Evidence suggests that perceived service quality influences consumer behaviour and intention. It is well known that evaluative judgments of service quality could significantly influence service loyalty and bank loyalty (Veloutsou et al., 2004).

Ruyter et al. (1998) also found a positive relationship between perceived service quality and preference loyalty and price indifference loyalty.

Bahia and Nantel (2000) proposed alternative models of perceived service quality in traditional banks.

Few were the studies that analysed the relations between the largest companies and their banks, but Tyler and Stanley (1999) investigated the expectations of the largest companies regarding the quality of the service provided by their banks and found elements of operational quality: reliability, assurance (technical knowledge of bank structure), empathy (understanding customer needs, trust), responsiveness and proactivity.

Veloutsou et al. (2004) also found that perceived service quality has a positive association with customer loyalty, being defined as a function of expected quality (generated from market communication, image, word of mouth and

customer needs) and experienced quality (generated from functional and technical quality).

Next we will briefly describe the six quality dimensions considered in the proposed model and in Table 2.3 we present the study measures:

a) *Tangibles*. In a study conducted by Veloutsou et al. (2004), perceived quality was determined by quality tangibles, that if the physical branch of the bank is functional and comfortable and if the existence of a physical branch of the bank near the company is important.

b) *Responsiveness*. It concerns the willingness or readiness of employees to provide service (Parasuraman, 1985).

c) *Product Variety* has also been described as a driver of perceived service quality; it concerns the variety of products and services provided by the bank and their importance to the needs of the company.

d) *Price conditions*. If the bank has competitive interest rates.

e) *Reliability.* In many investigations, reliability was an important construct to determine perceived service quality. Parasuraman (1985) defined reliability as the company's ability to perform the service right first time and honour its promises. For Tyler and Stanley (1999), this construct has four principal aspects - minimal mistakes, efficient mistake handling, not needing to chase and consistent service between all bank contacts.

f) *Interpersonal Relationships* is the impact on business banking loyalty trough the extent of interpersonal relationships between the banks key personnel and the decision maker of the company. The personnel relationship can contribute to building durable B2B relationships witch make customers perceive the service as differentiated from other service providers (Berry, 1995).

Perceived service quality influences the customer intentions to buy a specific brand or the portfolio of products and brands provided by a given organization. Evidence suggests that perceived quality influences consumer behaviour and intention. It is well known that evaluative judgments of service quality could significantly influence service loyalty and bank loyalty (Veloutsou et al., 2004). Thus we propose the Hypothesis:

H1: Banking Service Quality has a direct and positive effect on Banking Loyalty.

Figure 2.1 summarizes the research hypotheses and shows the proposed conceptual model to be estimated:

Figure 2. 1- Proposed conceptual model
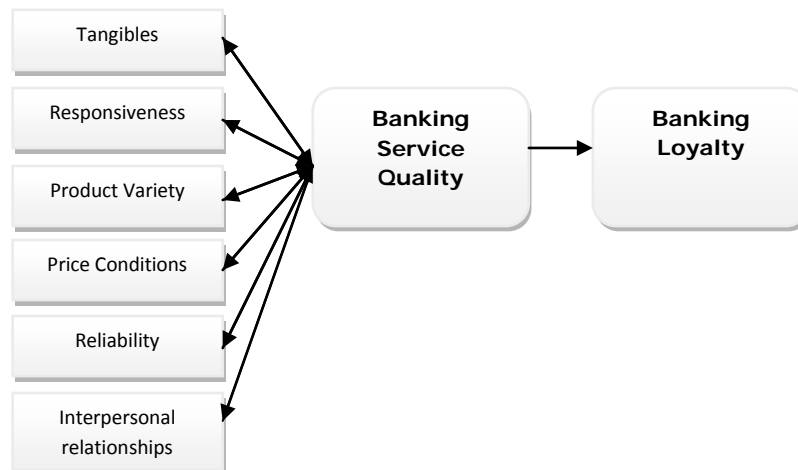
Table 2. 3- The survey measures

	CONSTRUCT	SURVEY MEASURES	VARIABLES	STUDIES
Banking Service Quality	Tangibles	The physical branch of the bank is functional and comfortable. I value the existence of a physical branch of the bank near the company.	TAN1 TAN2	Developed for this study
	Responsiveness	In general, I don't wait too long to solve my request.	RES1	This item was adapted from SERVQUAL and Tyler and Stanley (1999)
	Product variety	The bank offers products and services according to the needs of the company. The bank offers a wide range of services.	PV1 PV2	This item was adapted from SERVQUAL
	Price Conditions	The bank has competitive interest rates.	Price	Partly adapted from Baumann et al. (2004)
	Reliability	The bank assures their services with a minimum of errors. I value that the bank quickly resolves the existing errors.	REL1 REL2	This items were adapted from SERVQUAL, and Tyler and Stanley (1999)
	Interpersonal Relationships	The bank has competent employees who demonstrate the necessary banking skills. The bank employees understand the needs of my company. The bank employees are trustworthy and sincere. I have a good relation with the business manager of the bank.	IPR1 IPR2 IPR3 IPR4	Partly adapted from Veloutsou et al. (2004)
Banking Loyalty		I intend to increase the utilization of this bank in the future. Probably we will still be working with this bank in the future.	BL1 BL2	Developed for this study

2.11 Methodology and Design of the investigation

2.11.1 Introduction

With the main purpose of testing the proposed models, it was conducted a questionnaire to medium /large corporate customers of the main Portuguese banks.

In this chapter we will describe the main objectives of the investigation, the applied methodology in the design of the questionnaire, data collection and some descriptive statistics of this data.

2.11.2 Purposes of the investigation

The main purpose of this investigation is to identify the dimensions of Perceived Service Quality, for medium/large corporate banking customers and analyse is relation with Banking Loyalty.

2.11.3 Developing the questionnaire

In this section we will describe the pre-test, the used scales, describe the steps used to collect the sample trough the e-mail survey and finally we made a characterization of the collected sample.

2.11.3.1 Pre-test

Although most of the study constructs have been previously used in many studies in other countries, the degree to which both the constructs and the concepts are transferable to Portugal were unknown.

Therefore, prior to the final study, we conducted interviews with the financial managers of five medium/large sized companies. The responses were helpful to form suitable questions for corporate customers of the Portuguese banks.

2.11.3.2 Scales

The questionnaire was structured in three parts: the first has the questions suitable to analyse the economic characteristics of the corporate respondents and the second part has the attitudinal questions to analyse the behaviour of the companies in a context of the physical branch.

Some constructs are measured with ordinal questions others with Likert-type seven-point scale (1= Strongly Agree, 7= Strongly Disagree).

The type of scale used were based on relevant literature in a context of physical branch (Baumann et al., 2004; Veloutsou et al.,2004; Tyler and Stanley,1999; and Servqual).

2.11.3.3 E-Mail survey

We conducted this study using an E-mail survey. In this mode, questionnaires traditionally are mailed to potential study participants, who complete and return them by e-mail.

Unlike personal and telephone interviews, e-mail interviews require at least broad identification of the individuals to be sampled before data collection begins.

Without such identification, and an associated e-mailing address, e-mail interview are not feasible.

Therefore previous to the final survey we conducted a previous telephone contact to 220 companies to collect an e-mail list with the identification of the financial decision maker of the company.

We used the Dun & Bradstreet data base of the 500 biggest companies in Portugal to start collecting the e-mail contacts.

The questionnaires were then sent to the personal e-mails of the financial managers of the companies and in some cases to the general e-mail of the company, but in this case with the identification of the decision maker of the company.

The questionnaires were sent and received between August in the year of 2007 and May of 2008.

From the 220 sent questionnaires, 70 valid questionnaires were finally returned, thus yielding a 32% response rate.

2.11.3.4 Sample description

In this subsection we describe the economic characteristics of the business respondents.

Table 2. 4-Economic characteristics of the sample

Variable	Category	Frequency	Valid percent
Sector	Industry	31	44,3%
	Construction	8	11,4%
	Services	31	44,3%
Number of employees	between 11 and 50	1	1,4%
	between 51 and 100	7	10%
	between 101 and 250	20	28,6%
	>250	42	60%
Annual Turnover (Thousand €)	between 2001 and 10000	3	4,3%
	between 10001 and 50000	11	15,7%
	between 50001 and 250000	35	50%

	>250000	21	30%
Age of the company	between 2 and 5 years	2	2,9%
	between 6 and 10 years	5	7,1%
	between 11 and 15 years	6	8,6%
	>15 years	57	81,4%

In Table 2.3 we can see that the sample is characterized mainly by companies from the industry sector (44, 4%) and the services (44, 3%).

A major percentage of this sample is large companies with more than 250 employees (60%) and with an annual turnover between 50001 and 250000 thousand euro's (50%).

The major percentage of the companies has been working with the main bank for more than 15 years (81, 4%).

Table 2. 5- Univariate Analysis of the number of banks used

Variable	Category	Frequency	Valid percent	Other
Number o f	1	1	1,4	Mean 4,3
banks used	2	9	12,9	Minimum 1
in a context	3	6	8,6	Maximum 5
of physical	4	6	8,6	Median 5
branch	>=5	48	68,6	Variance 1,3

We concluded that companies have split bank arrangements, with 68, 6% working with more than 5 physical bank branches.

Figure 2. 2- Most used bank as the first choice
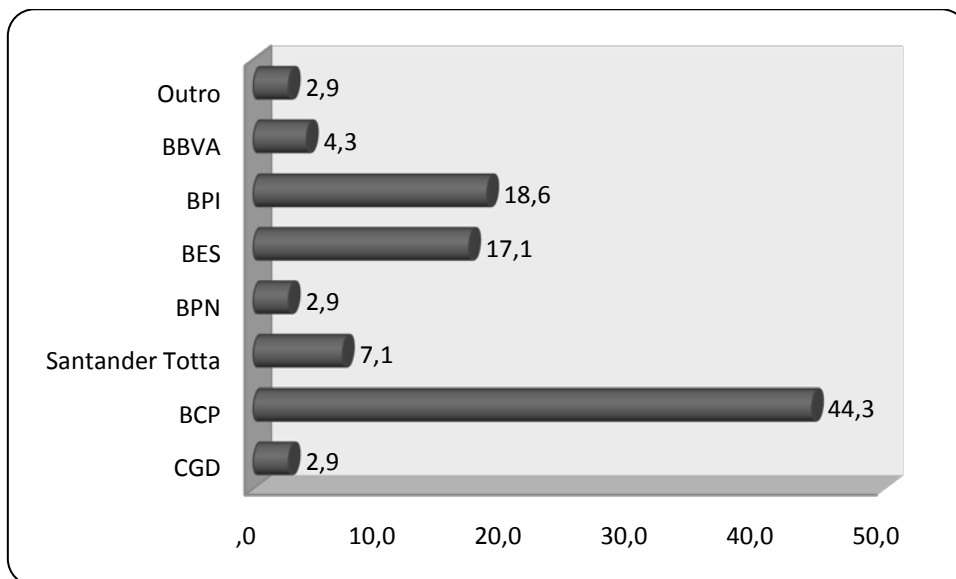
In Figure 2.2 we identified the most used banks in the companies as their first choice. The data showed that the BCP is the most used bank by the companies as their first choice (44, 29%).

Figure 2. 3- Average number of banks according to firm size
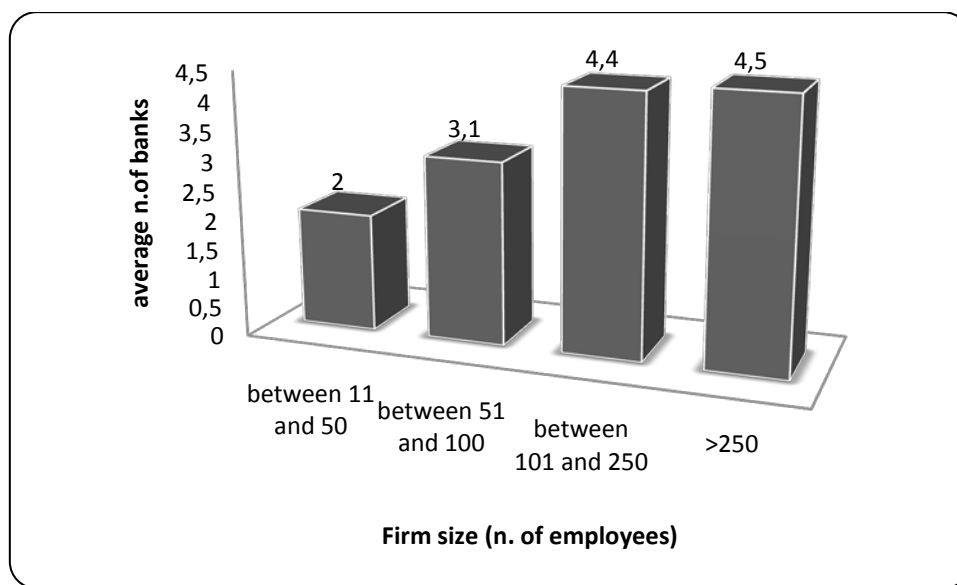
We found that the larger the size of the corporate segment, the greater the number of banks used, with the larger companies using the services of four or more banks on average, although strong loyalty exists between companies and their lead commercial bank. The same conclusion was obtained in a previous study conducted by Farinha, L. (1999, Banco de Portugal) with data from Portugal, the average number of banks in this study was 1.4 for very small firms (with less than 10 employees) and 5 for those with over 200 workers. Most of the latter borrowed from 4 banks.

Although most of the responding companies use the services of four or more banks, strong loyalty existed between organizations and their lead commercial bank, as discussed in the previous study conducted by Turnbull and Gibbs (1989). The data showed that 73% of the companies have been working with their lead bank for more than 10 years.

Figure 2. 4-Time working with the main bank
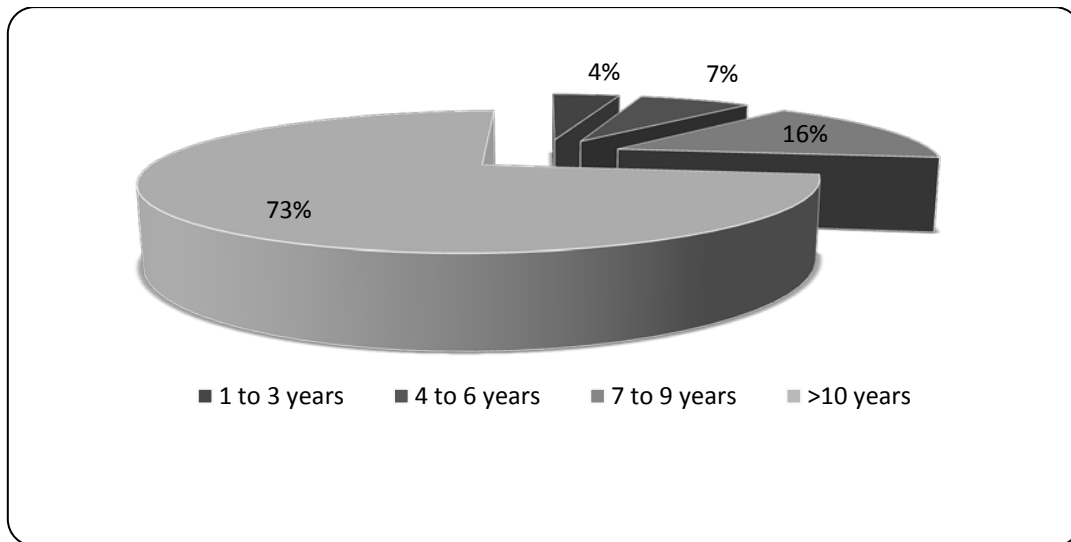
2.12 Steps used for model estimation

We conducted the exploratory Factorial analysis with varimax rotation because we have a big number of variables in the proposed models. To achieve this goal we used the software SPSS 17.0.

Factor Analysis is a statistical approach that can be used to analyze interrelationships among a large number of variables and to explain these variables in terms of their common underlying dimensions (factors). The statistical approach involving finding a way of condensing the information contained in a number of original variables into a smaller set of dimensions (factors) with a minimum loss of information (Hair et al., 1992).

Factor analysis has three main objectives:
  a) First, identify the structure of relationships among either variables or respondents;
  b) Identify representative variables from a larger set of variables for use in subsequent multivariate analysis;
  c) Create an entirely new set of variables, which will replace the original set of variables.

The exploratory factorial analysis allowed to eliminate those variables with lower factorial loadings (< 0,5).

In this study we employed the Structural Equation Modelling (SEM) using the software Amos 18.0. This technique estimates a series of separate, but interdependent, multiple regression equations simultaneously by specifying the structural model used by the statistical program (Hair et al., 1995).

To assure construct reliability we also calculate the Cronbach's alpha because is a commonly used measure to test the extent to which multiple indicators for a

latent variable belong together. It varies from 0 to 1.0. A common rule of thumb is that the indicators should have a Cronbach's alpha of 0.7 to judge the set reliable. It is possible that a set of items will be below .7 on Cronbach's alpha, yet various fit indices in confirmatory factor analysis will be above the cutoff (usually 0.9) levels. Alpha may be low because of lack of homogeneity of variances among items, for instance, and it is also lower when there are fewer items in the scale/factor.

Although the use of Cronbach`s Alpha does not ensure unidimensionality but instead assumes it exists. (Hair et al., 1995).

We also tested the construct reliability that is measure of the internal consistency of the construct indicators, depicting the degree to which they indicate the common latent construct.

A commonly used acceptable value for reliability is 0,7, although this is not an absolute standard, and values below this value have been deemed acceptable.

Another measure of reliability is the variance extracted measure. Reflects the overall amount of variance in the indicators accounted for by the latent construct. Is a complementary measure for the reliability value. The suggested value for the variance extracted is higher than 0,5.

After the analysis of the structural model estimated, we verified the existence of offending estimates, and assessed the overall model fit with some goodness-of-fit measures. The acceptable values are presented in Table 2.6.

Table 2. 6- Levels of acceptable fit in Structural Equation Modelling

Measures of absolute fit	Description	Acceptable levels
Chi-Square Statistic (χ^2)	Calculates the difference between the observed and expected covariance's matrix.It´s not adjusted for the degrees of freedom.	p>0,05, sensitive to the sample size. Appropriate for sample sizes between 100 and 200.
Goodness-of-fit index (GFI)	Represents the overall degree of fit. It´s not adjusted for the degrees of freedom.	From 0 to (poor fit) to 1 (perfect fit). Recommended >0,9
Root mean square error of approximation (RMSEA)	This value is the discrepancy per degree of freedom	Values ranging from 0,05 to 0,08 are deemed acceptable.
Adjusted goodness-of-fit index (AGFI)	Is an extension of the GFI, adjusted by the ratio of degrees of freedom	From 0 to (poor fit) to 1 (perfect fit). Recommended >0,9
Tucker Lewis Index (TLI)	It combines a measure of parsimony into a comparative index between the proposed and null models.	Recommended >0,9

	Compares the proposed model to the null model.	From 0 to (poor fit) to 1 (perfect fit).
Normed Fit Index (NFI)		Recommended >0,9
Comparative fit index (CFI)	Compares the proposed model to the null model.	From 0 to (poor fit) to 1 (perfect fit).
		Recommended >0,9
Normed Chi - Square	Adjusted by the degrees of freedom	p>0,05

Source: Hair et al. (1995)

2.13 Findings

The empirical validation of the measurement model for Perceived Service Quality was performed by exploratory and confirmatory factor analysis as well as reliability analyses. In view of the explorative nature of our body, we first factor analysed the set of items with the help of principal component analysis to test our *a priori* assumptions about the underlying factor structure. We then calculated Cronbach Alpha´s for each obtained factor to ensure satisfactory levels of internal consistency and to select the best items for each facet. Scale purification was conducted by eliminating items and led to a significant reduction in the number of items.

The development of the final measurement model follows the respecification guidelines suggested by Anderson and Gerbing (1988).
The practical reespecification process followed two steps. First, the study considered a item removable if it demonstrated one of the following characteristics:
- Loaded on the wrong factor or cross loaded; or
- Exhibited large standardized residuals.
- Then if the questionable item was considered to be represented by another indicator, it was removed from the analysis.
We established a removing routine procedure until all items were considered necessary, either theoretically or empirically (Yang, Jun and Peterson, 2004).
As the result of this procedure, five items were reduced from the original 12 items to measurement of Perceived Service for the business banking clients.
A second exploratory factor analysis carried out with the remaining items resulted in the extraction of the same factor structure. We then conducted a factor analysis of second order, which led to a further reduction of the quality factors to five fundamental quality dimensions (see Table 2.7).It was obtained a multiple-item scale for the construct Perceived Service Quality with the following items: Product Variety (with two items, PV1 and PV2), Interpersonal Relationships (one item IPR4), Reliability (with two items, REL 1 and REL2).

The same procedure was conducted to measure Banking Loyalty and only one item was considered in the final model (BL2).

On the first sight, the dimensionality of the construct Perceived Service Quality, seems to be different to the one proposed. However considering the categorization of service elements resulting in a evaluation made by business customers, and not that from private customers, who were mainly used in previous scales to measure Service Quality in the banking industry. But even in previous investigations conducted in retail banking a single factor multiple-item scale was used, for instance Lewis and Soureli (2006) measured Perceived Quality the same way (he had a single factor multiple-item scale with the following items :up-to-date facilities and equipment, individual attention, prompt service, knowledge and kindness of employees, and accuracy).

We also tested for the reliability and validity and in order to assure valid construct measurements, the GFI and the AGFI, the Variance Extracted and the Chi-Square test as overall fit measures were used in the following to evaluate the dimension of Perceived Service Quality.
In addition to Cronbach´s Alpha, the local fit indices – indicator reliability, Variance Extracted, factor reliability and total variance explained- were employed to test the validity of the obtained factor.
After this analysis, we estimated the final structural model (See Figure 2.5), and the goodness-of-fit measures have acceptable values. The measurement model therefore, contains a sufficient degree of reliability as well as convergent validity.
The Table 2.8 also presents the correlations between the items in the model.

Table 2. 7- Exploratory and confirmatory Factor Analysis for the proposed model

Constructs	Item Name	Indicator Reliability	Total Explained Variance	Cronbach Alpha	Composite Reliability	Variance Extracted	Global Fit
Banking Service Quality (BSQ)	PV2 IPR4 PV1 REL1 REL2	0,74 0,82 0,85 0,75 0,61	62,8%	0,85	0,87	0,55	$X^2 = 9,4$ $df = 9$ $GFI = 0,955$ $CFI = 0,981$ $TLI = 0,968$ $RMSEA = 0,026$ $AGFI = 0,894$

Figure 2. 5- Structural Equation Model
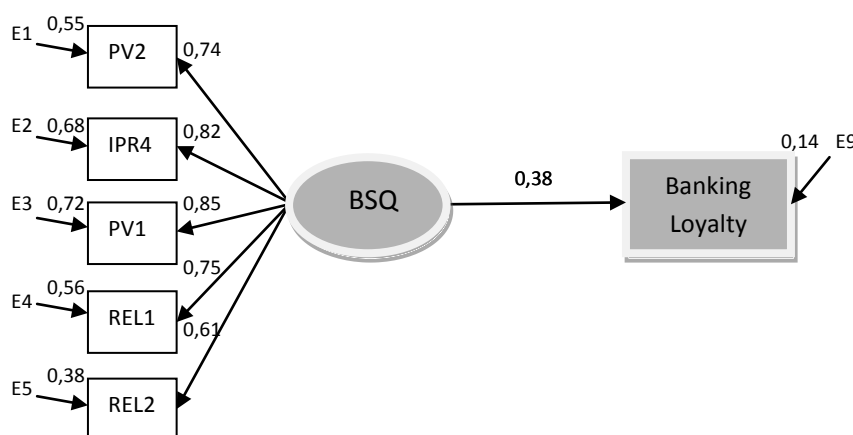
$[X^2 = 9,4\ (df = 9);\ GFI = 0,955;\ CFI = 0,981;\ TLI = 0,968;\ RMSEA = 0,02;\ AGFI = 0,894]$

Table 2. 8- Correlations between the variables in the model

	PSQ	Loyalty	PV1	REL1	REL2	PV2	ITR4
PSQ	1,000						
Loyalty	,376	1,000					
PV1	,847	,318	1,000				
REL1	,748	,281	,634	1,000			
REL2	,612	,230	,519	,458	1,000		
PV2	,741	,279	,628	,555	,454	1,000	
IPR4	,822	,309	,696	,615	,503	,609	1,000

The determinants with major impact on Banking Service Quality are PV1 and PV2 which refers to the importance of the offer of products and services according to the needs of the company; in second place, the variable IPR4 , regarding the importance of the good relations generated between the decision-maker of the company and the bank's business manager; and in third place, the variable REL1 and REL 2, regarding the reliability of the services; in other words, the importance of assuring the service with the minimum of errors.

There is no statistical evidence to suggest that the variables Tangibles, Responsiveness and Price conditions are important to predict Perceived Service Quality for medium/large corporate customers.

There is also statistical evidence to prove the hypothesis H1, with a total effect of 0,38, that means that there is a positive direct effect of Perceived Banking Quality on Banking Loyalty, for medium/large corporate customers.

2.14 Discussion

We found that the larger the size of the corporate segment, the greater the number of banks used, with the larger companies using the services of four or more banks on average, although strong loyalty exists between companies and their lead commercial bank.

The data also showed that BCP is the most-used bank by the companies as their first choice.

This study also suggests that Banking Service Quality specifically three dimensions (the importance of the offer of products and services according to the needs of the company, the good relations generated between the decision-maker of the company and the bank's business manager, and assuring the service with the minimum of errors) appears to be the primary driver of bank loyalty in this segment.

The first dimension was discussed by other authors as influencing the bank-company relationship and the choice of the main bank by customers. Lam and Burton (2005), for instance, stated that the ability to understand and accommodate specific customer needs appeared to be important in influencing the corporate choice of banks. They also found that for companies who are loyal to only one bank, the key determinant for remaining with that bank was the ability to accommodate their needs.

The second dimension emphasizes the importance of interpersonal relationships in maintaining corporate customers. For example, changes in bank policy and/or bank managers were identified as having caused some customers to change banks. This suggests that bank strategy may need to pay more attention to the potential negative effects on customer behaviour of any change in staffing or lending policy (Lam and Burton, 2005).

The third dimension of perceived service quality is of great importance for the decision-maker at the company. Corporate customers expect transactions to be made with the minimum of errors, mainly because an error in certain transactions can seriously compromise the company.

In the study conducted by Tyler and Stanley (1999), reliability was an important driver for operational quality service. They evidenced that even if mistakes were made, it was expected that the bank would handle them swiftly and efficiently.

In contrast, the importance of the quality of the physical branch of the bank is the least relevant to determining bank loyalty by corporate customers. This might indicate that the physical evidence of the service has less importance than in the past for informing a customer's views on service quality, satisfaction and loyalty (Veloutsou et al., 2004).

2.15 Managerial implications and future research

Our study had some limitations; the most significant was the difficulty in obtaining a bigger sample of medium/large companies. We faced various obstacles in contacting the decision-maker in each company.

Further research should target two methodological objectives: first, a larger study should be attempted; secondly, it is important to conduct a study within a context of online banking in this segment.

The services provided by banks through the electronic medium have increased in recent years, although there has been an unsatisfactory quality in the services provided by many institutions.

There is a enormous competition amongst banks in this sector; it is incumbent upon all banks to provide high quality services, and it is therefore important to understand in the first place the attributes of e-banking service quality; in second place, how companies become more satisfied with the service provided; in third place, if they have trust in that medium; and lastly, how they become more loyal.

Many authors investigate these problems in their studies involving private customers, but few studies analyze these issues for medium/large corporate customers.

This study suggests that corporate bank customers appear to choose not to use one bank exclusively, but to benefit from using a range of banks, thereby obtaining greater flexibility.

Taking into account the high costs involved in increasing the customer base in the medium/large corporate segment, one of the main goals of banks should be to develop long-term relationships with their customers in order to improve their results.

Thus, the management of perceived service quality is a fundamental task for managers at the banks.

Banks should develop products and services according to the needs of the segment of larger companies, as their needs are more specific and complex than in other customer segments.

Lasting relationships between the bank and the corporate customer are upheld if a good relation is generated between the decision-maker at the company and the bank's business manager. It should also be a priority for bank managers to improve the reliability of the transactions.

