

*Full Length Research Paper*

# Focusing resources for customer loyalty: An application to the Chilean banking industry

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**A model is proposed that should enable banking industry executives to better focus resources on loyalty programs by determining which factors are most valued by customers in their decisions to stay with their present bank. The model factors include intangibles drawn from concepts of intellectual capital that influence customers' perceptions of image, service quality, satisfaction and loyalty. A structural equation model developed for the Chilean banking industry and incorporating eight factors that impact the loyalty of current account customers found that those with the greatest direct effects are satisfaction, image and quality while those with the strongest indirect effects are attention to customers and personalization.**

**Key words:** Perceived quality, image, customer satisfaction, personalization, customer loyalty, structural equation models.

## INTRODUCTION

The pressures of competition and the ever-growing demands on financial institutions have made customers the most important component of the banking system. Particularly for weakly differentiated products or services such as current (checking) accounts, banks face the challenge of building a long-run competitive position not just by lowering commissions but through strategies focused on factors that ensure account holders feel satisfied and are therefore loyal to their banks both in attitudes and behaviour. But why do firms care about customer loyalty? Primarily because it has been proven that loyalty is what determines a firm's long-run financial performance. This is particularly true of the service industries, where an increase in loyalty translates into a large boost in profit margins (Reichheld, 1996).

Given the foregoing, banks must be especially attentive to customers' perceptions of such factors as service

quality, institutional image and service personalization as well as customer satisfaction levels, for they are what underpin customers' willingness to maintain their current accounts with a given institution over the long term. Although these concepts have been the subject of considerable research (Valdunciel et al., 2007; Ball et al., 2006), existing analysis have not integrated knowledge of relationship marketing and knowledge management. More specifically, they have not incorporated intellectual capital models that could identify the intangibles of value to customers and which will keep them satisfied with a given product and/or service over time. As regards the determinants of loyalty there is a voluminous international literature on the topic, most of which has concluded empirically that in any economic sector; service quality affects customer satisfaction which in turn affects loyalty (Kristensen, 2000; Fornell, 1996). But the majority of the proposed models consider few factors (usually less than seven factors) that actually determine loyalty, whether directly or indirectly and thus overlook much information on the interrelationships among other factors that are also significant. This is the first challenger to consider in

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this research.

Furthermore, there exist no empirical studies in which intangible factors are shown to influence image and perceived quality. The second challenge, therefore, is to develop a model based on concepts of intellectual capital that can identify the intangible factors which maintain customers' satisfaction with a given bank product and determine how they interrelate by measuring their impacts on loyalty. The aforementioned considerations pose a number of research questions:

1. Which intangible factors are most valued by customers in their decision to stay with a bank?
2. Where should banks concentrate their resources in order to maintain customer loyalty?

As regards current accounts, they are a strategic product for the industry because they allow banks to maintain frequent contact with customers, principally through branch account officers and electronic banking services. Over the last five years the number of these accounts in Chile has grown by almost 50%, prompting banks to devote even greater efforts to expanding their loyalty programs in the hope that their customers will feel more connected and committed to the institution and ultimately be more loyal to it.

In Chile, there are no studies involving the problem of knowing the factors that have direct or indirect impact on customer's loyalty in banking and specifically studies of customers who have checking account, a strategic product for the Chilean banking. In this context, the study attempts to show empirical evidence that will support display factors of interest in customer's loyalty in Chile. The research aims at answering the two challenges aforementioned; on the one hand, develop a model that includes more than seven factors that affect directly or indirectly to the loyalty and on the other hand, consider intellectual capital factors that impact both the quality and in the perceived image, which affect satisfaction and customer loyalty.

## MATERIALS AND METHODS

The factors in the proposed model are described in what follows:

### Service quality

The notion of service quality has become a strategic issue in the banking sector. For products such as current accounts with little room for differentiation, banks must find ways of delivering a service that meets customer expectations (Sharma and Mehta, 2004). Under the traditional approach, consumers perceive service quality in terms of the contrast between their expectations and actual performance (Grönroos, 1983; Parasuraman et al., 1988). The most common scales for measuring this factor are Servqual and Servperf (Zeithmal et al., 1993; Cronin and Taylor, 1992), both of which have been used to separate out its different dimensions in a number of banking sector analyses (Oppewal and Vriens, 2000; Bahía and

Nantel, 2000; Yavas et al., 2004; Al-Hawari et al., 2005; Lenka et al., 2009).

