Doing the Right Thing: The Effect of Image and Performance on Consumer Trust and Loyalty

by

Jesse Finlay

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ABSTRACT

This research analyzes the relationship between company performance and image and whether it has an impact on loyalty. Using a quasi-experimental model based on established research in consumer attitude formation and brand relationship marketing, the thesis rejects the popular notion that individual signals sent by companies affect consumer loyalty directly. Rather, this thesis demonstrates that the effects of image and performance and their impact on consumer attitudes do have an effect on consumer trust and perceived value, which are primary drivers of loyalty. This research suggests that while singular incidents are not enough to alter consumer loyalty, over time the impact of these signals may carry over through trust and value. Meanwhile, marketing managers should focus on activities that foster trust and value as opposed to positive brand image.

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CHAPTER ONE

INTRODUCTION

I. Research Problem

If one were to regularly watch the evening news or read their morning paper during 2008-2009, it is likely that they came across a story of outrage fuelled by the world financial crisis and how the world's financial institutions were behaving as a response. According to the majority of reports, the average consumer would abandon their institution if they acted in what could be construed as a selfish manner, and that the relationships built between banks and consumers were on shaky ground. When this logic is compared to the many years of research that have painstakingly analyzed the consumer loyalty model in multiple industries, it seems rather naïve. However, if true, this "naïve model" represents a very critical issue that the banks and other companies of the world must address. If not, it is important to have a full understanding of how the consumer loyalty model functions in relation to the question at hand.

More and more, transactional exchanges between consumer and brand are replaced by relational exchanges, meaning consumers form bonds and relationships with the brands they use on a regular basis (Dwyer, Schurr, & Oh, 1987; Fournier, 1998). Often in relational exchanges, there exists an information asymmetry between brand and consumer, where certain elements and characteristics of the brand are unobservable to the consumer before purchase or use, leaving the consumer in what can be construed as a risky or vulnerable position (Kirmani & Rao, 2000). As relationships are forged and the consumer gains trust in a brand, that perceived risk factor that makes them vulnerable to a brand is reduced, as the consumer now assumes that the brand will act in the best interests of the relationship and not take advantage of the consumer's position. Trust in the brand is especially important for the service industry and is a key determinant of consumer loyalty to a service (Garbarino & Johnson, 1999).

In turn, consumer loyalty has long been seen as the primary source of competitive advantage for many companies (Woodruff, 1997; Dick & Basu, 1994). Brand loyal customers have been found to be worth more than non-loyal customers (Sheth and Parvatiyar, 1995). With just a five percent increase in loyalty companies can boost profits by almost one hundred percent (Reichheld & Sasser, 1990; Reichheld, 1996). Brand loyal customers are also cheaper to retain than to find new customers (Yu and Dean, 2001; Sheth and Parvatiyar, 1995), engage in less information search on alternative brands (Newman and Staelin, 1972), and engage in more positive word of mouth (Anderson, 1998) than non-brand loyal customers.

The question of how consumers come to be brand loyal has been the subject of many research studies, reflecting its ultimate importance to almost every sector and industry in the world. Many early studies viewed loyalty as simply behavioural, and defined loyalty as repeated usage, but the fact is that it is not that simple (Oliver, 1999). True loyalty harbours a deep commitment to rebuy and consists of both behavioural and attitudinal factors (Oliver, 1999). Based on this generally accepted definition of loyalty, it is surprising to find that upon review of the literature there is a distinct lack of studies that have analyzed both attitude and behaviour changes in the same study. This study outlined in this paper determines just that: whether an attitudinal change will elicit a behavioural one (a change in true loyalty), or whether there are more important factors in determining behavioural loyalty towards a company.

Consumers build trust and loyalty through all their experiences with the brand, some of which are personal, and others that are communicated to them either directly from the brand itself or through third party sources (Bitner, 1990; Fournier, 1998; Hennig-Thurau & Klee, 1997). Signaling theory suggests that the consumer interprets information from all sources to reach an understanding of an unobservable element to the exchange relationship (Kirmani & Rao, 2000). In one such situation, a firm communicates the level of an unobservable element such as quality in a transaction by providing an observable signal such as price (Kirmani & Rao, 2000; San Martin & Camarero, 2005). For example, a consumer may assume a product that they have no experience with is of high quality if it has a high price or extensive warranty in relation to others in its category, as it would not make economic sense for a company to position it in that way if the quality were not there (Rao, Qu, & Ruckert, 1999). Companies face situations every day in which signals are sent to consumers, and it remains unclear as to the extent that these signals have on characteristics of the consumer brand relationship such as trust and loyalty. This thesis attempts to quantify this previously unknown relationship by analyzing different types and strengths of signals and their resulting effect on behavioural traits, specifically trust and loyalty in this case.

There have been many studies focused on consumer attitude formation, but one recent study by Homer (2008) used signaling theory to find that image and performance were primary influences on hedonic and utilitarian attitudes towards a product. As the respondents had no personal experience with the products used in the study, participants relied on the signals put forth by the companies to make their decisions. Homer (2008) found that attitudes were affected by these signals of image and performance, and that this effect was stronger with a “mismatch” interaction of image and quality levels (i.e., when image was high and quality was low, and vice versa). The reason for the greater impact of the mismatch conditions is because high quality products are expected to foster a higher image, and those with low quality are expected to foster lower image levels. When a mismatch occurs, it occasions the consumer to look more clearly at the relationship to understand it, and the resulting impact on attitudes is stronger (Homer, 2008). The work done in the field of consumer attitude formation, and the framework posited by Homer (2008) are the basis for this thesis. That study demonstrated that signals sent by a company were enough to elicit an attitude change, however no attempt was made to see if this change in attitudes resulted in an actual change in behaviour.

Based on Homer’s work, the primary research question of this thesis arises: is an attitude change alone enough to elicit a behavioural response in a consumer-brand relationship, or are there other factors involved that eclipse its effect? Will a consumer reward a company for acting in good faith, punish one that does not, or do other aspects of the consumer-brand relationship play a larger role? The notion that consumers form relationships with the brands they use has been around for many years (Dwyer, Schurr, & Oh, 1987; Fournier, 1998), with multiple studies analyzing many different aspects of the consumer-brand relationship. One such study

(Sirdeshmukh, Singh, & Sabol, 2002), analyzed the behavioural aspects of loyalty and identified antecedents to trust that are consistent with results found by Homer (2008), but found that there were other factors involved when behavioural loyalty was studied. However, since their focus was strictly behavioural, Sirdeshmukh et al. (2002) focused on an overall evaluation of the consumer's previous experience with the service provider, and did not consider specific events that had the potential to change a consumer's attitude when designing their study.

From the research foundation provided by studies in both consumer attitude formation and consumer-brand relationship marketing, we have an excellent idea of what happens with respect to two segments of a larger loyalty model. The focus of this thesis is to tie the two research areas together, and to determine which variables have the greatest effect in determining true loyalty towards a company. Is what consumers think about a brand more important than what they receive, or are there other factors at play?

II. Scope of Research

As summarized in the previous section, the primary focus of this research is to determine which is more important in affecting consumer attitudes towards a service: the perceived image or performance of the service provider, and whether this effect translates to a change in consumer trust and ultimately, consumer loyalty. Respondents were presented with a hypothetical scenario based on real-world events facing Canadian financial institutions that took place during the 2008 recession. As mentioned, in recent years the financial institutions of the world have come under increased scrutiny due to the roles they played in the world financial crisis of 2008-2010. Largely driven by sub-prime mortgages and other forms of toxic debt, the recession from 2008-2010 has negatively affected governments and consumers worldwide. The scope and the recency of this scenario represent a unique opportunity to study actual reactions by real companies and the effects they would have on the average consumer. Image was manipulated through banks raising or lowering executive salary levels, and performance was manipulated through the bank's financial results. Specifically, the study was focused on the effects shown when a mismatch of image and performance was presented. The experiment was conducted to determine the exhaustion of the attitude change effect and whether these changes would affect behaviour.

III. Contributions

This thesis integrates and extends models from two separate areas of study in order to form a comprehensive view of how brand attitudes affect trust and loyalty. The major contribution of this thesis is the analysis of the constructs "ethical image" and "performance" and their effect on brand attitudes, and whether these influences go beyond attitudes to affect behaviour through changes to brand trust and brand loyalty. To date, there has been a lack of studies that analyze loyalty from both an attitudinal and a behavioural perspective, and this thesis helps to lay the groundwork for future studies to follow.

The paper follows calls from two previous studies that represent the two different research areas this thesis utilizes (Homer, 2008; Sirdeshmukh, Singh, & Sabol, 2002) to replicate their results in different contexts. It is important to analyze an effect across different industries and populations to determine generalizability of results. Homer's consumer attitude formation study (2008) used new automobile purchases as her context, and Sirdeshmukh et al. (2002) used retail sales and airline travel in their behavioural loyalty study. By using Canadian financial institutions as the context for this research, we have an industry typically built by relationship management, as people form long-term relationships with their banks. The majority of people will engage in transactions with a bank on a regular basis, and Canadians are also legally entitled to hold a bank account, so this context is applicable to a wider population than either Homer (2008) or Sirdeshmukh et al. (2002). This study also extends their work and the work done by others by including switching costs as a control variable. Switching costs generally foster inertial loyalty, where the consumer is not necessarily happy with the relationship, but rather held hostage to banks because of these costs. By controlling for switching costs, it is expected that any effect from manipulating image or performance will be on true loyalty, which is the focus of analysis for the study. As mentioned above, true loyalty requires an active commitment by the consumer to do more business, or to recommend to family and friends (Oliver 1999) rather than simply repurchasing because it's the easiest thing to do.

Utilizing a real-world example manipulating image and performance, this thesis will go beyond typical hypothesized scenarios and add value not only to academics, but also to managers by determining the effect that these individual variables have on overall loyalty. As well, previous research done on financial services loyalty has been done primarily outside of Canada. Due to the differing regulations facing the Canadian banking industry, as well as the oligopolistic nature of the Canadian financial services sector, where the majority of business is completed by 5 major banks that stretch nationwide, research must be completed that is relevant to the specific circumstances facing Canadian banks.

IV. Organization

The remainder of this document is divided into four chapters. Chapter Two reviews research in the formation and development of consumer-brand relationships and loyalty that led to the development of the model and research hypotheses, which are proposed in Chapter Three. The experimental method is described in Chapter Four. The findings of the research are summarized and discussed in the final chapter, which also acknowledges the limitations of the current study and provides insight into possible future research areas.

CHAPTER TWO

LITERATURE REVIEW

Previous research has determined that the average exchange relationship between a buyer and a seller is no longer strictly transactional. Instead, consumers have begun to form relationships with the brands they use in a similar way to how they form social relationships with each other (Aggarwal, 2004). These long-term relationships are much more complex than transactional exchanges and, as a result, have received much attention in consumer behaviour literature. Consumer loyalty in particular is a focal point of many studies due to its importance to both service providers and consumers. This thesis investigates whether the actions of top management influence consumer attitudes towards the company and whether a strong enough change will affect a consumer's level of trust towards the company and ultimately lead to a behavioural change (i.e., loyalty intentions). In doing so, this research brings together theories on consumer attitude formation, principal-agent problems (known more commonly as agency theory) and consumer-brand relationships to form a cohesive understanding of how attitudes will predict behaviour in relational exchanges.

The following literature review begins with a summary of consumer attitude formations, specifically related to the performance and ethical image of a service provider. The second section offers an overview of agency theory, with a focus on the area of signaling theory that arises in times of information asymmetry. Finally, the third section offers a look at consumer-brand relationships and explores the most relevant sections that focus on consumer trust, value, and loyalty.

I. Consumer Attitude Formation

Consumer attitudes towards brands are formulated in a number of different ways, primarily through direct experience with the brand itself (Regan & Fazio, 1977; Homer & Batra, 1994) or communications from the firm or third parties (Alba & Hutchinson, 1987). They can vary in strength and accessibility, and have been shown to have a strong effect on future behaviour (Glasman & Albarracin, 2006).

Attitudes were originally conceptualized as uni-dimensional, but recent research has shown that more variance is explained by utilizing a two-factor approach (Voss, Spangenberg, & Grohmann, 2003). This is based on the notion that consumers will utilize a brand for one of two reasons: either hedonic fulfillment (pleasure derived from the experience of using the brand) or utilitarian fulfillment (derived from the functions completed by the brand) (Voss et al., 2003, Batra & Ahtola, 1990; Homer, 2008). Consistent with Homer (2008), this research is focusing on image and quality as major drivers of the separate dimensions of attitude. The average consumer objectively analyzes some brand beliefs such as expertise, competence, or performance, and these quality cues are more influential on the functional or utilitarian attitude dimension (Homer, 2008; Batra & Ahtola, 1990). Meanwhile, beliefs about image, ethicality, and character are more subjective, and these cues are more influential on the hedonic attitude dimension (Homer, 2008; Batra & Ahtola, 1990). We will now turn to a more detailed discussion of image and quality as they relate to the study at hand.

Brand Image

Beliefs about brand image include all relevant mental associations that a consumer will connect with that specific brand (Batra & Homer, 2004). In order for a specific brand image to be formed in a consumer's mind, the brand must form these associations in a strong, favourable, and unique way (Keller, 1993). Brand image formation typically goes beyond functional product quality to a higher level of inference, and can be equated to different brand "personalities" such as prestigious, ethical, or all-American (Batra & Homer, 2004; Aaker, 1997). These associations are often made through advertisements, but can also come from third-party sources such as media reports on the actions of a firm (Batra & Homer, 2004).

Beliefs about brand image have also been referred to as "non-attribute" beliefs, as they generally do not have anything to do with the tangible product (Homer, 2008). They are often very subjective and deal with an emotional attachment the consumer may have with the brand (Batra & Homer, 2004). However, with all the discussion in the literature of how brand images are formed in the minds of consumers, there has been a distinct gap in how brand images affect attitudes (Homer, 2008). One area that has been ignored by academia but has a very relevant connection to the real world is the study of an organization's ethical image, which is defined here as the perception of the organization's actions when there is a power imbalance between the organization and consumer that favours the selling firm. In other words, positive ethical image is defined as the consumer's perception of a firm choosing the path that shows altruism and an unwillingness to take advantage of a power situation, while negative ethical image is defined as the consumer's perception of a firm taking advantage of a power situation to the detriment of the consumer.

Brand Quality

Perceived brand quality has received almost unyielding attention in the literature (Homer, 2008; Rao et al., 1999), and the results speak for themselves. Consumers objectively verify product quality through usage (Homer & Batra, 1994). Generally speaking, how well a product or service fulfills its stated function or use leads to "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml, 1998 p. 3). Grönroos' technical/functional quality framework splits quality into technical (what is provided) and functional (how it is provided) quality (Grönroos, 1983). In the context of retail banking, technical quality can be defined as financial results performance (what is provided), where functional quality is more akin to the traditional view of service quality (Lassar, Manolis, & Winsor, 2000), which has been operationalized as a function of management orientation (Sirdeshmukh et al., 2002). However, the impact management on service quality has is difficult to quantify, and as the focus of this thesis is strictly on the actions of top management, quality is therefore operationalized as financial performance of the bank as a whole using net income as a standard of measurement, which is a quantifiable measure.