In short, data showed that it is not possible for banks to expect 100 percent loyalty from their corporate customers, but banks can adopt strategies to develop long-term relationships and maximize their share of wallet within this segment.

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CHAPTER III

THE DETERMINANTS OF BANKING LOYALTY FOR BUSINESS CUSTOMERS

3. THE DETERMINANTS OF BANKING LOYALTY FOR BUSINESS CUSTOMERS

3.1 Introduction

The corporate banking segment deserves attention because it is more valuable and more complex than the more frequently examined retail banking segment, especially in terms of frequency, value of transactions and frequency of multiple banking relationships (Tyler and Stanley, 1999).

Corporate banking is traditionally considered a complex function since it involves relationships between corporate firms and financial institutions (Athanassopoulos and Labroukos, 1999).

Some studies have reported differences between the nature of the relationship between a bank and its business customers depending on the size of the companies (Butler and Durkin, 1998). As companies grow, their financial needs increase in complexity, as does their bargaining power in the bank-customer relationship (Moriarty et al., 1983).

For banks, the medium/large corporate market segment offers the possibility of high, volume-rated margins, and it is therefore important to win lead bank status, as this ensures the largest slice of the corporate banking business. However, the larger the corporate segment, the greater the number of banks used (Tyler and Stanley, 1999). This means stiff competition between banks in this segment of medium/large companies and the major challenge for banks to provide high standards of service quality to ensure customer loyalty.

Many investigations have analysed the relations between smaller companies and their banks, but there has been a relative lack of research studying the determinants of banking loyalty by medium/large corporate customers.

This study explores the relationships between Perceived Service Quality, customer Satisfaction, Image, Perceived Switching Costs, and Loyalty for business customers.

3.2 Loyalty

The subject of customer Loyalty has been extensively explored in the marketing literature. The satisfaction and the service quality are the most frequent determinants of loyalty. In Table 3.1 we summarize some of the previous studies about the determinants of Loyalty.

Table 3. 1- Determinants of Loyalty

Author	Determinants of loyalty	Observations
Reichheld (1993)	Loyalty of the employees in the company	The client makes interpersonal bonds with the employees of the company. It's important to retain the employees and maintain them motivated.
Selnes (1993)	Brand reputation and customer satisfaction	Brand reputation is the strongest driver of customer loyalty compared with customer satisfaction.
Jones and Sasser (1995)	Satisfaction	It's important the level of satisfaction. For these authors the level of loyalty depends on the level of satisfaction.
Payne (1995)	Quality, strategies and tactical retention	This author suggests that the quality is not the only determinant that leads to loyalty.
Ruyter et al. (1997)	Perceived service quality	They found a positive relationship between perceived service quality and preference loyalty and price indifference loyalty. No significant relationship between perceived service quality and dissatisfaction response was found.
Andreassen and Lindestad (1998)	Corporate image and customer satisfaction	Corporate image impacts customer loyalty directly while customer satisfaction does not.
Mittal and Lassar (1998)	Satisfaction	Satisfaction is driven by "technical quality" and by "functional quality".
Gremler and Brown (1998)	Overall evaluation of the service, competitive environment, impersonal bonds and interpersonal bonds.	Impersonal bonds is defined are characterized in terms of switching costs and staying benefits. Interpersonal bonds are the degree to which customers perceives having a personal, sociable relationship with service provider employees.
Oliver (1999)	Satisfaction	Satisfaction is a necessary step in loyalty formation but becomes less significant as loyalty begins to set trough other mechanisms (roles of personal determinism and social bonding at the institutional and personal level.
Ruyter and Bloemer (1999)	Satisfaction, value attainment and positive mood	Value attainment and positive mood play an additional role in explaining customer loyalty
Hill and Alexander (2000)	Satisfaction	The loyalty is related to profitability
Foster and Cadogan (2000)	Relationship with the firm	Is important a strong customer-salesperson relationships.
Butcher, Sparks and O`Callaghan (2001)	Consumer's evaluative judgments and relational outcomes	The tree evaluative judgment measures were service encounter satisfaction, perceived core service quality and value for money while

		relational measures comprised social comfort, social regard and friendship.
Chumpitaz and Paparoidamis (2004)	Satisfaction	The results provide robust evidence concerning the direct effect of industrial satisfaction on loyalty, accessibility, delivery and product reliability as antecedents of industrial satisfaction.

Source: Partly adapted from Martins (2006)

3.2 Literature review about the determinants of Banking Loyalty

Many investigations were previous developed to analyze the determinants of Bank Loyalty in a context of retail banking; few were those who analyzed these determinants in Business banking, especially for medium/large corporate customers.

The most frequent antecedents of Bank Loyalty described in literature are Banking Service Quality (already analysed in chapter II), Customer Satisfaction, Interpersonal relationships, Perceived Switching Costs, and Image.

One of the first studies that investigated the customer loyalty to banks was the work of Fry et al. (1973), with a sample of Canadian students, they tried to explain if the customers exhibit loyalty to their banks, what factors would explain variations in the degree of loyalty and this investigation also explained the influence of a campus branch location on subsequent bank patronage. They concluded that the main determinants of loyalty were promotion, service and location (a campus branch was shown to increase a bank's share of accounts and to provide significant carry-over business after graduation).

Bloemer et al. (1998), investigated how image, perceived service quality and satisfaction determines loyalty in a retail bank setting, and it was revealed that image is indirectly related to bank loyalty via perceived quality and service quality is both directly and indirectly related to bank loyalty via satisfaction. The latter has a direct effect on bank loyalty.

Caruana (2000), proposed a model that links service quality to service loyalty via customer satisfaction.

Castelo (1999), in his investigation on the other hand, found that service quality and satisfaction had no significance on bank loyalty , only the disconfirmation of expectations had a significant measure on predicting service loyalty.

Lee and Cunningham (2001) indicate that, in addition to service quality perceptions, transaction/switching cost factors have a significant impact on service loyalty.

Ball et al. (2003), showed that customer loyalty can be explained by customer satisfaction, trust and communication, and also the direct and indirect effects among these constructs and other constructs in an extension of the ECSI model. One of the important findings of this research is that loyalty is explained less by trust than expected and more by communication, at least in the banking sector. They also concluded that the relationship between image and loyalty, although important is mainly indirect and mediated through satisfaction and trust.

Beerli et al. (2004) showed that satisfaction together with switching costs, are antecedents leading directly to customer loyalty, and perceived quality was a consequence of satisfaction.

Veloutsou et al. (2004) examined the links between image, perceived quality, satisfaction, commitment and loyalty in the Greek retail bank sector. And revealed that image has a positive impact on perceived quality and satisfaction. The perceived personalization of the service provided emerges as a key factor that leads both directly and indirectly to loyalty.

Pont and McQuilken (2004), found that satisfaction was found to have a significant impact on three dimensions: loyalty, pay more, and external response.

Baumman et al. (2004), showed in their study that a part of the variance in share of wallet can be predicted allowing banks to identify and focus on customer segments where is most potential for growth, in the recognition that dissatisfied customers are a distinct segment.

Lewis and Soureli (2006), found that loyalty is the outcome of a cognitive rather than an effective process. The main antecedents of bank loyalty were found to be perceived value, service quality, service attributes, satisfaction, image and trust.

In Table 3.2 we summarize some of the previous studies about the determinants of Banking Loyalty.

Table 3. 2- Determinants of bank loyalty

Author	Determinants of bank loyalty	Observations
Fry et al. (1973)	Promotion, service and location.	They utilized a sample of Canadian students, and it was verified a high degree of loyalty among them.
Gremler (1998)	Satisfaction, Switching costs and interpersonal bonds	Satisfactions are the most significant.

Bloemer et al. (1998)	Image, perceived service quality and satisfaction	Image is indirectly related to bank loyalty via perceived quality. Service quality is both directly and indirectly related to bank loyalty via satisfaction. The latter has a direct effect on bank loyalty.
Castelo (1999)	Disconfirmation of expectations	The service quality and satisfaction had no statistical significance in determining service loyalty.
Caruana (2000)	Service quality and customer satisfaction	The results indicate that customer satisfaction does play a mediating role in the effect of service quality on service loyalty
Lee and Cunningham (2001)	Perceived service quality and transaction/switching costs	It develops potential determinants of service loyalty based on the service quality, transaction cost and switching cost literature.
Ball et al. (2003)	Customer satisfaction, Communication and trust	The loyalty is explained less by trust than expected and more by communication, at least in the banking sector. The relationship between image and loyalty, although important is mainly indirect and mediated through satisfaction and trust.
Veloutsou et al. (2004)	Satisfaction, Perceived quality and image	Image has a positive impact on perceived quality and satisfaction.
Beerli, Martin y Quintana (2004)	Satisfaction and personnel switching costs	This paper shows that the degree of elaboration in the bank selection process does not have a moderating influence on the causal relationships between satisfaction/switching costs and customer loyalty.
Baumannn et al. (2004)	Customer attitudes, Satisfaction, Perceived service quality, customer's environment and competing offers.	This study develops different models for satisfied and dissatisfied customers.
Pont and McQuilken (2004)	Customer satisfaction	Satisfaction was found to have a significant impact on three dimensions: loyalty, pay more, and external response
Lewis and Soureli (2006)	Perceived value, service quality, service attributes, satisfaction, image and trust	The respondents appear to be cognitive loyal since they associate loyalty with the value that they get from their bank.

Source: own elaboration

3.3. Main determinants of Banking Loyalty for the proposed model

3.3.1 Perceived Service Quality

The concept of Perceived Service Quality has been widely developed in the previous chapter, but is relations with other determinants will be briefly discussed in next sections.

3.3.2 Customer satisfaction

Customer satisfaction has frequently been suggested as the leading determinant of loyalty (Anderson and Fornell, 1994; Lam and Burton, 2005) and it has been argued that satisfaction is the overall evaluation of the organization based upon all experiences with that particular organization (Anderson et al., 1990).

For instance, levels of satisfaction have been positively related to repeat purchase behaviour (Labarbera and Mazursky, 1983).

Levels of satisfaction have been positively associated with customer loyalty in the form of share of wallet and business-to-business setting (Keiningham and Perkins-Munn, 2003).

Satisfaction has also been the most important variable for the explanation of loyalty in the ECSI-revisited model of Ball el al. (2003) and in the ESCI initial model.

Service satisfaction is most commonly conceptualized in the marketing literature as the customer's comparison of their service expectations with their perceptions of how they regarded the actual service encounter experienced (Hoffman and Bateson, 1997).

Satisfaction is the customer's evaluation of a product or service in terms of whether that product or service has met the consumer's needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service. (Zeithaml et al., 2006).For these authors customer satisfaction is influenced by specific product or service features, perceptions of product and service quality, and price.

The bulk of studies concur that satisfaction is a leading factor in customer loyalty.

Customer satisfaction is a function of customer expectations levels and service quality level provided by the organization (Rexha, Kingsshott and Aw (2003).

In many studies there isn't any consensus in the relation between the quality and satisfaction (Cronin y Taylor, 1992; Chenet et al., 1999), on the other side there are a lot of studies that make a big importance in the relation in that the

service quality affects the loyalty with the service through the satisfaction (Bloemer et al., 1998; Lassar et al., 2000; Ostrowsky et al., 1993).

On the other hand many authors empathize the idea of one variable quality has an antecedent of the satisfaction (Oliver, 1993; Jun & Cai, 2001; Szymansky Y Hise, 2000; Cronin Y Taylor, 1992; Spreng et al, 1996).

The distinction and association between service quality and customer satisfaction remains at the forefront of many academic and practitioner-oriented research endeavours (Lassar et al., 2000). All the studies agree that the two constructs are conceptually distinct, and there are numerous empirical works to support the quality/satisfaction causal order. These two concepts are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality focuses specifically on dimensions of service: in first place it is argued that in order to form a satisfaction judgment consumers have to form a satisfaction judgement, consumers must have experienced a service, whereas perceived service quality is generally viewed as being not necessary experienced based; secondly it has been argued that the two concepts are determined by different antecedents. Evidence suggests that exists a number of cognitive and affective processes (equity, attributions, cost/benefit analysis) that influence satisfaction. The number of antecedents to service quality is regarded more limited (Oliver, 1993).

In relation to the association between satisfaction and service quality, many authors are not in agreement in terms of the causal order of these constructs. For instance Cronin and Taylor (1992) found that service quality can be seen as a determinant of satisfaction which in turn influences purchase intentions. Oliver (1993), and Spreng and Mackoy (1996) also suggests in their study that service quality leads to satisfaction.

Certain researchers have suggested that satisfaction is an antecedent to service quality (Bolton and Drew, 1991). Other researchers do not share this view and propose that customer satisfaction and service quality can be examined at both the transaction-specific and global perspectives (Teas, 1993). Satisfaction evaluations have also been linked to perceived value (Zeithaml, 1988), repeat-purchasing (Oliver and Swan, 1989), as well as customer loyalty towards a brand or company (Kasper, 1988). Indeed, Fornell (1992), in his study of Swedish consumers, states that although customer satisfaction and quality appear to be equally important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles.

According to what was discussed before we propose the next hypothesis:

H2: Perceived service quality has a positive and indirect effect on Banking Loyalty, trough the mediating effect of Customer Satisfaction.

3.3.3 Image

It also has been suggested that constructs such has the level of customer satisfaction, perceived service quality and brand image are likely to influence the development of a loyal customer base (Veloutsou el al., 2004).

The role that image plays in the formation of perceptions of quality and satisfaction has been addressed in the literature.

A favourable image is viewed as a critical aspect of a company´s ability to maintain its market position, as image as been related to core aspects of organizational success such as customer patronage (Granbois, 1981).

Image reflects individual′s perceptions of the reputation of the firm, the brand, the store or whatever is evaluated (Stern et al., 2001). Image is seen as the organization presentation of itself to its various stakeholders and the means by which it distinguishes itself from all other organizations (Markwick and Fill, 1995).

Sirgy and Samli (1989), for instance, report a direct positive relationship between image and loyalty. Bloemer el al. (1998) reveal that image is indirectly related to bank loyalty via perceived quality and in the product literature there is ample evidence that image significantly affects perceptions of quality (Darden and Schwinghammer, 1985; Render and O´Connor, 1976; Stafford and Enis, 1969).

The marketing literature reveals that research on the concept of corporate image has been undertaken mostly on goods producing firms and on retail stores, and that little work has been reported to date on customers' image assessments in services (Donovan and Rossiter, 1982; Dowling, 1988; Golden et al., 1987; Mazursky and Jacoby, 1986).

Gronroos (1984) argues that image is of utmost importance to service firms and is to a great extent determined by customers' assessment of the services they receive. Indeed, since services are intangible and based on performances, a better understanding of the components of image promises to help management improve the competitive performance of the firm. A prerequisite to image management is, therefore, the understanding of the process by which image is formed and the customers' beliefs and attitude with regard to the firm's product/service offering.

Numerous definitions of image are found in the psychological and marketing literature. Image has been described as subjective knowledge (Boulding, 1956), as an attitude (Hirschman et al., 1978), and as a combination of product characteristics that are different from the physical product but are nevertheless identified with the product. Examples include tradition, ideology, company name, reputation, price levels, variety of services, and the quality communicated by each person interacting with the service firm. Other aspects,

such as corporate identity, level and quality of advertising, and delivery systems also contribute to image building. Image has also been described as the "overall impression" left on the minds of customers, as a "gestalt" (Zimmer and Golden, 1988), and as an "idiosyncratic cognitive configuration" (Mazursky and Jacoby, 1986).

MacInnis and Price (1987), along with Yuille and Catchpole (1977), describe image formation as a procedure by which ideas, feelings and previous experiences with an organization are stored in memory and transformed into meaning based on stored categories. Salient facts, compatible with the customer's attitudinal structure, are later retrieved to reconstruct image when the service firm is brought to mind. Two principal components of image, functional and emotional, are identified (Kennedy, 1977). The functional component is related to tangible cues that can be measured more easily, while the emotional component is associated with psychological states that are manifested by feelings and attitudes. The customer, exposed to realities created by the firm, selects the symbols through which image is formed. Image is described as a hierarchical network of meanings stored in memory that range from holistic general impressions to very elaborate evaluations of objects, and these meanings are proposed to be linked to the individual's personal values. In the customer's mind, the meaning of image must be investigated at a higher level of abstraction (Reynolds and Gutman, 1988). Gronroos (1984) argues that corporate image is built mainly by technical quality i.e. what the customer receives from the service experience, and functional quality, the manner in which the service is delivered. Bitner (1990) proposes that cues from the physical environment are instrumental in communicating the firm's purpose and image. The assumption is that customers who perceive service quality over repeated service encounters have an overall favourable image of the firm. Similarly, since customer satisfaction is described as a judgement made on the basis of a specific service encounter (Bolton and Drew, 1991; Cronin and Taylor, 1992), satisfaction levels derived from each service encounter are viewed as having an effect on image assessments. Image is, therefore, viewed as cumulative construct that is updated each time the customer experiences the service. As for the influence of perceived service value on corporate image, Barich and Kotler (1991) propose that a company will have a strong image if customers believe that they are getting high value when they buy from it. Accordingly, to a number of factors such as good products and services and reasonable prices are said to influence value judgement.

Hence we propose the next Hypothesis:

H3: Perceived Service Quality has a positive and indirect effect on Banking Loyalty, trough the mediating effect of Image.

Ball et al. (2003) in an extension of the ECSI model, with a sample of banks, found that image presents some impacts: on the customer satisfaction and an indirect influence in loyalty through satisfaction and trust.

According to Andreassen and Lindestad (1997), corporate image is believed to create a halo effect on customers´ satisfaction judgment. When customers are satisfied with the services rendered, their attitude towards the company is improved. This attitude will then affect the consumers´ satisfaction with the company.

According to this we propose the next Hypothesis:

H4: Image has a positive and indirect effect on Banking Loyalty trough the mediating effect of Customer Satisfaction.

3.2.4 Perceived Switching Costs

Banks have been placing increasing emphasis on customer retention as a means of increasing profitability, so switching costs may be an important tool for them. Perceived switching costs can be conceptualized as the investment actions taken by a consumer that inhibit changing suppliers (Jackson, 1985) and the costs involved in changing to one service provider to another (Morgan and Hunt, 1994), for example, when the customer or service provider create personnel relationships and trust which have built up over a period of time , there is likely to be a psychological exit cost, even if performance of the service is less than satisfactory (Siriluck and Speece, 2005).

It also has been argued that the costs of switching providers tend to be higher for services than for goods (Gremler and Brown, 1998). Switching costs for services that are intrinsically difficult to evaluate, or for which there is only a limited number of suppliers are high (Brown and Swartz, 1989).

Switching Costs can be expected to have a role in constraint-based relationships maintenance, being one of the constraints that keeps the customer in the relationship.

It appears that there is a positive relationship between the level of switching costs and customer loyalty in services (Ruyter et al., 1997; Bitner, 1990).

Patterson and Smith (2003) also found that switching barriers alone are a powerful predictor of customer retention.

Sharma and Patterson (2000) found that switching costs act both as an antecedent and a moderator of relationship commitment.

In a study conducted by Lee and Cunningham (2001), with a sample of banks and travel agencies, they argue that the cost of switching service providers should depend on the levels of the following factors:

- *Information search cost*: when customers consider switching to a new service provider, one of the first difficulties they face involves gathering information about substitutes. Although the cost can be high or low depending on the service, it would affect the overall level of switching costs;
- *Perceived risk*: the consumer's perceptions of risk in selecting a new provider. In many studies it has been suggested that consumers try to handle the risks by deliberately searching prepurchase information resulting in increased brand/store loyalty once a good choice is made;
- *Substitutability of the service provider*: is defined as the extent to witch the service activities the current service provider performs are available from alternative sources;
- *Geographical proximity*: since services are generally consumed in the same place where they are produced, a service provider's location is a critical factor. For most services consumers prefer convenient locations. When they move, they tend to switch to a new service provider in their areas.

In banking, customers tend to switch mainly because of service failure (Colgate and Hedge, 2001), and they perceive negative consequences if they switch service providers, related to psychological issues and financial consequences (Colgate and Lang, 2001).

In a previous study was reported that the quality of the personnel aspects of the relationship between a company and a banker would affect bank switching behaviour (Teas, 1988).

Klemperer (2005) used as an example of switching costs "the high transaction costs in closing an account with a bank and opening another with a competitor.

In a study conducted by Kim et al. (2001), was found that 16% of the value of an additional customer can be attributed to the locked –in phenomenon generated by switching costs, while on average locked in customers contribute 23% to banks value.

According to what was discussed before we propose the next hypothesis:

H5: Perceived Service Quality has a positive and indirect effect on Banking Loyalty, trough the mediating effect of Perceived Switching Costs.

In Figure 3.1 we present the proposed model to be estimated.

Figure 3. 1- Proposed model
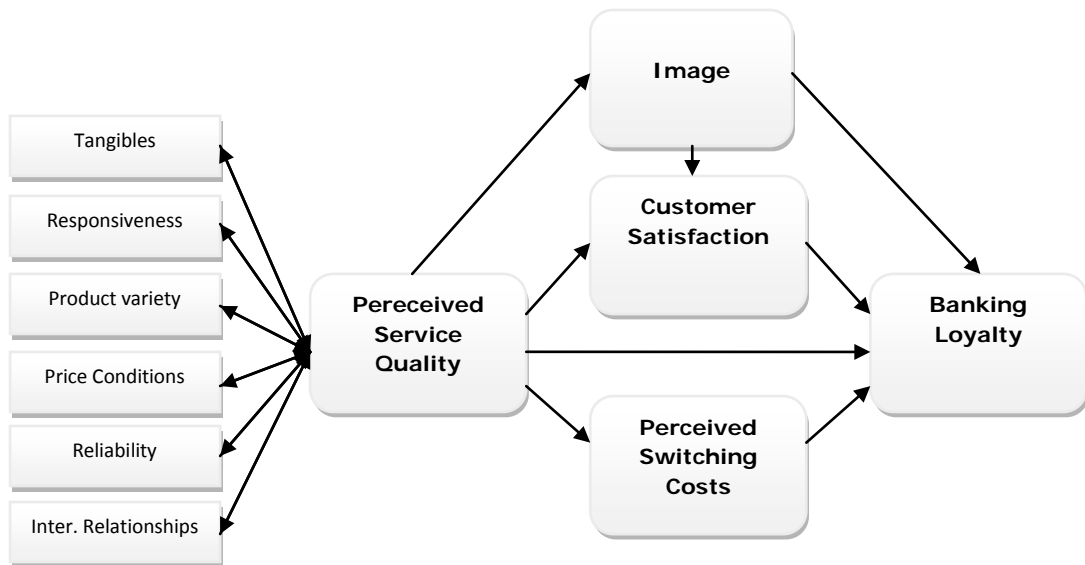
3.3 Methodology and Design of the investigation

3.3.1 Introduction

With the main purpose of testing the proposed model, it was conducted a questionnaire to medium /large corporate customers of the main Portuguese banks.

In this subsection we will describe the main objectives of the investigation, the applied methodology in the design of the questionnaire, data collection and some descriptive statistics of this data.

3.3.2 Purposes of the investigation

The aim of the investigation in this chapter is to analyze the relations between Banking Service Quality, Customer Satisfaction, Image, Perceived Switching Costs and Bank Loyalty.

3.3.3 Data collection

We sent 220 questionaires to the email address of the decision makers of bank business customers, and obtained 72 valid responses.

The sample was randomly selected from a data base of Dun & Bradstreet and is representative of the medium/large companies in Portugal, 60% of the companies in our sample work with more than 250 employees and for about 80% have an annual turnover superior to 50 million Euros.

3.3.4 Questionnaire development

The design of the questionnaire was primarily based on multiple-item measurement scales taken from previous research (Table 3.3). They were adapted to the specific characteristics of our research setting. All the items of the constructs were measured with a seven point Likert-scale, ranging from 1 = completely agree, to 7 = completely disagree. The scale was developed on the basis of a qualitative research study conducted prior to the quantitative data collection phase. This scale was also pre-tested and found to be valid and reliable on the basis of our study.

Table 3. 3- The study measures

Construct	Survey Measures		Variables	Source
Customer satisfaction	I am satisfied with the bank overall. The bank meets my expectations in servicing my request.		CS1 CS2	Partly adapted from Baumann et al. (2004) and Veloutsou et al. (2004)
Banking Loyalty	We will probably still be working with this bank in the future.		Loyalty	Developed for this study
Perceived Switching Costs	It would be risky for the company if we switched to another bank. This bank provides services that cannot be easily replaced by other banks.		PSC1 PSC2	Partly adapted from Baumann et al. (2004) and Veloutsou et al. (2004)
Image	Overall, I have a good impression of the main bank who works with the company. The bank provides friendly service.		Image 1 Image 2	Partly adapted from Veloutsou et al. (2004)
Banking Service Quality	Tangibles	The physical branch of the bank is functional and comfortable. I value the existence of a physical branch of the bank near the company.	TAN1 TAN2	Developed for this study
	Responsiveness	In general, I don't wait too long to solve my request.	RES1	This item was adapted from SERVQUAL and Tyler and Stanley (1999)
	Product variety	The bank offers products and services according to the needs of the company. The bank offers a wide range of services.	PV1 PV2	This item was adapted from SERVQUAL
	Price Conditions	The bank has competitive interest rates.	Price	Partly adapted from Baumann et al. (2004)

		The bank assures their services with a minimum of errors.	REL1	This items were adapted from SERVQUAL, and Tyler and Stanley (1999)
	Reliability	I value that the bank quickly resolves the existing errors.	REL2	
	Interpersonal Relationships	The bank has competent employees who demonstrate the necessary banking skills.	IPR1	Partly adapted from Veloutsou et al. (2004)
		The bank employees understand the needs of my company.	IPR2	
		The bank employees are trustworthy and sincere.	IPR3	
		I have a good relation with the business manager of the bank.	IPR4	

3.4 Findings

First we carried out a factor exploratory analysis (principal components with varimax rotation) for the latent variables. The factorial loadings were required to be higher than 0.5 points, not charge in several constructs and have a significant total explained variance.

Only one factor was estimated for each construct of Banking Service Quality (see Chapter II), Customer Satisfaction, Image and Perceived Switching Costs (see Table 3.4).

The Cronbach Alpha indicator was used to access the initial reliability of the scales, considering a minimum value of 0.7, although this is not an absolute standard, and values below 0.7 have been deemed acceptable if the research is exploratory in nature (Hair et al., 1995).

We also test the Composite Reliability, the Variance extracted and Discriminant validity (see Table 3.5) for each construct.

Table 3. 4- Exploratory Factor Analysis

Exploratory Factor Analysis				Cronbach Alpha	Composite Reliability	Variance Extracted
Latent Variable	Items	Factor Loadings	% Explained Variance			
Banking Service Quality	PV2	0,74	62,8%	0,85	0,87	0,55
	IPR4	0,82				
	PV1	0,85				
	REL1	0,75				
	REL2	0,60				

Customer Satisfaction	CS1 CS2	0.87 0.87	76.2%	0.65	0,69	0,57
Image	Image1 Image2	0,89 0,89	80,46%	0,70	0,79	0,70
Perceived Switching Costs	PSC1 PSC2	0,88 0,88	78,88%	0,73	0,87	0,61

Table 3. 5- Discriminant Validity

	PSQ	CSAT	IMAGE	PSC
PSQ	0,55[a]			
CSAT	0,82[b]	0,57[a]		
IMAGE	0,85[b]	0,86	0,7[a]	
PSC	0,0076[b]	0,00096[b]	0,00096[b]	0,61[a]

a. The diagonal entries represent the average variance extracted by the construct.
b. The off diagonal entries represent the squared correlations between the constructs.

The relation between Perceived Service Quality and Banking Loyalty was already analysed in the previous Chapter. The main conclusions were that there is positive and direct relation between Banking Service Quality and Bank Loyalty with a total effect of 0,38.

The results show that there is a positive relation between Banking Service Quality, and Customer Satisfaction with a total effect of 0,91, indicating high correlation between the two constructs (Table 3.6) . The results also demonstrated that discriminant validity between the two constructs can´t be proved.

The results indicate that Customer Satisfaction is not a mediator construct between Banking Service Quality and Banking Loyalty. These findings suggest that Bank Loyalty better determined only by the perceptions of banking quality, if we add Customer satisfaction to the model we don´t improve the results. Thus we didn´t find support to accept the proposed Hypothesis H2.