There is also a variety of works that defines perceived quality as a cognitive evaluation and it demonstrates its impact on satisfaction (Anderson and Sullivan, 1993; Cronin et al., 2000; Strenkens and Ruyter, 2004). More specifically, Lévy and Varela (2006) identify perceived quality as "an evaluation of the consumption experience in which customer expectations are the usual benchmark". In the present study this last vision of perceived quality is the one we employ, and the factor itself will be measured as customers' evaluations of actual bank performance as regards customer service, with their expectations of what they would obtain as a yardstick.

### Satisfaction

Customer satisfaction has been widely studied from a variety of perspectives (Egert and Ulaga, 2002; Srijumpa et al., 2007). In their exhaustive analysis of the concept, Giese and Cote (2000) summarize it as an affective evaluation by the consumer. (Oliver, 1999) defines it as the customer's perception of the extent to which their needs, goals and desires have been completely met. It has also been understood as the sense of well-being resulting from the consumption experience (Lévy and Varela, 2006), a description adopted here is particularly suitable to the present study.

### Image

Image has been shown to play an important role in customer loyalty in the banking sector (Blomer et al., 1998). The concept refers to the way customers perceive a company based on their experiences with it (Lewis and Soureli, 2006). Typically, image is measured by posing questions that gauge customer perceptions of a firm's stability (which generates trust) and its contribution to society, concern for customers, reliability in what it says and does, and reputation (Bravo et al., 2009). Corporate image has a major impact on customer loyalty, and a favourable image can influence repeat patronage (Andreassen and Lindestad, 1998; Dick and Basu, 1994).

### Loyalty

Customer loyalty can be examined from two basic perspectives, behavioural and attitudinal (Dick and Basu, 1994; De Ruyter et al., 1998). The first is measured by purchase and recommendation behaviour indicators, the second by purchase and recommendation intention indicators. A definition that integrates the two approaches has been given by Oliver (1999) who describes loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing". Here, we will measure attitudinal loyalty on the basis of intentions. The four factors or constructs just described are each measured by a set of variables set out in the Appendix.

### Conceptualization of the model factors

Numerous studies have demonstrated the influence of the various components of intellectual capital on the gaining of a competitive advantage, the latter understood here as the fruit or result of a firm's innovation process (Martín de Castro et al., 2009; Ding and Li, 2010). It can therefore be said that an organization's capacity to innovate depends on its knowledge, the intangibles it possesses

and its ability to manage and deploy them ( Subramaniam and Youndt, 2005; Santos-Rodrigues et al., 2010).

Thus, since intangibles are what distinguish the value offerings to customers of one bank from the next (more than prices or commissions), models of intellectual capital will be considered in our conceptualization of the factors determining quality, image and satisfaction. Intellectual capital is defined as the set of intangible assets that, although not directly reflected in the financial statements of a firm, generate real value for it or will do so in the future (Ding and Li, 2010). According to a thorough study of the subject by Alama et al. (2006), intellectual capital is made up of four components: human capital, technological capital, organizational capital and relational capital. They are defined by Bueno et al. (2008) in the following manner:

**Human capital:** This is capital as a human attribute, and embraces both current competencies (knowledge, skills and attitudes) and the ability of individuals and teams to learn and create.

**Technological capital:** Refers to technological intangibles that are involved in performing the activities and functions constituting a firm's production processes or provision of services. It includes efforts in research, development and innovation (RDI), endowment of technology, and intellectual and industrial property (Bueno et al., 2008).

**Organizational capital:** The set of formal and informal intangibles that structure an organization's activity. This component covers the organization's culture, structure and processes.

**Relational capital:** The set of relationships maintained by a firm with the agents in its environment, such as customers, suppliers, fellow members of a business alliance, competitors, institutions, society, etc.