II. Principal-Agent (Agency) Theory

Agency theory is concerned with the relationship between two parties, one known as the principal and one as the agent. The principal delegates a form of work to the agent (Shapiro, 2005), but it is in this delegation where potential problems arise (Eisenhardt, 1989). First of all, the outcome goals of the principal and the agent may conflict with each other, as each party looks to satisfy their own goals first before those of the other party (Eisenhardt, 1989; Shapiro, 2005). The potential for opportunism in the relationship has been referred to as “moral hazard” (Singh & Sirdeshmukh, 2000) The second potential problem is that of information asymmetry, where it is implied that one partner in the relationship has more or better information with which to make decisions, giving them an advantage over the other partner, who has to make decisions under a higher level of uncertainty and therefore assumes more risk (Singh & Sirdeshmukh, 2000).

Many corporations in today’s world have a distinct separation of ownership and control, leading to the first principal-agent problem described above. Typically, the goals of shareholders and managers conflict in the way they are laid out and executed, which can lead to conflicts when the manager is deemed to be a poor performer when evaluated relative to shareholder goals (Eisenhardt, 1989). One way of avoiding this conflict is to include shareholder equity as a part of executive compensation, aligning manager goals with those of the shareholders because the executives are now shareholders themselves.

When a consumer is looking to select from a group of brands (in essence, the principal is looking to choose from a number of potential agents), the problem of information asymmetry arises. This is known as adverse selection, where the principal is unable to distinguish between low- and high-quality suppliers (Singh & Sirdeshmukh, 2000). The solution for the agents in this scenario, specifically those looking to establish themselves as high quality, is known as signaling (Singh & Sirdeshmukh, 2000; Kirmani & Rao, 2000; San Martin & Camarero, 2005). Signaling theory states that it is in the interest of the agent looking for the contract with the principal to reveal unique information about the product or service to the principal that is otherwise unavailable (Sirdeshmukh & Singh, 2000). One common signal of high quality is price, as the consumer implies that the company would not charge such a high price if the quality, which is observable to the consumer after purchase, is not consistent with the price charged (Kirmani & Rao, 2000). Another common signal of high quality is a comprehensive warranty, as it would not make economic sense to offer a comprehensive warranty program for a product that is of low quality and would therefore be more likely to come back for repair (Kirmani & Rao, 2000; San Martin & Camarero, 2005). In the context of financial services in Canada, product offerings by the major banks are typically the same, and the average consumer cannot determine which bank has the highest quality by simply looking at the product offerings available. Banks must therefore relay signals of unobservable quality to the consumer. One way to do this is by publishing executive salaries in national publications available to every Canadian. According to signaling theory, it would not make economic sense to raise salaries when the bank is performing poorly, and that the consumer should take salary increases as a signal of high performance. Conversely, consumers should interpret salary decreases as a signal that the bank is performing poorly.

III. Brand Relationships

Consumers have been moving away from discrete transactions, where goods or services are exchanged for money and nothing further, towards building relationships with the brands they use on a regular basis (Dwyer, Schurr, & Oh, 1987; Fournier, 1998). Brands are now viewed as partners in achieving goals, and brand managers are realizing the value of partnering with their consumers for information and feedback (Fournier, 1998). Some researchers suggest that consumers form relationships with brands in a similar fashion to the way they form relationships with each other socially, and as such, brands are judged on more than utilitarian characteristics (Aggarwal, 2004). Some brands are even attributed their own personalities, due to humanlike characteristics perceived by consumers (Aaker, 1997).

Brand relationships are built over time, and are based on all the previous experiences and impressions the consumer has had regarding the product or service (Bitner, 1990). Brand relationships are dynamic, and change with every encounter with the service provider (Fournier, 1998; Hennig-Thurau & Klee, 1997), with strong brand relationships leading to commitment and loyalty over time (Fournier, 1998). This is an important feature of financial services and their consumer relationships, as typical consumer-bank relationships go beyond single transactions. This is also an interesting point of analysis for this thesis: is a single encounter with a service provider enough to impact the brand relationship such that a consumer changes their behaviour, or does the overall relationship carry more weight?

Trust

One major component of any long-term relationship between consumer and brand is trust, as it decreases the perceived risk that one partner in the relationship will take advantage of the other (Morgan & Hunt, 1994; Sirdeshmukh et al., 2002). It is very unlikely that a consumer will be absolutely loyal to a brand that they do not trust (Ball, Coelho & Machas, 2004; Chaudhuri & Holbrook, 2001; Garbarino & Johnson, 1999). As defined in the literature, trust is "a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behaviours of others" (Rousseau, Sitkin, Burt, & Camerer, 1998, p. 395). The definition highlights the vulnerability faced by those in an exchange relationship, such as the power imbalance between a consumer and their bank. Once a consumer deposits their paycheque, they are trusting the bank will not take advantage of the fact that they hold the consumer's money.

Trust has been operationalized as a multi-dimensional construct, as consumers may trust one aspect of the organization but not necessarily the other(s). The traditional view in the literature focuses on two dimensions of trustworthiness, referred to in Sirdeshmukh et al. (2002) as operational competence and operational benevolence. Operational competence is where one party in the exchange relationship expects that the other will fulfill its performance obligations in a satisfactory manner (Sirdeshmukh & Singh, 2000; Sirdeshmukh et al., 2002; Delgado-Ballester, 2002; Smith & Barclay, 1997). Operational benevolence is the willingness of one party to put the needs of the other party before their own (Sirdeshmukh & Singh, 2000; Sirdeshmukh et al., 2002; Delgado-Ballester, 2002).

Benevolence itself has been referred to as counter-intuitive in an exchange relationship based on agency theory, as human behaviour is driven by self-interest and opportunism (Eisenhardt, 1989). However, certain social factors that contribute to the relationship, such as fairness, help to keep opportunism in check, allowing a place for benevolent and altruistic behaviours (Sirdeshmukh & Singh, 2000). While other dimensions of trustworthiness have been identified, such as problem-solving orientation (Sirdeshmukh et al., 2002), consistent with much of the previous literature, this thesis will focus on the two dimensions named above, as they are the most relevant when focusing on a top managerial perspective.

Consumer Satisfaction

Like loyalty, a longtime goal of many firms has been to satisfy their consumers, and it is now common to find consumer satisfaction in the mission statements of many firms (Fournier & Mick, 1999). Whereas early research assumed that consumer satisfaction and loyalty were one and the same, now it has been determined that satisfaction is in fact an antecedent to loyalty (Beerli, Martin, & Quintana, 2002; Bloemer, de Ruyter & Peeters, 1998; Yu & Dean, 2001; Oliver, 1999), and that a satisfied customer is not necessarily a loyal one (Oliver, 1999).

Throughout the literature, there have been a number of definitions used to describe satisfaction. In their review of over 20 definitions, Giese & Cote (2000) determined that there have been 3 general components of the satisfaction definition: 1) it is a response (emotional or cognitive); 2) the response pertains to a particular focus; 3) at a particular time. One of the most accepted definitions in the literature and hence, the one utilized in this paper was put forth by Oliver (1999), who wrote that satisfaction is, ”The consumer’s sense that consumption fulfils some need, desire, goal, or so forth and that this fulfillment is pleasurable” (Oliver, 1999, p. 34). The consumer needs to derive a certain type of pleasure from the encounter or satisfaction is not present.

Consumer satisfaction is dynamic, and context-dependent (Fournier & Mick, 1999), meaning that a situation that may serve to satisfy a customer in one scenario may not do so in another. Levels of satisfaction are also dependent on consumer involvement (Oliver, 1997). A consumer may be satisfied with a particular service, but due to low levels of involvement, may not actively be aware of their satisfaction. Examples of this are hydroelectric services and mail delivery, where the consumer is not aware of their satisfaction unless presented with a problem (Oliver, 1997). Previous research on satisfaction has shown that a consumer’s situation-specific factors have an impact on the way they perceive satisfaction, and include consumer characteristics such as age and gender (Matzler, Fuller, Renzl, Herting & Spath, 2008) and in the specific context of retail banking; income and duration of relationship (Chakravarty et al., 2003; Barboza & Roth, 2009; Baumann, Burton, & Elliott, 2005).

Manrai and Manrai (2007) found that in the context of retail banking, there are four primary dimensions along which consumer satisfaction can be measured: Personnel (staff), Financial (return on investment, etc), Atmospherics (appearance of location and fixtures), and Convenience (ATM locations, branch hours), and that of these four, the non-financial indicators were much more powerful in predicting consumer satisfaction than the financial indicators. Ndubisi (2007) also found that relationship indicators of satisfaction are significantly related to overall customer loyalty at banks. In Canada banks are generally very similar to each other in terms of financial offerings. Clients of TD Bank are likely to get similar financial returns on investment, mortgage rates, and account services fees as those at Royal Bank, CIBC, BMO, or Scotiabank. Taken together, this indicates that for the Canadian banking sector, satisfaction derived from financial returns are not as powerful an indicator of consumer loyalty, and that satisfaction with the relationships people experience with their banks is more important.

As mentioned above, a satisfied consumer is not necessarily a loyal one, however it is unlikely that a consumer will be loyal to a brand if they are dissatisfied with them (Oliver, 1999). Trust in a brand is built through consumption experience (Selnes, 1998; Krishnan, 1996), and satisfaction with those experiences helps build a stronger bond between consumer and brand. Specifically, the more satisfied a consumer is with a brand, the lower the perceived risk of the brand reverting to an opportunistic state and the higher the perceived likelihood that the brand will continue to uphold their contractual obligations (Delgado-Ballester & Munuera-Aleman, 2001).

Consumer Perceived Value

Customer value is defined as “a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in usage situations” (Woodruff, 1997, p.142). Value is heavily ingrained in goal identification theories (Bagozzi & Dholakia, 1999) and has been described as the superordinate goal in market exchange situations (Sirdeshmukh et al., 2002).

Consumer goals are driven by outcomes the consumer hopes to achieve, and are organized hierarchically, with the superordinate goals being the most desired and therefore where the most action is focused (Bagozzi & Dholakia, 1999). Consumer perceived value is seen as a trade-off between perceived costs and benefits a consumer receives from a transaction or relationship (Zeithaml, 1988). If the benefits outweigh the costs, positive value is derived from the relationship. If the costs outweigh the benefits, negative value is perceived. In order for the relationship to continue and the consumer to be loyal to one provider, the consumer must perceive positive value otherwise they will dissolve the relationship and look for other opportunities (Lam et al., 2004; Sirdeshmukh et al., 2002; Carvalho & Mota, 2010).

Value has come to replace service quality as a major focus of study in the service industry, and has been shown in the literature to be a better measure of a consumer's overall evaluation of a service (Bolton & Drew, 1991). This is not to say that there is no impact of service quality. In the service industry context, value may be indirectly affected by service quality through brand relationship factors such as consumer satisfaction and trust (Woodruff, 1997). Each consumer relationship is unique, and for this reason value is recognized as a situational variable, which is not perceived equally by all consumers, but is instead dependent on each consumer's individual relationship with the brand (Sanchez-Fernandez & Iniesta-Bonillo, 2006). It is the interplay between a consumer, the product or service, and the way that specific use goals are satisfied that creates a consumer's overall perception of value (Woodruff & Gardial, 1996).

Consumer Loyalty

Consumer loyalty has become a major goal of many companies looking to increase profitability and market share. It has been deemed a significant competitive advantage, all other things being held equally (Woodruff, 1997; Dick & Basu, 1994). Brand loyal customers have been shown to be willing to pay higher prices, forgive failures, and engage in less alternative searches than non-brand loyal customers (Dick & Basu, 1994; Lam et al., 2004). The research indicates that consumer loyalty is different from satisfaction, and has been defined many ways in the literature, with the most generally accepted definition being stated by Oliver (1999, p. 34), "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour." This definition states that true consumer loyalty is not simply behavioural (i.e., repurchase), but also consists of attitudinal factors.

It is suggested that consumer loyalty to a brand has two separate dimensions: loyalty based on inertia, and true brand loyalty (Solomon 1992; Dick and Basu 1994). Loyalty based on inertia is when a brand is purchased out of habit because it takes less effort, and because it's what the consumer has always done (Gounaris, Tzempelikos, & Chatzipanagiotou, 2007). In the context of bank marketing, this could indicate a consumer who utilizes a bank not due to the services they provide, but simply because it is the bank where their parents took them for their first accounts as children and youths, and they have never given thought to exploring other options. Consumers with loyalty based on inertia, also referred to as “passive loyalty” are not emotionally attached to their brands, and enticements from competition makes it more likely that they might switch (Gounaris et al., 2007). True brand loyalty reflects a conscious decision to repurchase the brand, accompanied by a positive brand attitude and high commitment to the brand (Solomon 1992).

Oliver (1999) describes the four “loyalty phases” that a consumer goes through before becoming truly brand loyal. With each stage, the consumer becomes more involved with the product or service, and develops a deeper relational bond. The first stage is known as cognitive loyalty, where the consumer determines that one brand is preferable to the alternatives based on brand belief only, and therefore, loyalty is very shallow (Oliver, 1999). The second stage is known as affective loyalty, where the consumer develops a liking for the brand based on previous experiences with it. This level of commitment is higher, but it has still been shown that despite satisfaction being present, consumers may still switch (Oliver, 1999). The third stage is known as conative loyalty, where the consumer develops a commitment to repurchase through positive affect. This has been defined as motivation to repurchase the brand, but whether or not action occurs is unknown. The final and most engaging stage is known as action loyalty, where the motivation in the conative loyalty stage is translated into action, and the consumer will often overcome barriers to complete this action. This is the most desired stage of consumer loyalty, where the consumer is fiercely dedicated to their brand (Oliver, 1999).

As one might infer from the above review, the differing degrees of a construct such as brand loyalty makes measuring it rather complex. In the context of services marketing, brand loyalty is typically measured by likelihood to continue using a particular brand, likelihood to recommend to family or friends, likelihood to expand the number of services used, and likelihood of defection (Lewis & Soureli, 2006). These dimensions of loyalty go beyond simple repurchase, which may be due to inertia loyalty, to attitudinal factors that manifest only in true loyalty, such as likelihood to recommend and likelihood to expand services, which would require cognitive processing and an emotional desire to continue the relationship (Dick & Basu, 1994).

Studies have determined that brand trust and relationships (Fournier, 1998; Chaudhuri & Holbrook, 2001; Sirdeshmukh et al., 2002) are major determinants of consumer loyalty, and that the relationship is a positive one. Specifically, the higher the level of trust the consumer has in the relationship with their brand, the more likely they will be loyal to that brand. However, this tends to be conditional on the ability of trust to produce value to the relationship, which is usually done through a reduction of risk that the consumer perceives from the power imbalance of the relationship (Sirdeshmukh et al., 2002).

Consumer satisfaction is another major determinant of brand loyalty (Beerli et al., 2002; Chaudhuri & Holbrook, 2001; Lewis & Soureli, 2006). While satisfaction alone does not translate into loyalty, there is a positive relationship between the two (Oliver, 1999). Satisfied consumers are more likely to become brand loyal, but this relationship is determined by other situational factors such as perceived value of the relationship and transactions therein, along with other factors such as switching costs (Oliver, 1999).