Since Satisfaction is the overall evaluation of the organization based upon all experiences with the bank and meeting expectations, business respondents seem to evaluate them the same as the perceptions of service quality when interacting with the bank. Empirical results have demonstrated that to explain Loyalty in Business Banking there no need to have the mediating effect of Customer Satisfaction.

In a study developed by Spreng and Singh (1993) on the evaluations by banking customers, also did not found discriminant validity between satisfaction

and perceived quality. They removed artificial distinction by examining both at the global level and without disconfirmation (Dabholkar, 1995). Also according to this author, it´s important to understand whether customers distinguish between customer satisfaction and service quality in their own minds. It´s possible that the two constructs overlap under certain conditions and are distinct under others.

For Dadholkar (1995) these constructs tend to be distinct factors in the short term but tend to overlap in the long term.

This can explain the overlap of the two constructs in our study. A great percentage (73%) of business respondents have been working with the main bank for more than 10 years. There may not be much difference between Customer Satisfaction and Service Quality perceptions because the affective aspect of evaluation will dissipate overtime.

Table 3. 6- Correlations between the variables

	PSQ	CSAT	CSAT2	CSAT1	Loyalty	PV1	REL1	REL2	PV2	IPR4
PSQ	1,000									
CSAT	,913	1,000								
CSAT2	,696	,763	1,000							
CSAT1	,715	,784	,598	1,000						
Loyalty	,353	,386	,295	,303	1,000					
PV1	,879	,802	,612	,628	,310	1,000				
REL1	,763	,697	,531	,546	,269	,671	1,000			
REL2	,591	,540	,412	,423	,209	,520	,451	1,000		
PV2	,802	,732	,558	,574	,283	,705	,612	,474	1,000	
IPR4	,802	,732	,558	,574	,283	,705	,612	,474	,643	1,000

In Table 3.7 we present the correlations between the constructs Image, Perceived Service Quality and Loyalty.

The results show that there is a positive relation between Banking Service Quality, and Image with a total effect of 0,92 , indicating high correlation between the two constructs. In fact we also tested the discriminant validity (see Table 3.5) between the constructs and found no discriminant validity between the two constructs. Thus we can´t accept the proposed hypothesis H3.

The results suggest that the model has a better global fit if we don´t include Image as a mediator in this relation. In our study Image is the "overall impression" left on the mind of business customers, and their evaluation based on previous experiences about the service provided by the bank, that is if the

bank provides friendly service. These evaluations are close to the evaluations for the dimensions of perceived service quality. Many previous investigations found the same results, with high correlations between the constructs, but some of them maintained their models without assuring Discriminant Validity between some of the constructs.

Table 3. 7- Correlations between the variables

	PSQ	Image	Image2	Image1	Loyalty	PV1	REL1	REL2	PV2	IPR4
PSQ	1,000									
Image	,923	1,000								
Image2	,695	,753	1,000							
Image1	,798	,864	,650	1,000						
Loyalty	,378	,410	,309	,354	1,000					
PV1	,852	,786	,592	,679	,322	1,000				
REL1	,751	,694	,522	,599	,284	,640	1,000			
REL2	,634	,585	,441	,506	,240	,540	,476	1,000		
PV2	,769	,710	,535	,613	,291	,655	,578	,488	1,000	
IPR4	,807	,745	,561	,643	,305	,687	,606	,511	,620	1,000

We also didn´t obtained discriminant validity between Image and Customer Satisfaction, also indicating like for previous analysed constructs high correlations between the two constructs (Table 3.8).According to this we found no support to accept the proposed hypothesis H4.

Table 3. 8- Correlations between the variables

	Image	PSQ	Imag2	Imag1	Loyalty	Csat2	Csat1
Image	1,000						
PSQ	,931	1,000					
Imag2	,745	,758	1,000				
Imag1	,925	,941	,690	1,000			
Loyalty	,343	,337	,256	,317	1,000		
Csat2	,762	,749	,568	,705	,253	1,000	
Csat1	,827	,813	,616	,765	,274	,609	1,000

In Table 3.9 we present the main conclusions for the exploratory and confirmatory analysis for the constructs Banking Service Quality, Perceived Switching Costs and Bank Loyalty.

In Figure 3.2 we present the structural equation model for the relation between the three constructs, and in Table 3.11 we present the correlations between the variables in the model.

The results indicate that there is no statistical significance to prove the hypothesis H5 that there is a positive indirect effect between Banking Service Quality and Bank Loyalty via Perceived Switching Costs.

The results indicate very poor fit measures for this model so we didn´t included this construct in our model.

Figure 3. 2- Structural Equation Model for the relation between Banking Service Quality, Perceived Switching Costs and Loyalty
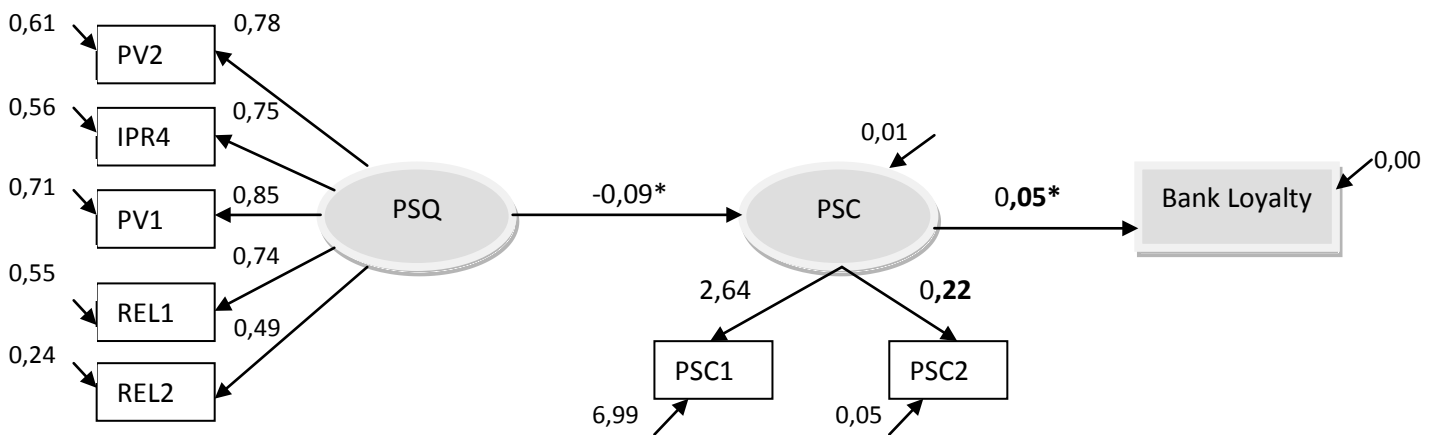
$[X^2 =23,9 (df= 19);GFI =0,913; CFI = 0,861; RMSEA = 0,061; AGFI =0,836]$

*This relation as no statistical significance at the 0,05 level.

Table 3. 9- Exploratory and confirmatory factorial analysis

Constructs	Item Name	Indicator Reliability	Total Explained Variance	Cronbach Alpha	Composite Reliability	Variance Extracted	Global Fit
Banking Service Quality	PV2	0,74	62,8%	0,85	0,87	0,55	$X^2 =4467,9$ df= 36 GFI =0,913 CFI = 0,861 RMSEA = 0,061 AGFI =0,836
	IPR4	0,82					
	PV1	0,85					
	REL1	0,75					
	REL2	0,61					
Perceived Switching Costs	PSC1	0,88	78,88%	0,73	0,87	0,61	
	PSC2	0,88					

Table 3. 10- Correlations between the variables in the model

	PSQ	PSC	PSC2	PSC1	Loyalty	PV1	REL1	REL2	PV2	IPR4
PSQ	1,000									
PSC	-,087	1,000								
PSC2	-,019	,222	1,000							
PSC1	-,230	2,645	,588	1,000						
Loyalty	-,004	,049	,011	,130	1,000					
PV1	,845	-,073	-,016	-,194	-,004	1,000				
REL1	,739	-,064	-,014	-,170	-,003	,624	1,000			
REL2	,493	-,043	-,010	-,113	-,002	,417	,364	1,000		
PV2	,779	-,068	-,015	-,179	-,003	,659	,575	,384	1,000	
IPR4	,751	-,065	-,014	-,172	-,003	,635	,555	,370	,585	1,000

We also tested if Perceived Switching Costs has a mediating effect in the relation between Perceived Service Quality and Banking Loyalty. The results (Figure 3.3) suggest that the model has a better global fit if we don´t include them as a mediator in this relation.

Amongst all the previous constructs measured Perceived Switching Costs was that with low correlations both with Perceived Service Quality and Loyalty, this shows that business respondents do not perceive high costs of switching banks. The same conclusion was obtained in the study conducted by Lewis and Soureli (2006), who studied the major antecedents of consumer loyalty in retail banking.
Data showed (in Chapter II) that a big percentage (68,6%) of big volume companies of our sample work in average with more than 5 banks.
The bigger companies have a great variety and complexity in their transactions, which may explain the fact that they prefer to benefit from the advantages of having relations with several banks and don´t perceive risk in changing to another bank when they need to develop a new transaction.
Although these results in previous chapter we also found that large companies have a long term relationship with the main bank, a large percentage of the companies in our sample have been working with the main bank for many years. This suggests that despite the fact that business customers don´t

perceive costs in changing to another bank, this has not been a problem to banks, who found strategies to retain this big volume customers. This means that banks have been efficiently handling with this segment, since they recognize the fact that they can be the most profitable and important segment. This can also be explained because of long-term debt financing commitments and synergies between banks and medium/large companies.

Figure 3. 3- The mediator role of Perceived Switching Costs

0,314*

| PSQ | -0,02* → | PSC | 0,007* → | Bank Loyalty |
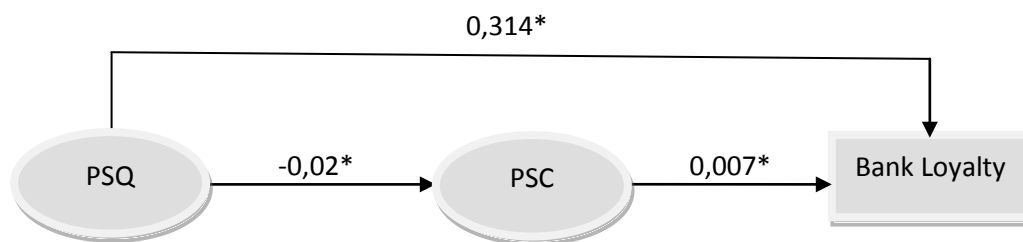
*This relation has no statistical significance at the 0,05 level

Finally we also tested a model with the direct relation between Perceived Service Quality and Bank Loyalty (already demonstrated in Chapter II) and we also included the direct influence of Perceived Switching Costs on Banking Loyalty, since we found no evidence to suggest that this construct is a mediator between Perceived Service Quality and Bank Loyalty. The results (Figure 3.3) indicate that there is evidence to accept the proposed hypothesis H1, the direct effect of Perceived Switching Costs on Banking Loyalty is not strong enough, to have a significant impact. More we also didn´t found statistical significance for the item PSC2 that refers to the fact that company managers don´t recognise the preposition that the main used bank provides services that cannot be easily replaced by other banks. No significant impact was also found to the preposition that managers don´t recognize risks when changing to another bank.

We can consider that the model that best explains Banking Loyalty was that proposed in Chapter II, since we found no disciminant validity between the main constructs in the model: Perceived Service Quality, Customer Satisfaction and Image, and no significant impact was found in the relation between Perceived Service Quality , Perceived Switching Costs and Bank Loyalty.

Figure 3. 3- Structural Equation Model for the relation between Banking Service Quality, Perceived Switching Costs and Loyalty
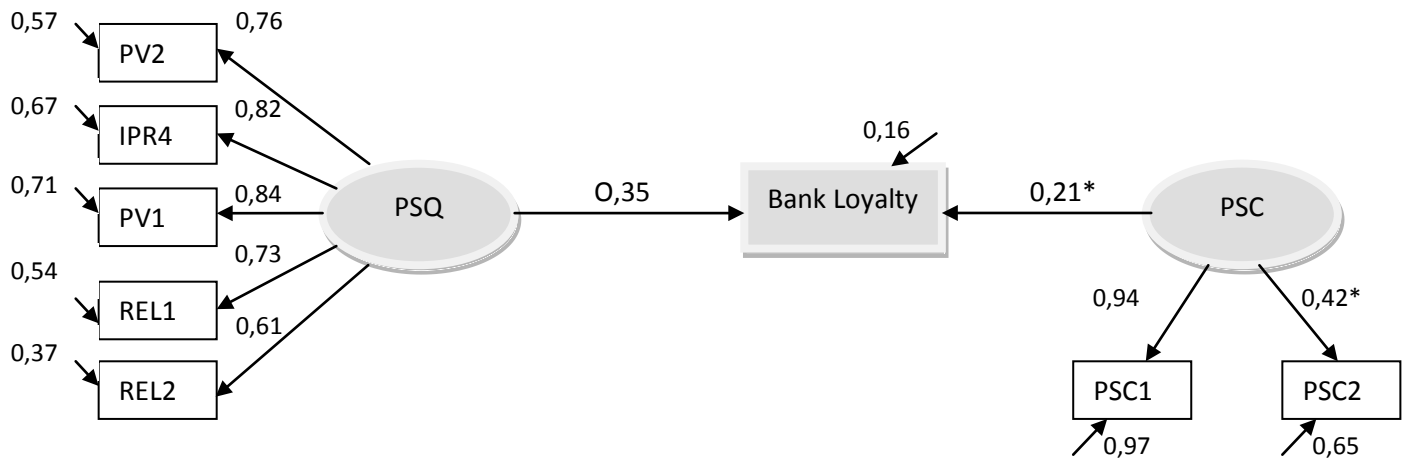
*This relation has no statistical significance at the 0,05 level

$[X^2 = 21$ (df= 19);GFI =0,924; CFI = 0,943; TLI = 0,915; RMSEA = 0,039; AGFI =0,856]

3.5 Discussion

This Chapter´s aim was to identify the main determinants of Customer´s Loyalty in a business banking environment.

Research into customer loyalty has focused primarily on product-related or brand loyalty, whereas loyalty to service organizations has remained underexposed (Gremler and Brown, 1996). Frequently, a high positive correlation between the constructs of satisfaction , quality and product loyalty is reported. Likewise, with regards to service loyalty, perceived service quality as well as satisfaction have been identified as key antecedents in banking as well as in other service industries (Dick and Basu, 1994; Lewis, 1993).

Several authors have found a positive correlation between customer satisfaction and loyalty (Anderson & Sullivan, 1993; Bolton & Drew, 1991; Fornell, 1992).

Numerous studies in the service sector have also empirically validated the link between satisfaction and behavioral intentions such as customer retention and word of mouth (Anderson & Sullivan, 1993; Bansal & Taylor, 1999; Cronin & Taylor, 2000). Hart and Johnson (1999) have added that one of the conditions of true customer loyalty is total Satisfaction.

In our study we found high correlations between Perceived Service Quality and Customer Satisfaction, and no discriminant validity was found.

According to Dabholcar (1995), some services, like banking, may be evaluated with little emotional content and the overlap between customer satisfaction and service quality evaluations would be high.

One other reason, according to the same study, is that these two constructs tend to overlap in the long term, there may not be much difference between them, because the affective aspect of evaluation will dissipate over time. A big percentage of our business respondents have been working with their lead commercial bank for more than 10 years.

Also in a study conducted by Spreng and Singh (1993) in the banking sector no discriminant validity was also found between customer satisfaction and service quality.

In today's fiercely competitive banking industry, it has become imperative for banks to find an effective strategy. Development of a strong image has been argued to be an effective strategy for banks in differentiating themselves from competitors. Customers prefer banks with favorable and strong images, and they tend to recommend those banks to others. Thus, a strong bank image is related not only to customer loyalty and retention (Bloemer et al., 1998) but also to the acquisition of new customers.

Our results also find high correlations between Perceived Service Quality and Image, with lack of discriminant validity also suggesting that image issues may be a part of the Quality construct, because the two concepts may also overlap in the long term.

The same results were found for Image and Customer Satisfaction.

The term switching costs covers a broad range of issues, including finding a new bank, breaking the relationships bonds, and the actual process of switching as well as the direct financial costs. Even so, switching banks is easier today than used to be. There is an incentive to switch banks if a better deal can be obtained, and often a better deal is offered to a new customer than they do to existing ones.

However, it is important to remember that banks are somewhat ambivalent in their attitude towards the problem of switching costs. They want lower switching costs so customers can easily switch to them, but they also want to benefit from switching costs discouraging customers from switching away from them.

Our evidence suggests that for business customers there are no switching barriers when they want to change to another financial service provider.

Business customers prefer to benefit from the advantages of maintaining a relation with several banks.

Gopalan et al. (2007) tried to answer the problem about why firms switch to non-relationship banks for their repeat loan. They found that firms are more likely to switch when they do not have existing relationships with large banks, and when there is a mismatch between their current loan needs and the specialization of their relationship banks. Consistent with improved credit access, firms obtain higher loan amounts when they switch banks, and small firms undertake higher capital expenditure, and experience an increase in sales growth, leverage and analyst coverage in the year they switch banks. The most

opaque firms also experienced an increase in both the probability and volume of public debt issuance in the year they switch banks. Overall is findings are consistent with the notion that firms switch banks to expand their access to credit and capital market services, and highlight an important cost of exclusive banking relationships.

Although this evidence, our results also suggest that besides the fact that companies in our sample, have split banking arrangements, they do maintain a long term relation with their lead commercial bank.

In conclusion we can consider that our findings suggest that Image and Customer Satisfaction overlap the concept of Perceived Quality for business customers. In fact it seems that Quality perceptions of the quality are the main determinant of Loyalty for this big volume bank segment.

3.6 Managerial implications and future research

A large and growing literature in finance shows that firms benefit by borrowing from banks that they have existing relationships with (Petersen and Rajan ,1994); Berger and Udell, 1995). Given the benefits of strong exclusive banking relationships, it is not clear why firms switch to non-relationship banks for their repeat credit needs, and in many cases choose to maintain multiple banking relationships (Ongena and Smith ,2000, 2001), Houston and James ,2001).

This is also the major problem in our conclusions, business customer's don´t perceive high switching costs when changing to another bank, besides the fact that they do maintain long-term relationships with the main bank. The business customers in our sample also choose to maintain multiple relations with several banks.

This means that competition in this segment is fierce and banks have built aggressive strategies to retain their big volume customers.

Commitment between the company and the bank allows for intertemporal transfers because it introduces a long-term perspective for the bank. If the company cannot switch to another financier easily, then the bank can expect to earn rents in future periods. These rents may in turn offset losses at other stages of the business.

All of these benefits have implications for two crucial issues: credit availability in general, and credit availability when borrowers face financial distress.

Despite this, large companies' prefer to benefit from multiple relations with several banks simultaneously and seem to don´t recognize financial and psychological constraints if they have to switch to another bank.

This problem can reduce bargaining power to banks, indeed to assure the continuance of the relationship with this important customer, banks have to reduce their prices.

Two related papers that examine the question of why firms switch banks are Farinha and Santos (2002) and Ioannidou and Ongena (2006). Using the monthly credit reports led by Portuguese banks with their central bank, Farinha and Santos (2002) found that firms with more growth opportunities and poorly performing firms are more likely to prefer multiple bank relationships.

Our findings also suggest that constructs like Satisfaction and Image are highly correlated with Perceived Service Quality, indicating that these measures overlap that of Perceived Service Quality in business customers minds, especially because the long-term relationship generated between the company and is first choice bank.

This suggests that for business customers Perceived service quality is the most important antecedent of Bank Loyalty.

Further research should develop a bigger sample study, although many limitations were found to obtain the collaboration of the decision makers of large companies.

It´s also urgent to further investigate ways of creating perceived switching costs, to assure commitment and higher profitability in this segment.

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CHAPTER IV

THE INFLUENCE OF E-BANKING SERVICE QUALITY ON E-BANKING

LOYALTY

VNIVERSITAS
STVDII
SALAMANTINI

4. THE INFLUENCE OF E-BANKING SERVICE QUALITY ON E-BANKING LOYALTY FOR BUSINESS CUSTOMERS

4.1 Introduction

Online banking can be defined as the provision of information or services by a bank to its customers over the Internet has been one of the major developments in the financial service sector in recent years.

As consumers switch in increasing numbers to online banking, the voice of the bank brand is shifting from the high street to the Web Site, with 32 percent of the world Internet users banking online least two or three times a week, and 14 percent of them claiming to bank online as often as daily, according to a study released by the Nielsen Company (2007).

A global average of 14 percent claim never to visit a branch, and one third claims to visit less than once a month. Swedes were least likely to be seen in a branch, with 36 percent claiming never to visit, followed by the Dutch (34%), Norwegians and Russians (30%). Six of the top 10 markets claiming never to visit branches hailed from Europe, but also included Vietnam (29%), Argentina (26%) and Hong Kong (20%).

And when it comes to loyalty to one's bank, 68 percent claim to be very or slightly loyal to their main bank, with 59 percent of Canadians the most loyal of all, followed by over half of Czechs, Danes and the French. Least loyal to their banks by a long way are the Japanese, with 29 percent claiming not to have any loyalty to their bank.

Through the Internet, individuals and companies can have access to their accounts and make all kind of transactions 24 hours a day, seven days a week, with low costs in a convenient way. On the other side, because of the exponential increase in the digital era, the banks have now one unique opportunity to expand their penetration in the international markets

Pyun, Scruggs and Nam (2002), also identified in their study the main factors which facilitate the rapid growth of electronic banking; in first place the computer and the electronic banking have reduced the entrance barriers in the sector; second, the individuals and companies expect convenience and technological innovation provided by the electronic banks; third, the costs of attracting and maintaining the customers of electronic banking is so low, that this investments is tempting for all banks.

The services provided by the banks through the electronic medium have increased in the last years, although there has been an unsatisfactory quality in the services provided by many institutions (Rose, 2000).

There is a enormous competitiveness by the banks in this sector, its urgent that all banks provide high quality services medium and how they become more loyal.

Many authors investigate these problems in their studies, for private customers, but the few were the studies witch analyzed this questions for business customers.

This aim of the investigation in this chapter is to identify the dimensions of E-Banking Service Quality and to analyse is relation with E-Banking Loyalty for Business Bank customers.

4.2 The advantages of online banking

The online banking offers multiple vantages to banks, individual clients as well as corporate clients (see Table 4.1).

Table 4. 1- Advantages of online banking

Advantages	
The banks	Improved market image Reduced transaction costs Better and quick response to the market evolution Increased market penetration The use of the internet to advertise/sell new products
The individual client	Reduced costs in accessing and using the bank services Increased comfort and time saving Speed of transaction Better administration of funds
The corporate client	Reduced costs in accessing and using the bank services Quick and continuous access to information Increased comfort and time saving Speed of transaction Better administration of funds

Source: own elaboration

4.3 Previous E-banking research

Many previous investigations have been made in E-Banking, especially in Internet Bank adoption; these studies are summarized in table 4.2.

For instance, Sathye (1999) in a study about adoption of Internet Banking with a sample of individual residents and business firms in Australia showed that security concerns and lack of awareness about Internet banking and its benefits stand out as being the obstacles to the adoption of Internet Banking.

Tan and Teo (2000) found that attitudinal factors such as Internet experience, the relative advantage of online banking and perceived risk, and perceived behavioural control factors predict the intention to adopt the Internet banking services.

Karjaluoto et al. (2002) showed that prior experience with computers and technology as well as people's attitudes toward computers influences both their attitude toward online banking and their actual behaviour.

Liao and Cheung (2000) in a study conducted in Singapore, about E-Banking attitudes, showed that expectations of accuracy, security, network speed, user friendliness, user involvement and convenience were the most important quality attributes underlying perceived usefulness.

Rexha et al. (2003) in a study about the adoption of Internet banking based on a survey of bank corporate client in Singapore, analysed the impact of satisfaction trust and the use of electronic banking on commitment. It was found that trust was the key factor influencing the adoption of electronic banking. Perceived customer satisfaction with the bank only impacted indirectly on the adoption of electronic banking.

Mukherjee and Nath (2003) found that communication had a moderate influence on trust, while opportunistic behaviour had a significant negative effect and trust in general led to a higher level of commitment in online banking.

Information sharing and distrust in the Internet were identified as the two major drawbacks for Thay Internet Banking adoption by Rotchanakitumnuai and Speece (2004).

Pikkarainen et al. (2004) found perceived usefulness and information on online banking on the Web site to be the main drivers for the acceptance of online banking.

Flavian et al. (2004) measured the corporate image of a bank in the context of the Internet. The results obtained showed that an Internet banks image is a a multidimensional construct composed of its reputation and security as perceived by the consumer, as well as of the services offered and access to them.

Barrutia and Echebarria (2004) in a study about the Internet and consumer power in Spain´s retail banking sector. They demonstrated that the Internet has increased the customer value of retail banking consumers.

Lassar et al. (2005) showed that Internet related innovativeness is positively related to the adoption of online banking.

Table 4. 2-Previous E- Banking Research

Author	Endogenous Variables	Exogenous Variables
Sathye (1999)	Adoption of Internet Banking	Security concerns and lack of awareness
Tan and Teo (2000)	Intention to Use Internet Banking Service	Attitudes Subjective Norms Perceived Behavioural Control
Karjaluoto et al. (2002)	Attitude Toward Internet Banking Internet Banking Usage	Prior Computer Experience Prior Technological Experience Personal Banking Experience Reference Group Influence
Liao and Cheung (2002)	Internet based e-banking and consumer attitudes	Perceived Usefulness (Accuracy, security, network speed, user friendliness user involvement and convenience), Willingness to use.
Rexha et al. (2003)	Adoption of Electronic Banking	Trust Perceived Customer Satisfaction (Indirect Impact)
Mukherjee and Nath (2003)	Commitment Trust	Shared Value Communication Opportunistic Behaviour
Rotchanakitumnai and Speece (2004)	Internet Banking Adoption	Web benefits (Information Quality, Information Accessibility, Information Sharing, Transaction Benefit), Web barriers (Organization Barrier, Trust, Legal Support)
Pikkarainen et al. (2004)	Online Banking Use	Perceived Usefulness Perceived Ease of Use Perceived Enjoinment Information on Online Banking Security and Privacy Quality of Internet Connection
Flavian et al. (2004)	Corporate image measurement	Reputation, Security, services offered and is Access.
Barrutia and Echebarria (2004)	The Internet and Consumer Power	Consumer Power Consumer Value
Lassar et al. (2005)	Online Banking Adoption	Consumer Innovativeness Personal Characteristics

Source: own elaboration

4.4 The importance of E-banking Service Quality

The main study that investigates the quality of the services is the SERVQUAL model of Parasuraman et al. (1985), which identified 10 quality dimensions that the consumers use to form expectations and perceptions about the services. Latter this model is improved in 1988, and found 5 quality dimensions (Tangibles, Reliability, Responsiveness, Assurance and Empathy).

The SERVQUAL model has been widely used in many studies to evaluate the quality of the services provided for many organizations, including banks, although it has received a lot of criticism by many other authors.

In 1995, Johnston, analysed the perceptions of service quality in the banking sector, and found 18 attributes of service quality (Access, Aesthetics, Availability, Care, Cleanliness, Comfort, Commitment, Communication, Competence, Courtesy, Flexibility, Friendliness, Functionality, Integrity, Reliability, Responsiveness and Security).

Tyler & Stanley (1999), investigated, the expectations of the largest companies to the quality of the service provided by their banks and found some elements of operational quality: Reliability (Minimal Mistakes, Efficient mistake handling, Not needing to chase, Consistency, Confidence), Assurance (Technical knowledge of bank structure), Empathy (Understanding customer needs, Trust), Responsiveness and Proactivity.

Bahia & Nantel (2000) and Oppewal & Vriens (2000), proposed alternative models for perceived service quality in traditional banks.

All this studies investigated the dimensions of service quality in a context of physical branches, but in an electronic medium many of these dimensions are conceptual and practical different.

Service quality can be defined as overall customer evaluations and judgments regarding the excellence and quality that influences consumption decisions, but only recent findings have been applied to e-commerce (Yang y Jun, 2002).