In a banking context, each of these intellectual capital components is reflected in one of the following intangible factors included in our model:

1. Attention to customers: Part of a firm's human capital, this refers to the efficiency and effectiveness of attention to customers by bank employees serving current account holders. It includes competency, accessibility, service and responsibility.
2. Organizational efficiency: Part of a firm's organizational capital. In the present case, it would refer especially to efficiency in the bank's procedures such as simple and speedy approval of products and services required by customers, attention to customers within reasonable wait times, and streamlined procedures in general.
3. Web efficiency: Part of a firm's technological capital. It refers to the efficiency of the web platform, in effect the bank's on-line service, and more specifically the constancy of the webpage's availability, the information it provides, the variety of operations it supports, and its security and ease of use.
4. Personalization: Part of a firm's relational capital. It involves adapting bank services to customer requirements through the provision of special banking and non-banking benefits for current account holders. These include promotional benefits the bank offers through alliances with other companies such as frequent-flyer points or other products of interest to customers.

Note that the concept of personalization has been defined as any service created or adapted to meet the individual demands of a customer (Ball et al., 2006; Vesanen, 2007). Our model also includes the following tangible factor:

**Physical equipment:** Refers to a bank's infrastructure and equipment that enable it to provide proper attention to customers at bank branches.

Four of the earlier-described factors: attention to customers, organizational efficiency, web efficiency and physical equipment, will be posited here as factors influencing quality and image as perceived by the customer. Personalization, the fifth factor, is a type of relational capital and is proposed as an antecedent of image and customer satisfaction.

In studies by Valdunciel et al. (2007) and Miguel-Dávila et al. (2010) on the Colombian banking industry, the authors propose "operating aspect," "physical aspect," "new technologies" and "human aspect" as the factors determining perceived quality. The variables they use for measuring them, though not identical to those we employ, are broadly similar. The four factors are conceptualized using an exploratory factor analysis rather than intellectual capital models as is the case here.

### Focus groups

Before designing the survey used as a measuring instrument for the proposed model, we carried out a comprehensive review of the literature on the subject and analysed banking industry market studies made available to us. Also, to ensure the questionnaire was well-adapted to the specific characteristics of the Chilean market, we organized six focus groups of current account holders at several of the country's banks to identify the attributes they considered important in their willingness to stay with their current bank. The focus group members were chosen to reflect a range of characteristics such as sex, age, income level and length of time as a current account customer. The bank attributes they reported as influential in their perceptions of service quality, personalization, image, satisfaction and loyalty were as follows:

1. Efficient and effective attention to customers by account officers.
2. Efficiency of web page service.
3. Attention to customers within reasonable wait times.
4. Simple and speedy approval of products and services, and streamlined banking procedures in general.
5. Efficient and error-free recording of account transactions.
6. Availability of complete and updated bank balance information.
7. Comfortable and convenient infrastructure at branches enabling proper attention to customers.
8. A corporate image of a bank that inspires trust, delivers on its promises, is prestigious, has an established reputation and is close to its customers.
9. Banking service benefits such as preferential commissions when requesting new products (credit lines, mortgages, consumer loans and no-fee credit cards).
10. Partnership benefits such as discounts at pharmacies, theatres, cinemas and bookshops; eligibility to participate in contests; points-based reward programs, etc.
11. A commitment to satisfying individual customer requirements.
12. Flexibility in adapting additional products to customer needs.
13. Overall service quality, including efficient and effective attention to customers by all employees, secure and efficient web-based services, reasonable wait times for attention to customers, and streamlined processes.

### The proposed model

The proposed model in its original specification is a conceptual formulation depicted schematically in Figure 1 in terms of 15 different hypothesized relationships between the various factors described above. These relationships are represented in the figure by arrows indicating the direction of their impact or influence and are numbered H<sub>1</sub> through H<sub>15</sub>. This specification will be tested with a structural equation methodology using a model development approach, and any changes found to be necessary as a result of