Further research has indicated the importance of perceived value in determining consumer loyalty, both as a mediator (Sirdeshmukh et al., 2002; Johnson, Herrmann, & Huber, 2006; Patterson & Spreng, 1997) and a direct antecedent to loyalty (Hu, Kandampully, & Juwaheer, 2009, Sirdeshmukh et al., 2002). This has also been shown to be a positive relationship, where the higher the level of perceived value received by the consumer, the more likely it is that they will be satisfied with and loyal to the brand (Tam, 2010; Oliver, 1999, Hu et al., 2009).

Other research has determined that brand loyalty is also fostered by switching and sunk costs (Dick & Basu, 1994; Panther & Farquahar, 2004; Burnham, Frels, & Mahajan, 2003) but that satisfaction and relationships with the brand are more influential in determining brand loyalty (Lam et al, 2004). Specifically, while switching and sunk costs may appear to be barriers that keep the consumer loyal (on occasion, against their will), a consumer will tend to rely more on their relationships and satisfaction with a brand as opposed to these costs (Lam et al, 2004).

Covariates

Based on a review of the past decade's worth of articles from the top banking journals, specifically *The International Journal of Bank Marketing* and *The Journal of Financial Services Marketing*, it is anticipated that three other factors will influence loyalty towards financial institutions. Specifically, *duration of relationship* is expected to positively influence loyalty intentions towards a particular financial institution (Chakravarty et al., 2004; Baumann et al., 2005; Barboza & Roth, 2009, Licata & Chakraborty, 2009), as brand relationships are built and strengthened over time (Fournier, 1998). *Age* is similarly expected to show a positive relationship with loyalty, as the literature suggests that the older a person is, the more likely they will be loyal to a specific bank (Chakravarty et al., 2004; Barboza & Roth, 2009). The older a person is, the more likely they will have had the chance to build a relationship with one or more financial institutions, as well have had the chance to have more complex dealings with the bank such as investing and lending. As well, it has been documented that the way a consumer perceives the quality of their relationship with a brand is affected by the *level of involvement* a consumer has with that brand (Bloemer & Kasper, 1995; Licata & Chakraborty, 2009). In the context of retail banking, it is expected that a consumer will be more loyal if they do more business at one institution. More products may be a function of improved loyalty, as the consumer may be rewarding the institution by giving them more business. Even though they were not included in the hypotheses, *duration of the relationship, age, and involvement* (measured by number of products with an institution) will be dealt with by assessing them as covariates, as previously done in the abovementioned studies.

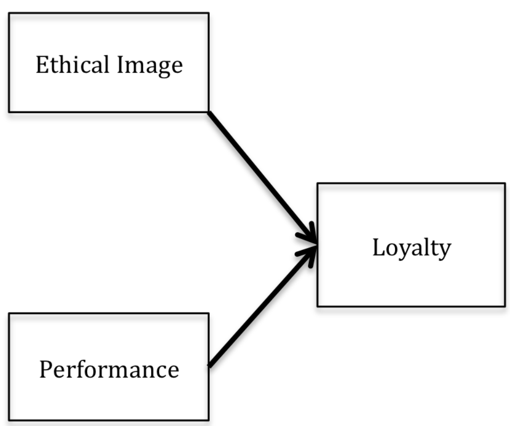
CHAPTER THREE

CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES

1. CONCEPTUAL FRAMEWORK

This section details the research and logic that drives the overall design of this thesis. After a review of the literature, a common theme begins to emerge from multiple studies, one that suggests we reject the previously mentioned "Naïve Model" (see Figure 1). Instead, we should logically expect that the beliefs a consumer has about a brand helps drive their attitudes towards the brand, and that these attitudes result in a decision by the consumer as to whether or not they trust that brand. From there, relationship marketing literature has fully documented the impact that variables such as trust and perceived value have on consumer loyalty.

FIGURE 1: Naïve Model



Instead of focusing on the naïve model, it is important to merge the original schools of thought into one comprehensive model of how consumer loyalty is formulated and affected. The next portion of this thesis analyzes a real-world question that many managers face on a daily basis: Do individual events within a corporation affect the formation of consumer attitudes? Secondly, do these attitudes have a direct impact on behaviour such as consumer loyalty, or does the effect loyalty model hold true to how it has been studied over many years?

It is important to understand how decisions made by management and owners of a corporation affect how their consumers think and behave. In most major corporations, those who own the company and those who are responsible for running it are not the same people. The decisions made by both groups affect how consumers view the company. Consumer beliefs about the brand are driven by what an organization is and by what it does, and both of these are determined in part by those in control of the company.

The separation of ownership and control in many of today's organizations can lead to a mismatch between manager and shareholder goals. To correct this problem when it occurs, many corporations are turning to including shareholder equity (ownership) in management compensation packages (Eisenhardt, 1989). Principal-agent theory suggests that this is the best way to achieve optimum efficiency, as it ties management compensation to performance (Eisenhardt, 1989, Shapiro, 2005) and eliminates the likelihood of opportunism by management, as the goals of shareholders and managers are now one and the same (Singh & Sirdeshmukh, 2000). One aspect of signaling theory suggests that consumers use signals given by companies to make inferences of unobservable quality and performance (Kirmani & Rao, 2000; San Martin & Camarero, 2005). Combining these theories together, high salaries being paid to executives should signal to consumers that the company is performing well, or else the company would not be paying them as much. If both principal-agent theory and signaling theory are held to be true, it is expected that salaries would rise when performance rises, and fall when performance falls, and that the consumer should expect this linear relationship to hold[1].

The behaviour of organizations and the signals they send influence what the consumer believes to be true about the brand. Brand beliefs can be split into two separate categories, attribute and non-attribute. Attribute beliefs are based on functional aspects of the product or service such as quality or performance, while non-attribute beliefs are more of a higher-order construct that includes emotional aspects such as image and status (Batra & Ahtola, 1990; Homer, 2008) In the context of retail banking, performance is often measured by bank financial results that are reported to the public. On the other hand, the image of a bank can be measured multiple ways, but these are not objective measures, rather they are dependent on consumer perception. These brand beliefs have been shown to affect brand attitudes differently, specifically with attribute beliefs having more of an effect on utilitarian (functional) attitudes and non-attribute beliefs having more of an effect on hedonic (emotional) attitudes (Homer, 2008). Image and Performance indicators have been shown to moderate this direct relationship, with image having a stronger effect on hedonic attitudes and performance having a stronger effect on utilitarian attitudes (Homer, 2008).

[1] It may be that consumers are more wary of this relationship than they were before the 2008 recession, however no research exists that counters what has previously been determined

Extending previous research on consumer attitude formation to include behavioural aspects will help discover whether the influence of different image and performance levels ends at brand attitudes, or whether these attitudes extend to affect behaviour. Previous literature has documented the positive relationship between consumer attitudes and trust (Garbarino & Johnson, 1999), image and trust (Ball, Coelho & Machas, 2004), and credibility on trust (Gurviez & Korchia, 2003). However, no research analyzes the effects image and performance exert on trust, commitment and loyalty. This research attempts to bridge that gap by utilizing the framework from previous studies by Homer (2008) and Sirdeshmukh et al. (2002) to create a comprehensive model of how loyalty towards brands is created and maintained. One major difference between Sirdeshmukh et al. (2002) and this study is that the original research focused on trust and loyalty towards front-line employees and management. This research project is focused strictly on top-level management and the decisions they make, and how these decisions affect a consumer's attitude towards the company as a whole.

Previous research has identified three antecedents to brand trust: operational competence (expertise, skills, and competencies to perform well), (Delgado-Ballester, 2002; Smith & Barclay, 1997) operational benevolence (putting the needs of customers first) (Delgado-Ballester, 2002; Sirdeshmukh et al., 2002) and problem-solving orientation (Sirdeshmukh et al., 2002). Performance can be seen as an output of operational competence, as higher levels of competence in financial services (i.e., predicting market trends and making correct investments) will lead to better performance. Operational benevolence is largely rooted in altruism, which is the perception that the brand has the consumer's best interests at heart, and strength of character that prohibits the company taking advantage of the consumer (Delgado-Ballester, 2002). Raising executive salaries may be seen as the opposite of this, showing little operational benevolence, while lowering salaries in line with performance is showing benevolence towards the consumer. This thesis does not take into account problem-solving orientation of management because the focus of the paper is on brand-level variables. Problem solving in financial institutions is generally taken care of at a much lower level, such as an individual consumer's home branch.

The antecedents of brand trust identified by previous research can be equated to the hedonic (operational benevolence) and utilitarian (operational competence) brand attitudes used by Homer (2008). The manipulations used in this study offer excellent scenarios for operational benevolence and competence. For example, a situation where a company may be perceived as being benevolent to the consumer is by lowering salary levels during times of poor performance. This shows the consumer that the company cares about how they are doing and how it affects the average consumer, and the company is taking steps to correct the situation. An opposite scenario is one where salary levels are actually increased during times of poor performance. This would suggest to the consumer that the company does not care about the consumer, and that those in charge are more concerned with their own well-being. Operational competence is an objective measure that a consumer can assess simply with performance. The results of the manipulations on consumer attitudes should give a measurement consistent with operational benevolence and operational competence. Therefore, it can be expected that the positive relationship between operational benevolence and trust will be held when replicated using hedonic attitudes. Likewise, the relationship between operational competence and trust is expected to hold when replicated using utilitarian attitudes.

Morgan & Hunt (1994) describe the trust-loyalty relationship as being one of reciprocity. When a brand can be trusted, it is more likely that a consumer will select it out of a number of different brands. The primary reason for this is that the perceived risk with a product or service is reduced as trust is built, allowing the consumer to make confident predictions about the future behaviour of the provider (Morgan & Hunt, 1994; Sirdeshmukh et al., 2002). Any changes in trust should therefore be reflected when measuring loyalty, and this includes any effect by attitude changes.

Value (the cost-benefit tradeoff of a relationship) (Zeithaml, 1998), is considered to be the major goal for consumers in an exchange relationship, specifically that they look to achieve maximum value from any relationship. If a consumer can extract maximum value from a provider, they will likely stay loyal to that provider as long as they can continue to realize that same level of value. Value means many different things to different consumers. Some see value in pricing, others in time, and others still in comfort with the relationship (Zeithaml, 1998). Value in an exchange relationship is influenced by trust in two ways, by providing relational benefits to the consumer and by reducing exchange uncertainty (Carvalho & Mota, 2010; Sirdeshmukh et al., 2002).

Oliver (1999, p. 34) defines loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.” This definition states that true consumer loyalty is not simply behavioural (ie. repurchase), but also consists of attitudinal factors. There are two types of loyalty that have been identified in the literature, loyalty based on inertia, and true loyalty (Solomon 1992; Dick and Basu 1994). Loyalty based on inertia is when a consumer is loyal simply out of habit, and has no true attachment to the product or service (Gounaris, Tzempelikos, & Chatzipanagiotou, 2007). Often, inertia loyalty is because a consumer may feel “trapped” in the relationship due to high switching costs (Dick & Basu, 1994; Panther & Farquahar, 2004; Burnham, Frels, & Mahajan, 2003). By including switching costs in the model it is possible to control for the loyalty based on inertia and focus analysis on true loyalty.

The previous section details the model to be used in this study. Borrowing concepts from consumer attitude formation research and relationship marketing, this research study aims to describe the consumer-brand loyalty relationship from start to finish. By starting with brand beliefs, we get an idea of how the consumer perceives the brand on its own, with no additional details. The inclusion of the manipulation and resulting change in attitude signifies how signals sent by the company affect how the day-to-day consumer views the company. By carrying any effects caused by attitude formation over to variables such as trust or loyalty, we can determine if one-time changes in attitude have a major effect on how a consumer actually behaves, or whether there are other factors at work. This study offers both academic and practical functionality by bridging the attitude-behaviour gap, and will offer guidance to both researchers and managers on how consumers become loyal to the companies they use. The full predicted model can be seen in Appendix B, and the predicted relationships are described in more detail in the next section.

II. RESEARCH HYPOTHESES

Brand Attitudes

Determining how consumers form brand attitudes is the integral first piece of this thesis. Brand attitudes are formed through experiences with the brand and are hypothesized to have an effect on future behaviour (Glasman & Albarracin, 2006). The first hypothesis is a replication of work done in Homer (2008). Consumption behaviours are driven by hedonic (affective sensations) and utilitarian (functional utility) components. Quality (conceptualized as performance) is more verifiable and cognitive, while image is more emotion and affect driven. Therefore, each should affect brand attitudes in a separate way, specifically performance – utilitarian attitude and image – hedonic attitude. In the study done by Homer (2008), this relationship was found to hold true in the context of automobiles, and is expected to replicate in the context of retail banking.

H1: *Performance explains more variance in utilitarian attitudes and image explains more variance in hedonic attitudes*

The major indicators of attribute beliefs are functional aspects of the brand, including quality, performance, and features. Non-attribute beliefs are more of a higher-order construct that are more focused on emotional responses, such as image and status. The hedonic component of attitudes is associated with experiential product considerations such as image, and the utilitarian component is associated with functional brand attributes such as performance (Batra & Ahtola, 1990). Homer (2008) also found these relationships, and they are expected to replicate in this study in the context of retail banking.

H2*: Non-attribute brand beliefs contribute most to predicting hedonic attitudes, whereas utilitarian attitudes are driven by attribute brand beliefs*

A major difference between hedonic and utilitarian attitudes is that hedonic attitudes are primarily affect-driven and are more easily affected by emotion whereas utilitarian attitudes are affected by attributes that are verifiable by third party sources (in the case of banking, the annual report to shareholders issued by the bank). As the performance and image indicators are based on positive and negative reports from a third party, it is expected that this difference in hedonic attitudes and non-attribute brand beliefs will be driven by this positive/negative difference. As well, the negativity bias suggests that diagnostically, consumers pay more attention to negative information than they do positive information (Homer and Batra, 1994). The same study suggests that cognitive-based attitudes are less susceptible to emotion and affect, and that attribute brand beliefs are the sole predictor of utilitarian attitudes, regardless of image and performance levels. As in Homer (2008):

H3a: *Non-attribute brand beliefs impact hedonic brand attitudes more strongly for brands described as suffering from either low image or low perceived quality than for high image or high quality brands*

H3b: *Attribute brand beliefs are the dominant predictor of utilitarian attitudes across image and performance levels*

When both principal-agent theory and signaling theory are combined to explain executive compensation decisions and consumer perception, the outcome is that the consumer should expect salaries to rise during times of above-average performance and decrease during times of below-average performance. However, when a mismatch occurs, the consumer should exhibit a stronger reaction as they attempt to determine the reason for the mismatch. This effect on hedonic attitudes is expected to be positive when the organization does something that shows benevolence to the consumer, and negative when the consumer perceives that they are being taken advantage of. The negativity bias, which states that consumers react more strongly to negative information than positive information (Homer & Batra, 1994) suggests that the condition that is perceived to be the most negative to the consumer will show the strongest effect. Meanwhile, any impact on utilitarian attitudes is being driven by an objective, quantifiable measure, and as such, is not subject to higher-order processing. As in Homer (2008), the following hypotheses have been modified to utilize the manipulation in this study, and are expected to replicated:

H4a: *Non-attribute brand beliefs and hedonic attitudes towards brands in a mismatch condition (High Performance/High Image or Low Performance/Low Image) are expected to differ from those in a matched condition. The strongest effect is expected in the Low Performance-Low Image condition due to negativity bias.*

H4b: *Attribute brand beliefs and utilitarian attitudes towards brands are expected to be comparable across image and performance levels*

Brand Trust

Operational benevolence has been shown to impact trust in a positive way, specifically if an organization exhibits signs of benevolence, this will increase trust from the consumer. Benevolence is defined as putting the needs of the consumer before those of the provider (Delgado-Ballester, 2002; Sirdeshmukh et al., 2002). Low salaries should indicate that the consumer is being put before those running the company, while high salaries should dictate the opposite. The resulting hedonic attitudes are a measure of the consumer's opinion of the benevolence of the organization. Meanwhile, performance and the resulting utilitarian attitudes are objective measures of how well an organization is performing – which is a function of the competence of the organization. The attitudes resulting from the manipulation are therefore expected to impact trust in a manner equivalent to organizational benevolence and organizational competence. The predicted relationship is stated below.