For off-line environments it is common knowledge that quality of services and products is a key determinant of customer satisfaction and customer loyalty (Bauer et al., 2005). Recent empirical evidence shows that this is also true for electronic service providers.

The most important step in providing a sophisticated level of service trough e-banking portals is to identify and measure the dimensions of portal quality.

For online customers, high standard e-service quality is the means by which the potential benefits of the Internet can be realized, because it is much easier to compare product technical features and prices online than through traditional channels, e-service quality becomes a key factor for customers (Santos, 2003).

The companies should provide high quality web sites, mainly because of no existence of human contact, and therefore this absence of human interaction

trough which the quality can be provided, has to be compensated trough specific website quality factors (Iwaarden et al., 2002).

There has been a great concern by the companies, who wish to sell their products or services through the Internet, that the experiences online of their customers be satisfactory.

Doll y Torkzadeth (1988) for example, identified 5 quality attributes for satisfying experiences online (Content, Accuracy, Format, Ease of Use and Timeliness).

Szymansky Y Hise (2000) in a study developed about e-satisfaction, concluded that convenience has the biggest impact in the online satisfaction, and that positive perceptions on the design of the site and financial security are the second elements more important to obtain more easily expected satisfaction levels.

Zeithaml et al. (2001) also found 11 online quality dimensions through focus group.

Yoo y Donthu (2001) have developed an instrument named SITEQUAL, to measure the experiences online and included 4 dimensions (Ease of Use, Aesthetic Design, Processing Speed and Security).

Barnes & Vidgen (2001), have established an index WEBQUAL based on the model of SERVQUAL with 7 web quality factors (Reliability, Competence, Responsiveness, Access, Credibility, Communication, Understanding the individual).

Ribbink, Riel, Liljander& Streukens (2004), concluded that "e-trust" increases the customers loyalty online, they were factors are the ease of use, e-scape, responsiveness, and customization.

Lee y Lin (2005), for example, used in their study one scale of the reviewed SERVQUAL, to establish the dimensions of online service quality trough the website design, reliability, trust and personalization, but this last factor was found not statistical significant in the evaluation of online quality.

Many other authors investigated the quality attributes in a context of electronic banking (see Table 4.3.).

Joseph et al. (1999) found in their study e-banking quality dimensions.

Jayawardhena y Foley (2000), suggested that the attributes of the sites of the banks like: the speed to download, content, design, interactivity, navigation, and security are critical to obtain customer satisfaction.

Jun y Cai (2001), have developed a model trough the CIT ("Critical incident technique") to identify critical satisfaction and dissatisfaction factors in the context of electronic banking. These authors found 11 key dimensions of e-banking service quality, the first 10 dimensions measure the service quality to the customer, and the first 8 of this 10 were found by Parasuraman et al. (1985), the last 2, Collaboration and Continuous Improvement, were found by these authors. In relation to the quality of online systems, were found more 6

key attributes, and the last is the Product Variety. The attributes with more statistical significance were: Responsiveness, Reliability, Access, Ease of Use, Accuracy and Product Variety.

Liao y Cheung (2002), found that expectations of accuracy, security, network speed, user friendliness, user involvement and convenience were the most important quality attributes underlying perceived usefulness and also found that willingness to use depend significantly on the first five factors.

Waite y Harrison (2002), studied the consumer expectations of online information provided by bank web sites and found seven key factors who affect the customers satisfaction, they are: Transaction Technicalities, Decision Making Convenience, Interactive Interrogation, Specialty Information, Search Efficiency, Physical Back-Up and Technology Trill.

Flavian, Torres & Guinalíu (2004), proposed a model to measure the corporate image of a bank in the context of Internet and found that Internet bank image is a multidimensional construct composed of its reputation and security as perceived by the consumer, as well of the services offered and access to them.

Yang, Jun y Peterson (2004) also investigated the customer perceived online service quality in electronic banking, and a confirmatory factor analysis produced six key online service quality dimensions: reliability, responsiveness, competence, ease of use, security and product portfolio.

Bauer, Hammerschmidt y Falk (2005) have developed a model to measure the quality of e-banking portals and found three service categories: core services, additional services and problem solving services.

Table 4. 3- Determinants of E-banking Service Quality

Authors	Determinants
Joseph et al. (1999)	Convenience/Accuracy; Feedback/Complaint Management Efficiency; Queue Management Accessibility; Customization
Jayawardhena Y Foley (2000)	Speed; Content Design; Interactivity Navigation; Security
Jun Y Cai (2001)	Reliability; Responsiveness Competence; Courtesy Credibility; Access Communication Understanding the Costumer Collaboration Continuous improvement Content; Accuracy Ease of use; Timeliness Aesthetics; Security
Liao Y Cheung	Accuracy; Security

(2002)	Network Speed User-Friendliness User Involvement Convenience
Waite Y Harrison (2002)	Transaction Technicalities Decision Making Convenience Interactive Interrogation Specialty Information Search Efficiency Physical Back-Up Technology Thrill
Flavian, Torres & Guinaliu (2004)	Reputation Security Services offered Access
Yang, Jun Y Peterson (2004)	Reliability Responsiveness Competence Ease Of Use Security Product Portfolio
Bauer, Hammerschmidt y Falk (2005)	Security Trust Basic services quality Cross-buying services quality Added value Transaction support Responsiveness

Source: own elaboration

4.5 E-banking for Business customers

All these studies were developed with data from private customers of online banking, some of the following investigations studied E-banking for business clients (see Table 4.4.). Bank business clients require complex banking needs, but they also provide the greatest profit opportunities to the bank (Tyler and Stanley, 1999).

Sathye (1999), have developed a study about the adoption of Internet banking by Australian, with a sample of individual residents and business firms, and showed that security concerns and lack of awareness about Internet banking and its benefits stand out as being the obstacles to the adoption of Internet Banking in Australia.

Rotchanakitumnuai and Speece (2003) based on a survey of bank corporate clients in Singapore, investigated the impact of satisfaction, trust and use of electronic banking on commitment towards current banks and found that trust was the key factor influencing the adoption of electronic banking. Perceived customer satisfaction with the bank only impacted indirectly on the adoption of

electronic banking. Customer satisfaction, trust and the use of electronic banking were found to have a positive impact on the corporate client's commitment towards their bank.

Rexha, Kingshott & Aw (2003), in their study shown that the satisfaction of corporate clients with their banks does not impact directly on the propensity to use electronic banking by the corporate client However , as satisfaction has a significant impact on both trust and commitment, and both of these constructs impact on the corporate clients propensity to use electronic banking, and they conclude that satisfaction indirectly impacts a customer's inclination toward the use of electronic banking.

Siriluck and Speece (2005), examined the impact of the benefits and barriers on the overall customer relationship to the bank and switching cost. The results of this study showed that web benefits do enhance relationships, whereas barriers have no significant impact and that the benefits of information accessibility and information quality lower switching costs.

Table 4. 4- E-banking for business customers

Author	Object of the study	Sample	Proposed constructs
Sathye (1999)	Adoption of Internet banking	Individual residents and business firms in Australia	Security concerns Ease of use Awareness of service and its benefits Reasonable price No resistance to change Availability of infrastructure
Rotchanakitumnuai & Speece (2003)	Barriers to Internet Adoption	Corporate customers in Thailand	Organizational Barriers (Lack resources, Managements attitudes, Lack knowledge) Trust of the system (Security, Reliability of transaction, Trust of the bank) Legal support issues (Fair Liability, Court capability to solve online cases efficiently, Privacy protection)
Rexha, Kingshott & Aw (2003)	Factors impacting commitment with their banks	Bank corporate clients in Singapore	Customer satisfaction Trust E-bank usage
Siriluck & Speece (2005)	Impact of web-based service on switching cost	Large and medium sized companies in Thailand	Information quality Information Accessibility Transactional benefits

Source: own elaboration

4.6 E-banking Loyalty

E-loyalty is the customer's favourable attitude toward an electronic business, resulting in repeat purchasing behaviour (Anderson y Srinivasan, 2003).

In order to enhance customer loyalty portals are required to put a stronger emphasis on their customers quality demands, which are steadily increasing over time due to the growing competition in the Internet banking Industry, most important, loyalty has been recognized as a key path to long-term profitability (Bauer, Hammerschmidt & Falk, 2005).

The physical separation of the bank branch and the customer, and that of the customer and the financial advisor, and the overall environment of perceived insecurity on the Internet provide unique challenges to Internet banks to find ways in which to initiate and develop e-business relationships, in spite of these limitations, the bank must develop a trustworthy relationship on the Internet and foster customer loyalty (Mukherjee y Nath, 2003).

In order to investigate the importance of e-loyalty, the identification of variables influencing repeat purchasing behaviour and worth-of-mouth recommendation is crucial area of research (Srinivasan et al. 2002).The widespread adoption of online banking services calls for research investigating those factors which are responsible for keeping customers loyalty.

The perceived service quality of the website has been discussed as the principal antecedent of E-banking Loyalty.

4.7 Proposed Model

We propose a model for the determination of the dimensions of E-Banking Service Quality for Business customers and is influence on E-Banking Loyalty.E-banking Service Quality is defined as overall customer evaluations and judgments regarding the excellence and quality that influences consumption decisions in the context of electronic banking (Jun & Cai, 2001).

There are a lot of studies who examine the dimensions of e- banking service quality for the private e-banking customers (Joseph et al.,1999; Jayawardhena Y Foley,2000; Jun Y Cai ,2001); Liao Y Cheung, 2002;Waite Y Harrison, 2002; Flavian, Torres & Guinaliu, 2004; Yang, Jun Y Peterson,2004 ; Bauer, Hammerschmidt y Falk, 2005); and others examine the dimensions of e-banking service quality with samples of corporate customers (Sathye 1999; Rotchanakitumnuai Y Speece ,2003; Rexha, Kingshott & Aw ,2003; Ibbotson & Moran, 2003; Siriluk & Speece, 2005). As yet there isn't any consensus on the exact number of quality dimensions that customers consider when evaluating e-services (Ribbink, Riel, Liljander & Streukens, 2004).

For this study we considered seven e-banking quality dimensions for the business customers:

a) Product variety;
b) Assurance
c) Responsiveness;
d) Accuracy;
e) Reliability.
f) Convenience
g) Overall E-banking Quality

These dimensions will be briefly discussed (see Table 4.5):

a) **Product variety**. Online customers are more inclined to patronize firms which offer a substantial variety of services. The primary reason for this choice is that is more likely that their diverse needs can be fulfilled (Yang, Jun y Peterson, 2004). Many authors have identified the "Product variety" as one of the key dimensions that influences the perceived e-banking service quality (Jun & Cai, 2001).Yang, Jun & Peterson (2004) described the "Product Portfolio" as a range and depth of products/services, and with free service offerings.

b) **Assurance**. Is defined as the customer's perceived security and privacy when using the e-tailers services. Security and privacy are of serious concern to e-service customers. Security concerns the risk of third parties obtaining critical information about the customer, whereas privacy relates to the concern about the potential misuse of personal information by marketers (Ribbink, Riel, Liljander and Streuken,2004).

c) **Responsiveness**. Is one of the dimensions with more statistical significance in many studies and it's defined as the speed, timeliness, and convenience of service delivery (Jun & Cai, 2001); Customers expect online stores to respond to their inquires promptly (Liao & Cheung, 2002).

d) **Accuracy**. Means operational precision (Liao & Cheung, 2002), making the content and the interface of the bank's web site, and online transactions free of error (Jun & Cai, 2001).

e) **Reliability.** Is the ability of the Internet bank to perform the promised service dependably and accurately (Zeithaml et al., 1990; Jun & Cai, 2001), and the ability of the web site to fulfil orders correctly, deliver promptly and keep personal information secure (Lee y Lin, 2005).

f) **Convenience**. Since individuals can e-bank over the Internet at any time in any properly equipped location, the quality attribute of time and location convenience is likely to be significant in differentiating it from traditional retail banking (Liao and Cheung, 2002).

g) Overall E-banking Quality: evaluation for the overall quality of the main online bank used by the decision maker of the company.

Table 4. 5- The conceptual dimensions of E-Banking Service Quality

E-banking service quality dimensions	Definition	References
Product variety	A range and depth of products/services, and with free service offerings.	Yang, Jun & Peterson (2004)
Assurance	Customers perceived security and privacy.	Ribbink, Riel, Liljander and Streukens (2004)
Responsiveness	The speed, timeliness, and convenience of service delivery.	(Jun & Cai, 2001)
Accuracy	Operational precision.	(Liao & Cheung, 2002)
Reliability	The ability of the Internet bank to perform the promised service dependably and accurately.	(Liao & Cheung, 2002) (Zeithaml et al., 1990)
Convenience	Individuals can e-bank over the Internet at any time in any properly equipped location.	(Liao y Cheung, 2002)
Overall E-Banking Quality	Overall Evaluation of the services provided by the E-bank to the company	Developed for this study

Source: Own elaboration

Online customers still demand many services available through traditional channels even if they choose pure Internet-based suppliers with basic customer services (Yang and Fang, 2004). Several studies have been conducted to identify traditional service quality dimensions that contribute most significantly to relevant quality assessments in the traditional service environment. Identification of the determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality (Johnston, 1997).

Customer loyalty is considered important because of its positive effects on long-term profitability of a company (Ribbick et al., 2004). According to Reichheld et al.,(2002) the high cost of acquiring new e-customers can lead to unprofitable customer relationship for up to three years. As a consequence, it is critical for online companies to create customer loyalty base, as well as monitor the profitability of each segment (Reinartz & Kumar, 2002). However, few companies seem to succeed in creating customer e-loyalty and little is also known about the mechanism of generating customer loyalty on the Internet (Ribbick et al., 2004). In business banking a major determinant of E-Banking Loyalty is the perception of the service provided by the web site of the bank. According to what was discussed above we now propose the Hypothesis:

H1: E-Banking Service Quality positively affects E-Banking Loyalty for Business customers

Figure 4. 1- Proposed Conceptual Model
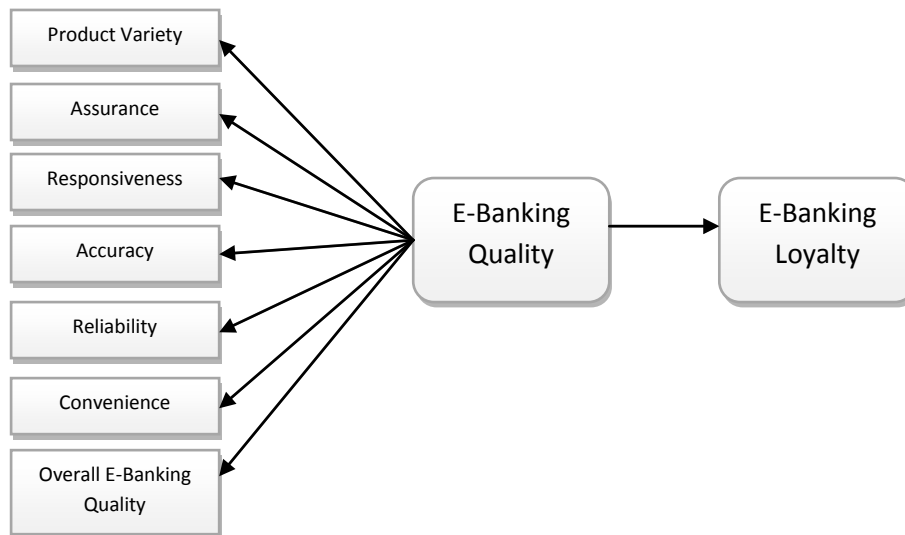
4.8 Methodology and Design of the investigation

4.8.1 Introduction

In this chapter we will describe the main objectives of the investigation, the applied methodology in the design of the questionnaire, data collection and some descriptive statistics of this data.

4.8.2 Purposes of the investigation

In this investigation we analyze the dimensions of E-Banking Service Quality and is relation with E-banking Loyalty for Business Customers.

4.8.3 Developing the questionnaire

4.8.3.1 Pre-test
Prior to the final study, we conducted interviews with the financial managers of five medium/large sized companies. The responses were helpful to form suitable questions for business customers of the Portuguese online banks.

4.8.3.2 Scales

In the first part of the questionnaire we asked about some the economic characteristics of the business respondents and habits in using online banking; then the questionnaire had questions to analyse the attitudinal behaviour of the companies in a context of online banking.

Some constructs are measured with ordinal questions others with Likert -type seven-point scale (1= Strongly Agree, 7= Strongly Disagree).

The type of scale used was based on relevant literature about online banking (Jun & Cai, 2001; Liao & Cheung, 2002; Morgan & Hunt, 1994; Anderson y Srinivasan, 2003). In Table 4.6 we present the study measures for the proposed model.

Table 4. 6- Measurement item description

Item			Description
E-Banking Service Quality	Product variety	PV1 PV2 PV3	All the needs of products and services by the company are included in the options of the online bank. The online bank suggests products and services according with the needs of the company. The online bank has competitive interest rates.
	Assurance	AS1 AS2	I consider that the risk in electronic transactions with the bank is high. The online bank is trustworthy.
	Responsiveness	RES1 RES2	I receive rapid and prompt responses, by email or telephone, when i request it in the website of the bank. The online bank answerer's quickly to my demands.
	Accuracy	AC1 AC2 AC3	The electronic transactions are free of errors in the interface. The electronic transactions are free of errors in the content. The electronic transactions are accurate.
	Reliability	REL1 REL2	The online bank keeps the records of the company with accuracy. The online bank performs the service correctly at first time.
	Convenience	CON1 CON2	I value the fact that we can use the online bank from any location. The use of online banking saves me time.
	Overall E-Banking Quality	OEBQ	In general the quality of the services of the online bank is good.
E-Banking Loyalty		EBL1 EBL2 EBL3 EBL4	Is my intention continuing using this online bank. I prefer this online bank above others. Is my intention to increase the use of this online bank in the future. I recommend this online bank to third parties.

4.8.3.3 E-Mail survey

The questionnaires were then sent to the personal e-mails of the financial managers of the companies and in some cases to the general e-mail of the company, but in this case with the identification of the decision maker of the company.

The questionnaires were sent and received between August in the year of 2007 and May of 2008.

From the 220 sent questionnaires, 70 valid questionnaires were finally returned, thus yielding a 32% response rate.

4.8.3.4 Sample description

The data showed that the BCP is the most used online bank by the companies was their first choice (48, 57%).

Figure 4. 2- The most used online bank as the first choice
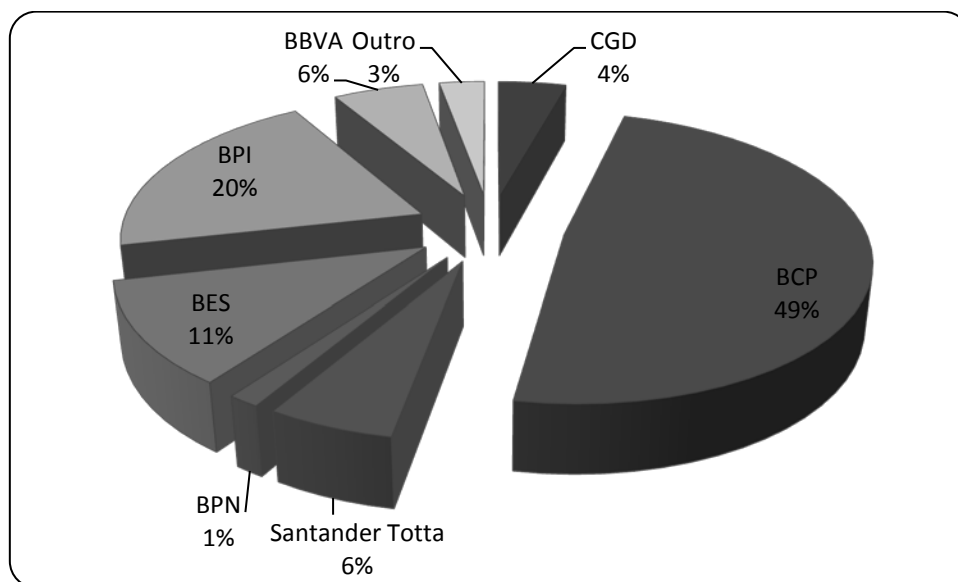
Figure 4. 3- Average number of electronic banks used by the company size
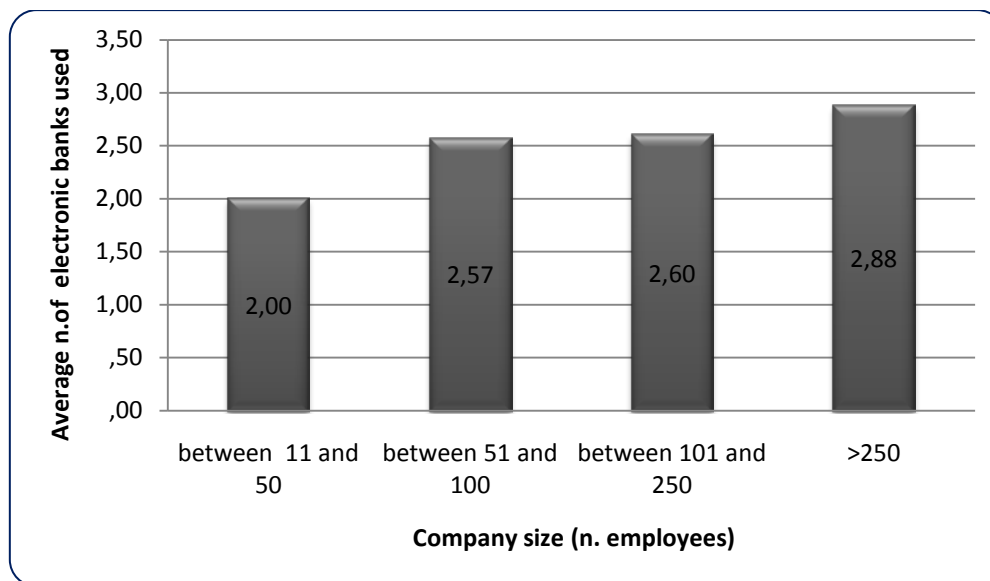
We found that the larger the size of the corporate segment, the greater the number of online banks used, consistent with the results obtained in previous studies in a traditional bank context.

Table 4. 7-Univariate Analysis of the number of banks used

Variable	Category	Frequency	Valid percent	Other
Number of	1	3	4,3	Mean 2,7
banks used in a	2 or 3	24	34,3	Minimum 1
context of	4 to 6	30	42,9	Maximum > 7
online banking	>=7	13	18,6	Variance 0,65

For about 42, 9% of the medium/large companies use 4 to 6 electronic banks, as seen in Table 4.7 and for about 84% of the companies work with the main electronic bank for more than 4 years.

Figure 4. 4- Time working with the main electronic bank
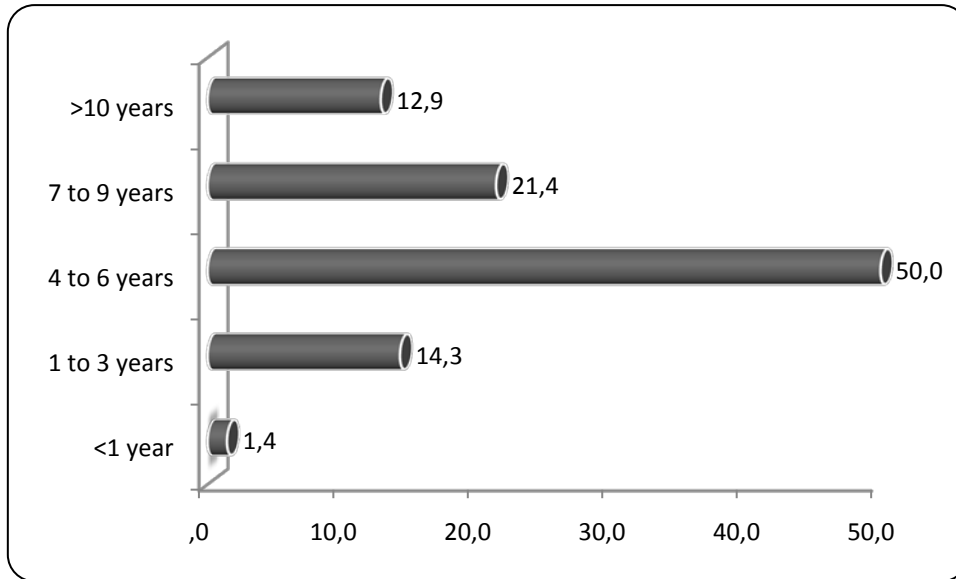
Figure 4. 5- Frequency in using online banking
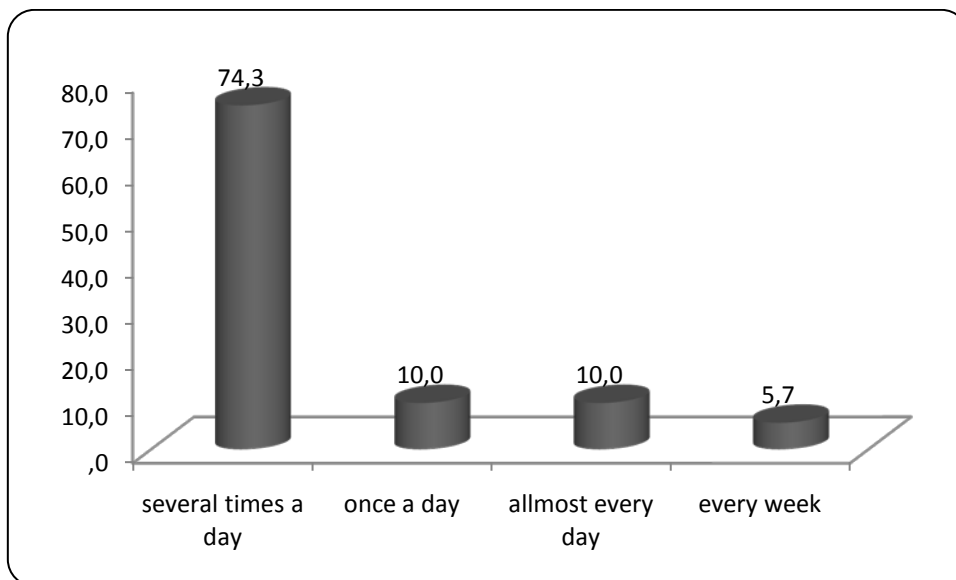
Besides the fact that companies work with many online banks, for about 50% have been working with the main online bank for about 4 to 6 years.

The results also indicate that a major percent (74, 3%) of the corporate decision makers of the company work with the online bank several times a day.

Figure 4. 6- Evaluation of the general quality of the main online bank used by the company
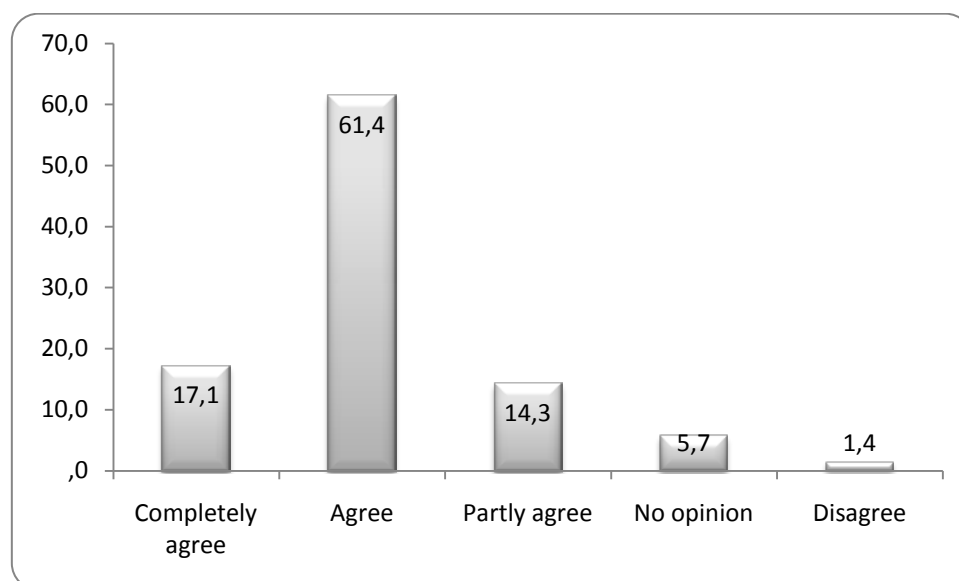
In figure 4.6 we have the results of the question about if respondents evaluate the overall quality of the main online bank used in the company as good; the results indicate that a major percentage is happy with the quality of services of the main online bank.