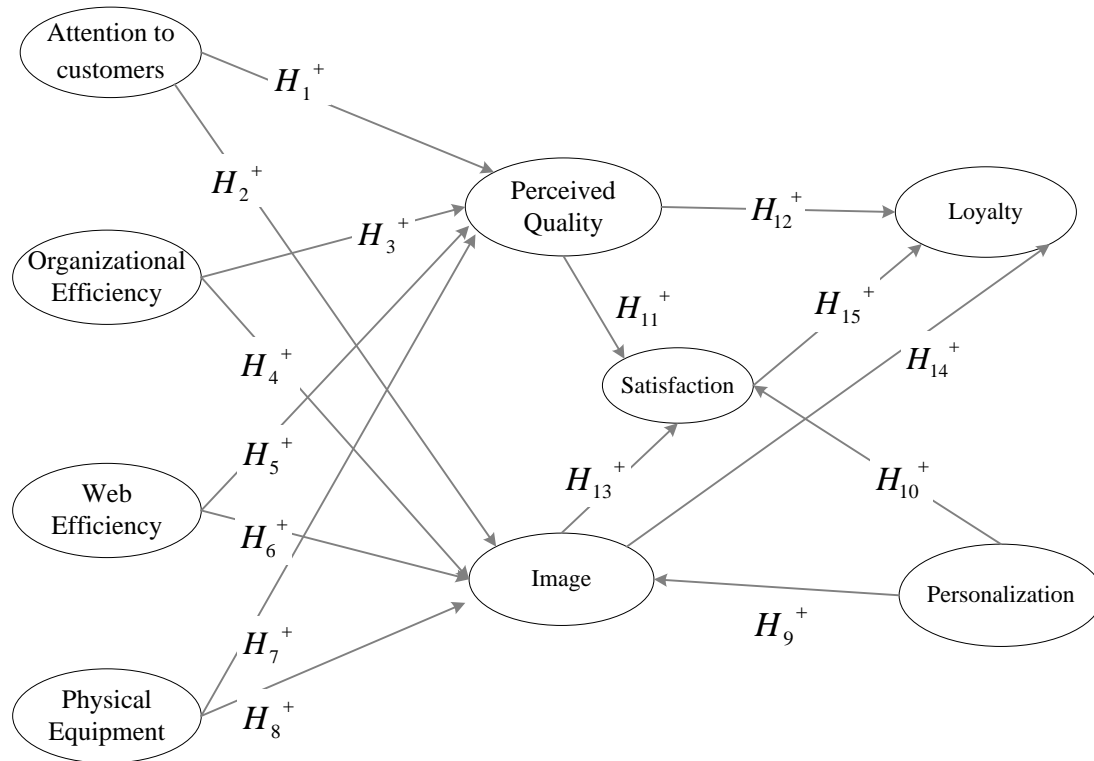


Figure 1. Proposed original conceptual model.

the testing will be incorporated into a respecified version. The original specification relationships can be briefly summarized as follows: Perceived quality, which is influenced by four exogenous factors, three of which are the intangible constructs attention to customers, organizational efficiency, and web efficiency, while the fourth is physical equipment. All four also affect the image perceived by customers, which in turn has a direct impact on loyalty plus an indirect one through the intermediary of satisfaction. In addition, personalization (also exogenous) indirectly influences loyalty through both image and satisfaction.

As can be seen in Figure 1, attention to customers directly influences image and perceived quality. It is defined by variables that represent characteristics of employees serving customers relating to abilities, values and attitudes. This human dimension has been extensively studied in works on perceived quality (Zeithmal et al., 1993; Parasuraman et al., 1988; Gounaris et al., 2003; Yavas et al., 2004; Lenka et al., 2009), and tests on the Colombian banking sector (Valdunciel et al., 2007; Miguel-Dávila et al., 2010) have shown that one of its determining factors is the “human aspects”. Given its conceptualization as an intangible component of human capital and the fact that according to banking experts, a responsible and “close” attention to customers induces a perception of quality and an image that inspires confidence, we posit the following hypotheses:

H<sub>1</sub>: Attention to customers has a direct positive effect on perceived quality.

H<sub>2</sub>: Attention to customers has a direct positive effect on image.

As for organizational capital, various studies of quality have included aspects of a firm’s organizational procedures in their analyses (Lassar et al., 2000; Yavas et al., 2004; Mukherjee et al., 2009). In particular, Valdunciel et al. (2007) and Miguel-Dávila et al.

(2010) examined the “operational aspect” as a determining factor of perceived quality. In this work, the organizational efficiency factor, which is measured as the perception of general efficiency in procedures ensuring good attention to customers, is considered to directly influence a bank’s perceived quality and the extent to which its image projects seriousness and inspires confidence. Thus, we posit the following hypotheses:

H<sub>3</sub>: Organizational efficiency has a direct positive effect on perceived quality.