H5: Both hedonic and utilitarian brand attitudes will have a positive effect on brand trust.

Brand Loyalty

Previous studies have examined the relationship between trust and loyalty and have identified a positive relationship (Sirdeshmukh et al., 2002; Carvalho & Mota, 2010). These are based on a reciprocity argument that, where trust is built between consumers and a provider, the exchange risk perceived by consumers is reduced (Morgan & Hunt, 1994). This leads the consumer to have more positive expectations when continuing the relationship with the service provider. In the context of retail banking, this means that when a consumer trusts their bank, they are less worried about the bank taking advantage of them from the power position of the relationship and are more likely to expect positive returns from the continuation of the relationship. If the expectations from the provider are positive, they will also be more likely to recommend to others and to choose that provider if more business at a financial institution is sought. It is expected that the results found by Sirdeshmukh et al. (2002) and Carvalho & Mota (2010) will be replicated in this study.

H6: Consumer loyalty towards a financial institution will be positively influenced by trust

Value is presented in Sirdeshmukh et al. (2002) and the replication article by Carvalho & Mota (2010) treats it as a mediator between trust and loyalty. Value is seen as the ultimate goal by a consumer, and they will not remain loyal and continue the exchange relationship if they do not perceive a positive value in doing so. Consumers in a retail banking relationship that perceive positive value are more likely to consider that financial institution for additional services, and also are more likely to recommend it to family and friends. Value in a financial services context can be related to interest rates on deposit and credit products and bank account features received for monthly fees to name a few. Trust in a financial services provider to offer fair rates and to not take advantage of the consumer's position helps to positively influence a consumer's perception of value in a financial institution. We expect Sirdeshmukh et al. (2002) and Carvalho & Mota's (2010) results to be replicated in this study. Both studies found that when analyzing trust in management, value fully mediated the relationship between trust and loyalty (Sirdeshmukh et al., 2002; Carvalho & Mota, 2010). While this full mediation model did not necessarily hold in the front-line employee condition, the research study at hand is focused on higher-level organizational trust, therefore the same results are expected.

H7: Perceived value of a financial institution will be positively influenced by the trust a consumer has in the brand

H8: Consumers' loyalty will be positively influenced by their perceived value of their financial institution

H9: Perceived value of the financial institution will fully mediate the relationship between trust and loyalty

Switching Costs

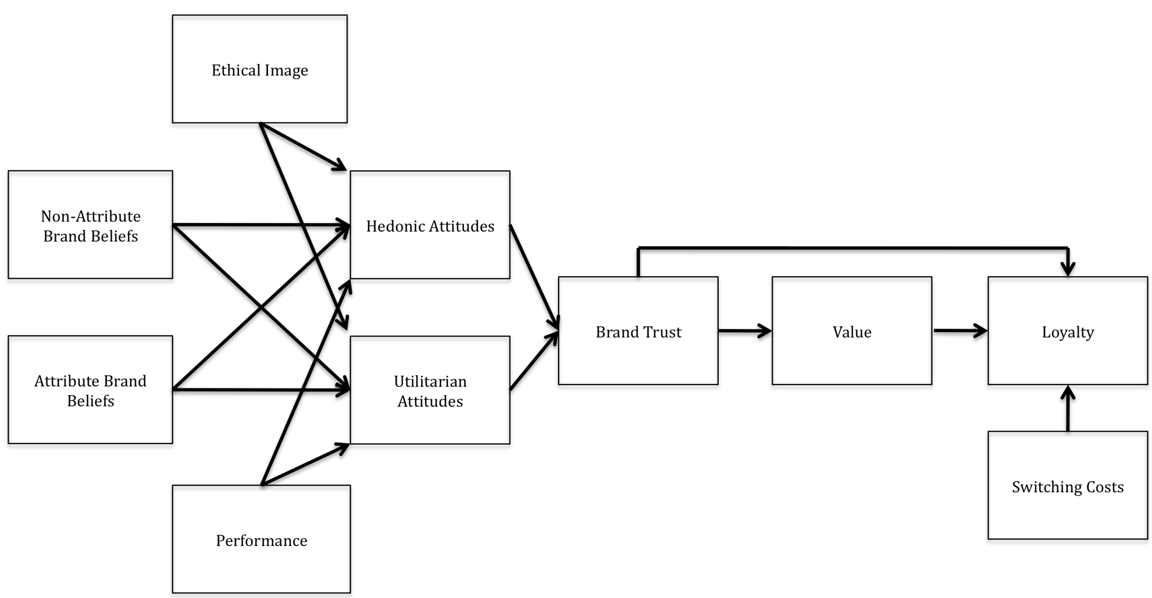
Switching costs are the "onetime costs that customers associate with the process of switching from one provider to another" (Burnham et al., 2003, pg. 110), and can be separated into three categories: procedural (loss of time and effort), financial (financial penalties to switch), and relational (psychological and emotional discomfort caused by dissolution of a relationship). Switching costs have been shown to have a positive effect on loyalty, specifically likelihood of switching (Dick & Basu, 1994; Lam et al., 2004; Burnham et al., 2003) but may actually have a negative effect on likelihood of recommending a product or service, as the consumer's loyalty is not driven by dedication to a product or service, but rather through frustration at the difficulty in ending the relationship (Lam et al., 2004). Switching costs have been included in this model to specifically identify those feeling "trapped" by their service provider in order to isolate the variables that have an effect on "true" attitudinal loyalty. It is expected that as switching costs increase, so will brand loyal behaviour such as decreased propensity to switch. This may actually have a negative effect on behaviour such as likelihood to recommend a service provider to friends and family (Lam et al., 2004). As a result of this push-pull paradigm, consumers are more likely to place higher emphasis on trust and value, meaning that the impact of switching costs on consumer loyalty will be less profound (Yang & Peterson, 2004). This leads to the final hypotheses of this paper:

H10a: Switching costs will have a positive effect on loyalty.

H10b: The effect of switching costs on loyalty will be less than that of either value or trust.

The predicted relationships can be seen in the overall research model detailed below.

FIGURE 2: Predicted Model



CHAPTER FOUR

METHODS

This research paper was tested in two stages. The first stage tested the "Naïve Model" which featured only performance and image as the drivers of consumer loyalty. Neither variable was found to have a significant impact on loyalty, so the next stage of the analysis is to determine whether and how image, performance, and attitudes affect the consumer-brand loyalty model.

This research design was tested using a structural model drawn from the relationship marketing literature. The purpose of the model is twofold: first, it is to validate the relationships analyzed in Homer (2008) in the context of Canadian financial institutions using image and performance as manipulations (H1 – H4). Secondly, the major contribution of the study is to link the model proposed by Homer (2008) to accepted loyalty model literature. The main goal of the model is to determine whether any attitudinal change will be sufficient to alter the loyalty of a consumer to their financial institution.

In order to test the proposed hypotheses, performance and ethical image were manipulated using a fictional newspaper article detailing an unnamed bank's decision to adjust executive salaries higher (low image condition) or lower (high image condition). The article also detailed how the bank had performed over the past calendar year, either well (high performance) or poorly (low performance). The study was set up as a 2 (high/low image) x 2 (high/low performance) factorial design. The article was deemed to be an appropriate and relevant vehicle to present this information, since banks in Canada release their financial results and top executive salaries regularly, and the resulting information is presented to the general public through newspapers and business publications.

The rest of this section outlines the various steps taken to complete this research project. It begins by detailing how the pretest was designed and conducted, and how the results from this test led to the design and implementation of the main study instrument. The main study instrument is outlined next, and results from the experiment as they relate to the hypotheses are explained in detail.

I. Pretest

Research Design

A major consideration in the design of the study was that all the elements in the pretest be viewed homogeneously when evaluated by participants, so that any variance in reaction could be attributed to differences caused by the manipulation conditions (High Performance/Low Image, High Performance/High Image, Low Performance/Low Image, Low Performance/High Image). To eliminate any brand bias, the name of the brand used was omitted, using instead the term "a major Canadian bank". Each respondent was asked to imagine that the bank in the fictitious article was his or her primary bank (where they keep their daily chequing account). The pretest was organized to determine the effectiveness of the image and performance manipulations.

Participants

Pretest respondents (N=50, 50% male, 50% female) were undergraduate management students from a major Midwestern Canadian university. The researcher entered two classes before the class started and offered a small treat to any student who completed the survey. The purpose of the research was explained to the classes before the survey was handed out, and students had the choice of whether or not they would participate. The researcher explained the purpose of the research was to collect data regarding students' opinions of their primary banks. Any incomplete surveys or those that showed signs of improper answers (ie. All answers throughout the pretest were the exact same value) were omitted to enhance data integrity.

Procedure

Participants were randomly assigned to one of four conditions (High Performance, Low Performance, High Image, Low Image). They filled out a short survey that began with a statement that the article they were about to read appeared in a major Canadian newspaper and the article was written about a major bank (name omitted) and their actions during the 2008 recession. Participants were then instructed to imagine that the bank in the article was their primary bank (where they kept their daily chequing account) and assess their actions.

Manipulation Checks

Scales for performance and image measures were adapted from previous studies that have investigated brand image and performance in other contexts.

Performance. To assess the quality of the adapted performance scale, the researcher performed reliability and factor analyses. Participants rated the perceived performance of the bank mentioned in the study on three 7-point semantic differential scales anchored with 1 (very poor) and 7 (very good), 1 (inferior quality) and 7 (superior quality), and 1 (worthless) and 7 (valuable), as used in Makysmiuk (2009). Responses to these items were averaged to form an index of performance (α = 0.947). Providing additional support for the validity of the scale, a factor analysis run on the scale demonstrated that the construct was unidimensional (see Table 2).

Ethical Image. Participants in the high and low ethical image conditions rated the ethicality of the bank's actions based solely on the salary increase/decrease given to top executives. Participants rated the ethical image on four 7-point semantic differential scales anchored with 1 (dislike) and 7 (like), 1 (negative) and 7 (positive), 1 (unfavourable) and 7 (favourable), and 1 (bad) and 7 (good) (Garretson & Neidrich, 2004). Responses to these items were averaged to form an index for ethical image (α = 0.980). A factor analysis run on the scale showed the construct was unidimensional, providing support for the scale (see Table 1).

Pre-test Results

SPSS was used to complete the pretest analysis. To determine whether the manipulations performed as intended, two independent sample t-tests were performed. Independent sample t-tests compare the means of two populations using a null hypothesis that both means are statistically equal. The populations are expected to approximate a normal curve distribution.

The ethical image manipulation was tested using the method described above, and the two population means (high image vs low image) were found to be significantly different ($t = 4.353$, $df = 24$, $p = 0.000$: high image = 4.8462, low image = 2.3750), indicating that those in the high image condition of lower executive salaries perceived the bank to have a much more positive ethical image in comparison to those in the low image condition of high executive salaries.

The performance manipulation was also tested using the independent samples t-test, and the two population means were again found to be significantly different ($t = 2.929$, $df = 24$, $p = 0.008$: high performance = 5.0833, low performance = 3.5128), meaning those in the high performance condition perceived the company's high performance to be much more positive than those in the low company performance condition.

As both manipulations were shown to be strong in the pre-test phase, no changes were necessary when designing the main study. Both showed significant differences between the high and low conditions, with the results reporting in the expected direction (the high performance condition rated higher on the performance scale than the lower performance condition, and so on for the image manipulation) (see Table 5).

II. Main Study

Research Design

The objectives of the study were to 1) confirm the linkages found by Homer (2008) regarding consumer attitude formation in the context of Canadian financial institutions, and 2) determine if that attitude change could be integrated with the research in relationship marketing regarding consumer loyalty to a company or service provider. In the event that an attitude change did not lead to a behavioural change, a third objective of the study was to determine what did in fact contribute the most to true loyalty (loyalty not based on inertia). In order to accomplish these objectives, the structural model used in this study drew inspiration from two previous studies. The first portion of the model has been explained above, and was first studied by Homer (2008). The second portion of the model is based on Sirdeshmukh et al, (2002) and focuses on what are considered the main variables related to consumer loyalty. To evaluate how loyalty towards institutions is formed in a more comprehensive manner, switching costs and their effect on loyalty was also studied, as research has shown that a consumer may continue a relationship simply due to high switching costs, though this does not necessarily make them truly loyal to a company (Lam et al., 2004).

The pretest developed manipulations for both ethical image and performance levels (high-low performance, high-low image) and found significant differences between their levels. The main study used these same manipulations in a 2 (ethical image: high/low) x 2 (performance: high/low) design to elicit attitude changes in participants comparable to those found by Homer (2008). The strength of the manipulations determined in the pretest were considered adequate to use for study in this research design.

Participants

In order to obtain a sample as representative as possible to the study population, the final questionnaire was administered to three groups. Group 1 (N = 88 – 51.1% Male) was a sample of undergraduate business students at the same university as the pretest who completed the questionnaire in return for course credit. 93 respondents began the survey, a response rate of 94.6%. Group 2 (N= 110 – 44.9% Male) was a sample of business professionals who were contacted through their professional association mailing list. The experimental instrument was emailed to the full list of approximately 800 members, with a reminder email sent one week later that requested member participation in the experiment. The response rate for Group 2 was approximately 13.75%. Group 3 (N = 55 – 25.9% Male) was a randomly selected population of technical and support staff from the same university as the pretest. 300 potential participants were selected using a skip pattern from an alphabetical list of staff provided by the university, and this group yielded a response rate of 18.3%. Group 3 participants were entered in a draw to win a gift certificate to a local restaurant for their participation.