4.9 Findings

First we carried out with a confirmatory factorial analysis with varimax rotation to the construct E-banking Service Quality.

The Structural Equation Modelling (SEM) approach was used to access if the hypothesized the seven-factor online service quality model fit the data set. Subsequently it was used an interactive procedure to generate the final measurement model. The development of the final measurement model follows the respecification guidelines suggested by Anderson and Gerbing (1988).

The practical reespecification process followed two steps. First, the study considered a item removable if it demonstrated one of the following characteristics:

- Loaded on the wrong factor or cross loaded; or
- Exhibited large standardized residuals.
- Then if the questionable item was considered to be represented by another indicator, it was removed from the analysis.

We established a removing routine procedure until all items were considered necessary, either theoretically or empirically (Yang, Jun and Peterson, 2004).

As the result of this procedure, five items were reduced from the original 15 items to measurement of E-Banking Quality for the business banking clients. They include Assurance (AS1), Reliability (REL1 and REL 2), Convenience (CON 2) and Overall E-Banking Quality.

The same procedure was conducted to measure E-Banking Loyalty and only onde item was considered in the final model (EBL2).

In Table 4.8 we have the Confirmatory and Exploratory Factorial Analysis of the proposed model and in figure 4.7 we have the Structural Equation Model for the relation between E-Banking Service Quality and E-Banking Loyalty.

The results indicate good values for the Cronbach Alpha, for the Composite Reliability and for the Variance Extracted.

As for the Global Fit, the Chi – Square statistic is not suitable for small samples as we referred before, and as for the other statistics we had very good results.

We can conclude that the most important determinants of E-banking Service Quality were Reliability (with two items, REL 1 and REL2), this means that it´s important for the decision maker of the medium/large companies that the online bank performs the service correctly at first time and keeps promise as advertised; in second place the importance of the dimension Assurance (with a single item AS1), the corporate managers need to feel secure when providing private information to their online bank; in third place the dimension Overall E-banking Quality with a total effect of 0,77; and also Convenience (with a single item (CON 2), confirms the advantage of using E-bank portals from traditional banking.

The other three dimensions Responsiveness, Product Variety, Accuracy and the other items of the initial scale seem of less importance in determining E-Banking Quality.

We also found statistical evidence to suggest that E-Banking Service Quality affects positively E-Banking Loyalty with a total effect of 0,59, so we can accept the hypothesis H1.

In Table 4.9 we present the correlations between all the variables in the proposed model.

Table 4. 8- Confirmatory and Exploratory Factor Analysis for the proposed model

Constructs	Item Name	Indicator Reliability	Total Explained Variance	Cronbach Alpha	Composite Reliability	Variance Extracted	Global Fit
E-Banking Service Quality	AS2 REL1 CON2 REL2 OEBQ	0,76 0,90 0,67 0,71 0,77	66,32%	0,869	0,88	0,59	X^2=12,7 df= 9 GFI =0,943 CFI =0,981 TLI = 0,968 AGFI =0,867 RMSEA = 0,077

Figure 4. 7- Structural Equation Model
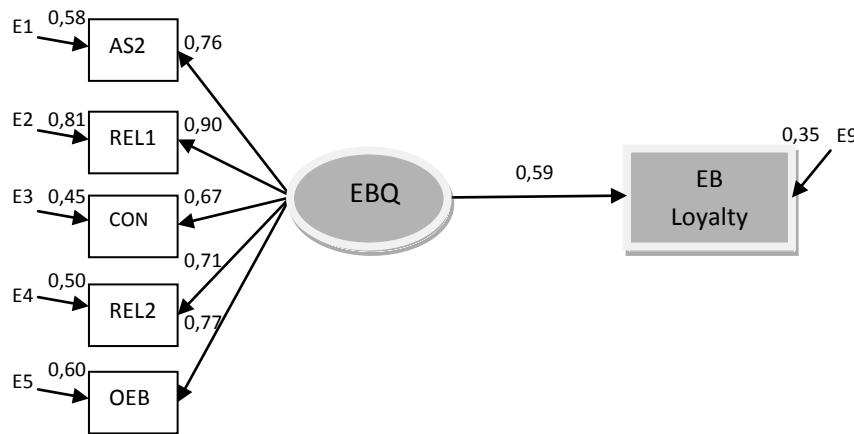
$[X^2=12,7 (df= 9); GFI =0,943; CFI =0,981; TLI = 0,968; AGFI =0,86; RMSEA = 0,077]$

Table 4. 9- Correlations between the variables in the model

	EBQ	EBL	AS2	REL1	CON2	REL2	OEBQ
EBQ	1,000						
EBL	,593	1,000					
AS2	,765	,454	1,000				
REL1	,901	,535	,689	1,000			
CON2	,668	,396	,511	,602	1,000		
REL2	,707	,419	,541	,637	,472	1,000	
OEBQ	,775	,460	,593	,698	,518	,548	1,000

4.10 Discussion

Customer perceived online service quality is one of the crucial determinants of the success of online business. Accordingly, considerable research has been conducted on the construct of online service quality for private customers and forgot the profitable segment for banks – business customers.

In order to fill this research gap, this study empirically examined the construct of online service quality in a context of business-to business e-commerce.

The results of our study confirm that the bigger the company the greater of online banks used, but strong loyalty exists between the company and the preferred online bank, although the results revealed that larger companies have split bank arrangements, working with several banks.

Previous research has noted that larger companies are more likely to deal with several banks and such companies are unlikely to show dependence on any one bank (O`Donnell et al., 2002).

In this study five main quality dimensions for the e-banking portals were identified: Assurance, Reliability, and Convenience and Overall E-Banking Quality judgments by the decision makers of the company.

An important dimension is Assurance that means if the bank site is trustworthy. There are various aspects that can be very important in e-business (Daughtrey, 2001): availability of a formal privacy and confidentially policy on the Web site; secured access to a website ; general reputation of the supplier; certifications or guarantees of assurance; and reports of experiences of others customers.

Reliability represents the ability of the web site to fulfil orders correctly, deliver promptly and keep personal information secure (Lee and Lin, 2005). Moreover Zhu at al. (2002) argued that reliability dimension has a direct positive effect on perceived service quality and customer satisfaction by electronic banking systems. Online banks must provide mistake –free service and secure online transactions to make customers feel comfortable using online banking.

In our study the Reliability factor comprised two items relate to accurate online transactions, accurate records and correct performance.

Since corporate clients can e-bank over the internet at any time in any properly location, the quality attribute of time and location convenience is likely to be significant in differentiating it from traditional retail banking.

Rust and Zahorik (1993) noted that overall service quality and customer satisfaction significantly influence customer retention, market share and profitability.

Overall evaluation of E-Banking Quality has also been found an important determinant of E-Banking service Quality by the corporate managers of firm's banks clients.

Customer loyalty is considered important because of as a positive effect to long-term profitability. According to Reichheld et al. (2000), the high costs of acquiring new e-customers can lead to unprofitable customer's relationships for up to three years.

As consequence it is crucial for online companies to create a loyal customer base. However few companies seem to succeed in creating e-loyalty. In traditional banking research as well as in the research on e-banking services, several antecedents of customer loyalty have been proposed. Among those E-Banking Service Quality perceptions is the most important as well as E-Satisfaction and Trust.

Our results also confirm that loyalty by E-Banking business customers is directly affected by E-Banking Service Quality perceptions of the managers of client firms.

4.11 Managerial implications and Future Research

The most significant limitation in this investigation was the difficulty in obtaining a bigger sample of medium/large companies. We faced various obstacles in contacting the decision-maker in each company.

Further research should target two methodological objectives: first, a larger study should be attempted; secondly, it is important to conduct a study to analyse other important antecedents of E-Banking Loyalty for business bank customers.

Important antecedent´s have been analysed in previous studies for private customers like E-Satisfaction, E-Trust, Image of the bank, Perceived Switching Costs and others. It´s important to analyse their relation and influence on E-Banking Loyalty with samples of business bank clients.

From a managerial point of view, banks can increase e-banking loyalty by improving the assurance and reliability of the bank website, since the results obtained revealed that these issues are of major concern to the decision maker of the corporate bank clients.

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CHAPTER V

THE DETERMINANTS OF

E-BANKING LOYALTY IN

BUSINESS BANKING

VNiVERSiTAS
STVDII
SALAMANTiNi

5.DETERMINANTS OF E-BANKING LOYALTY FOR BUSINESS CUSTOMERS

5.1 Introduction

In order to reap the benefits of having loyal customers and gaining a competitive advantage online, companies need to develop a thorough understanding of the antecedents of loyalty on the World Wide Web (E-Loyalty).In order to investigate the importance of E-loyalty, the identification of variables influencing repeat purchasing behaviour and worth-of mouth recommendation is a crucial area of research (Srinivasan et al. 2002).

Given the fact that banks invest billions in the Internet infrastructure, customer satisfaction and customer retention are increasingly developing into key success factors in E-banking. Most importantly, profitable E-banking requires a strong focus not only on the acquisition of new customers but also on the retention of existing customers, since the acquisition costs in online banking exceed that of traditional offline business by 20-40 percent (Bauer et al. 2004).

Consequently, establishing long term customer relationships is a prerequisite for generating positive customer value on the internet.

ComScore, Inc. (NASDAQ: SCOR), a leader in measuring the digital world, released the 2010 addition of its annual State of Online Banking Report. The study, based on a survey of more than 2,500 U.S. Internet users and behavioral data from comScore's 1 million person online consumer panel, found that bank and credit card institutions experienced a decline in customer satisfaction for the second consecutive year as the economic environment weighed down consumer sentiment. On the positive side, the study also found that 64 percent of Americans now utilize online bill pay, an increase of 19 percentage points versus the previous year.

The economic climate in the year of 2009 has affected not only consumers' attitudes and perceptions of their financial institutions, but also how they are interacting with them. As economic conditions begin to improve, it will be important for banks and other financial institutions to focus intently on improving customer satisfaction and brand loyalty in order to retain and grow market share. Those who are effective in doing so will be in the best position to take advantage of new opportunities in the market as the economy returns to form."

In 2010, 70 percent of survey respondents reported being satisfied with their primary bank, a marginal decrease versus last year. Despite the tenuous macroeconomic environment, however, the U.S. equity markets' considerable

recovery in 2009 has actually driven a net increase in customer satisfaction among brokerage customers.

Some 64 percent of respondents expressed satisfaction with their primary firm in 2010, up 6 percentage points versus year ago, helping brokerage firms surpass credit card institutions' overall satisfaction level, which declined 2 points to 60 percent.

Customer satisfaction with bank Websites declined at all of the top five banks, despite significant investments in new applications, tools and bill functionality designed to help customers manage their personal finances.

While there is a rich body of literature on online financial services and their adoption, little is known about how to keep customers loyal to an online bank, especially in business banking.

This study investigates Loyalty for medium/large corporate e-banking customers, because there are a lot of studies that have demonstrated that are the largest companies who have the higher values for the utilization of the Internet for many utilizations.

The main purpose of this study is to investigate how business customers become more loyal in a context of E-banking, via E-trust, E-satisfaction, Image and Perceived Switching Costs.

5.2 Literature review about the determinants of E-banking Loyalty

This section provides an overview of previous E-banking Loyalty determinants research models.

Methlie and Nysveen (1999) developed a model to determine the loyalty of on-line banking customers. They used two concepts of loyalty: conative loyalty, related to customers behavioural intentions towards the bank in the future and affective loyalty which is related to customer's attitudes towards the bank. They included the following four determinants in their model: (1) satisfaction with the brand, (2) brand reputation, (3) switching costs and (4) search costs (see Figure 5.1).

The findings indicate that determinants of loyalty in online banking environments are similar to those in the physical market-place. However, customer satisfaction is found to have the most significant impact, followed by brand reputation, while switching costs and search costs, although significant, have minor explanatory power.

Figure 5. 1- Model developed by Methlie and Nysveen
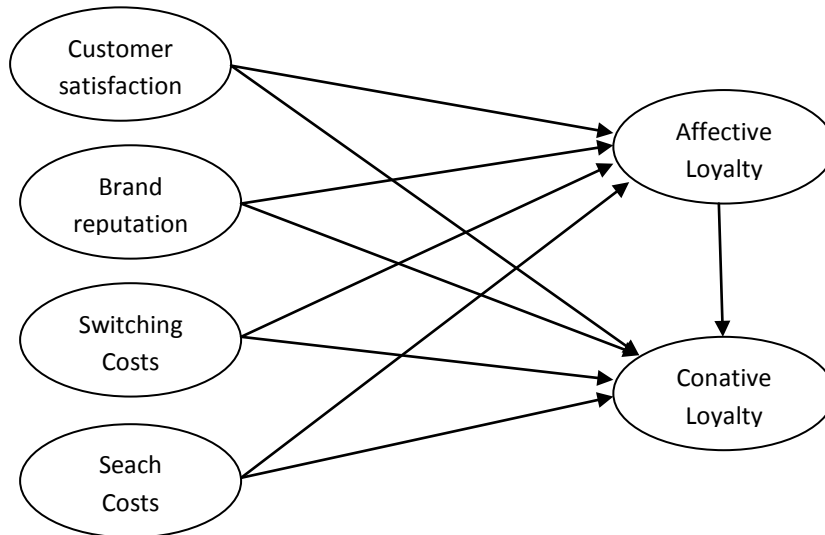
Source: Methlie and Nysveen (1999)

Bhattacherjee (2001) investigated key drivers of consumers' intention to continue using business-to-consumer e-commerce services. Multiple theoretical perspectives were synthesized to hypothesize a model of continuance behavior, which is then empirically tested using a field survey of online brokerage users. In this study consumers' continuance intention is determined by their satisfaction with initial service use, their perceived usefulness of service use, and the interaction between perceived usefulness and loyalty incentives for service use. Satisfaction and perceived usefulness were both predicted by consumers' confirmation of expectations from initial service use.

Mukherjee and Nath (2003) found that communication had a moderate influence on trust, while opportunistic behavior had a significant negative effect. Trust in general led to a higher level of commitment in online banking.

Floh and Treiblmaier (2006) developed a model about the antecedents of E-banking Loyalty, using Structural Equation Modelling. They investigated witch factors drive customers to use online banking instead of offline banking, and how to keep customers online loyal to a specific supplier. Satisfaction and trust

were identified as important antecedents to loyalty. Additionally the moderating role of consumer characteristics (gender, age, involvement, perceived risk and technophobia) was supported by the data. The proposed model is represented in figure 5.2.

Figure 5. 2- Model of Floh & Treiblmaier

Moderator variables

| Gender | Age | Involvement | Variety Seeking behaviour | Techophobia |
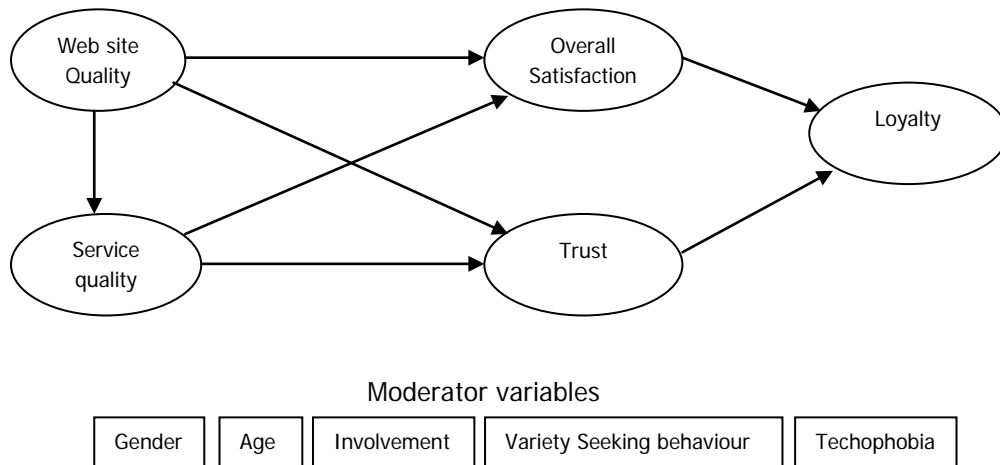
Source: Floh & Treiblmaier (2006)

Karjaluoto et al. (2009) studied the main antecedents of online banking satisfaction and loyalty. Their investigation contribute to a better understanding of Service Quality in online banking by examining the various dimensions related to creating a satisfactory online banking experience. The authors develop a conceptual model and test it with a convenience sample of 183 online banking users in Finland. The empirical test of the model finds strong support for the links between Perceived security and Perceived Usefulness and Perceived Ease Of Use , Reliability and Perceived Usefulness and Perceived Ease Of Use , between Perceived Ease Of Use and satisfaction and finally between Satisfaction and Loyalty.

5.3 Main Determinants of E-Banking Loyalty

We propose a model that demonstrates that E-banking Service Quality to medium/large corporate customers influences E-banking Loyalty via E-Banking Trust, Image, Perceived Switching Costs and E-Banking Satisfaction.

In this section we describe the main constructs and their influence on E-Banking Loyalty

5.3.1 E-Banking Service Quality

For the offline environments it is a common knowledge that quality of services and products is a key determinant of customer satisfaction and customer loyalty, recent empirical evidence shows that, meanwhile, this holds true also for electronic providers. The most important step in providing a sophisticated level of service through e-banking portals is to identify and measure the dimensions of portal quality (this topic has already been analysed in chapter IV).Thus in Chapter IV we found evident to support the Hypothesis 1, indicating that there is a positive and direct effect of E-Banking Quality in E-Banking Loyalty, for Business Customers.

5.3.2 E-Banking Customer Satisfaction

Customer satisfaction is a key metric for banks to assess how effectively the web furthers their objectives of customer acquisition, retention and increased share of wallet.

Customer satisfaction is a function of customer expectations levels and service quality level provided by the organization (Rexha, Kingsshott and Aw (2003).

In many studies there isn't any consensus in the relation between quality and satisfaction (Cronin y Taylor, 1992), on the other side there are a lot of studies that make a big importance in the relation in that the service quality affects the loyalty with the service through the satisfaction (Bloemer et al., 1998; Lassar et al., 2000).

On the other hand many authors emphasise the idea of one variable quality as an antecedent of the satisfaction (Oliver, 1993; Jun & Cai, 2001; Szymansky Y Hise, 2000; Cronin Y Taylor, 1992; Spreng et al, 1996).

In a context of e-banking, Jayawardhena and Foley (2000) also suggested that service quality feature in Internet Banking Websites are critical to enhance customer satisfaction. In Internet Banking unlimited access to variety of financial transaction and quality levels of bank products are becoming a key driving force in attracting new customers and enhancing customer satisfaction (Mols, 2000).

(Srijunpa et al., 2002), the satisfaction is a positive emotional state, in this case of the corporate user, with the performance of the service provided by the banking portal and his expectations levels of the service.

In the study conducted by Floh & Treinblmaier (2006), overall satisfaction was positively affected by Web site Quality and Service Quality. In this model service quality and web site quality measured transaction quality on a cognitive basis, and overall satisfaction referred to the cumulative experience based on an affective component.

Preference and favourable attitudes presume customer satisfaction, which is considered a major driver of loyalty and since it is considered difficult to gain loyal customers on the Internet, satisfaction with the merchant and their

services may be even more important online than offline (Ribbink, Allard, Riel, Liljander y Streukens, 2004). We therefore expect bank-corporate client relationships to develop over time, as a consequence of efficient and satisfactory services because satisfied customers are less likely to switch to another bank (Rexha, Kingshott and Aw, 2003).

According to what was discussed before we propose the next Hypothesis:

H2: E-Banking Quality has a positive and indirect effect on E-Banking Loyalty, trough the mediating effect of E-Satisfaction.

5.3.3 E-Banking Trust

Trust has been identified as key to e-commerce, because it´s crucial wherever risk, uncertainty and interdependence exist. The banking sector is strongly associated with high levels of trust related to security and privacy issues in the physical environment. However this association has not yet been translated in the electronic world to its full potential. Customers are reluctant to adopt e-banking because of security and privacy concerns and trust related issues. Thus, the lack of customers trust both in the attributes of the bank and in the overall on-line environment has been and remains an obstacle in the widespread adoption of e-banking (Yousafzai et al. 2005).

Bryant et al. (2002) stated that trust is an important consideration in the development and fostering of e-commerce relations in the context of knowledge –based economy. Lowering perceived risks associated with online transactions as well as maintaining transaction trust is vital keys to attracting and retaining customers (Verhagen and Tan, 2004).

The quality elements of the e-service are expected to affect e-trust directly (Gronroos et al., 2000), because they represent trust cues that convey the trustworthiness of the site and the system to customers (Corritore et al., 2003). In a review of studies on online trust, Grabner- Krauter and Kalusha (2003) even interpret e-quality determinants as trust, trusting beliefs, and intentions to repurchase as trusting intentions.

Web-site quality is a strong factor in perceptions of trustworthiness (Yousafzai et al. 2005). According to these authors customers interacting with the Website for the first time make strong inferences about the attributes of the Web site and are important to trust building and for instance a well-designed Web site allows the customer to draw stronger trustworthiness inferences about the bank.

Lee (1999) also suggested that the website´s information quality and good interface design enhance the formation of customer trust.

Trust is proposed as an important antecedent of loyalty (Reichheld et al, 2000) and has been found to be important for building and maintaining long-term relationships. Online trust issues affect customer's relationship commitment to banks and willingness to engage in online transactions. (Mukherjee y Nath, 2003).

Mayer et al. (1995) defined trust in e-banking as the willingness of customers to perform on-line banking transactions, expecting that the bank will fulfil its obligations, irrespective of their ability to monitor and control banks ´actions.

E-trust will therefore be defined as the degree of confidence customers have in online exchanges, or in the online exchange channel.

Rexha, Kingsshott and Aw (2003) believed that corporate customers who trust their banks will translate these expressions of higher levels of commitment towards their banks.

Therefore, we propose the next Hypothesis:

H3: E-Banking Quality has a positive and indirect effect on E-Banking Loyalty, trough the mediating effect of E-Trust.

5.3.4 Image

The exact relationship between Image and loyalty has remained a matter of many previous investigations.

Lai et al. (2009) demonstrated an integrative model to examine the relations among service quality, value, image, satisfaction, and loyalty in China and revealed that service quality directly influences both perceived value and image perceptions, that value and image influence satisfaction, that corporate image influences value, and that both customer satisfaction and value are significant determinants of loyalty.

Sirgly and Samli (1989), for instance reported a direct positive relationship between image and loyalty. On the other hand, it has been demonstrated that the link between image and loyalty is mediated by customer evaluations judgments such as quality perceptions'.

Further investigations in traditional retail banking were described in chapter III.

Few were the studies who try to measure the influence of Image in internet banking.

Flavian et al. (2004), investigated the corporate image in internet banking and identified four dimensions of Image: services offered, access to services, perceived security and the reputation of the financial institution.

In this study corporate Image refers to customers affective preconceptions towards the service provider, created by continuous service experiences.

The image of a bank can play an important role in retaining customers (Lewis and Soureli, 2006).

Lehtinen and Lehtinen (1982), stated that service quality is made up of three dimensions: physical quality, interactive quality, deriving from personal interaction and corporate quality, which affects company image.

Gronröos (1984) defined service quality based on two dimensions (the technical or results dimension and the functional dimension, related to process), and associates them with the corporate image, since this image can determine what is expected from the service provided by the company.

Based on what was discussed before, we propose the next Hypothesis:

H4: E-Banking Quality has a positive and indirect effect on E-Banking Loyalty, trough the mediating effect of Image.

People develop knowledge systems (i.e. schemas) to interpret their perception of the company. Corporate image is believed to have the same characteristics as selfschema (Markus 1977) with regard to influencing the buyers´ purchasing decision, i.e. good corporate image stimulates purchase from one company by simplifying decision rules. In this context corporate image becomes an issue of attitudes and beliefs with regard to awareness and recognition (Aaker 1991), customer satisfaction and consumer behavior (Fornell 1992). Corporate image can be an extrinsic information cue for both existing and potential buyers and may or may not influence customer loyalty (e.g. willingness to provide positive word-of-mouth). Corporate image is consequently assumed to have an impact on customers´ choice of company when service attributes are difficult to evaluate. Corporate image is established and developed in the consumers´ mind through communication and experience.

Corporate image is believed to create a halo effect on customers´ satisfaction judgment. When customers are satisfied with the services rendered, their attitude towards the company is improved. This attitude will then affect the consumers´ satisfaction with the company (Andreassen and Lindestad, 1997).

Thus, we propose the next Hypothesis:

H5: Image has a positive and indirect effect on E-Banking Loyalty, trough the mediating effect of E-Satisfaction.

5.3.5 Perceived Switching Costs

Many previous investigations analysed this concept in different areas (see chapter III), but the basic idea that has inspired the research is essentially similar, that is once a transaction relationship is established, one party becomes more dependent on the other as the cost of switching transaction partners' gets higher. This means that customers often become "locked into" their current service provider due to high switching costs (Ruyter et al. 1998).

Dick and Basu (1994) discussed switching costs related to time, monetary and psychological effort involved in confronting the uncertainty of dealing with a new service provider.

According to Colgate and Hedge (2001), in banking, customers tend to switch mainly because of service failure. Bank customers perceive negative consequences if they switch service providers, related to psychological issues and financial consequences. Selection of a new service provider requires time and thought, information search cost, or perceived new risk in relying on an untested supplier.

Lee and Sohn (2004) also investigated trust and switching cost as a way to build e-loyalty in Internet markets based on survey analysis and structural equation modeling, it revealed that trust is the main factor for building customer's loyalty, rather than switching costs.

Yang and Peterson (2004) investigated the moderating effects of switching costs on customer loyalty through both satisfaction and perceived-value measures. The results, evoked from a Web-based survey of online service users, indicate that companies that strive for customer loyalty should focus primarily on satisfaction and perceived value. The moderating effects of switching costs on the association of customer loyalty and customer satisfaction and perceived value are significant only when the level of customer satisfaction or perceived value is above average.

Chang and Chen (2008) proposed a theoretical framework for testing the relationships among customer interface quality, satisfaction, switching costs, and e-loyalty. Moreover, this study argues that the relationships among these constructs are moderated by Internet experience. The findings confirm that customer interface quality, including customization, interaction, convenience and character, contributes to generating e-loyalty. Particularly, the results show that convenience directly enhances e-loyalty. Additionally, this study finds that customer interface quality positively influences switching costs for customers with higher Internet experience.

Xhui and Jian (2008) examined the influencing mechanism of the online perceived value and switching costs on the online loyalty using structural equation model. They found that the online perceived value significantly affects the online attitude loyalty and behavior loyalty directly; meanwhile affecting the online customer loyalty indirectly through the online customer satisfaction and customer trust. As a moderator, switching costs play an important role in the formation of the online loyalty, which exerts a positive moderating effect on the online customer satisfaction-online attitude loyalty link, online customer satisfaction-online behavior loyalty link, and online perceived value-online behavior loyalty link.

Aydin et al. (2005) showed that the switching cost factor directly affects loyalty, and has a moderator effect on both customer satisfaction and trust. Therefore, it plays a crucial role in winning customer loyalty. In short, it is a quasi moderator. That is, an increase in perceived switching costs will influence the

direct effect of trust on customer loyalty (Sharma, 2003; Patterson and Sharma, 2000). In other words, perceived switching cost has a moderator effect on the relationship between trust and customer loyalty.

Siriluck and Speece (2005), explored corporate customer's perceptions toward the benefits and barriers of web-based service in the context of Internet Banking, and examined the impact of the benefits and barriers on the overall customer relationship to the bank and switching cost. The findings in this study show that web benefits do enhance relationships, whereas barriers have no significant impact.

Information accessibility, information quality, and transactional benefits can enhance the overall customer relationship; this means that while web benefits do enhance the strength of customer relationship, the impact is not big enough to replace the interpersonal relationship of face-to-face service. The results of this study also demonstrate that web benefits of information accessibility and information quality lower switching costs.