H<sub>4</sub>: Organizational efficiency has a direct positive effect on image.

A variety of studies on quality (Srijumpa et al., 2007; Al-Hawari et al., 2009; Ganguli and Kumar-Roy, 2011) have shown that on-line services are also an important dimension of this factor. In particular, Valdunciel et al. (2007) and Miguel-Dávila et al. (2010) find that a determining factor of perceived quality is “technological aspects,” one of whose components is on-line banking.

In our study, intangible characteristics related to banks’ online services are referred to as web efficiency. Industry experts maintain that efficient services offered on the web are a very important factor in customers’ confidence in a bank. Inefficient web services, on the other hand, damage a bank’s prestige and its image. We therefore posit the following hypotheses:

H<sub>5</sub>: Web efficiency has a direct positive influence on perceived quality.

H<sub>6</sub>: Web efficiency has a direct positive influence on image.

A tangible factor representing infrastructure and equipment in bank branches has been included in a number of studies on quality (Zeithmal et al., 1993; Oppewal and Vriens, 2000; Bahía and Nantel, 2000; Bravo et al., 2009; Mukherjee et al., 2009). Valdunciel

et al. (2007) and Miguel-Dávila et al. (2010) define a “tangibles” factor as a determinant of perceived quality. In this study the equivalent factor is physical equipment, defined here earlier. According to banking experts, the comfort and convenience of a branch’s physical equipment affects both perceived quality and image. We thus posit the following hypotheses:

H<sub>7</sub>: A branch’s physical equipment has a direct positive influence on perceived quality.

H<sub>8</sub>: A branch’s physical equipment has a direct positive influence on image.

As regards the personalization factor, which involves adapting bank services to customer requirements, Ball et al. (2006) has demonstrated that it has a direct positive influence on customer satisfaction. Also, frequent market studies by banking experts indicate that personalization influences a bank’s image of closeness to customers that inspires confidence. We posit the following hypotheses on this factor:

H<sub>9</sub>: Personalization has a direct positive effect on image

H<sub>10</sub>: Personalization has a direct positive effect on satisfaction.

Although our principal focus is to test the ten hypotheses just defined (H1 to H10), which embody a series of constructs whose conceptualization is based on the notion of intellectual capital, five further hypotheses (H11 to H15) on relationships demonstrated in various other studies (Bloemer et al., 1998; Kristensen et al., 2000; Gronholdt et al., 2000; Fornell et al., 1996; Fandos et al., 2009; Siddiqi, 2011) will also be tested for their significance in the Chilean banking sector. The five are as follows:

H<sub>11</sub>: Perceived quality has a direct positive effect on satisfaction.

H<sub>12</sub>: Perceived quality has a direct positive effect on loyalty.

H<sub>13</sub>: Image has a direct positive effect on satisfaction.

H<sub>14</sub>: Image has a direct positive effect on loyalty.

H<sub>15</sub>: Satisfaction has a direct positive effect on loyalty.

### Measuring instrument and sampling method

The data used to test the hypotheses were collected from a personal survey questionnaire specially designed for this study. The indicators were constructed using a Likert scale with 7 response categories (1: Totally agree; 4: Neither agree nor disagree; 7: Totally agree). The field work was carried out between March and August of 2009 with residents of the Santiago region who had been current account holders for at least one year. Given that it is not feasible to obtain a probability sample, because the banks do not provide customer information, we chose a non-probability quota sampling. A sample of 644 customers was generated that satisfied both the market share and gender quotas.

It is important to note that quota is considered the market share of the four banks which account for 80% of current accounts, plus one group (20%) “other banks” that have a small participation. Moreover, approximately 60% of current account customers are men and 40% women. Both the gender quota and market share of banks are relevant variables to obtain a representative sample, but for being a non-probabilistic sample there is the present restriction and limitation of statistical inference.

### Validity and reliability of the measuring instrument

An important task was to determine the extent to which the operationalization of the defined constructs by the selected indicators or items fulfilled the minimum conditions of validity and reliability. This was accomplished using the technique of

confirmatory factorial analysis (CFA) to measure convergent, discriminant and nomological validity as suggested by Bollen (1989) and Batista-Foguet et al. (2004). Based on the results, we chose the variables most representative of each construct that demonstrated satisfactory validity and reliability levels (see Appendix). Finally, to fit the model and test our causal hypotheses we used LISREL 8.70 (Jöreskog and Sörbom, 2004).

