EXECUTIVE SUMMARY:

Customer Equity Drivers, Customer Experience Quality, and Customer Profitability in Banking Services: The Moderating Role of Social Influence

Delivering engaging, compelling and memorable customer experience has become a strategic mandate for service firms in today's marketplace, in which rapidly evolving information technologies are leading to a proliferation of revolutionary services and changing fundamentally how service is delivered and experienced. This is crucially important in the banking industry, where customers increasingly see financial organizations as indifferent. Although most top executives in the banking services industry place customer experience at the core of their service offerings (91% of respondents), there are still significant gaps between customer expectations and firms' execution in terms of customer experience. The research study carried out by Gao, Melero and Sese from the University of Zaragoza (Spain) addresses this critical challenge by providing an understanding of the drivers of customer experience quality and their joint impact on customer profitability.

Building on two central premises of customer relationship management, the authors offer a unified framework in which they identify two key factors that underlie positive customer experience quality: (1) customer equity drives (i.e., value equity, brand equity, and relationship equity), and (2) social influence with its direct and moderating role. Their framework also establishes a direct link between customer experience and customer profitability. Combining longitudinal purchase behavior with cross-sectional (perceptual) data for a sample of banking customers, the authors find that each of the three equity drivers has a significant and positive association with customer experience quality. They also find that the role of social influence is crucial in the assessment of the customer experience in both direct and indirect ways. Finally, the results reveal that customer experience quality exerts a positive and significant influence on customer profitability.

Based on these findings, the authors offer a number of guidelines for managers to deliver competitive customer experience quality by managing their strategic levers efficiently, which will subsequently enable them to improve customer profitability. Given that relationship equity is the most highly valued equity driver by customers, followed by value equity and brand equity, firms are advised to prioritize their investments accordingly. To trigger positive perceptions of relationship equity, a useful recommendation for firms is to develop relational targeted marketing activities as the primary task, as they may be a useful tool to create emotional bonds between the customers and the firm. These relational marketing activities may easily reinforce the customer's view of the strength of the relationship and consequently drive customer experience quality and profitability. Later, firms may turn to address their investments on informative targeted marketing activities that increase the customers' perceptions of value equity. Informative firm-initiated contacts may enable customers to better evaluate the utility of the offered services.

Finally, this study evidences the central role of social influence. Enabled by advances in information technology and the proliferation of social media platforms, managers are encouraged to leverage social information proactively and to strategically improve customer experience quality. Firms should take a more active role in guiding interactions among customers by establishing a brand community (both online and offline) as a platform to encourage interactions and conversations among customers.