According to what was discussed before we propose the next Hypothesis:

H6: E-Banking Quality has a positive and indirect effect on E-Banking Loyalty, trough the mediating effect of Perceived Switching Costs.

In figure 5.3 we present the proposed model with the interrelations between all the variables and in Table 5.1 the conceptual model.

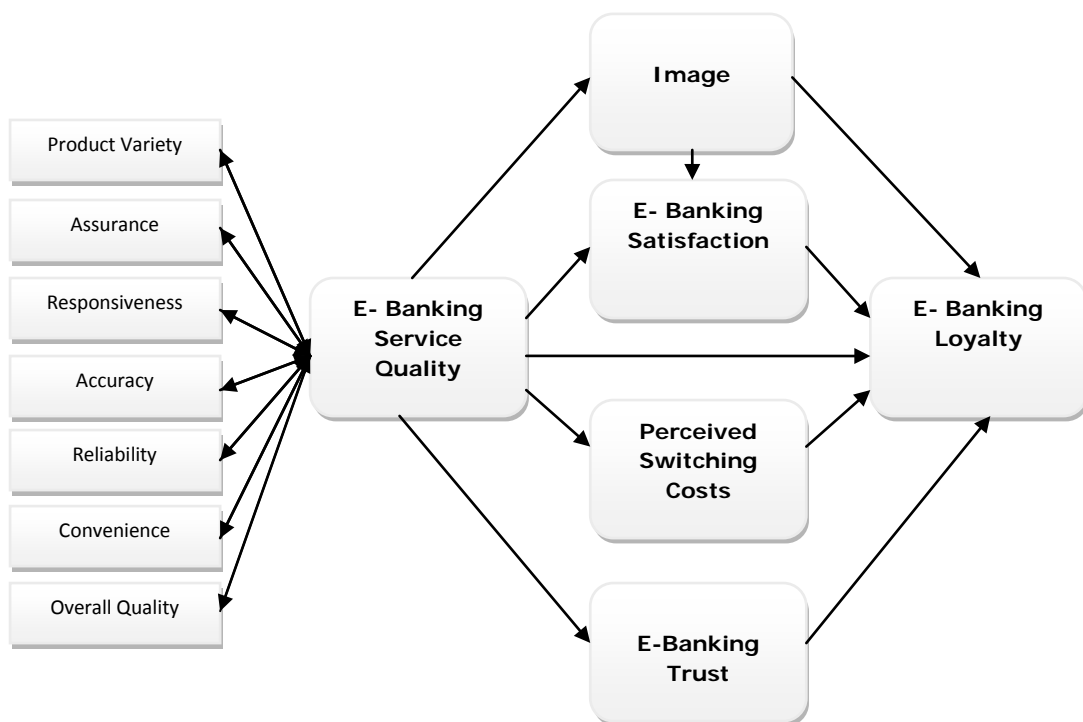Figure 5. 3- Proposed Conceptual Model

Table 5. 1- Conceptual Model

Construct		Definition	References
E-banking service quality dimensions	Product variety	A range and depth of products/services, and with free service offerings.	Yang, Jun & Peterson (2004)
	Assurance	Customers perceived security and privacy.	
	Responsiveness	The speed, timeliness, and convenience of service delivery.	Ribbink, Riel, Liljander and Streukens (2004)
	Accuracy	Operational precision.	(Jun & Cai, 2001)
	Reliability	The ability of the Internet bank to perform the promised service dependably and accurately.	(Liao & Cheung, 2002)
	Convenience	Individuals can e-bank over the Internet at any time in any properly equipped location.	(Zeithaml et al., 1990)
	Overall E-Banking Quality	Overall Evaluation of the services provided by the E-bank to the company.	
E- Banking Trust		The degree of confidence customers have in online exchanges, or in the online exchange channel.	(Mukherjee y Nath, 2003)
E-Banking Satisfaction		Is a positive emotional state, in this case of the corporate user, with the performance of the service provided by the banking portal and his expectations levels of the service.	(Srijunpa et al.,2002)
Image		Image is seen as the organization presentation of itself to its various stakeholders and the means by which it distinguishes itself from all other organizations.	(Markwick and Fill, 1995).
Perceived Switching Costs		The costs involved in changing from one service provided to another.	Morgan & Hunt (1994)
E-Banking Loyalty		Is the customer's favourable attitude toward an electronic business, resulting in repeat purchasing behaviour.	(Anderson y Srinivasan, 2003).

5.4 Methodology and Design of the investigation

This section describes in detail the methodology of the survey and the measurement of the measurement instrument, although we have already described extensively in previous chapters. A comprehensive pretest, including qualitative interviews with the decision maker of five large companies, was carried out to ensure the understandably of the items. With the main purpose of testing the proposed model, it was conducted a questionnaire to medium /large corporate customers of the main Portuguese online banks. We selected randomly some of the 220 major companies in Portugal and then mail the questionnaire with some previous calls to assure they would answer. A 7-point Lickert scale was used to measure all items. Empirically validated scales were adapted to the context of the study and used to measure the respective constructs. All items are listed in Table 5.2.

Table 5. 2- The survey measures

Item			Description
E-Banking Service Quality	Product variety	PV1 PV2 PV3	All the needs of products and services by the company are included in the options of the online bank. The online bank suggests products and services according with the needs of the company. The online bank has competitive interest rates.
	Assurance	AS1 AS2	I consider that the risk in electronic transactions with the bank is high. The online bank is trustworthy.
	Responsiveness	RES1 RES2	I receive rapid and prompt responses, by email or telephone, when i request it in the website of the bank. The online bank answerer's quickly to my demands.
	Accuracy	AC1 AC2 AC3	The electronic transactions are free of errors in the interface. The electronic transactions are free of errors in the content. The electronic transactions are accurate.
	Reliability	REL1 REL2	The online bank keeps the records of the company with accuracy. The online bank performs the service correctly at first time.
	Convenience	CON1 CON2	I value the fact that we can use the online bank from any location. The use of online banking saves me time.
	Overall E-Banking Quality	OEBQ	In general the quality of the services of the online bank is good.
E-Banking Satisfaction		EBS1 EBS2 EBS3	We are generally pleased with this online bank services. The web site of this bank is enjoyable. So far, the online bank as exceeded our expectations of service.

E-Banking Trust	EBT1 EBT2 EBT3	We believe that the bank does not give our private information's to other entities. Online banks implement security measures to protect the users. This bank as a good reputation in the market.
Image	IMAGE1 IMAGE2	Overall, I have a good impression of the main bank who works with the company. The bank provides friendly service.
Perceived Switching Costs	PSC1 PSC2 PSC3	This online bank provides services that cannot be easily replaced by other banks. My company may increase the risk of receiving bad services if we change to another bank. It would be a major inconvenience to change to another bank.
E-Banking Loyalty	EBL1 EBL2 EBL3 EBL4	Is my intention continuing using this online bank. I prefer this online bank above others. Is my intention to increase the use of this online bank in the future. I recommend this online bank to third parties.

5.5 Findings

The demographic characteristics of the sample were shown in previous chapter.

A confirmatory factor analysis was used to access construct measurement.

Some items were removed after the analysis based on inadequate factor loadings. And as we can see in Table 5.3 all the reliability indicator´s of the items exceeds the minimum recommended levels.

We also analysed the composite reliability and the variance extracted.

In Table 5.3 also we present the results of the exploratory and confirmatory analysis and in Table 5.4 we present the discriminant validity between the constructs in the model

To estimate the main effects in the proposed mode we used AMOS 18.

In the next sections first we will analyse the proposed partial relations in the model, and then the final model.

Table 5. 3- Exploratory and Confirmatory analysis

Constructs	Item Name	Indicator Reliability	Total Explained Variance	Cronbach Alpha	Composite Reliability	Variance Extracted
E-Banking Service Quality	AS2 REL1 CON2 REL2 OEBQ	0,76 0,90 0,67 0,71 0,77	66,32%	0,86	0,88	0,59
E-Banking Satisfaction	EBS1 EBS2	0,93 0,93	87,11%	0,85	0,93	0,87

E-banking Trust	Etrust2	0,959	92%	0,84	0,96	0,92
	Etrust3	0,959			
Image	Image 1	0,89			
	Image 2	0,89	80,46%	0,70	0,88	0,82
Perceived Switching Costs	PSC1	0,808			
	PSC2	0,882	68,9%	0,77	0,89	0,70
	PSC3	0,798			

Table 5. 4- Discriminant Validity between all the constructs in the proposed model

	EBQ	EBSAT	EBTRUST	IMAGE	PSC
EBQ	0,59[a]				
EBSAT	0,84[b]	0,87			
EBTRUST	0,57	0,39	0,92		
IMAGE	0,65	0,72	0,39	0,82	
PSC	0,0016	0,04	0,036	0,005	0,70

a. The diagonal entries represent the average variance extracted by the construct.
b. The off diagonal entries represent the squared correlations between the constructs.

5.5.1 The relation between E-banking Quality, E-Banking Satisfaction and E-Banking Loyalty

With the main purpose of testing the hypothesis H2, we analysed the Discriminant validity between E-Banking Quality and E-satisfaction and couldn't be verified (see Table 5.4). We also verified that high correlations existed between the two constructs (Table 5.5).

Table 5. 5- Correlations between the variables in the model

	EBQ	EBS	EBL	EBS1	EBS2	AS1	REL1	CON2	REL2	OEBQ
EBQ	1,000									
EBS	,923	1,000								
EBL	,230	,249	1,000							
EBS1	,832	,901	,224	1,000						
EBS2	,760	,823	,205	,742	1,000					
AS2	,796	,735	,183	,662	,605	1,000				
REL1	,895	,826	,206	,744	,680	,712	1,000			
CON2	,630	,582	,145	,524	,479	,502	,564	1,000		
REL2	,636	,587	,146	,529	,484	,506	,569	,401	1,000	

	EBQ	EBS	EBL	EBS1	EBS2	AS1	REL1	CON2	REL2	OEBQ
OEBQ	,813	,751	,187	,676	,618	,647	,727	,513	,517	1,000

Our initial preposition that there is a positive and indirect effect of E-Banking Quality on E- Banking Loyalty trough the mediating effect of E-Banking Satisfaction is wrong, the model is better without this mediating effect. In fact there is a high correlation between the two constructs, the business clients who use the online bank seem to perceive quality aspects and satisfaction as the same when interacting with the online bank.

This conclusion, applied to business bank segments is not supported by other studies (Floh and Treiblmaier, 2006) where Satisfaction with the use of the bank website is an important antecedent of E-Banking Loyalty.

Although other authors found the same conclusions, for instance Dabholcar (1995) argued that in some services, the constructs service quality and satisfaction could really overlap, because these services are characterized with little emotional content. In general, however, customer satisfaction and service quality are likely to converge over time and across situations as the affective part of the evaluation wears off and customer satisfaction evaluations become increasingly cognitive. This conclusion may be also applied in an online environment and regarding the fact that a big percentage of the companies in our sample have been working with the main online bank for many years.

5.5.2 The relation between E-banking Service Quality and E-Trust

We also tested separately the relations in the proposed model between the construct E-banking Quality and E-banking Trust.

In figure 5.4 we present the structural equation model between the two variables.

The results indicate high correlation (0,758) between the constructs E-banking Quality and E-Banking Trust, (see table 5.6). We also tested the Discriminant validity between the two constructs (see Table 5.4) and Discriminant validity was obtained between the two constructs.

The global fit for this relation have acceptable values X^2 = 24, 8 (df =13), CFI = 0,961, GFI = 0,908, TLI =0,937 except for AGFI = 0,802 and RMSEA = 0,115, which are below the minimum recommended.

Figure 5. 4- Structural Equation Model for the relation between E-banking Quality and E-Trust
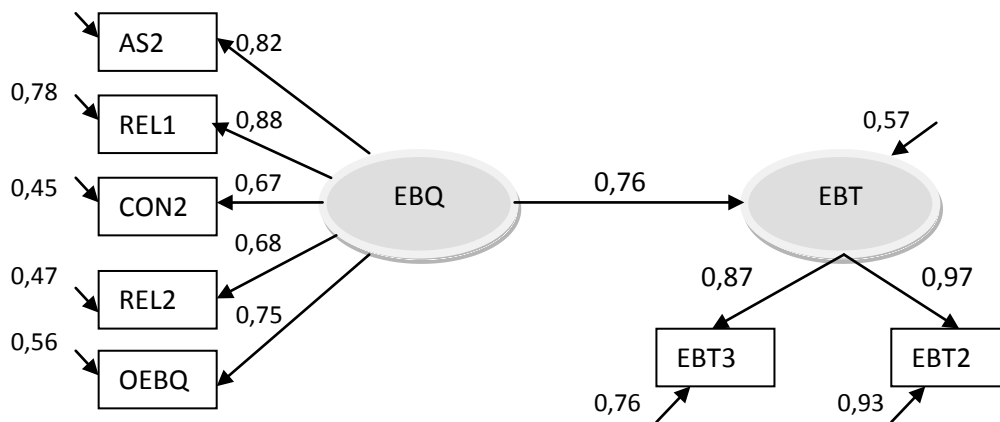
$[X^2 = 24, 8 (df =13); CFI = 0,961; GFI = 0,908; TLI =0,937; AGFI = 0,802; RMSEA = 0,115]$

Table 5. 6- Correlations between the variables in the model

	EBQ	EBT	EBT3	EBT2	AS2	REL1	CON2	REL2	OEBQ
EBQ	1,000								
EBT	,758	1,000							
EBT3	,733	,967	1,000						
EBT2	,659	,869	,840	1,000					
AS2	,821	,623	,602	,541	1,000				
REL1	,885	,671	,648	,583	,727	1,000			
CON2	,670	,508	,491	,441	,550	,592	1,000		
REL2	,684	,518	,501	,450	,562	,605	,458	1,000	
OEBQ	,746	,565	,546	,491	,613	,660	,499	,510	1,000

5.5.3 The relation between E-banking Service Quality, Image and E-Banking Loyalty

To Test the hypothesis H4, we analysed the Discriminat validity between E-Banking Quality and Image and found no Discriminant validity (Table 5.4)
The results indicate high correlation of 0,807 between the constructs E-banking Quality and Image, and 0,314 between Image and E-Banking Loyalty (see table 5.6).
According to these results we found no evidence to support the Hypothesis H4, that there is an indirect and positive effect of E-Banking Quality on E-Banking

Loyalty via the mediator effect of Image. In fact the results were similar to the construct Customer Satisfaction, suggesting that this two constructs may be evaluated as being part of the E-Quality evaluations of the bank website.

Table 5. 7-Correlations between the variables in the model

|	EBQ	Image	EBL	Imag2	Imag1	AS2	REL1	CON2	REL2	OEBQ
EBQ	1,000									
Image	,807	1,000								
EBL	,253	,314	1,000							
Image2	,644	,798	,250	1,000						
Image1	,620	,768	,241	,613	1,000					
AS22	,789	,637	,200	,508	,489	1,000				
REL1	,908	,733	,230	,585	,563	,717	1,000			
CON2	,644	,520	,163	,414	,399	,508	,585	1,000		
REL2	,685	,553	,173	,441	,424	,540	,622	,441	1,000	
OEBQ	,772	,623	,195	,497	,479	,609	,701	,497	,529	1,000

5.5.4 The relation between Image, E-satisfaction and E-Banking Loyalty

Besides the fact that we didn´t obtained Discriminant validity between E-Banking Quality and Image, and E-Banking Quality and E-Satisfaction, this criterion was achieved for the constructs Image and E-Satisfaction (see Table 5.4). Thus we tested the proposed Hypothesis H5 in a separate model.

The Structural equation model obtained is shown in Figure 5.5. We also obtained the results of the correlations between the variables in the model (Table 5.8) and the Total, Direct and Indirect Effects (Table 5.9). The overall fit for this model is good: x^2=5,9 (df=4); GFI =0,968; TLI= 0,987; CFI =0,987;RMSEA =0,08; AGFI =0,88.

The results confirm a strong impact of Image on E-satisfaction of 0,85, and with the results obtained we can confirm the Hypothesis H5, that Image affects E-Banking Loyalty trough the mediating effect of E-satisfaction, with a total effect of 0,24.

Figure 5. 5- Structural Equation Model between Image, E-Satisfaction and E-Loyalty
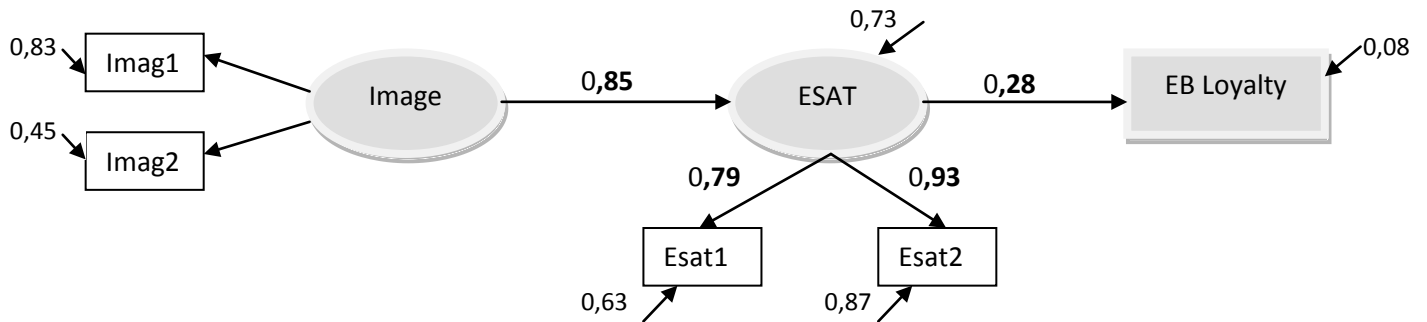
[x^2=5,9 (df=4);GFI =0,968; TLI= 0,987; CFI =0,987;RMSEA =0,08; AGFI =0,88]

Table 5. 8- Correlations between the variables in the model

	IMAGE	ESAT	EBLOY	Esat2	Esat1	Image1	Image2
IMAGE	1,000						
ESAT	,854	1,000					
EBLOY	,240	,281	1,000				
Esat2	,797	,933	,262	1,000			
Esat1	,676	,792	,222	,739	1,000		
Image1	,668	,570	,160	,532	,452	1,000	
Image2	,912	,779	,219	,727	,617	,609	1,000

Table 5. 9- Standardized Total, Direct and Indirect Effects

	Total Effects		Direct Effects		Indirect Effects	
	Image	**EBS**	**Image**	**EBS**	**Image**	**EBS**
Image	-	-	-	-	-	-
EBS	0,85	-	0,85	-	**-**	-
EBL	0,24	0,28	-	0,28	**0,24**	-

5.5.5 The relation between E-Banking Quality, Perceived Switching Costs and E-Banking Loyalty

we test separately the hypothesis H6, for the indirect and positive effect of E-Banking Service Quality on E-Banking Loyalty trough Perceived Switching Costs. The Structural equation model is shown in figure 5.6.

The results indicate low correlation between the constructs E-banking Quality and PSC (0,09), and 0,72 between PSC and E-Banking Loyalty (see table 5.10). We also tested the Discriminant validity between the two constructs (see Table 5.4).

The global fit for this relation is good, X^2 = 31 (df =26), CFI = 0,981, GFI = 0,914, TLI =0,974, AGFI = 0,852 and RMSEA = 0,053.

In Table 5.11 we also present the total direct and indirect effects and we also verified if PSC is a mediator variable in the relation.

According to these results we found no statistical evidence to support the hypothesis H5, that PSC has a mediating role between E-Banking Quality and E-Banking Loyalty, the perception of the quality of the bank website has no direct influence on creating switching costs for business customers.

Table 5. 10- Correlations between the variables in the model

	EBQ	PSC	EBL	PSC1	PSC2	PSC3	AS2	REL1	CON2	REL2	OEBQ
EBQ	1,000										
PSC	0,085	1,000									
EBL	0,061	0,719	1,000								
PSC1	0,057	0,669	0,481	1,000							
PSC2	0,076	0,890	0,639	0,595	1,000						
PSC3	0,055	0,642	0,462	0,430	0,572	1,000					
AS2	0,775	0,066	0,047	0,044	0,059	0,042	1,000				
REL1	0,921	0,079	0,056	0,053	0,070	0,050	0,714	1,000			
CON2	0,651	0,055	0,040	0,037	0,049	0,036	0,504	0,599	1,000		
REL2	0,686	0,059	0,042	0,039	0,052	0,038	0,532	0,632	0,446	1,000	
OEBQ	0,762	0,065	0,047	0,043	0,058	0,042	0,590	0,702	0,496	0,523	1,000

Figure 5. 6- Structural equation model for the relation between E-Banking Quality, Switching Costs and E-banking Loyalty
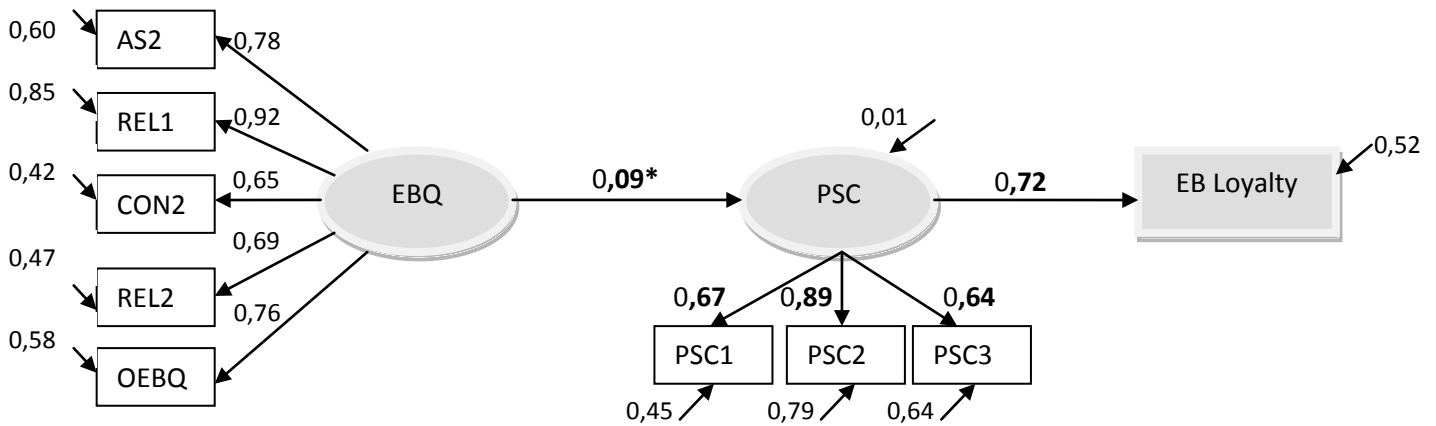
$[X^2 = 31 (df =26), CFI = 0,981, GFI = 0,914, TLI =0,974, AGFI = 0,852$ and $RMSEA = 0,053]$
*This relation is not statically significant

Table 5. 11- Standardized Total, Direct and Indirect Effects

	Total Effects			Direct Effects			Indirect Effects		
	EBQ	PSC	EBL	EBQ	PSC	EBL	EBQ	PSC	EBL
EBQ	-	0,09	0,061	-	0,09	-	-	-	0,061
PSC	0,09	-	0,72	0,09	-	0,72	-	-	-

After this model we concluded that no significant impact was found in the relation between E-Banking Quality and Perceived Switching Costs, although we found a strong impact in the relation between Perceived Switching Costs and E-Loyalty. Thus we also tested a model that includes the direct relation between E-Banking Quality and E-Loyalty (Hypothesis H1, already proved in Chapter IV), and the direct relation between Perceived Switching Costs and E-Loyalty.

In figure 5.7 we present the structural equation model obtained for this relation and the overall fit have acceptable values: $x^2=26,6$ (26); GFI=0,925;TL=0,997; CFI = 0,998; RMSEA =0,018 and AGFI =0,87.

With this model we found evidence to support the direct effect between E-Banking Quality and E-Banking Loyalty with a total effect of 0,21, and also the direct effect between Perceived Switching Costs and E-Banking Loyalty with a total effect of 0,71.

Figure 5. 7- Structural equation model for the relation between E-Banking Quality, Switching Costs and E-banking Loyalty
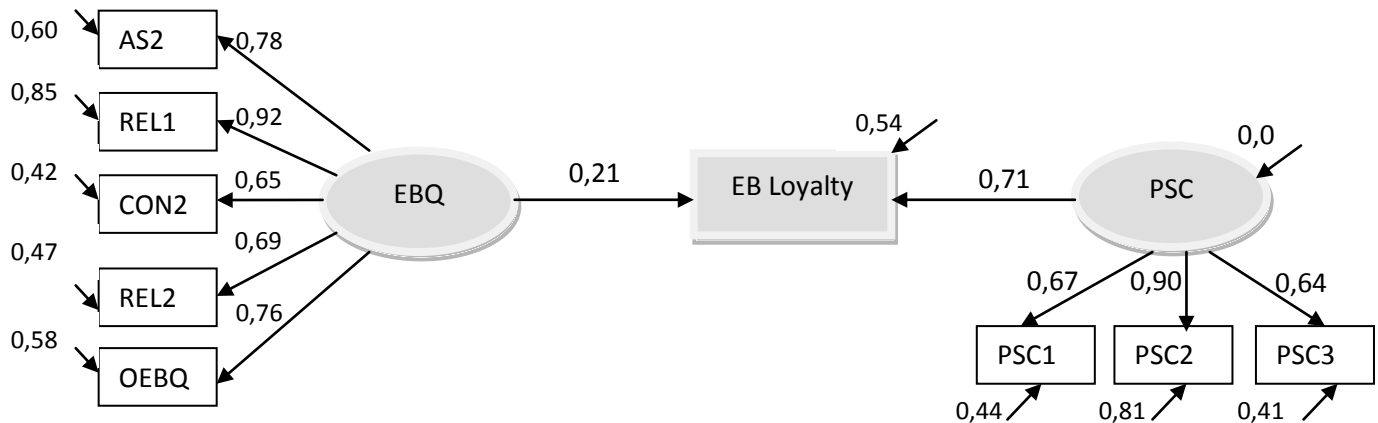
$[x^2 =26,6 (26); GFI=0,925; TLI =0,997; CFI = 0,998; RMSEA =0,018; AGFI =0,87]$

Table 5. 12-Correlations between the variables in the model

	EBQ	PSC	PSC1	PSC2	PSC3	EBL	AS2	REL1	CON2	REL2	OEBQ
EBQ	1,000										
PSC	,000	1,000									
PSC1	,000	,667	1,000								
PSC2	,000	,897	,598	1,000							
PSC3	,000	,639	,426	,574	1,000						
EBL	,206	,708	,472	,636	,453	1,000					
AS2	,779	,000	,000	,000	,000	,160	1,000				
REL1	,918	,000	,000	,000	,000	,189	,716	1,000			
CON2	,656	,000	,000	,000	,000	,135	,511	,602	1,000		
REL2	,686	,000	,000	,000	,000	,141	,535	,630	,450	1,000	
OEBQ	,758	,000	,000	,000	,000	,156	,591	,697	,497	,521	1,000

5.5.6 The final model

For the analysis of the final model we decided not to include the constructs E-Banking Satisfaction and Image because they presented very high correlations with the construct E-Banking Quality, and no discriminant validity was found.

We also didn´t included the relation between E-Banking Quality and E-Loyalty with the mediating effect of Perceived Switching Costs, although we found a significant impact of Perceived Switching Costs on E-Banking Loyalty, we decided to include this relation in the final model.

Since we found evidence of a strong impact between E-Banking Quality and E-Trust, in the final model we tested if E-Trust has a mediating effect on the relation between E-banking Quality and E-banking Loyalty, proposed in the hypothesis H3.

In figure 5.8 we present the final structural equation model, and in Table 5.13 we present the global fit for the final model. The Table 5.14 presents the correlations and the Table 5.15 presents the standardized total, direct and indirect effects between the constructs. The results evidenced a strong impact of E-Banking Quality in E-Trust, with a total effect of 0,75, plus, the attributes Reliability 1 and Assurance 2 have high correlations with E-Trust (0,88 and 0,82, respectively). Especially security and privacy concerns, issues like keeping information secure and the importance of the performing of the online service dependably and accurately have a strong impact on building E-Trust. In our conclusion, the quality elements of the E-Banking service are expected to affect E-Trust directly, consistent with some previous studies (Grönroos et al., 2000; Corritore et al., 2003, Grabner- Kräuter and Kalusha, 2003). Furthermore, Corritore et al. (2003), called web sites objects of Trust and suggest that navigational arquitecture and design elements have a direct impact on Trust.