## RESULTS AND DISCUSSION

The most important global goodness-of-fit measurements are set out in Table 1. These results show that the model is over-identified (positive degrees of freedom) with a high chi-square value, leading us to reject the null hypothesis that the observed and estimated correlation matrices are equal. However, given the size of the sample a more prudent analysis is provided by GFI and RGFI, which are indexes of the variability explained by the model. Values above 0.90 for these statistics are considered to be an acceptable level of fit. Another significant measure is the root mean square error of approximation (RMSEA). At close to 0.4, our result is considered acceptable. The incremental fit index (IFI), comparative fit index (CFI) and non-normed fit index (NNFI), known as incremental indices, compare the null or independent model with the estimated one. All three have values of close to 1 in Table 2, implying high goodness-of-fit levels. The final measure in the table, the normed chi-square ( $\chi^2/df$ ), is 1.98, which falls within the recommended range (Hair et al., 2000).

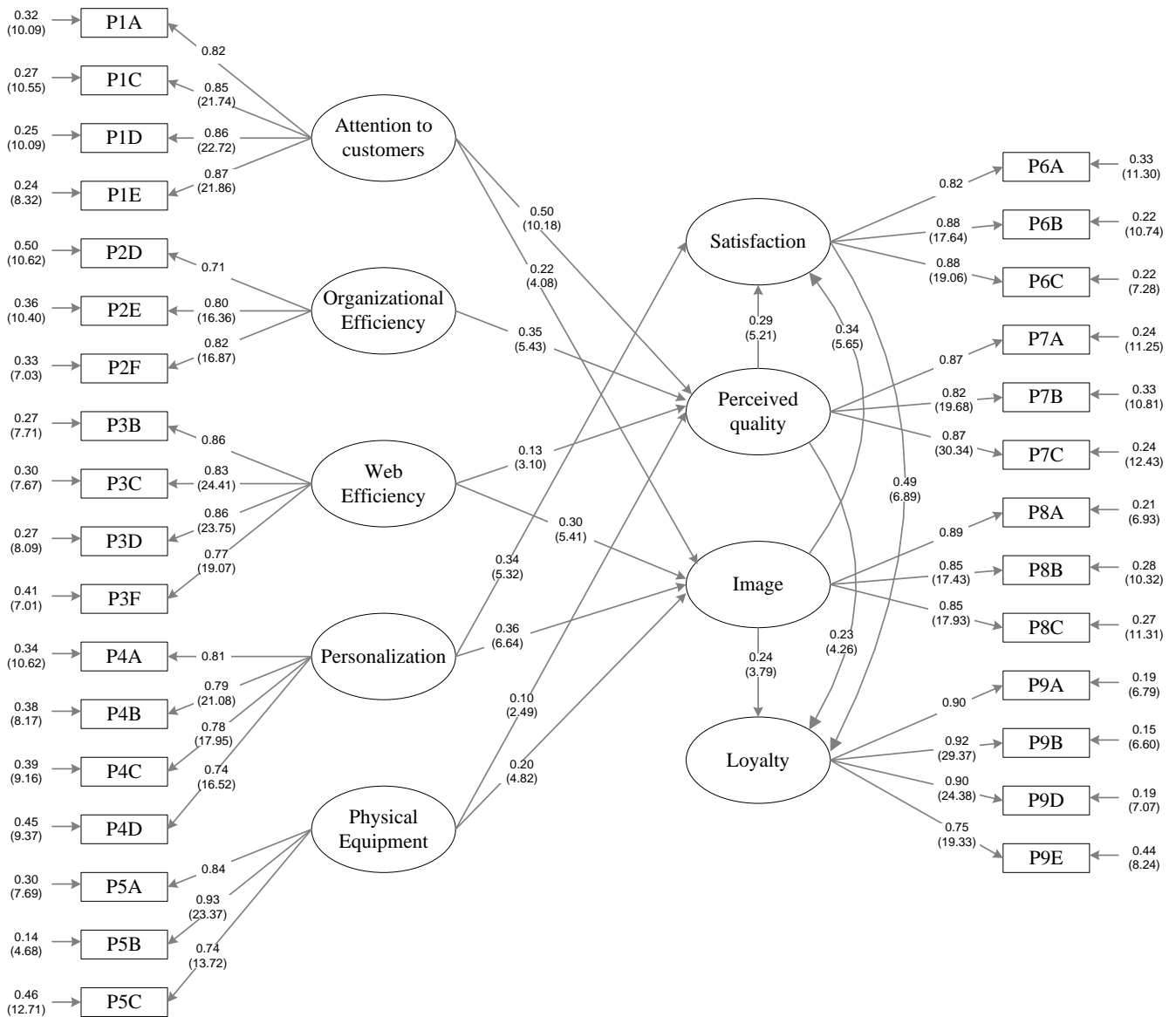
All in all, these global measurements of goodness-of-fit provide sufficient evidence that our results are an acceptable representation of the posited constructs. However, Wald tests found that the structural parameter for the effect of organizational capital on image (hypothesis H<sub>4</sub>) was not statistically significant.