Those who began the survey but did not complete it were eliminated from the analysis based on a set of criteria. Responses were grouped on a 1-4 scale based on the following criteria: 1 = no missing values - *Keep*. 2 = minor missing values in the questionnaire (<5 items in total, no key dependent variables) – *Likely Keep*. 3 = major missing values (5 – 15 items in total) or missing key dependent variables – *Likely Omit*. 4 = major omissions of key dependent variables (incomplete responses, dependent variables with less than half of items answered) – *Omit*. An ANOVA using key dependent variables grouped by “Keep Data” was run to determine suitability of data coded “3”. No significant difference was found between groups 1,2 and 3, and the researcher determined that the responses coded “3” could be retained for analysis. Any missing values in the retained data set were replaced with the series mean for analysis. In total, 329 respondents from the three sample groups began the experiment, yielding 253 usable responses. The overall sample used for analysis was 43% male, 57% female.

Procedure

All participants completed the survey through Qualtrics, an online server specializing in research projects. The researcher used this program to design and implement the survey, and all responses were recorded via computer. Group 1 attended one-hour sessions dedicated to marketing research studies at their business school in return for course credit. Participants in Groups 2 and 3 were selected randomly and emailed the link to the survey with a separate request to complete the experiment. A reminder email was sent one week after the initial contact.

The experimental design yielded four different conditions (High Performance/High Image, High Performance/Low Image, Low Performance/High Image, and Low Performance/Low Image). Participants were randomly assigned to one of the four conditions, each of which took approximately 6-7 minutes to complete. Following the cover story that this study dealt with participants’ evaluations of Canadian banks, participants first rated their initial impressions of the five largest banks in Canada on a seven-point semantic differential scale from 1 (very bad) to 7 (very good). The next phase of the experiment had the respondents read a fictitious article (the manipulation) written in a major Canadian newspaper about an unnamed bank and their actions during the 2008 recession. After reading the article, participants were instructed to imagine that the bank in the article was their primary bank. The following questions dealt with assessing the dependent variables in the study – Hedonic and Utilitarian Attitudes, Trust, Value, and Loyalty. These variables will be explained in greater detail in the dependent variables section. The final section collected demographic information about the participants, including gender, age, income, education level, primary financial institution, duration of relationship with the financial institution, depth of relationship with the institution, country of birth, and primary language. Duration of relationship, age, and depth of relationship are discussed in more detail in the covariates section.

Experimental Manipulation

The scales used for the manipulation were the same as those used in the pretest. Participants rated the ethical image on four 7-point semantic differential scales anchored with 1 (dislike) and 7 (like), 1 (negative) and 7 (positive), 1 (unfavourable) and 7 (favourable), and 1 (bad) and 7 (good), while performance of the bank mentioned in the study was rated on three 7-point semantic differential scales anchored with 1 (very poor) and 7 (very good), 1 (inferior quality) and 7 (superior quality), and 1 (worthless) and 7 (valuable). Factor analyses on both scales for performance and image revealed that only one component was extracted.

Each scales each loaded on one dimension, similar to the pre-test. The (PERFORMANCE, $\alpha = 0.954$) and (IMAGE, $\alpha = 0.981$) scales all reached satisfactory levels of reliability, which reinforces the support for use of the scales chosen for this study (see Table 7).

Dependent Variables

Non-Attribute Brand Beliefs. The non-attribute brand beliefs scale was adapted from the original study done by Homer (2008) and eliminated irrelevant items that would seem unrelated to the banking industry, as the original study was conducted in an automobile context. The seven-point semantic differential scale employed used a total of 11 items anchored by 1 (strongly disagree) and 7 (strongly agree). The question instructed the respondent to "Please rate the bank in the article on the following items" and the items listed were "classy," "sophisticated," "stylish," "good image," "high status," "special," "fun," "exciting," "enjoyable," "attractive," and "pleasurable" with the goal of remaining as close to the original study as possible. These measures were averaged to create a scale for non-attribute brand beliefs (NONATTRIBUTE, $\alpha = 0.959$) (see Table 7).

Attribute Brand Beliefs. Similar to the non-attribute brand beliefs scale, the attribute brand beliefs scale was adapted from the Homer's original study (2008), using the same procedure to eliminate items that are irrelevant in a banking context. The seven point semantic differential scale employed used a total of 5 items anchored by 1 (strongly disagree) and 7 (strongly agree). The instrument instructed the respondent to "Please rate the bank in the article on the following items" and the items listed were “high quality,” “reliable,” “dependable,” “responsive,” and “worry-free.” These measures were averaged to create a scale for attribute brand beliefs (ATTRIBUTE, $\alpha = 0.935$) (see Table 7).

Hedonic Attitudes. The hedonic attitudes scale was likewise adapted from Homer (2008). The five-item, seven point semantic differential scale was presented with the phrase “I think this bank is” and anchored by 1 (fun) and 7 (not fun), 1 (exciting) and 7 (not exciting), 1 (enjoyable) and 7 (not enjoyable), 1 (thrilling) and 7 (not thrilling), and 1 (delightful) and 7 (not delightful). The scale was presented in a reverse fashion to the remainder of the questionnaire to encourage respondents to pay more attention to the questions being presented. The items were averaged to create a scale for hedonic attitudes (HEDONIC, $\alpha = 0.931$) (see Table 7).

Utilitarian Attitudes. The utilitarian attitudes scale was the final scale adapted from Homer (2008). The four-item, seven point semantic differential scale was presented with the phrase “I think this bank is” and anchored by 1 (practical) and 7 (not practical), 1 (sensible) and 7 (not sensible), 1 (functional) and 7 (not functional), and 1 (necessary) and 7 (unnecessary). The scale was reverse-coded in a similar fashion to the hedonic attitudes scale for the same reason – increased participant attention to protect against response set bias. The items were averaged to form the utilitarian attitudes scale (UTILITARIAN, $\alpha = 0.932$) (see Table 7).

Trust. The scale used for trust in this study was originally designed and used in Sirdeshmukh et al (2002). The four-item, seven-point semantic differential scale was introduced with the phrase “I feel this bank is” and was anchored by 1 (very undependable) and 7 (very dependable), 1 (very incompetent) and 7 (very competent), 1 (of very low integrity) and 7 (of very high integrity), and 1 (very unresponsive to customers) and 7 (very responsive to customers). The items were averaged to form the trust scale (TRUST, α = 0.942) (see Table 7).

Value. The scale used for value in this study was also originally designed and used in Sirdeshmukh et al. (2002) but adapted for use in a banking context. The four-item, seven-point semantic differential scale presented as four separate sentences as follows: "For the prices you pay in order to bank with this financial institution, would you say banking with this financial institution is a" anchored by 1 (very poor deal) and 7 (very good deal). "For the time you spend in order to bank with this financial institution, would you say banking with this institution is" anchored by 1 (highly unreasonable) and 7 (highly reasonable). "For the effort involved in banking with this financial institution, would you say banking with this institution is" anchored by 1 (not at all worthwhile) and 7 (very worthwhile). The final sentence was "How would you rate your overall experience with this financial institution?" anchored by 1 (extremely poor value) and 7 (extremely good value). The items from this scale were averaged to determine the construct value (VALUE, α = 0.928) (see Table 7).

Switching Costs. The magnitude of perceived switching costs was measured using a 3-item, 7-point semantic differential scale adapted from Yang & Peterson (2004) and anchored by 1 (strongly disagree) and 7 (strongly agree). The three items relate to time and effort to switch, financial costs to switch, and the magnitude of hassle experienced to switch. The three items were averaged to create a scale to measure switching costs (SWITCHCOSTS, α = 0.747) (see Table 7).

Loyalty. Consumer loyalty to their financial institution was measured using a 6-item 7-point semantic differential scale anchored by 1 (strongly disagree) and 7 (strongly agree). The six items are adapted from Yang & Peterson (2004), and focus on word of mouth (say positive things about my financial institution, recommend my financial institution, encourage friends and relatives to use my financial institution, post positive messages about my financial institution) and continuity of business (intend to continue to do business, intend to do more business). The six items were averaged to create a scale to measure loyalty to a financial institution (LOYALTY, $\alpha = 0.914$) (see Table 7).

All scales listed above were drawn from established literature in either consumer attitude formation or relationship marketing. In order to establish discriminant validity between scales, correlation analysis was performed. Each individual scale was correlated with the remainder of scales in the test. While some showed high levels of correlation, only Attribute Beliefs and Non-Attribute Beliefs failed the discriminant validity test ($r = 0.852$). Scales were determined to have discriminant validity if the correlation between two scales was less than 0.85 (Chitturi, Ranhunathan, & Mahajan, 2008). However, since these two scales in question were adapted from previous literature and only eliminated non-relevant items (such as "plenty of cargo space") they were determined to be appropriate for use in this study.

In order to investigate differences in sample groupings, ANOVA tests were conducted using the major dependent variables. There were significant differences between sample groups for Hedonic Attitudes ($p = 0.022$), Utilitarian Attitudes ($p =

0.008), and Ethical Image ($p = 0.010$). All other variables were non-significant at the $p = 0.05$ test level, which means that no significant differences in the remaining variables were caused by sample grouping. The sample that was consistently different from the others was Group 3, the support and technical staff from the university. A potential cause of this difference may have arisen to the gender imbalance in Group 3, which was 74.1% female. The next step involved determining whether the data gathered from Group 3 was appropriate for usage with those from Group 1 and Group 2. If not appropriate, Group 3 would be dropped from the sample.

In order to determine that there was no significant difference in results caused by group characteristics that were not captured in the measured demographic information, hypothesis tests for the entire model were run utilizing "Group" as a covariate. At no point in the analysis did "Group" have a significant effect on any dependent variable, meaning that something else must have caused the groups to differ in their results.

A second ANOVA test was run on the major dependent variables (Hedonic Attitudes, Utilitarian Attitudes, Trust, Value, Switching Costs, and Loyalty), using gender as the grouping variable to determine whether gender was the cause of the difference. The rationale behind utilizing gender as the likely source of variation is that females outnumbered males approximately three to one in Group 3, and this was the only noticeable difference in demographic characteristics between the three groups. The analysis revealed significant differences between groups for Hedonic Attitudes ($p = 0.005$) and Utilitarian Attitudes ($p = 0.024$), with females reporting significantly lower attitudes than males. There was also a significant difference between groups for perceived switching costs ($p = 0.037$), with females perceiving higher levels of switching costs than male respondents. No other dependent variable had significant differences caused by gender.

Other demographic characteristics were tested, including those identified earlier as covariates. These demographic characteristics did not cause significant differences in any dependent variable. As a result of the previous testing, it was determined that the likely cause of any variance was due to a gender effect, and as a result, gender was included as a covariate when running the analysis of the research model.

Satisfaction. Consistent with Sirdeshmukh et al. (2002) and Carvalho & Mota (2010), satisfaction was used as a transactional variable to eliminate any recency effects on the major dependent variable. Satisfaction was operationalized as a three-item, 10-point scale using the question "How satisfying was your last experience with this bank?" and anchored by 1 (Highly Unsatisfying) and 10 (Highly Satisfying), 1 (Very Unpleasant) and 10 (Very Pleasant), and 1 (Terrible) and 10 (Delightful). These three items were averaged to form a scale for LASTSAT ($\alpha = .931$).

Results

Manipulation Checks. SPSS 17 was used to check manipulations and examine study hypotheses. Analysis of the performance manipulation confirmed the effectiveness of the manipulation on the entire sample. Those in the low performance condition scored significantly lower (mean = 3.1487) on the PERFORMANCE scale than those in the high performance condition (mean = 4.6638) (t = -8.843, p = 0.000). Likewise, those in the low image condition scored significantly lower (mean = 2.5276) on the IMAGE scale than those in the high image condition (mean = 4.1612) (t = -8.105, p = 0.000) (see Table 9).

Covariates

One-way ANOVA tests on loyalty using the covariates identified in the previous sections showed no significant impact of any covariate (AGE, DURATION, DEPTH) on LOYALTY. Therefore, no further discussion of their effects will be undertaken. This is an interesting contradiction to traditional thinking in the banking industry. Multiple articles have documented the effects that age (Chakravarty et al., 2004; Barboza & Roth, 2009), duration (Chakravarty et al., 2004; Baumann et al., 2005; Barboza & Roth, 2009, Licata & Chakraborty, 2009), and level of involvement (Bloemer & Kasper, 1995; Licata & Chakraborty, 2009) have on consumer satisfaction and loyalty. However, these previous studies were all conducted in countries outside of Canada, and it is possible that in the Canadian banking industry they do not have as much effect, or that their effect is eclipsed by that of another covariate, such as gender.

Tests of Hypotheses

H1 was tested in two stages, using two 2-way (image (low/high) x performance (low/high)) Analysis of Variance (ANOVA) with HEDONIC as the dependent variable in the first test, and UTILITARIAN as the dependent variable in the second test.

The ANOVA findings indicate that PERFORMANCE explained more variance in HEDONIC (F = 13.179, p = 0.000, mean (LP) = 5.0610 vs mean (HP) = 4.5009) and that the effect of IMAGE on HEDONIC was not significant ($F = 3.415$, $p = 0.066$, mean (LI) = 4.9396 vs mean (HI) = 4.6678). These results are opposite to Homer's (2008) findings, and potential explanations for this will be posited and explained in greater detail in the Discussion section (see Table 13).

The second 2 – way ANOVA determined that UTILITARIAN is significantly impacted by PERFORMANCE ($F = 26.822$, $p = 0.000$, mean (LP) = 4.4026 vs mean (HP) = 3.4380) and IMAGE ($F = 24.890$, $p = 0.000$, mean (LI) = 4.4243 vs mean (HI) = 3.4854) (see Table 14). It should be reiterated that the scales for both HEDONIC and UTILITARIAN were reverse-coded, so the high/low manipulations worked as intended. Instead of the values from 1 – 7 coinciding with a response of negative to positive attitude ratings, instead 1 was positive and 7 negative, in order to keep respondents focused on reading questions and responses. It was expected that PERFORMANCE would have a significant impact on UTILITARIAN, but the significant impact of IMAGE was not expected, which immediately questions the consumer attitude formation model posited by Homer (2008), who found that performance levels had the greatest impact on predicting utilitarian attitudes.

H2 was tested using two separate OLS regression equations with NONATTRIBUTE and ATTRIBUTE as the independent variables, GENDER as a covariate, with HEDONIC as the dependent variable in the first equation, and UTILITARIAN as the dependent variable in the second equation. The OLS regression equation in part one (R Square = .338) determined that NONATTRIBUTE is the dominant predictor of HEDONIC ($\beta_{NAB} = .460$, $p = 0.000$), while ATTRIBUTE does not have a significant effect on HEDONIC ($\beta_{AT} = .107$, $p = 0.316$) (see Table 15), which is consistent with Homer (2008). GENDER also had a significant effect on HEDONIC (β_{GEN} = .140, p = 0.007). Further explanation of the results will be presented in the discussion section.

The second OLS regression equation (R Square = .434) determined that ATTRIBUTE is the dominant predictor of UTILITARIAN (β_{AB} = 0.445, p = 0.000). NONATTRIBUTE also had a significant effect on UTILITARIAN (β_{NAB} = 0.222, p = 0.016), but this effect was not as strong as that of ATTRIBUTE. Once again, GENDER had a significant impact on UTILITARIAN (β_{GEN} = .106, p = 0.028) (see Table 15) Therefore, H2 is supported, lending support to the Homer (2008) model. Additional analysis and comparisons of the findings from this study and Homer (2008) will be undertaken in the discussion section.