In a qualitative study made by Davis et al. (2000) on e-tail brands, was also demonstrated the importance of e-tailer trust, trust in terms of quality and if there is not trust, it will not allow the service to continue.

We also found a positive and direct effect between Perceived Switching Costs and E-Banking Loyalty with a total effect of 0,73.

According to Dick and Basu (1994), switching costs is a common strategy to increase loyalty. Currently banks are aware to launch loyalty programmes were customers obtain substantial benefits by holding most of their banking business within one bank. Switching Barriers make it costly for the customer to switch to another supplier (Fornell, 1992). The implication of this preposition is a positive relationship between switching costs and custom loyalty (Methlie and Nysven, 1999).

Thus we also tested if E-banking Quality has an indirect and positive effect on E-Banking Loyalty trough the mediating effect of E-Trust.

According to Baron and Kenny (1986) a given variable may be said to function as a mediator to the extent that it accounts for the relation between the predictor and the criterion. Mediators explain how external physical events take on internal psychological significance. Whereas moderator variables specify when certain effects will hold, mediators speak to how or why such effects occur.

In chapter IV we found evidence to support the hypothesis H1 that there is a positive and direct effect of E-Banking Quality in E-Loyalty, but our findings suggest that this relation is better explained with the mediating effect of E-Trust (see figure 5.9). Thus we find evidence to support the Hypothesis H3 that there is a positive and indirect effect of E-Banking Quality on E-Banking Loyalty trough the mediating effect of E-Trust, with a total effect of 0,19.

Table 5. 13-Exploratory and confirmatory model analysis

Constructs	Item Name	Indicator Reliability	Total Explained Variance	Cronbach Alpha	Composite Reliability	Variance Extracted	Global Fit
E-Banking Service Quality	AS2 REL1 CON2 REL2 OEBQ	0,76 0,90 0,67 0,71 0,77	66,32%	0,86	0,88	0,59	$X^2 = 58$ $df=42$ $CFI = 0,959$ $RMSEA = 0,072$ $TLI =0,946$ $GFI =0,876$ $AGFI =0,806$
E-banking Trust	Etrust2 Etrust3	0,959 0,959	92%	0,84	0,96	0,92	
Perceived Switching Costs	PSC1 PSC2 PSC3	0,808 0,882 0,798	68,9%	0,77	0,89	0,70	

Figure 5. 8- Structural Equation Model for the final model
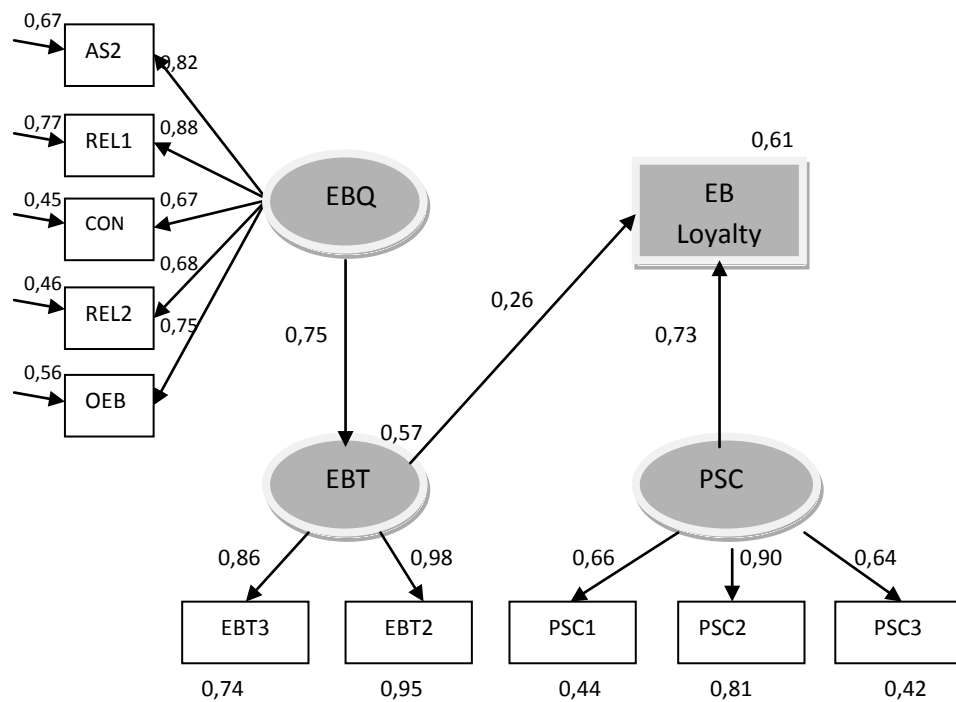
[$X^2 = 58$ (df=42); CFI = 0,959; RMSEA = 0,072; TLI =0,946; GFI =0,876; AGFI =0,806]

Table 5. 14- Correlations between the variables in the final model

	PSC	EBQ	ET	ET3	ET2	PSC1	PSC2	PSC3	EBL	AS2	REL1	CON2	REL2	OEBQ
PSC	1,000													
EBQ	,000	1,000												
ET	,000	,753	1,000											
ET3	,000	,734	,976	1,000										
ET2	,000	,648	,861	,840	1,000									
PSC1	,660	,000	,000	,000	,000	1,000								
PSC2	,899	,000	,000	,000	,000	,593	1,000							
PSC3	,644	,000	,000	,000	,000	,425	,579	1,000						
EBL	,734	,195	,259	,253	,223	,484	,660	,473	1,000					
AS2	,000	,820	,618	,603	,532	,000	,000	,000	,160	1,000				
REL1	,000	,885	,666	,650	,574	,000	,000	,000	,173	,726	1,000			
CON2	,000	,671	,505	,493	,435	,000	,000	,000	,131	,550	,593	1,000		
REL2	,000	,684	,515	,503	,444	,000	,000	,000	,134	,562	,606	,459	1,000	
OEBQ	,000	,745	,561	,548	,483	,000	,000	,000	,145	,612	,660	,500	,510	1,000

Table 5. 15- Standardized Total, Direct and Indirect effects

	Total Effects			Direct Effects			Indirect Effects		
	EBQ	EBT	PSC	EBQ	EBT	PSC	EBQ	EBT	PSC
EBT	0,75	-	-	0,75	-	-	-	-	-
PSC	-	-	-	-	-	-	-	-	-
EBL	0,19	0,26	0,73	-	0,26	0,73	0,19	-	-

Figure 5. 9- Structural Equation Model
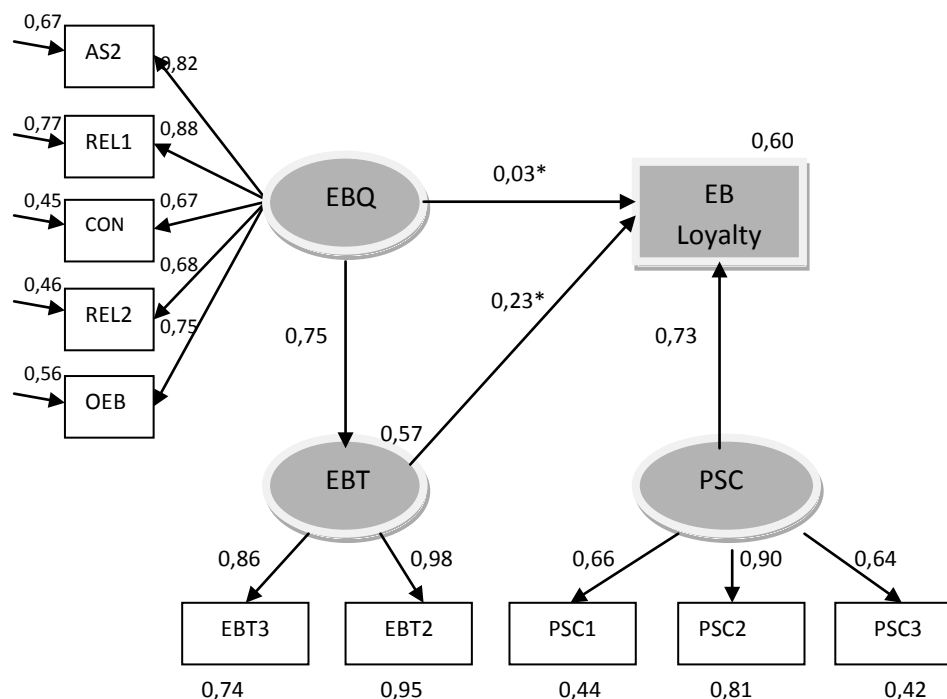
[X^2 = 58, 7 (df=41); CFI = 0,957; RMSEA = 0,079; TLI =0,942; GFI =0,876; AGFI =0,80]

*This relation has no statistical significance

5.6 Discussion

The perceived service quality has been traditionally defined as one of the consumer satisfaction´s major determinants (Cronin and Taylor, 1992; Oliver, 1993; Rust & Oliver, 1994; Anderson & Fornell, 1994; Bloemer et al., 1998; Coruana, 2000).

Other studies also argue that is highly related to service quality (Bolton and Drew, 1991; Cronin and Taylor, 1992; Taylor and Baker, 1994).

There are also evidence that this relation is valid in a context of E-Banking, for instance in the study conducted by Floh & Treinblmaier (2006), overall satisfaction was positively affected by Web site Quality and Service Quality.

The results of our study show that the there is a very high correlation between the perceived E-Banking Quality and E-Banking Satisfaction, with lack of Discriminant validity.

According to Dabholcar (1995) these two constructs may overlap in the customer minds when a long-term relation exists. Reminding, 50% of the

respondents in our sample have been working with the main online bank for about 4 to 6 years and 21,4 %, for about 7 to 9 years.

The same results were obtained for Image, in fact no discriminant validity was also found.

Our results suggest that the Quality of the Bank website has a direct impact on E-Trust. Amongst the many factors which have been pointed determinants for the Quality of the website, for business customers the Reliability and Assurance are extremely important and have a strong impact on building E-Trust. The decision makers of the companies seem to have a special concern in issues like the trustworthy of the online bank and with the accuracy of the performance of the online bank, this means that it´s important that the online bank keeps the records of the company free of errors.

Therefore the bank must build a strong brand in order to signal competence to its business customers so that they can rely completely upon its capability and trustworthiness (Floh and Treiblmaier, 2006; Yousafzai et al., 2005).

Our results also found a significant impact of E-Trust on E-Loyalty, consistent with previous studies.A number of researchers have advocated that trust is fundamental in developing customer loyalty (Moorman, Deshpande, & Zaltman, 1993; Morgan & Hunt, 1994). The importance of trust in explaining loyalty is also supported by authors like Lim and Razzaque (1997), Garbarino and Johnson (1999), Chaudhuri and Holbrook (2001), Singh and Sirdeshmukh (2000), and Sirdeshmukh, Singh, and Sabol (2002). However, in a market with suitable alternatives lack of trust might lead to negative loyalty.

While determining the imperatives of 'how to win customers' trust' the service provider(s) must focus on both present and future time frame. The construct of E-trust contains belief in the brand or company, which provides the customers an assurance of positive outcomes not only for the present but also for the future. As illustrated in the literature, the customers must be led to believe that the company will not behave opportunistically for sake of its own interest; otherwise they will switch their allegiance (Akbar and Parvez, 2009).

As Morgan and Hunt (1994) suggested, communication is also a major precursor of Trust, so communicating trustworthiness and accuracy is important to trust development process.

Besides the fact that we didn´t found statistical evidence to suggest that E-Banking Quality positively affects Perceived Switching Costs in Online Banking, the results indicate strong impact of Perceived Switching Costs on E-Banking Loyalty.

It seems despite the fact that E-Banking Quality issues are of extremely importance for the business customers, their impact is not big enough to create Perceived Switching Costs. This may be due to the fact that the power of customers , specially business customers (with high knowledge in technology), are very familiar with Internet technology, which makes information search much easier and reduces costs of obtaining new information's and transactions.

This can make the cost of switching lower (Siriluck and Speece, 2005). Another factor may be due to the fact that this bank market segment is characterized by the fact that most medium/large companies work with several online banks (43% of the total respondents work with 4 to 6 online banks), so they don´t perceive neither financial risk, time and effort costs.

Although the low influence of the e-quality evaluations on the creation of perceived switching costs, the results suggest that if they are recognized they will have a strong impact on E- loyalty. So a major concern for bank marketers should be to determine the factors that do create Switching Costs to Online business customers to assure Customer E-Bank Loyalty.

In a study conducted by Siriluck and Speece (2005) with a sample of a bank corporate customers, web benefits had a direct impact on creating switching costs, trough their ability to enhance customer relationships.

In stagnating markets where product or service differences are marginal if any, retaining current customers becomes important to the future existence of most companies. Customer satisfaction and corporate image are two aspects which are believed to impact customer retention. Our study also found that Image has a positive impact on E-Loyalty, trough the mediating effect of E-Satisfaction, for managers this finding has important implications with regard to brand building strategies. Key to profitability is customer loyalty. We have documented that corporate image is the dominant route to customer E-satisfaction and customer E-loyalty. Indications of a successful brand building strategy are found when companies have a relative attractiveness in their image, that is corporate image is significantly different from other companies within the same industry.

5.7 Managerial implications and Future Research

The results in our data suggest that the quality perceptions of the online bank seem extremely important in E-trust building. The preeminent importance of E-trust can be explained by both the core products of the financial industry, which can be seen as the transmission and processing of highly confidential information , and trust in the medium as such, which again stands for the banks capability to securely transfer and store confidential personal information. Thus the banks must build high quality websites in order to signal competence and trustworthiness to its business customers.

A practical implication for the bank industry is that the banks web site must communicate the procedures for handling private information are performed within the framework of well-thought-out customer- services policies, thus demonstrating reliability and credibility (Yousafzai et al. 2005).

The privacy and policy must be presented as manner that is obvious, accessible.

In our results Perceived Switching Costs are not affected by the perceptions of the quality of the bank website. In the Internet market, the materialization of the Internet as a marketplace force has helped reduce searching costs for price and quality information, and comparisons across online banks, has diminished physical travel. It seems that for business online customers the quality attributes of the Bank web site are not strong enough to create switching barriers.

Although our findings suggest that Switching costs have a strong impact in creating retention in the banking online environment obtain substantial benefits by holding most of their banking business with one bank. Switching barriers make it costly for the customer to switch to another supplier, the implication for this preposition is a positive relationship between switching costs and customer loyalty, therefore an increase in switching costs will lead to an increase in loyalty.

Competition is, of course, just a click away in the Internet market, and various antiswitching barriers have been embraced by online banks. Although a firm may institute switching costs for its offerings, its competitors frequently erect various strategies and incentives to assist potential customers in overcoming the barriers. For example, numerous online banks and retail brokerage firms afford cash premiums to new customers as an incentive for switching service providers.

According to Siriluck and Speece (2005), customers Internet banking service need to integrate web –based service in bank business strategy as a way to supplement and enhance the relationships because delivery channels cannot replace the traditional face-to-face service. This means that customer relationships cannot be ignored when implementing Internet banking. Banks have to work on other relationship elements to perceive high switching costs from the service they are rendering.

The major limitation in this investigation was, like in previous chapters, to obtain a bigger sample of the medium/large bank customer segment.

Future research should accomplish a bigger sample, and try to determine the drivers of creation perceived switching costs. Since this investigation concluded that if they exist they have a strong impact on retention of online business customers.

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CHAPTER VI

THE INFLUENCE OF GENERATED INTERPERSONAL RELATIONSHIPS AND QUALITY PERCEPTIONS IN TRADITIONAL BANKING FOR THE LOYALTY IN ONLINE BANKING

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6. THE INFLUENCE OF GENERATED INTERPERSONAL RELATIONSHIPS AND QUALITY PERCEPTIONS IN TRADITIONAL BANKING FOR THE LOYALTY IN ONLINE BANKING.

6.1 Introduction

Firms increasingly aim to migrate customers to their non store distribution channels such as the Internet with the aim of reducing distribution costs. But customer migration is only advisable as long as the potential cost reductions exceed the investment necessary for migration measures.

The customers choose the channel witch best meets their needs (Rangaswamy & Van Bruggen, 2005). But the preferred channel from a customers' perspective might not always coincide with the channel that is the most economic from a firm´s perspective (Myers, Pickersgill, & Van Metre, 2004).

As customers become more content interacting through remote technological channels, the implications for bank customer relationship are of key importance and, implicitly, strategies that allow for such interaction preferences to be better understood seem especially important.

Although the growth of Internet banking, according to a Nielsen report (2007) the bank branch was enjoying resurgence in popularity. For three key products, online high interest savings accounts, personal loans and credit cards, branches surged ahead of the internet as a favored channel for acquisition. Branches also saw an increase in frequency of visits by consumers.

Many other investigations shown that corporate banking customers still prefer personal relationships as the principal means of communication and exchange between bank and client firm (Tyler and Stanley, 2001).

Other research has further underlined the importance of the personal relationship by revealing that customers considered their banking relationship to be with their relationship manager rather than with the bank they represented (O´Donnel, et al.2002).

These studies focused mainly with data of smaller companies more socially based relationships with their banks. That is the smaller firm is the weaker partner and has some dependence of the bank requirements. When the bank client is a large company, this dependence is less pronounced.

In a study conducted by O´Donnel et al. (2002), the key finding was that customers both small and bigger companies, place greater importance on personalized interaction than any form of technological interaction. They also found that business banking customers place greater importance on personal and face-to-face interaction as they become more satisfied with e-mail

communication. The main conclusions in this study are that technology does not replace the need for personal interaction.

This aim of this chapter is to provide empirical evidence to suggest that for business customers the interpersonal relations generated are of major importance to perceive the quality of the services provided on online banking and to assure E-loyalty, further we also believe that other elements in traditional banking may affect the perceptions in online banking. The overall quality perceptions in the traditional face-to-face interaction may also affect the perceptions of the services offered in the online channel.

6.2 The importance of technology in business banking

The variety of electronic banking technologies available in the market place has greatly expanded in recent years. For financial institutions such technologies such as direct deposit automated teller machines and debit cards can speed processing and reduce costs. Other products and services, for example computer banking and stored –value payroll cards, are viewed as ways to retain existing customers and attract unbanked and underbanked consumers (Anguelov et al., 2004).

For the side of the customer, research suggests that customer acceptance and use of e-banking technologies are related to the characteristics of both the individual consumer and the specific technology.

The study completed by Marr and Prendergast (1993) found that the main variables encouraging consumer acceptance of banking technologies were time, convenience, place convenience and simplicity of use.

Interestingly, the same study examined motives for consumers not using technology, and found that a preference for dealing with humans was a key factor (O`Donnell et al. 2002).

Roth and Van der Velde (1989) argue that the role of branch staff will be even more critical in the future as technology becomes more pervasive, particularly in the delivery of no-routine and more complex financial services products which would be typical in the corporate banking market. (O´Donnell et al. 2002).

One question that emerges is the extent to which technology should play a part in bank relationships with their business customers, that is the extent to which technology could, or indeed should replace personal socially based interactions is unclear, but is a most important consideration in terms of the effective allocation of relational resources to those corporate customers deemed best prospects for long-term profitability.

The perceived service quality of a channel is determined by the channels ability to satisfy the needs and to fulfil the expectations of the customers. This

includes for instance the channels ability to offer the products and services as needed by the customer.

6.3 The importance of personal interaction

There still remains a strong inclination in business banking towards the use of the personal relationship between banker and company client as the principal vehicle of exchange. Despite a drive towards automation of service delivery, branch reorganization and sophisticated technological linkages between banks and companies a majority of both bank managers and their corporate customers continues to believe the "old-fashioned" human relationship between bank manager and corporate financial officer should be the natural fulcrum of interaction (Tyler and Stanley, 2001).

Lewis B. (1991) also suggested in her study that the personal characteristics of contact staff were very important in the bank customer's expectations and perceptions. The most highly rated personal qualities were honesty and trustworthiness. Half of the respondents felt that staff did not know their personal needs and did not give them individualized attention.

The major conclusion in the study conducted by O`Donnell et al. 2002 was that business banking customers place greater importance on personalized interaction than any form of technological interaction.

6.4 The relationship between personalized interaction and technology in business banking

Many previous researches investigated in what extent Internet banking could replace or complement more traditional methods of banking interaction (Yaklef, 2001). In this study we can conclude that the relationship between bank manager and corporate customer is regarded as the natural and preferred medium through which business interactions occur (Tyler and Stanley, 2001).

In a research conducted by Siriluck and Speece (2005) they concluded that corporate customers feel Internet banking is a good channel to interact with the bank faster. However the web-based services contribute only a small part of overall relationship strength. Corporate customers do not seem to see the web as a channel to replace traditional relationships, but rather as a way to supplement and enhance the relationships. They also concluded that for these customers, it´s important that bank managers modify their standard business

plans away from stand-alone interpersonal or online channels, if they seek loyalty and stronger usage of the Internet.

In an investigation conducted by Yousafzai et al. (2005), in electronic banking, they suggested that the presence of a physical branch and the brand name are important for the trustworthiness in the online banking.

The main findings in a study conducted by O´Donnel et al. (2002) showed that the importance of personal interaction and the importance of face-to-face interaction both increase as the level of satisfaction with e-mail communication increases.

This study also refuted the notion that technology has replaced the need for personal interaction. As firms grow and their needs become more complex and their firms become more technologically sophisticated , they are more inclined to embrace a wider range of communication interfaces (both personal and remote), all of which important (O´Donell et al., 2002).

6.5 Proposed Model

As discussed above firms place a great importance on the traditional means of interaction with banks and they see technology not as a substitute but rather as a complement for banking interactions.

Previous investigations emphasize the idea that the personal contact is the preferable mean of contact for business customers, thus the relation between the bank staff and the decision maker of the company can affect the perceptions of the Quality of the Bank web site and E-loyalty.

In fact the perceptions of the quality of the bank website can be affected by numerous variables concerning the experience business customers have in traditional bank branch and not only with the relation with the bank staff.

Loyalty to the bank website can be affected not only by the perceptions of E-Banking Quality, but also by the perceptions of the quality in the traditional bank branch, including the Interpersonal Relationships.

A strategy for online banking shouldn't be developed separately from that in traditional banking, since E-loyalty can be affected by previous judgments of bank quality in traditional banking.

According to what was discussed above, we propose two alternative models:

-The Model A considers that Interpersonal Relationships between the bank manager and the decision maker of the company will affect the perceptions of service quality in Online Banking, and then also affect E-Banking Loyalty.

-The Model B proposes that the perceptions of quality, including Interpersonal Relationships, in traditional banking will affect the perceptions of quality in Online Banking and then also affect the E-Banking Loyalty.

This second model is more ambitious than the previous one, because besides Interpersonal Relationships, it argues that loyalty in online banking is affected by many other elements of the traditional banking relation.

Therefore we propose the following hypotheses:

HA_1: Interpersonal relationships affect directly and positively the perception of E-banking Service Quality, for business customers.

HA_2: Interpersonal relationships in traditional banking have an indirect and positive effect on E-Banking Loyalty trough E-Banking Service Quality.

HB_1: Perceived Service Quality in traditional banking affects directly and positively the perception of E-Banking Service Quality, for business customers.

HB_2: Perceived Service Quality in traditional banking has an indirect and positive effect on E-Banking Loyalty trough E-banking Service Quality.

In figure 6.1 we present the proposed models.

Figure 6. 1- Proposed Models
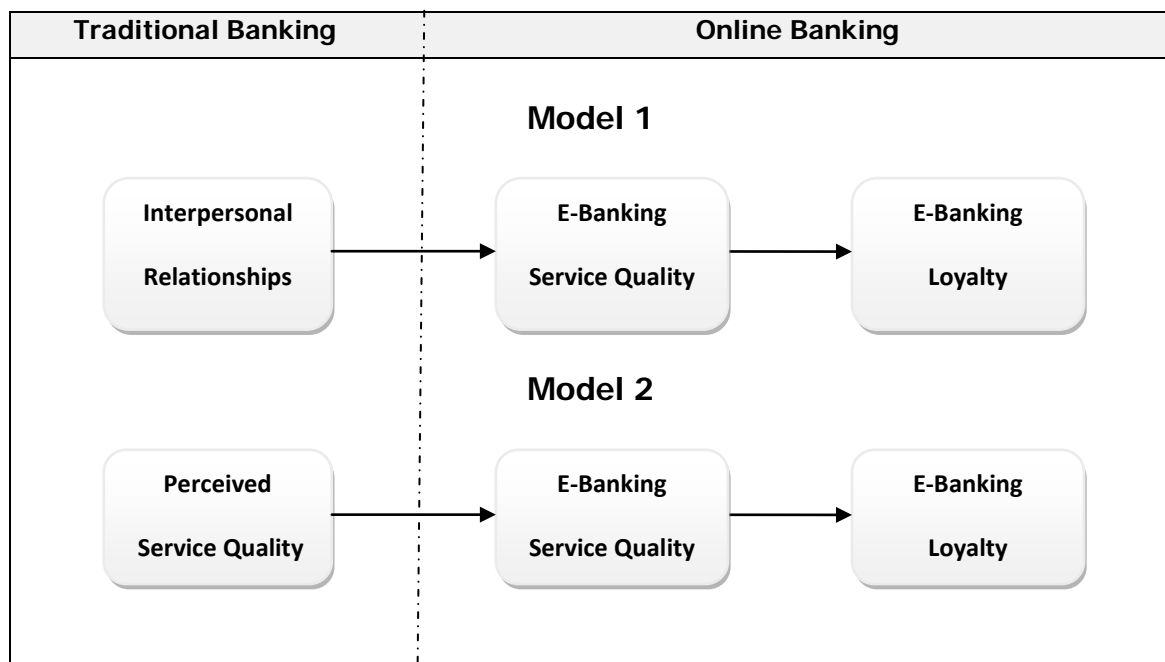
6.6 Methodology and Design of the investigation

We designed the questionnaire with measures of the relevant constructs primarily based on scales taken from previous research. We made some enhancements, consistent with the specific characteristics of the industry surveyed and our research setting. To establish the face validity of the constructs, we previous conducted interviews with the decision makers of 5 large companies.

A total of 220 questionnaires were mailed. We made follow-up telephone calls to the non responding companies to ensure that they received the questionnaires.

We received a total of 70 complete and valid responses at a response rate of about 32 % percent. Respondents belonged to a variety of industries, including manufacturing, merchandising/wholesale/retail, transportation/distribution industries, construction, services, with for about 60% of the interviewed companies working with more than 250 employees.

The 70 respondents answered both to attitudinal questions in order to analyse their behaviour in a context of a personal interaction in the physical bank branch and also questions to analyse their attitudinal behaviour in a context of online banking. It was used a Likert-type seven-point scale (1= Strongly Agree, 7= Strongly Disagree).

The items used in the questionnaire are shown in Table 6.1. The constructs Perceived Service Quality and Interpersonal Relationships were previous analyzed in Chapter II and the constructs E-Banking Service Quality and E-Banking Loyalty in Chapter IV. We didn´t included the item IPR1 in the construct Interpersonal Relationship because it had a lower factor loading and the model has better fit indices without hit.

Table 6. 1- Measurement item description

Models Item			Description
Model A	Interpersonal Relationships	IPR1 IPR2 IPR3 IPR4	The bank has competent employees who demonstrate the necessary banking skills. The bank employees understand the needs of my company. The bank employees are trustworthy and sincere. I have a good relation with the business manager of the bank.
Model A/B	E-Banking Service Quality	Product variety — PV1 PV2 PV3	All the needs of products and services by the company are included in the options of the online bank. The online bank suggests products and services according with the needs of the company. The online bank has competitive interest rates.
		Assurance — AS1 AS2	I consider that the risk in electronic transactions with the bank is high. The online bank is trustworthy.
		Responsiveness — RES1 RES2	I receive rapid and prompt responses, by email or telephone, when i request it in the website of the bank. The online bank answerer's quickly to my demands.
		Accuracy — AC1 AC2 AC3	The electronic transactions are free of errors in the interface. The electronic transactions are free of errors in the content. The electronic transactions are accurate.
		Reliability — REL1 REL2	The online bank keeps the records of the company with accuracy. The online bank performs the service correctly at first time.
		Convenience — CON1 CON2	I value the fact that we can use the online bank from any location. The use of online banking saves me time.