Applying the model development approach we therefore reformulated the original model specification (Figure 1) to exclude the non-significant relationship. The respecified version, in which all of the relationships are statistically significant and the expected signs were found, is given in Figure 2. The goodness-of-fit measures for the respecification are in most cases unchanged from the original model, continuing to indicate a good fit.

The new model is thus able to satisfactorily replicate the observed covariance matrix. However, since the model development approach was used a cross-validation should be performed to check how well the model would fit other possible samples from the same population. This would indicate the degree of generalization of a particular solution and help identify a definitive specification (Lévy and Varela, 2006). A validation sample of 454 items was taken and its goodness-of-fit measurements were all found to be acceptable. We thus have enough evidence to corroborate the significance of the causal hypotheses in the respective model.

**Table 1.** Goodness-of-fit indicators for the original specification of the model.

Original model	S-B chi-sq	df	GFI	RGFI	RMSEA	AFI	CFI	NNFI	chi-sr/df
	791.483	409	0.9	0.94	0.038	0.992	0.992	0.992	1.935



**Figure 2.** Respecified model and results (LISREL output).

**Interpretation of the respecified model results**

The results of the respecified structural model show that all of the hypotheses except H<sub>4</sub> are accepted with high levels of statistical significance (p-value < 0.05). The direct and indirect effects on customer loyalty are summarized in Table 2. As can be seen in Table 2, the construct exerting the greatest positive direct effect on

customer loyalty is satisfaction. This is consistent with the majority of empirical studies on the banking industry (Ball et al., 2006). In the case of indirect effects, the image factor as reflected in closeness to customers, prestige and inspiring confidence influences loyalty through the “channel” of satisfaction, with a significant impact measuring 0.166. Similarly, a good evaluation of a bank’s service results in greater satisfaction, which channels an

**Table 2.** Standardized effects of the endogenous and exogenous constructs on customer loyalty.

Construct	Direct effect	Construct channelling indirect effect	Indirect effect	Total effect
Satisfaction	0.49	-	-	0.49
Image	0.24	Satisfaction	0.166	0.41
Quality	0.23	Satisfaction	0.14	0.37
		Quality	0.115	
Attention to customers	0	Quality-satisfaction	0.071	0.27
		Image	0.052	
		Image-satisfaction	0.036	
Organizational efficiency	0	Quality	0.080	0.13
		Quality-satisfaction	0.049	
Web efficiency	0	Quality	0.029	0.17
		Quality-satisfaction	0.018	
		Image	0.072	
		Image-satisfaction	0.049	
Physical equipment	0	Quality	0.023	0.12
		Quality-satisfaction	0.014	
		Image	0.048	
		Image-satisfaction	0.033	
Personalization	0	Satisfaction	0.166	0.26
		Image	0.091	

indirect effect on loyalty of 0.14 bringing the total effect to a considerable 0.37. As regards the exogenous constructs, both attention to customers and personalization have significant positive indirect effects on loyalty channelled through quality, image and satisfaction, with total effects of 0.27 and 0.26, respectively.