H3a was tested using OLS regression (R Square = .366) with independent variables ATTRIBUTE, NON-ATTRIBUTE, dummy variables for IMAGE (0 = Low Image, 1 = High Image) and PERFORMANCE (0 = Low Performance, 1 = High Performance), the tour two-way interaction variables between the two belief scales and manipulation dummy variables, two three-way interaction terms between the belief scales and the interaction of the dummy variables (ie. ATTRIBUTE x Performance Dummy x Image Dummy) and GENDER as a covariate. Contrary to results reported by Homer (2008), and failing to support H3a, the only variables with a significant impact on HEDONIC were IMAGE (β_{IM} = .556, p = 0.016) and GENDER (β_{GEN} = .153, p = 0.004) (see Table 16). No interaction variables were significant.

H3b was tested utilizing the same independent variables as listed above for H3a, also utilizing OLS regression (R Square = .469). The results from this regression support H3b, as the only significant effects on UTILITARIAN were ATTRIBUTE (β_{AT} = .434, p = 0.048) and GENDER (β_{GEN} = .108, p = 0.027) (see Table 17). No interaction variables were significant; meaning that the effects of attribute brand beliefs on utilitarian attitudes were not dependent on image or performance levels, replicating the results found by Homer (2008).

H4a and *H4b* were tested in a manner consistent with that used in Homer (2008). Planned comparisons using Tukey's LSD tests in place of Duncan post-hoc tests determined that for Hedonic attitudes, both the mismatch conditions had the greatest effect on attitudes and that the Low Performance/Low Image condition exerts the strongest effect of all conditions (M_{LPLI} = 5.2237 versus M_{HPHI} = 4.3631, p = 0.001), supporting H4a (see Table 18). Contrary to H4b, where utilitarian attitudes were expected to be unaffected by image and performance levels, the test revealed significant differences between mismatch and match conditions, and again the Low Performance/Low Image condition had the greatest effect on consumer perceptions of their utilitarian attitudes (M_{LPLI} = 4.9778 versus M_{HPHI} = 3.0207, p = 0.000) (see Table 19). Thus, in the case of H4b, consumers did not only pay attention to the objective reports of utilitarian attitudes, but rather some aspect of the manipulation, particularly in a mismatch condition, had a significant effect on resulting utilitarian attitudes.

H5 represents the major linkage between the two areas of study that form the basis for this research project. Sirdeshmukh et al (2002) used three antecedents to TRUST: Operational Competence, which is the expertise of the organization in carrying out its stated goals was operationalized as performance, which is a non-biased indicator of how well an organization is performing. Operational Benevolence, which is defined as putting the needs of the customer first, was operationalized as ethical image. The context used allowed for this, as the organization raising or lowering salary levels was intended to mimic an "us vs them" scenario, where higher salaries suggested the organization was only looking out for themselves, and vice versa. The third antecedent, Problem-Solving Orientation, was omitted because it was irrelevant to the study at hand, which is concerned with top management.

Hypotheses 5 through 10 were tested utilizing staged ordinary least squares regression. The first test used the manipulated performance dummy variable, the manipulated image dummy variable, HEDONIC and UTILITARIAN as independent variables, GENDER as a covariate, and TRUST as the dependent variable. The test determined that UTILITARIAN had a significant impact on TRUST ($\beta_{UTIL} = 0.195$, $p = 0.004$), while HEDONIC did not have a significant impact ($\beta_{HED} = -0.066$, $p = 0.304$, ns) (see Table 20). This finding partially supports H5, representing a partial linkage between the original research projects used as a framework for this study. Further discussion of the significance of this linkage will be undertaken in the discussion section of the paper.

To test *H7*, TRUST was added to the OLS regression equation as an independent variable to determine the impact of the equation on VALUE as the dependent variable. The test determined that TRUST has the greatest impact on

VALUE (β_{TR} = 0.624, p = 0.000), supporting H7. Trust also partially mediates the UTILITARIAN-VALUE relationship (β_{UTIL} = 0.139, p = 0.016), which means that any impact of utilitarian attitudes on consumer perceived value is affected by trust, but also suggests that the loyalty model as presented begins before trust in a brand is realized. Full explanation of the results can be seen in Table 21.

The OLS regression equation with LOYALTY as the dependent variable included all previously mentioned independent variables, as well as VALUE and SWITCHING COSTS. Hypotheses H6, H8, H9, and H10 were all supported by the results from this equation. TRUST has a significant positive effect on LOYALTY, supporting H6 (β_{TR} = 0.295, p = 0.007), as does VALUE (β_{VAL} = 0.295, p = 0.000), supporting H8 (See Table 22). Assessing the mediation relationship between TRUST, VALUE, and LOYALTY, the meditation testing procedure modeled by Baron & Kenny (1986) was utilized. According to this procedure, the following steps must be undertaken. The first is that the Predictor variable (TRUST) must significantly impact the Outcome variable (LOYALTY). An independent OLS regression test determined that TRUST significantly impacts LOYALTY (β_{TR} = 0.608, t = 12.758, p = 0.000), which was also supported in H6. The second step is that the Mediator variable (VALUE) must also significantly impact the Outcome variable (LOYALTY), which was supported in H8. The third step in the mediation framework dictates that the Predictor variable (TRUST) must significantly impact the Mediator variable (VALUE), which was supported in H7. If the first three steps in the mediation framework are shown to have significance, then step four can be undertaken, which instructs the researcher to re-run step #1, including the Mediator (VALUE) as a covariate. If the effect of the Predictor variable (TRUST) becomes less significant, partial mediation occurs. If the effect of the Predictor variable becomes non-significant, full mediation occurs. As the first three steps have shown to hold true in H6, H7, and H8, H9 can go straight to the final step of the mediation process, where we find that the impact of TRUST on LOYALTY has been lowered by the inclusion of VALUE (β_{TR} = 0.608 vs β_{TR} = .198, p = 0.007). Since the TRUST-LOYALTY relationship is still significant, we conclude that partial mediation occurs. As a result, H9 is partially supported. The final hypothesis, *H10,* posited that switching costs also had a significant impact on consumer loyalty, specifically that loyalty increased as the consumer perceived higher levels of switching costs. From the same OLS staged regression equation, the impact of SWITCHCOSTS on LOYALTY is significant (β_{SC} = 0.138, p = 0.000), supporting H10 (See Table 22).

Recency

In order to account for recency effects caused by a consumer's last experience with the brand in question, a measure of satisfaction with their last experience was included in the above analyses for the consumer loyalty portion of the model. Last visit satisfaction had significant impacts on the way a consumer reported TRUST (β_{LV} = .607, p = 0.000), VALUE, (β_{LV} = .129, p = 0.021), and LOYALTY (β_{LV} = .296, p = 0.000). These values are reported cautiously, as the last satisfaction measure does not take into account how long ago the consumer last interacted with their bank, nor the nature of the interaction. For example, one participant may have considered their last experience with the bank to be when they visited a bank machine to withdraw cash, while another participant's previous experience may have been much more involved, such as a loan application. The results from the recency measure are interesting, as they suggest that for all of the consumer loyalty model dependent variables, in particular TRUST, the last experience with the bank directly impacts the way a consumer feels and, ultimately, the degree of loyalty they hold for their bank.

Table 1
Pretest Factor Analysis of Ethical Image Scale

Component Matrix	Perceived Ethical Image
Like	0.956
Positive	0.956
Favourable	0.944
Good	0.934

Table 2
Pretest Factor Analysis of Performance Scale

Component Matrix	Perceived Performance
Good	0.871
Quality	0.973
Valuable	0.895

Table 3
Pretest Analysis of Scale Reliabilities

Scale	Cronbach's α
Ethical Image	0.980
Performance	0.947

Table 4
Pretest Means, Standard Deviations, and Cell Sizes

Dependent Variable	Condition	Mean	Standard Deviation	Cell Size
Ethical Image	Low	2.3750	0.8823	12
	High	4.8462	1.7723	13
Performance	Low	3.5128	1.1516	13
	High	5.0833	1.4916	12

Table 5
Pretest t-test of Perceived Ethical Image and Performance Manipulation

Dependent Variable	Mean Difference (High – Low)	t-value	Significance
Ethical Image	2.4712	4.353	$p = 0.000$
Performance	1.5705	2.929	$p = 0.008$

Table 6

Factor Analyses of Main Study Scales

Component Matrix	Ethical Image	Performance	Hedonic Attitude	Utilitarian Attitude
Like/Dislike	0.934			
Negative/Positive	0.952			
Unfavourable/Favourable	0.950			
Bad/Good	0.949			
TVE	94.629			
Very Poor/Very Good		0.921		
Inferior Quality/Superior Quality		0.933		
Worthless/Valuable		0.904		
TVE		91.934		
Fun/Not Fun			0.884	
Exciting/Boring			0.845	
Enjoyable/Not Enjoyable			0.916	
Thrilling/Not Thrilling			0.882	
Delightful/Not Delightful			0.900	
TVE			78.437	
Practical/Not Practical				0.937
Sensible/Not Sensible				0.928
Functional/Not Functional				0.924
Necessary/Unneccessary				0.855
TVE				83.071

Table 6 Continued

Component Matrix	Non-Attribute Brand Beliefs	Attribute Brand Beliefs	Last Visit Satisfaction	Trust
Classy	0.815			
Sophisticated	0.820			
Stylish	0.839			
Good Image	0.836			
High Status	0.713			
Special	0.855			
Fun	0.864			
Exciting	0.854			
Enjoyable	0.913			
Attractive	0.890			
Pleasurable	0.924			
TVE	72.140			
High Quality		0.906		
Reliable		0.951		
Dependable		0.949		
Responsive		0.864		
Worry-Free		0.780		
TVE		79.609		
Highly Unsatisfactory/ Highly Satisfactory			0.945	
Very Unpleasant/ Very Pleasant			0.943	
Terrible/Delightful			0.925	
TVE			87.888	
Very Undependable/ Very Dependable				0.939
Very Incompetent/ Very Competent				0.942
Of Very Low Integrity/ Of Very High Integrity				0.912
Very Unresponsive to Customers/Very Responsive to Customers				0.903
TVE				85.435

Table 6 Continued

Component Matrix	Value	Switching Costs	Loyalty
Very Poor Deal/ Very Good Deal	0.861		
Highly Unreasonable/ Highly Reasonable	0.928		
Not At All Worthwhile/ Very Worthwhile	0.928		
Extremely Poor Value/ Extremely Good Value	0.923		
TVE	82.881		
Time/Effort		0.805	
Cost		0.817	
Hassle		0.824	
TVE		66.489	
Say Positive Things			0.918
Recommend Bank			0.941
Encourage Family			0.936
Post Positive Messages			0.723
Intend Continue Business			0.793
Intend More Business			0.759
TVE			72.1990

Table 7
Alpha Reliabilities of Main Study Scales

Scale	Cronbach's α
Non-Attribute Beliefs	0.959
Attribute Beliefs	0.935
Ethical Image	0.981
Performance	0.954
Hedonic Attitudes	0.931
Utilitarian Attitudes	0.932
Last Visit Satisfaction	0.931
Trust	0.942
Value	0.928
Switching Costs	0.747
Loyalty	0.914

Table 8
Means, Standard Deviations, and Cell Sizes for Main Study Manipulation Checks

Dependent Variable	Condition	Mean	Standard Deviation	Cell Size
Ethical Image	Low	2.5276	1.5489	129
	High	4.1612	1.6525	124
Performance	Low	3.1487	1.3631	138
	High	4.6638	1.3518	115

Table 9
T-Test Results for Main Study Manipulation Checks

Dependent Variable	Mean Difference (High – Low)	t-value	Significance
Ethical Image	1.6336	8.116	p = 0.000
Performance	1.5151	8.836	p = 0.000

Table 10
Cell Sizes for Main Study Conditions

Condition	Cell Size
Low Performance/Low Image	69
Low Performance/High Image	70
High Performance/Low Image	61
High Performance/High Image	54

Table 11
Cell Sizes for Main Study Sample Groups

Sample	Cell Size
Students	88
Professional Group	111
School Support Staff	55

Table 12
Age and Gender Cell Sizes for Main Study

Variable	Condition	Cell Size
Gender	Male	107
	Female	142
Age	18-25	84
	26-35	38
	36-45	48
	46-55	53
	56-65	23
	66 and over	3

*Median age in Manitoba = 39.5, Male : Female Ratio in Manitoba = 49% male, 51% female
Source: 2006 MB Census:
http://www.gov.mb.ca/asset_library/en/statistics/demographics/1951to2006/age_and_gender_1951to2006.pdf

Table 13
Analysis of Variance Table for Performance, Image, and Hedonic Attitudes (H1a)

Source	Sum of Squares	Degrees of Freedom	Mean Square	F-Statistic	p-value
Corrected Model	12.159	3	8.386	5.429	0.001**
Intercept	5716.346	1	5716.346	3700.233	0.000**
Performance	20.359	1	20.359	13.179	0.000**
Image	5.275	1	5.275	3.415	0.066
Performance x Image	0.058	1	0.058	0.037	0.847
Error	384.67	249	1.545		
Total	6254.561	253			
Corrected	409.830	252			

*p < 0.05, **p < 0.01

Table 14
Analysis of Variance Table for Performance, Image, and Utilitarian Attitudes (H1b)

Source	Sum of Squares	Degrees of Freedom	Mean Square	F-Statistic	p-value
Corrected Model	120.439	3	40.146	17.313	0.000**
Intercept	3832.60	1	3832.600	1652.824	0.000**
Performance	62.195	1	62.195	26.822	0.000**
Image	57.716	1	57.716	24.890	0.000**
Performance x Image	1.886	1	1.886	0.813	0.368
Error	577.386	249	2.319		
Total	4673.619	253			
Corrected Total	697.825	252			

*p < 0.05, **p < 0.01

Table 15
Regression Analysis for Variables Predicting Consumer Attitudes (H2)

Dependent Variable	Independent Variable	Unstandardized Beta (B)	Unstandardized Standard Error	Standardized Beta (β)	p-value
Hedonic					
	Non Attribute Beliefs	-.492	.224	-.460	0.000**
	Attribute Beliefs	-.092	.085	-.107	0.277
	Gender	.362	.134	.140	0.007**
Utilitarian					
	Non Attribute Beliefs	-.309	.127	-.222	0.016*
	Attribute Beliefs	-.500	.102	-.445	0.000**
	Gender	.357	.162	.106	0.028*

*$p < 0.05$, **$p < 0.01$,
R Squared for Hedonic = .338, R Squared for Utilitarian = .434

Table 16
Regression Analysis for Variables Predicting Hedonic Attitudes Across Conditions (H3a)

Variable	Unstandardized Beta (B)	Unstandardized Standard Error	Standardized Beta (β)	p-value
Non-Attribute Beliefs	-.135	.358	-.126	0.540
Attribute Beliefs	-.272	.206	-.317	0.187
Gender	.395	.138	.153	0.004*
Performance	.189	.548	.074	0.731
Image	1.416	.581	.556	0.016*
Attribute x Performance	.377	.260	.685	0.148
Attribute x Image	.210	.276	.366	0.448
Non-Attribute x Performance	-.513	.283	-.840	0.071
Non-Attribute x Image	-.588	.329	-.950	0.075
Performance x Image	-.858	.967	-.276	0.376
Non-Attribute x Performance x Image	.593	.450	.828	0.189
Attribute x Performance x Image	-.322	.365	-.491	0.378