		Overall E-Banking Quality	OEBQ	In general the quality of the services of the online bank is good.
Model A/B		E-Banking Loyalty	EBL1 EBL2 EBL3 EBL4	Is my intention continuing using this online bank. I prefer this online bank above others. Is my intention to increase the use of this online bank in the future. I recommend this online bank to third parties.
Model B	Perceived Service Quality	Tangibles	TAN1 TAN2	The physical branch of the bank is functional and comfortable. I value the existence of a physical branch of the bank near the company.
		Responsiveness	RES1	In general, I don't wait too long to solve my request
		Product Variety	PV1 PV2	The bank offers products and services according to the needs of the company. The bank offers a wide range of services.
		Price Conditions	PC	The bank has competitive interest rates
		Reliabiliy	REL1 REL2	The bank assures their services with a minimum of errors. I value that the bank quickly resolves the existing errors.
		Interpersonal Relationships	IPR1 IPR2 IPR3 IPR4	The bank has competent employees who demonstrate the necessary banking skills. The bank employees understand the needs of my company. The bank employees are trustworthy and sincere. I have a good relation with the business manager of the bank.

6.7 Data Analysis and Results

In Table 6.3 we calculate the convergent and discriminant validity for the study measures. The discriminate validity as been achieved between the construct Interpersonal Relationships and E-Banking Service Quality as the variance shared between the constructs are lower than the average variance extracted by the constructs, but not for the constructs E-Banking Service Quality and Perceived Service Quality, thus concluding that we can´t use this two constructs in the same model, because these measures overlap. In fact as we can see in table 6.5 the two measures have high levels of correlation, thus we cannot use the model B because of lack of discriminant validity between E-Banking Quality and Perceived Service Quality in traditional banking.

We estimate our model A through Structural Equation Modeling using AMOS 18. Our data analysis begins with a confirmatory factor analysis on the multi-item measures of Interpersonal Relationships and E-banking Service Quality and E-Banking Loyalty in an online context.

The main fit indices for this model have acceptable values (see Table 6.2), so we can consider a good fit between the model and the data.

Table 6. 2- Exploratory and Confirmatory factorial analysis

Model	Constructs	Item Name	Indicator Reliability	Total Explained Variance	Cronbach Alpha	Composite Reliability	Variance Extracted	Global Fit
Model A	**Interpersonal relationships**	IPR2 IPR3 IPR4	0,826 0,916 0,831	73,7%	0,818	0,83	0,63	$x^2= 36,8$ $df =26$ CFI =0,964 TLI =0,95 GFI = 0,906 RMSEA = 0,077 AGFI = 0,838
	E-Banking Service Quality	AS2 REL1 CON2 REL2 OEBQ	0,76 0,90 0,67 0,71 0,77	66,32%	0,869	0,88	0,59	
	E-Banking Service Quality	AS2 REL1 CON2 REL2 OEBQ	0,76 0,90 0,67 0,71 0,77	66,32%	0,869	0,88	0,59	

Table 6. 3- Tests results on Convergent and Discriminant Validity

	Interpersonal Relationships	E-Banking Service Quality	Perceived Service Quality
Interpersonal Relationships	0,63[a]		
E-Banking Service Quality	0,59[b]	0,59[a]	
Perceived Service Quality	-	0,76[b]	0,55[a]

a. The diagonal entries represent the average variance extracted by the construct.
b. The off diagonal entries represent the squared correlations between the construc

Table 6. 4- Correlations between the variables in Model A

	IPR	EBQ	EBL	IPR4	IPR3	IPR2	AS2	REL1	CON2	REL2	OEBQ
IPR	1,000										
EBQ	,779	1,000									
EBL	,203	,261	1,000								
IPR4	,735	,572	,149	1,000							
IPR3	,914	,711	,186	,672	1,000						
IPR2	,713	,555	,145	,524	,652	1,000					
AS2	,617	,793	,207	,454	,564	,440	1,000				
REL1	,700	,899	,235	,514	,639	,499	,713	1,000			
CON2	,508	,653	,170	,374	,464	,362	,518	,587	1,000		
REL2	,541	,694	,181	,397	,494	,386	,551	,624	,453	1,000	
OEBQ	,595	,764	,199	,437	,543	,424	,606	,687	,499	,531	1,000

Table 6. 5- Correlations between the variables in Model B

	PSQ	EBQ	EL	REL2	REL1	PV1	IPR4	PV2	AS2	REL1	CON2	REL2	OEBQ
PSQ	1,000												
EBQ	,877	1,000											
EL	,224	,255	1,000										
REL2	,764	,670	,171	1,000									
REL1	,611	,536	,137	,467	1,000								
PV1	,766	,672	,171	,585	,468	1,000							
IPR4	,701	,615	,157	,536	,428	,537	1,000						
PV2	,826	,725	,185	,632	,505	,633	,579	1,000					
AS2	,691	,788	,201	,528	,422	,529	,484	,571	1,000				
REL1	,779	,888	,227	,596	,476	,597	,546	,644	,700	1,000			
CON2	,581	,662	,169	,444	,355	,445	,407	,480	,522	,588	1,000		
REL2	,613	,698	,178	,468	,374	,469	,429	,506	,551	,621	,462	1,000	
OEBQ	,680	,775	,198	,520	,415	,521	,477	,562	,611	,689	,513	,542	1,000

Table 6. 6- Standardized Total, Direct and Indirect effects between the constructs in the Model A

	Total Effects			Direct Effects			Indirect Effects		
	IPR	EBQ	EBL	IPR	EBQ	EBL	IPR	EBQ	EBL
IPR	-	-	-	-	-	-	-	-	-
EBQ	0,779	-	-	0,779	-	-	-	-	-
EBLOYALTY	0,203	0,261	-	-	0,261	-	0,203	-	-

Figure 6. 2- Structural Equation Model A
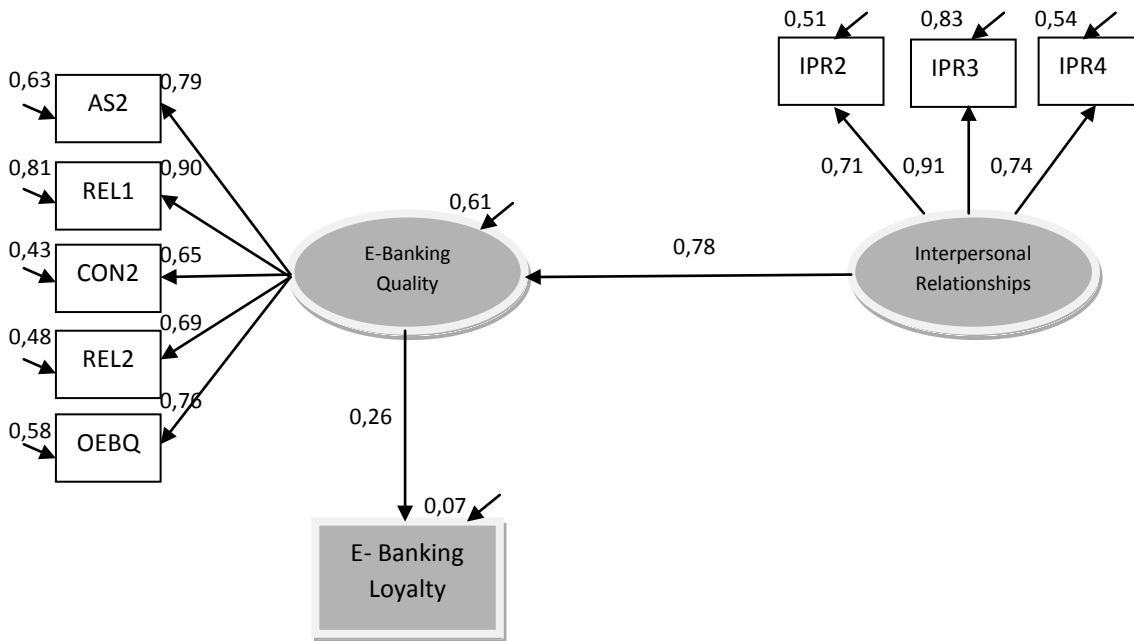
$[x^2 = 36,8\ (df = 26);\ CFI = 0,964;\ TLI = 0,95;\ GFI = 0,906;\ RMSEA = 0,077;\ AGFI = 0,838]$

We also tested that the variable E-Banking Service Quality is a mediator between Interpersonal Relationships and E-Banking Loyalty in Model A and the results were satisfactory.

The model results support our hypotheses HA_1 and HA_2 in Model A.

The coefficient estimates relating to hypotheses are significant at the .05 level and in line with the hypothesized direction. Specifically, the results indicate that Interpersonal Relationships have a positive and direct effect on the perception of E-Banking Service Quality, and that Interpersonal Relationships also have an indirect and positive effect on E-banking Loyalty trough E-Banking Service Quality, with a total effect of 0,203.

The correlation between the two constructs Interpersonal Relationships and E-Banking Service Quality is high (0,779) consistent with the proposed hypothesis.

These conclusions suggest that the perceptions of quality in the bank website are affected by the relations generated with the decision maker of the company

and the bank staff. The quality of the personal relationships is important to establish a long term online and offline relationship.

6.8 Discussion and Managerial Implications

The relationship between the bank and their corporate customer is based on the exchange of financial service and resources in the traditional bank branch and in the online environment. Banking is characterized by interaction between the parties and proceeds by a series of commercial transactions contained in the dimensions above exchange of information, social exchange and by technical or organizational adjustments of responsibilities and routines.

A transaction between two organizations will influence the next transaction between them and create obligations, expectations and interpersonal involvement. The parties may have a long-term relationship which constitutes a framework in which further transactions and activities are carried out. This long –term relationship can be seen as being constituted by a number of ties or bonds between the bank and the customer (Thunman, G. 1992).

It has been shown in previous studies that customers are more likely to become loyal if they develop a personal relationship with a contact employee, in a context of the traditional banking.

In previous studies in corporate banking it also was found that this segment also still prefer personal relationships as the principal means of communication and exchange between the bank and client firm (Tyler and Stanley, 2001).

Although most of the studies analysed small companies that are more dependant and desire closer, more socially based relationships with their banks.

In fact, despite a drive towards automation of service delivery, branch reorganization and sophisticated technological linkages between banks and companies, a majority of both bank managers and their corporate customers continues to believe the "Old-fashioned" human relationship between bank manager and corporate financial officer should be the natural fulcrum of interaction (Tyler and Stanley, 2001).

The same conclusion was obtained in the study conducted by O`Donnell et al. (2002). They demonstrated that personal interaction/face-to-face interaction is more important to small/medium and large companies than technological means.

Howcroft and Durkin (2000) also argued that customer-bank relationships cannot be ignored when implementing Internet Banking. Banks have to work on other relationship elements simultaneously to develop ways to explicitly get customers to perceive high switching costs (Siriluck and Speece, 2005).

Our findings suggest that the relationships generated between the decision maker of the company and the manager of the bank is an important antecedent of the perception of the E-Banking Service Quality and an important driver of E-Loyalty.

This means that the more the relations between the bank managers and the decision makers of the company are satisfactory one´s, the more they will have a positive evaluation of the quality of the bank website, and then be more loyal to this channel.

Regarding the study of O´Donnel et al. (2002), they refuted the initial theory that there is a negative correlation between personal interaction and the technological interaction channels. They found that the importance of personal interaction and the importance of face-to-face interaction both increase as the level of satisfaction with e-mail communications increases

Further, our findings suggest that other elements of the relation have to be worked simultaneously, in order to develop E-Banking Loyalty.

In fact we found that quality perceptions of the bank in traditional face-to-face transactions have high correlations with the perceptions of quality in an online environment and thus create retention.

The notion that technological channels might go some way replace the need for personal channels in business banking is wrong, by the evidence in this study.

Technology should provide a useful complement, rather than a replacement for the traditional personalized interaction.

It´s important that bank marketers plan to integrate both the traditional and the web channel, providing a good service with a range of supporting services trough many channels, for instance, a good back up call service online and after transaction.

Bank managers should identify the perfect allocation between face-to-face contact in traditional banking and online banking when dealing with business clients and provide a simultaneously strategy for both channels since they have a greater influence in each other.

Future research should analyze the effect of reducing the level of personal interaction because of migration their business customers on to remote channels.

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FINAL CONCLUSIONS

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During the past decade, the financial services sector has undergone drastic changes, resulting in a market place which is characterized by intense competition, little growth in primary demand and increased deregulation. In the new market place, the occurrence of committed and often inherited relationships between a customer and his or her bank is becoming increasingly scarce. Several strategies have been attempted to retain customers. In order to increase customer loyalty, many banks have introduced innovative products and services. However, as such innovations are frequently followed by similar changes, it has been argued that a more viable approach for banks is to focus on less tangible and less easy-to-imitate determinants of customer loyalty such as customer evaluative judgments like Service Quality, Satisfaction, Image, and Perceived Switching Costs.

However, while there have been a large number of studies that focused on analyzing the determinants of Bank Loyalty in retail banking, research in business banking, especially for medium/large banking customers have remained limited.

This study investigated the main determinants of Banking Loyalty for this important and profitable bank segment, because despite the fact of a low percentage of large companies in Portugal they are responsible for a big percentage of the turnover generated in the country (about 42, 1% of the total turnover).

An important issue is also that substantial differences exist between the banks interaction with smaller companies or large companies. The high competence and specified advance needs of the larger companies characterize the exchange with banks. Furthermore while large companies employ a wide range of financial services, small companies employ only a few, preferably within finance and money transmission.

The banking industry is in the middle of a fundamental change. Not only the increasing turbulence, cooperation and change, convergence, globalization and technological innovations in the financial services sector, but also change in customer preferences and behavior signal that new strategies to attract and maintain customers are becoming of key importance. The movement of customers from traditional branch banking to stand-alone forms of banking via the Internet, telephone and mobile phones means a shift from personal relationships and face-to-face contacts to faceless digital relationships.

The high cost of acquiring new e-customers can lead to unprofitable customer relationship for up to three years. As a consequence, it is critical for online companies to create a customer loyalty base, as well as monitor the profitability of each segment.

The use of technology in delivering banking services to customers is changing the way customer relationships are managed. This investigation discussed E-Banking Loyalty, E-Banking service Quality, E-Satisfaction, Image, Perceived Switching Costs and Trust as components of relationship quality in online

banking. Particular attention is paid to Trust because of its different nature in the yet impersonal online environment compared to interaction based face-to-face traditional branch banking.

According to what was discussed before few were the studies who investigated and compared the determinants of Banking Loyalty in a traditional face-to-face and online banking, with a sample of medium/large customers.

In this final conclusion we will briefly describe our main findings and compare the obtained results both in traditional banking and online banking.

The results in our investigation showed that the BCP is the most used bank by the companies as their first choice both in traditional banking (44, 29%) and online banking (48, 57%).

We concluded that companies have split bank arrangements, with 68, 6% working with more than 5 physical bank branches and for about 42, 9% of the medium/large companies use 4 to 6 electronic banks. Although most of the responding companies use the services of four or more banks, strong loyalty existed between organizations and their lead commercial bank. The data showed that 73% of the companies have been working with their lead bank for more than 10 years and for about 50% have been working with the main online bank for about 4 to 6 years.

We found that the larger the size of the corporate segment, the greater the number of banks used, with the larger companies using the services of four or more banks on average.

Further comparisons between the obtained results in traditional banking and in online banking are summarized in Table 7.1.

In Chapter II our results suggest that the determinants with major impact on Banking Service Quality were referred to the importance of the offer of products and services according to the needs of the company, in second place, the importance of the good relations generated between the decision-maker of the company and the bank's business manager, and in third place the reliability of the services; in other words, the importance of assuring the service with the minimum of errors.

We found a significant positive direct effect of 0,38 of Perceived Banking Quality on Banking Loyalty.

In online banking five main quality dimensions for the e-banking portals were identified in this investigation: Assurance, Reliability, Convenience and Overall E-Banking Quality judgments by the decision makers of the company.

An important dimension is Assurance that means if the bank site is trustworthy. Reliability represents the ability of the web site to fulfil orders correctly, deliver promptly and keep personal information secure. Online banks must provide mistake –free service and secure online transactions to make customers feel comfortable using online banking.

In our study the Reliability factor comprised two items relate to accurate online transactions, accurate records and correct performance.

Since corporate clients can e-bank over the internet at any time in any properly location, the quality attribute of time and location convenience is likely to be significant in differentiating it from traditional retail banking.

Overall service quality significantly influenced to affect customer perception of the quality of the bank website.

Our results also confirm that loyalty by E-Banking business customers is directly affected by E-Banking Service Quality perceptions of the managers of client firms with a total effect of 0,59. This suggest that Service Quality in online banking has a bigger impact on Banking Loyalty than that obtained in traditional banking, suggesting that bank managers should be more attempt and efficient in providing high quality services provided by the bank website, to assure retention and profitability in this important segment.

In most models of client evaluations of retail banking services the focus has been on a comparative judgment of expectations versus perceived performance resulting in the two major evaluative judgments of perceived service quality and client satisfaction. Both concepts have been frequently used and measured in the retail banking services area.

Our study results showed that there is a positive relation between Banking Service Quality, and Customer Satisfaction with a total effect of 0,91, indicating high correlation between the two constructs.

The same results were obtained in an online environment, we found a very high correlation between E-Banking Quality and E-satisfaction, with a total effect of 0,92.

In conclusion we found no empirical evidence to suggest that Satisfaction is a mediating construct between Perceived Service Quality and Banking Loyalty either on traditional and online banking, because of lack of discriminant validity.

These two constructs may overlap when a long term relation is created, reminding that a big percentage of business respondents in our sample have been working with the main bank for more than 10 years. There may not be much difference between Customer Satisfaction and Service Quality perceptions because the affective aspect of evaluation will dissipate overtime.

Image in the service marketing literature was early identified as an important factor in the overall evaluation of the service and the company, and is consequently assumed to have an impact on customer's choice of company when service attributes are difficult to evaluate.

Our results showed that there is a positive relation between Banking Service Quality, and Image with a total effect of 0,92 , indicating high correlation between the two constructs, although no discriminant validity was found, also suggesting that business respondents evaluate the two measures as being part of the same quality judgments.

In online banking the results were similar, indicated high correlation of 0,807 between the constructs E-banking Quality and Image, and an effect of 0,314

between Image and E-Banking Loyalty. We also couldn't prove discriminant validity between Image and E-Banking Quality.

We also found that corporate Image affects E-Satisfaction with a total effect of 0,85 in an online environment. In traditional banking we found no evident to support this relation because no discriminant validity was found between Image and Customer Satisfaction.

For consumers, switching costs include those that are monetary, behavioral, search, and learning related.

Our results indicate that there is no statistical significance to prove that there is a positive indirect effect between Banking Service Quality and Bank Loyalty via Perceived Switching Costs, on traditional banking, this means that business respondents do not perceive high costs of switching banks

The bigger companies have a great variety and complexity in their transactions, which may explain the fact that they prefer to benefit from the advantages of having relations with several banks and don´t perceive risk in changing to another bank when they need to develop a new transaction.

Despite these results this has not been a problem to banks, who found strategies to retain these big volume customers, because a major percentage of respondents have created a long term relation with their primary choose bank. This means that banks have been efficiently handling with this segment, since they recognized the fact that they can be the most profitable and important segment.

In the online environment the results were somewhat different, we also didn´t find evidence to support the fact that the perceptions of E-banking Quality may affect the perceived switching costs, but we found a strong impact of 0,73 in the relation between Perceived Switching Costs and E-Loyalty, consistent with many previous studies in traditional retail banking, we found that for business customers, Perceived Switching Costs do affect the creation of long term relations and retention with the services provided by the web site of the bank.

Trust is the foundation of commerce. It plays a crucial role in the development of human related activities across most industries including the banking industry. Building and maintaining trust based relationships between service providers and customers, is being recognized as an increasingly important issue by both research academia and the industries themselves. Trust is considered to be a 'driving force' behind the development of e-commerce applications. Its importance arises from the fact that trust is one of the key factors that determines the acceptance and willingness of consumers to engage in transactions, physical and virtual.

The results show a significant impact (0,75) of E-banking Quality in E-Banking Trust. The Web –site quality of the bank is a strong factor in the perceptions of trustworthiness, the performance of the online bank in terms of dependably, accuracy, fulfil orders correctly, and the security and privacy concerns have

strong impact in assuring E-Trust, to business customers. The results also showed that E-Trust impacts on E-Loyalty with a total effect of 0,26.

Table 7. 1- Traditional and online banking results comparisons

Relations	Traditional Banking	Online Banking	Statistical Significance	Observations
BSQ -> Loyalty	0,38	0,59	✓	Both have a positive relation with loyalty, but we found a higher correlation in Online banking.
BSQ - >Satisfaction	0,91	0,92	✓	The results were similar in both contexts. No discriminate validity was found between the two constructs. The concepts overlap.
Satisfaction ->Loyalty	0,39*	0,25	-	No statistical significance was found in traditional banking.
BSQ ->Image	0,92	0,81	✓	Strong impact was found in both contexts. No discriminate validity was found.
Image->Loyalty	0,41	0,31	✓	Both have significant impact.
Image ->Satisfaction	0,93	0,85	✓	No discriminant validity was found in traditional banking.
BSQ->PSC	-0,09*	0,09*	-	No significant impact was found.
PSC->Loyalty	0,05*	0,73	-	No statistical significance was found in traditional banking, but on the contrary strong impact exists in online banking.
BSQ->E-Trust	-	0,75	✓	Strong impact.
E-Trust->E-Loyalty	-	0,26	✓	Significant impact.
Interpersonal Relationships -> EBQ	0,78		✓	Strong impact was found.

*Statistical significance was not found

It has been shown in previous studies that customers are more likely to become loyal if they develop a personal relationship with a contact employee, in a context of the traditional banking.

In previous studies in corporate banking it also was found that this segment also still prefer personal relationships as the principal means of communication and exchange between the bank and client firm.

Our findings suggest that the relationships generated between the decision maker of the company and the manager of the bank is an important antecedent of the perception of the E-Banking Service Quality and an important driver of E-Loyalty.

Corporate customers embrace a wide range of communication interfaces (both personal and online), and it´s important to develop a strategy which plans an appropriate balance between personal and remote interaction to this segment.

Customer-bank relationships cannot be ignored when implementing Internet Banking. Banks have to work on other relationship elements simultaneously to develop ways to explicitly get customers to perceive high switching costs.

This investigation revealed that besides the fact that business customers proactively adopt technological channels, such technologies provide a useful complement rather than a replacement for traditional personalized interactions.

APPENDICE A

QUESTIONNAIRE
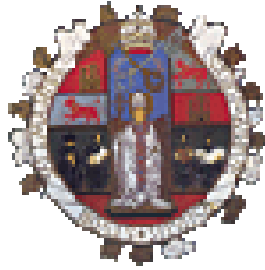
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Facultad de Economía y Empresa

LOYALTY IN BUSINESS BANKING

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This questionnaire is part of an investigation for a Doctoral Dissertation. All used data are confidential and will be only used for this work.

After answer this questionnaire please save the file and send him to the following email: anabela.fragata@sapo.pt

Thanks for your availability for participating in this investigation.

Part I

1-Position in the company_____2 – Name of the company_____

3- Adress _____ 4 – Contacts_____

5- Sector

Industry	
Construction	
Services	

6- Age of the company:

<1year	
between 2 to 5 years	
between 6 to 10 years	
between 11 to 15 years	
> 15 years	

7- Number of employees in the company:

1 to 10	
between 11 to 50	
between 51 to 100	
between 101 to 250	
> 250	
Without activity	

11-Time working with the main electronic bank

<1year	
1 to 3 years	
4 to 6 years	
7 to 9 years	
>10 years	

12- Number of electronic banks used by the company

None	
1	
2 or 3	
4 to 6	
>7	

13- The most used electronic bank in the company

Caixa Geral de Depósitos		BPI	
BCP		BBVA	
Santander Totta		Popular	
BPN		Montepio	
BES		Other	

8- Annual turnover in the company (thousand Euros)

<2000	
between 2001 and 10000	
between 10001 and 50000	
between 50001 and 250000	
>250000	

14- Time working with the main electronic bank

< 1years	
1 to 3 years	
4 to 6 years	
7 to 9 yeas	
>10 years	

9- Number of banks used by the company

1	
2	
3	
4	
≥5	

15- Frequency of using the electronic banks

Several times a day	
Once a day	
Almost every day	
Every week	
Every month	

10- Main bank used in the company

Caixa Geral de Depósitos		BPI	
BCP		BBVA	
Santander Totta		Popular	
BPN		Montepio	
BES		Other	

Part II

Please select the option witch better describes your opinion about the main bank used in the company:

1 represents completely agree 7 represents completely disagree	1	2	3	4	5	6	7
The physical branch of the bank is functional and comfortable.	☐	☐	☐	☐	☐	☐	☐
I value the existence of a physical branch of the bank near the company.	☐	☐	☐	☐	☐	☐	☐
In general, I don't wait too long to solve my request.	☐	☐	☐	☐	☐	☐	☐
The bank offers products and services according to the needs of the company.	☐	☐	☐	☐	☐	☐	☐
The bank offers a wide range of services.	☐	☐	☐	☐	☐	☐	☐
The bank has competitive interest rates.	☐	☐	☐	☐	☐	☐	☐
The bank assures their services with a minimum of errors.	☐	☐	☐	☐	☐	☐	☐
I value that the bank quickly resolves the existing errors.	☐	☐	☐	☐	☐	☐	☐
The bank has competent employees who demonstrate the necessary banking skills.	☐	☐	☐	☐	☐	☐	☐
The bank employees understand the needs of my company.	☐	☐	☐	☐	☐	☐	☐
The bank employees are trustworthy and sincere.	☐	☐	☐	☐	☐	☐	☐
I have a good relation with the business manager of the bank.	☐	☐	☐	☐	☐	☐	☐
I intend to increase the utilization of this bank in the future.	☐	☐	☐	☐	☐	☐	☐
Probably we will still be working with this bank in the future.	☐	☐	☐	☐	☐	☐	☐
I am satisfied with the bank overall.	☐	☐	☐	☐	☐	☐	☐
The bank meets my expectations in servicing my request.	☐	☐	☐	☐	☐	☐	☐
It would be risky for the company if we switched to another bank.	☐	☐	☐	☐	☐	☐	☐
This bank provides services that cannot be easily replaced by other banks.	☐	☐	☐	☐	☐	☐	☐
Overall, I have a good impression of the main bank who works with the company.	☐	☐	☐	☐	☐	☐	☐
The bank provides friendly service.	☐	☐	☐	☐	☐	☐	☐

Part III

Please select the option witch better describes your opinion about the main electronic bank used in the company:

1 represents completely agree **7 represents completely disagree**	1	2	3	4	5	6	7
All the needs of products and services by the company are included in the options of the online bank.							
The online bank suggests products and services according with the needs of the company.							
The online bank has competitive interest rates.							
I consider that the risk in electronic transactions with the bank is high.							
The online bank is trustworthy.							
I receive rapid and prompt responses, by email or telephone, when i request it in the website of the bank.							
The online bank answerer's quickly to my demands.							
The electronic transactions are free of errors in the interface.							
The electronic transactions are free of errors in the content.							
The electronic transactions are accurate.							
The online bank keeps the records of the company with accuracy.							
The online bank performs the service correctly at first time.							
I value the fact that we can use the online bank from any location.							
The use of online banking saves me time.							
In general the quality of the services of the online bank is good.							
Is my intention continuing using this online bank.							
I prefer this online bank above others.							
Is my intention to increase the use of this online bank in the future.							

I recommend this online bank to third parties.							
We are generally pleased with this online bank services.							
The web site of this bank is enjoyable.							
So far, the online bank as exceeded our expectations of service.							
We believe that the bank does not give our private information's to other entities.							
Online banks implement security measures to protect the users.							
This bank as a good reputation in the market.							
Overall, I have a good impression of the main bank who works with the company.							
The bank provides friendly service.							
This online bank provides services that cannot be easily replaced by other banks.							
My company may increase the risk of receiving bad services if we change to another bank.							
It would be a major inconvenience to change to another bank.							