In short, all of the causal relationships are positive and of varying intensities, the most significant being satisfaction, image and quality. When comparing factors affecting customer loyalty in the banking sector of other countries (Ball et al, 2006; Valdunciel et al. 2007; Miguel-Dávila et al. 2010). It is emphasized that as in the Chilean case the satisfaction is an evidence of strongly influence in loyalty, and the perceived quality significantly influences satisfaction. The main differences in our study when compared with other banking applications include:

1. Intangible factors are not considered as factors that influence the image. Usually the image is treated as an exogenous factor.
2. Factors considered have not been treated in other studies put together in a model of loyalty, but only partially.
3. Most studies applied to banking consider less than seven factors in the proposed models losing the inter-relationship with other factors. The proposed model

considers eight factors that affect directly or indirectly loyalty.

## Conclusions

A fundamental aspect of innovation in the banking sector is adapting its offer to the changing needs of customers. A bank is innovative to the extent it develops mechanisms enabling it to keep up with the changes and trends in customers' behaviour and motivations. Banks must continually innovate and upgrade in all areas that affect customer loyalty processes. The contribution of this study was to develop a model that reveals the impacts and interrelationships of eight factors that affect customer loyalty using a sample from the Chilean banking sector. By demonstrating which factors have the greatest influence, these findings should assist industry executives in deciding where best to concentrate resources aimed at consolidating customer loyalty. The hypotheses presented in the study were tested using the methodology of structural equation modelling. The proposed model shows satisfactory goodness-of-fit, with results that were consistent with 14 of the 15 hypotheses posited. The impact of organizational efficiency was the one relationship that was found not to be significant. A

novel element in our analysis is the incorporation of three intangible constructs through the conceptualization of intellectual capital models, all three of which were proven to significantly influence perceived quality. To our knowledge, no previous studies have proposed that intangible factors related to human, organizational and technological capital plus the tangible factor physical equipment directly influence customers' perceived image. In summary, all of the constructs considered impact loyalty, those affecting it directly being image, quality and satisfaction while those doing so indirectly were attention to customers, organizational efficiency, web efficiency, personalization and physical equipment.

Our conclusion is that the most important factor influencing quality and image is attention to customers, the factor related to human capital. As regards satisfaction, the strongest direct influence is perceived quality and the greatest indirect effects are exerted by attention to customers and organizational efficiency. A considerable impact is also had by image, for which the intangibles related to web efficiency are key in projecting prestige and inspiring confidence. Thus, our model suggests that to improve perceptions of quality and image, resources should be focussed on actions that improve perceptions of attention to customers, enhance the efficiency of bank procedures as regards reasonable wait times and the streamlined delivery of new banking products, maintain an excellent user-friendly web page with access to a large variety of services, and provide the physical equipment necessary so that customers' transactions can be carried in comfort and convenience. The bank's actions and the service it delivers should inspire confidence in its customers and convince them that their expectations of quality are being met. The bank should also offer banking and non-banking services including promotional benefits that are of genuine interest to its account holders, thus strengthening the degree of personalization and thereby the level of customer satisfaction.

The afore-findings should be useful for Chilean bank managers seeking to determine which aspects of its services require improvement in order to hold onto its customer base and design a new value offering or improve existing ones. The proposed methodology should allow them to replicate this study for the specific characteristics of their own customers. This will allow them to better understand the interrelationships among the specific factors the customers perceive as important and compare different customer segments of interest to the bank. This study is intended to make a contribution to the literature in providing empirical evidence for a model that establishes the interrelationships among eight factors significant to consumers that determine their loyalty and which were identified on the basis of concepts from intellectual capital models. It also aims to contribute to better bank management by offering a model that delivers key information on the perceptions of current account holders so that value offerings can be better

aligned with their real needs and interests.

Regarding the limitations of this study, since a complete survey of the relevant universe was impossible we followed the usual practice in such cases of employing a non-probability sample, with the consequent restrictions on making statistical inferences for the entire population. Also, the survey was confined to the greater Santiago area and covered only those bank customers who had been current account holders for at least one year. Finally, the authors hope in future research to measure the impact of all of the factors discussed here on loyalty through the conceptualization of customers' actual behaviour and compare the results obtained with their declared intentions. Another interesting project would be to replicate this study for other industries and compare the results among different customer segments.

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