$p < 0.05$, $^{**}p < 0.01$
R Squared = .366

Table 17
Regression Analysis for Variables Predicting Utilitarian Attitudes Across Conditions (H3b)

Variable	Unstandardized Beta (B)	Unstandardized Standard Error	Standardized Beta (β)	p-value
Non-Attribute Beliefs	-.027	.262	-.020	0.000**
Attribute Beliefs	-.488	.246	-.434	0.048*
Gender	.366	.164	.108	0.027*
Performance	.377	.654	.113	0.564
Image	.813	.694	.245	0.242
Attribute x Performance	.008	.310	.011	0.979
Attribute x Image	.021	.329	.028	0.949
Non-Attribute x Performance	-.252	.337	-.317	0.455
Non-Attribute x Image	-.425	.392	-.526	0.279
Performance x Image	-1.279	1.154	-.316	0.269
Non-Attribute x Performance x Image	.186	.537	.199	0.729
Attribute x Performance x Image	.217	.435	.253	0.619

$p < 0.05$, $^{**}p < 0.01$
R Squared = .469

Table 18
Tukey's HSD Test for Differences Between Conditions for Hedonic Attitudes (H4a)

Condition (I)	Condition (J)	Mean Difference (I-J)	Standard Error	p-value
LP/LI				
	LP/HI	0.3207	0.2116	0.430
	HP/LI	0.6007	0.2192	0.033*
	HP/HI	0.8606	0.2266	0.001**
LP/HI				
	LP/LI	-0.3207	0.2116	0.430
	HP/LI	0.2800	0.2177	0.573
	HP/HI	0.5399	0.2251	0.080
HP/LI				
	LP/LI	-0.6007	0.2192	0.033*
	LP/HI	-0.2800	0.2177	0.573
	HP/HI	0.2599	0.2322	0.678
HP/HI				
	LP/LI	-0.8606	0.2266	0.001**
	LP/HI	-0.5399	0.2251	0.080
	HP/LI	-0.2599	0.2322	0.678

*$p < 0.05$, **$p < 0.01$

Table 19
Tukey's HSD Test for Differences Between Conditions for Utilitarian Attitudes (H4b)

Condition (I)	Condition (J)	Mean Difference (I-J)	Standard Error	p-value
LP/LI				
	LP/HI	1.1338	0.2583	0.000**
	HP/LI	1.1704	0.2685	0.000**
	HP/HI	1.9571	0.2776	0.000**
LP/HI				
	LP/LI	-1.1338	0.2593	0.000**
	HP/LI	0.0366	0.2667	0.999
	HP/HI	0.8232	0.2758	0.016*
HP/HI				
	LP/LI	-1.1704	0.2685	0.000**
	LP/HI	-0.0365	0.2667	0.999
	HP/HI	0.7867	0.2845	0.031*
HP/HI				
	LP/LI	-1.9571	0.2776	0.000**
	LP/HI	-0.8232	0.2758	0.016*
	HP/LI	-0.7867	0.2845	0.031*

*p < 0.05, **p < 0.01

Table 20
Regression Analysis for Variables Predicting Brand Trust (H5)

Variable	Unstandardized Beta (B)	Unstandardized Standard Error	Standardized Beta (β)	p-value
Hedonic Attitudes	.065	.063	.066	0.304
Utilitarian Attitudes	-.148	.051	-.195	0.004*
Performance	-.085	.132	-.033	0.522
Image	.067	.131	.027	0.606
Gender	.231	.129	.090	0.075
Last Visit Satisfaction	.453	.037	.607	0.000**

*p < 0.05, **p < 0.01
R Squared = .408

Table 21
Regression Analysis for Variables Predicting Consumer Perceived Value (H7)

Variable	Unstandardized Beta (B)	Unstandardized Standard Error	Standardized Beta (β)	p-value
Hedonic Attitudes	.073	.051	.076	0.154
Utilitarian Attitudes	-.102	.042	-.139	0.016*
Performance	-.174	.107	-.071	0.106
Image	-.062	.106	-.025	0.559
Gender	.137	.105	.055	0.196
Trust	.624	.054	.646	0.000**
Last Visit Satisfaction	.095	.041	.129	0.021*

*p < 0.05, **p < 0.01
R Squared = .529
R Squared Change = .121, p = 0.000

Table 22
Regression Analysis for Variables Predicting Consumer Loyalty (H6, H8, H9, H10)

Variable	Unstandardized Beta (B)	Unstandardized Standard Error	Standardized Beta (β)	p-value
Hedonic Attitudes	-.014	.056	-.014	0.804
Utilitarian Attitudes	-.038	.046	-.052	0.406
Performance	-.022	.116	-.009	0.851
Image	-.143	.114	-.059	0.209
Gender	-.108	.115	-.043	0.349
Trust	.192	.071	.198	0.007**
Value	.296	.069	.295	0.000**
Switching Costs	.129	.043	.138	0.003**
Last Visit Satisfaction	.214	.041	.296	0.000**

*p < 0.05, **p < 0.01
R Squared = .602
R Squared Change = .073 p = 0.000

Table 23
Results of Hypothesis Tests

Hypothesis	Supported?
1. Performance explains more variance in utilitarian attitudes and image explains more variance in hedonic attitudes	Partial
2. Non-attribute brand beliefs contribute most to predicting hedonic attitudes, whereas utilitarian attitudes are driven by attribute brand beliefs	Yes
3a. Non-attribute brand beliefs impact hedonic brand attitudes more strongly for brands described as suffering from either low image or low perceived quality than for high image or high quality brands	No
3b. Attribute brand beliefs are the dominant predictor of utilitarian attitudes across image and performance levels	Yes
4a. Non-attribute brand beliefs and hedonic attitudes towards brands in a mismatch condition (High Performance/High Image or Low Performance/Low Image) are expected to differ from those in a match condition. The strongest effect is expected in the Low Performance-Low Image condition due to negativity bias.	Yes
4b. Attribute brand beliefs and utilitarian attitudes towards brands are expected to be comparable across image and performance levels	No
5. Both hedonic and utilitarian brand attitudes will have a positive effect on brand trust	Partial
6. Consumer loyalty towards a financial institution will be positively influenced by trust	Yes
7. Perceived value of a financial institution will be positively influenced by the trust a consumer has in the brand	Yes
8. Consumers' loyalty will be positively influenced by their perceived value of their financial institution	Yes
9. Perceived value of the financial institution will fully mediate the relationship between trust and loyalty	Partial
10a. Switching costs will have a positive effect on loyalty	Yes
10b. The effect of switching costs on loyalty will be less than that of either value or trust.	Yes

CHAPTER FIVE

DISCUSSION AND CONCLUSION

I. Discussion

Beginning with the naïve model of consumer loyalty, this research set out to determine whether performance and image had any direct impact on consumer loyalty. If the naïve model was rejected, the secondary goal of this thesis was to determine whether the consumer attitude formation model held up in the context of retail banking. Next, tests were performed to determine whether this model could be paired with traditional consumer-brand relationship marketing literature to form a model of overall loyalty towards brands, starting with attitude formation.

As expected, the aptly named naïve model of consumer loyalty was rejected. Neither image nor performance had any direct impact on consumer loyalty, which suggests that any effect of image and performance on loyalty must be affected by other variables in the consumer loyalty model.

Several expectations were supported by the experiment, while other expectations were not. However, two important findings stood out from the research study. The first is that previous work in attitude formation is lacking, and that the model as presented by Homer (2008) may not be directly applicable to other contexts or industries, particularly commercial banking. The second important finding is that there is a direct carry-over from attitudes to the behaviour model, with utilitarian attitudes having a direct effect on trust and a partially mediated effect on how consumers perceive the value they receive from a brand.

It appears that when discussing attitude formation models, previous research has been remiss by not accounting for the impact of gender. Gender was the only variable found to have a significant impact on both utilitarian and hedonic attitudes, regardless of manipulation condition. However, when the model was extended to include variables from relationship marketing and loyalty literatures, the effect of gender did not carry beyond attitudes. This suggests that although males and females may perceive differences in the actions of a firm that can lead to different attitudes between genders, when it comes to determining loyalty, both genders experience loyalty formation in a similar manner.

The results from the first hypothesis suggest that in the financial services sector, performance is what drives hedonic attitudes as opposed to image, contrary to the work done by Homer (2008). However, this may be explained by the context in which the study was run. Executive salary levels in a person's financial institution may not have as direct an impact on hedonic attitudes as financial performance. Hedonic attitudes are reflective of the pleasure or displeasure someone has from the usage of a brand (Voss et al, 2003, Batra & Ahtola, 1990; Homer, 2008). People have a tendency to be anxious about their finances, and many people worry about them on a daily basis. Financial service performance certainly has an impact on pleasure felt by a consumer as the performance of the bank has a direct impact on how comfortably the consumer can live their everyday life. Poor performance may lead to greater anxiety and less pleasure, with positive performance alleviating anxiety and worry about a person's financial situation.

As well, it was discovered that both performance and image had a significant impact on utilitarian attitudes. The linkage between performance and utilitarian attitudes was expected and posited in the hypothesis section, but the linkage between image and utilitarian attitudes was not. Utilitarian attitudes are derived from how well a brand performs its specific function and the utility derived from it (Voss et al, 2003, Batra & Ahtola, 1990; Homer, 2008). The salary levels paid to top executives may be perceived by the consumer as a function of brand efficiency, and extremely high salaries may suggest to the consumer that those funds would be best allocated to other aspects of the business. In the hypothesis section, it was expected that high executive salaries should be an indicator of high performance, but if the consumer believes that those funds would be better allocated elsewhere, which may include being given back to the consumer in some way (discounts on banking, for example), it would negatively impact utilitarian attitudes.

H2 dealt with the impact of brand beliefs on attitudes, and was supported by the research. Analyzing the direct effects of brand beliefs on attitudes, non-attribute beliefs were the dominant predictor of hedonic attitudes, and attribute beliefs were the dominant predictors of utilitarian attitudes. Absent any indicators or signals of image or performance, what this finding suggests is what was discovered in previous attitude formation research: higher-order non-attribute beliefs affect higher-order attitudes (hedonic) and that functional brand beliefs affect utilitarian attitudes. Non-attribute beliefs do not focus on the brand performing its stated function, but rather on the experiential aspects of the brand relationship, such as the brand being "classy" or "special" and this positive relationship means that consumers derived more pleasure from the usage of a specific bank if it rated high on these beliefs. Likewise, a consumer's utilitarian attitudes towards a bank are derived from how the bank performs their stated function, and beliefs such as "high quality" or "reliable" help to enforce these attitudes.

When the consumer is impacted by signals of image or performance, however, the attitude formation process is altered. Hedonic attitudes are no longer affected to a significant degree by non-attribute beliefs. Rather, attitudes towards a brand are dominated by image signals sent by the company, failing to support H3a. This suggests that depending on the severity of the image signal, previously held beliefs about the brand are suspended, and the consumer makes his/her affective decisions strictly based on image. In this case, when reading about an executive taking additional salary, regardless of how the company was performing, the consumer automatically adjusts his/her hedonic attitude towards the company. No interaction variable was significant, suggesting that this impact of image on hedonic attitudes occurs regardless of image and performance levels. In contrast, supporting H3b, attribute beliefs were the dominant predictor of utilitarian attitudes across image and performance levels, meaning that regardless of signals sent by the company indicating performance or image levels, utilitarian attitudes are primarily driven by previously held attribute brand beliefs.

H4a predicted that hedonic attitudes would be affected to a greater degree if there were a "mismatch" between executive salaries and performance. Specifically, as discussed in the conceptual framework section of this paper, consumers should expect salaries to rise when performance is high, and salaries to fall when performance falls. Also, due to the negativity bias (Homer & Batra, 1994), which states that consumers weight negative information more powerfully than positive information when making decisions, the low performance-high image condition (low performance combined with high salary) was expected to have the greatest impact on how consumers form hedonic attitudes. What was discovered supported H4a, when hedonic attitudes were compared across conditions, consumers reported significant differences between match and non-match conditions, with the greatest effect on hedonic attitudes being reported in the low performance-low image condition. This corroborates Homer's (2008) findings that suggest hedonic attitudes depend on affective cues, such as those found in the mismatch conditions.

H4b predicted that no matter what image/performance condition participants were exposed to, there would not be an impact on consumers and how they reported utilitarian attitudes. However, the same results as those reported in H4a were discovered, namely that utilitarian attitudes were significantly impacted by the signals of image and performance exposed to the consumer. Respondents reported significantly different levels of utilitarian attitudes depending on whether they were placed in a match or mismatch condition. Again, the condition with the greatest impact on utilitarian attitudes was the low performance-low image condition, which reported significantly lower attitudes than all other conditions. In this context, the findings suggest that the combination of firm performance and executive salary has a significant impact on the way the consumer forms attitudes relative to firm efficiency. A potential explanation for the measures is that when image is operationalized as executive salary levels, the consumer may misinterpret this as a function of brand efficiency. If a brand is performing poorly yet continues to increase the salary levels of their top executives, this may suggest to the consumer that the brand is not utilizing available funds in an efficient manner.

The main linkage of the two studies is that utilitarian and hedonic attitudes should impact trust, as it has been determined in previous studies that brand trust is impacted by organizational competence (performance) and organizational benevolence (putting the consumer first). These were expected to be akin to hedonic attitudes, as benevolence should elicit positive affective feelings and attitudes, and utilitarian attitudes are driven by performance, which is an objective measure of how competent an organization is. H5 was partially supported, as utilitarian attitudes had a significant impact on trust, while hedonic attitudes did not. The study results suggest that to build trust in an exchange relationship, it is of greater importance to the consumer that the company is performing in a competent manner as opposed to projecting a positive image. Trust lowers the perceived risk that the company will use their power position to take advantage of the consumer (Morgan & Hunt, 1994; Sirdeshmukh et al, 2002), and repeatedly positive performance reinforces this belief. This linkage was supported by the mediation analysis that determined a significant impact of utilitarian attitudes on loyalty that was eliminated when trust was used as an independent variable in the analysis. What this analysis suggests is that one instance of good performance is not enough in an exchange relationship, but companies should look to build trust through repeated positive performance.

H6, H7, H8, and H9 were all supported by the research as expected, and supports previous research that suggests consumer loyalty is driven primarily by trust and value. After controlling for the mediating effect of value on the trust-loyalty relationship, the impacts of trust and value on consumer loyalty were equal. What this means for managers of financial institutions is that neither trust nor value should take precedence when focusing on the consumer, but rather they should be paid equal attention. Activities to increase consumer loyalty should focus on increasing the perceived value the consumer gets from the relationship and done in such a way that the consumer trusts the bank is doing these activities in the best interests of the consumer, not in such a way that they will take advantage of the consumer. The effect of trust on loyalty is based on the idea that as trust is built, the exchange risk perceived by consumers will be reduced (Morgan & Hunt, 1994). When a consumer trusts their bank, they are more likely to continue the relationship and also go as far as recommending the services of their primary bank to their family and friends. Meanwhile, value's impact on loyalty is fully expected, as value is the primary goal for the consumer in any exchange relationship (Sirdeshmukh et al, 2002), and the greater the value perceived by the consumer, the greater the likelihood that the consumer will continue the exchange relationship.

The results pertaining to the final hypothesis was also as expected: The higher a consumer perceives the cost of switching to be, the less likely they are to change providers for financial services. However, as suggested in the literature, this is more likely to foster inertial loyalty, where a consumer stays with a bank because they don't perceive a way to get out of the relationship. This is not the type of loyalty that is typically sought after in the financial services industry, or any industry for that matter. True loyalty is the main goal of many companies, where a consumer will stay with a provider because they want to and are happy with the service. The highest levels of true loyalty lead to increased share of wallet for the consumer and the likelihood that they will recommend the provider to their family and friends. True loyalty has greater potential to result in additional business for the bank than inertial loyalty because those who are truly loyal become advocates for the bank, while those who are with the bank simply because it's the easiest option or because they don't perceive an easy way to exit the relationship will be much less likely to spread positive word of mouth.

II. Conclusions

This research project began by posing a model of consumer loyalty that was popularized not in academic literature, but by news outlets worldwide during the recession of 2008. This naïve model, which predicted direct impacts of performance and image signals on loyalty, was quickly rejected. By rejecting this model, it suggests that the process from performance and image to loyalty (if there is one) is much more involved.

The design of the thesis study model began by utilizing original model of attitude formation posited by Homer (2008) and replicating it in the context of Canadian financial services providers. The model posited by this thesis extends Homer's original work to pair it with existing knowledge of relationship marketing and consumer-brand relationships to form a comprehensive picture of how attitude changes can affect overall loyalty. However, this particular study contradicted Homer (2008) and found that when any signals of image or performance are absent, consumer attitudes towards their financial institutions are driven first and foremost by their initial brand beliefs. When a consumer begins receiving signals from a company in regards to either performance or loyalty, their utilitarian attitudes are not affected. Rather they are affected by the same attribute brand beliefs that impacted them before. However, hedonic attitudes will be first and foremost affected by the image a company is portraying, and the consumer will ignore any previously held beliefs, at least until the exhaustion of any effect.

This thesis also takes the original consumer attitude formation work a step further by including behaviour. Attitude changes did impact how a consumer trusts their brand, however the effect of one attitude change was not strong enough to directly change a consumer's loyalty. Instead, loyalty was driven primarily by trust and value, which are variables that are typically strengthened by time. The overall effect of these variables consumed any effect that positive or negative attitudes had on loyalty, but the significant impact of attitudes on trust should not be ignored. Over time, the resulting effect on trust may carry over to ultimately affect loyalty.

III. Implications

When comparing the effects of performance and image on how consumers feel and behave relative to their financial institutions, this study suggests the "model" of consumer loyalty posited by news outlets worldwide should be done away with. Neither of the two variables had any sort of direct impact on consumer loyalty. However, one can see why a reporter may jump to the conclusions they did.

When the full attitude formation model is considered, any change in image has an immediate impact on a consumer's hedonic attitudes. This research suggests that during the recession, increases in salary were met with immediate decreases in consumer's hedonic attitudes towards their bank. In other words, when executives chose to take taxpayer bailout money, people were furious.

However, when it comes to predicting loyalty, these hedonic attitudes have no effect. Rather, the traditional loyalty model utilizing trust, value, and switching costs holds in the context of retail banking. Utilitarian attitudes based on a consumer's perception of the functionality and competencies of the brand do carry over to affect the loyalty model. When a consumer perceives a brand to be competent in their stated function, it helps to build the trust a consumer has in the relationship, as well as impacts the value a consumer perceives.

This research project has resulted in interesting results that have a direct effect on both academic research and the way marketing managers should view their consumer-brand relationship initiatives. First, by disconfirming part of the consumer attitude formation model posited by Homer (2008), this thesis suggests that additional research in consumer attitude formation needs to be undertaken, and that researchers need to broaden their thinking to include new variables, such as gender. Secondly, by connecting the two bodies of research, this thesis has set the framework for additional study on a larger loyalty model that captures the consumer-brand relationship from start to finish.

For marketing managers, this research offers a comprehensive view of consumer loyalty in service organizations, and shows that while consumers may have negative opinions and attitudes about things such as executive salaries and how they are tied to performance, in the end, it would seem that these variables are of less concern to the consumer when their own financial situation is at stake. Rather, other factors that are more relevant to the consumer's personal situation, such as the value they receive from the exchange relationship or the trust they have in the brand to do the right thing are more influential in creating loyalty. Managers need to understand that the largest gains stand to be made from activities that increase value and foster a trusting relationship between consumer and brand, rather than focusing on portrayals of positive image, for example.

IV. Limitations

This study was run in multiple groupings in order to obtain as representative a sample as possible to the population as a whole. However, the study was run in one city in Canada and may not be generalizable outside of the population in which it was conducted. Also, the student research was done in a controlled computer lab specifically designed for marketing research studies, while the other two samples were allowed unlimited time and no researcher was present during their taking of the questionnaire. As a result, response rates for these groups differed quite significantly, as did the number of incomplete questionnaires. Future research should be administered to all participants using the same method to avoid any experimental design error, as participants in the student group were allowed to ask clarification questions. Sample groups also differed significantly in the way they reported certain variables. However, this was determined to be due to a gender influence. Replications of this model should be administered to a group that is treated in a more homogeneous manner.

V. Directions for Future Research

This research identifies multiple avenues for future research. Going forward, consumer attitude formation researchers need to expand their thinking to include additional variables such as gender, which had a significant impact on the way consumer attitudes are formed. Future research should pair sociological or psychological research on gender differentials and why they exist with existing knowledge of consumer attitude formation in marketing to get a more comprehensive view of how consumers form attitudes towards the brands they use.

As well, by testing the model in another context, it may be possible that differences between industries may be identified. As mentioned above, the financial services industry is unique due to the high levels of switching costs in place and the effect that financial services providers have on daily lives of consumers. Other industries may not be as sensitive to performance and be influenced more by image and hedonic attitudes, such as those found by Homer (2008) who studied her model in the context of new automobiles.

Another direction that future studies can take is to study the model at a branch or individual level. Some people may be too far removed from how the organization as a whole performs and are primarily concerned with the service and value they receive from their home branch. Generally, how service people perform and act is seen as a function of management orientation and training (Sirdeshmukh et al, 2002) but the unique context of financial services offers an interesting forum for research and discussion on the topic of consumer loyalty.

Consumer loyalty model projects should pay more attention to the recency effect of satisfaction and attempt to quantify just how much impact previous experience has on variables such as brand trust, value, and loyalty. Potential arises for manipulating both how long ago the most recent encounter was, along with the level of involvement the consumer had with the brand during the encounter.

A final avenue for future research would be to explore other manipulations for performance and image. Many financial services providers attempt to cultivate a positive public image through sponsoring charity events, corporate donations, and other sponsorships, such as golf tournaments, arts festivals, etc. It would be interesting to see if these sponsorships and corporate giving have more of an effect on the public as a whole, as they have potential to affect consumers on a more direct level than a manipulation like executive salaries. It may be that consumers would try and align themselves with a company that shares the same intrinsic values as they do.

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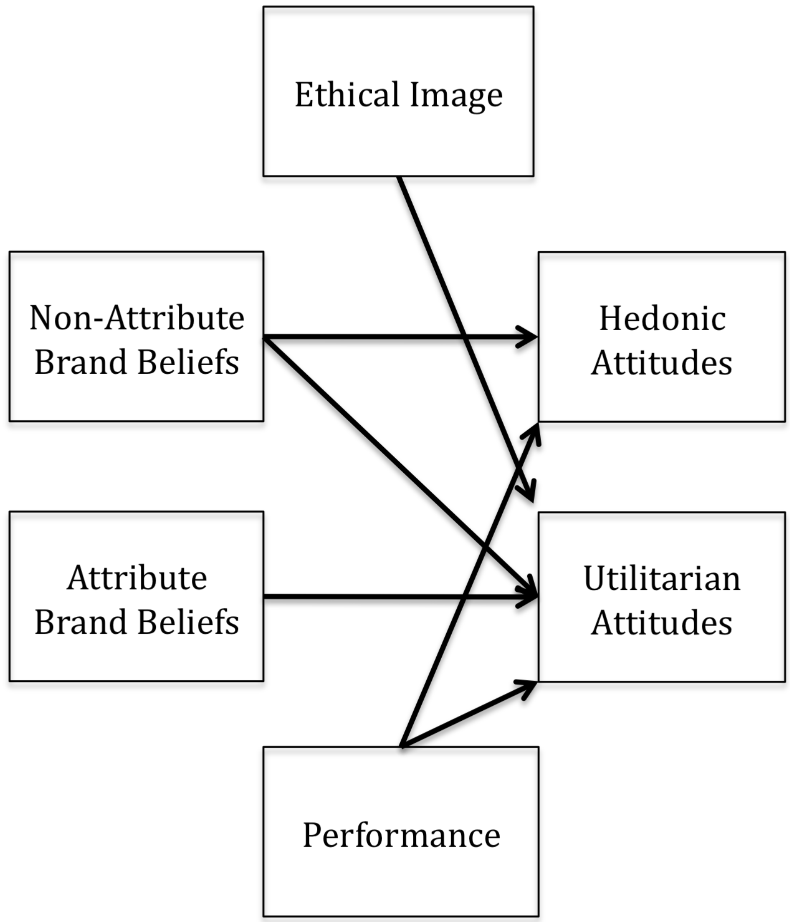
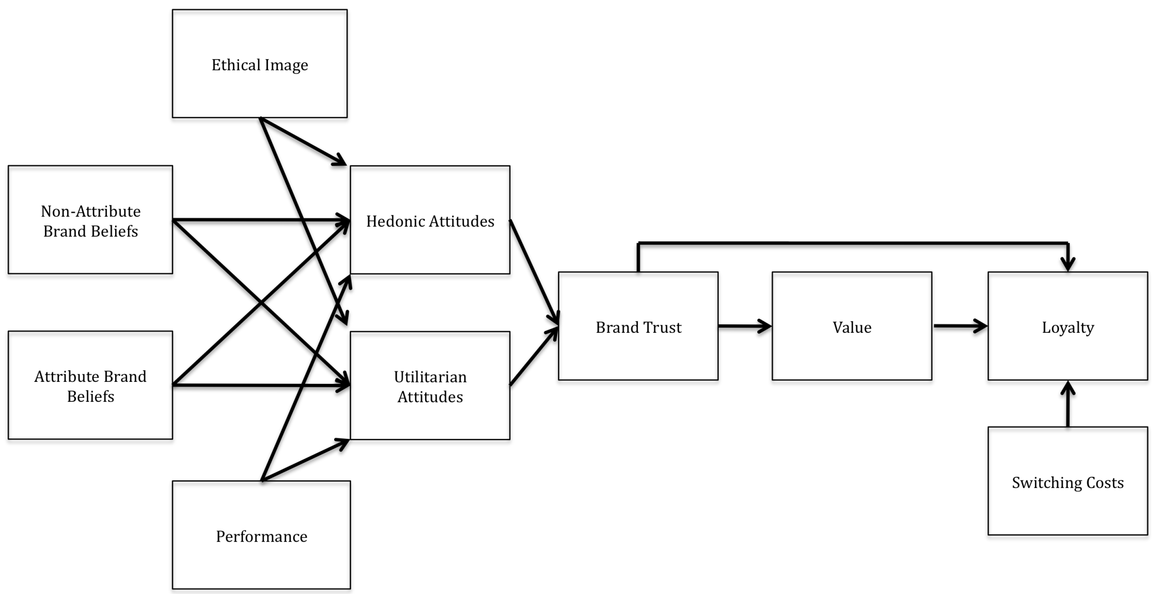
APPENDIX A

Homer (2008) Model Utilizing Current Variables



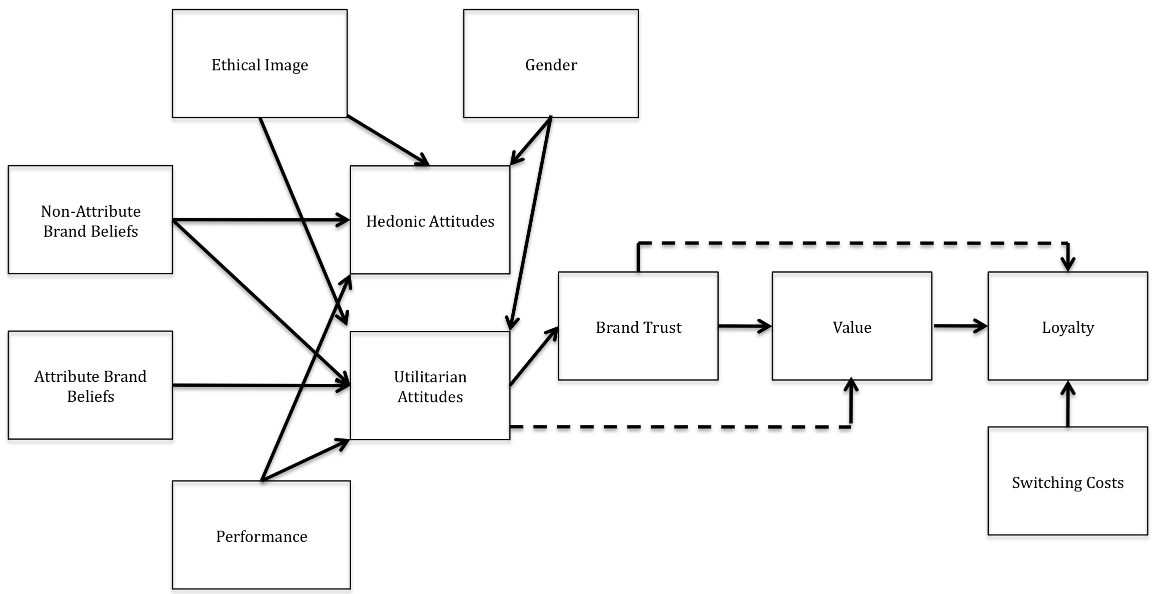
APPENDIX B

Proposed Study Model



APPENDIX C

Full Model With Confirmed Pathways (Partial Pathways are dotted)



APPENDIX D

Main Study Manipulations

Low Image/Low Performance

One major Canadian bank increased pay to their top executives by millions of dollars in compensation and bonuses during the 2008 year. The salaries of top executives of one of this bank went up a total of $8.4 million dollars during the world financial crisis, up from the year before. By comparison, the median family income in Canada declined by almost ten percent while the top executives of this bank received their highest paycheques in the past decade. This bank performed exceptionally poorly in comparison to expectations during the 2008-2009 economic downturn. The bank posted a decrease in net income during the world financial crisis that was well below the industry average. The recession, which many have described as the worst since the Great Depression of the 1930s, saw a large decline in investment and home values, decreasing the net worth of the average consumer by a large margin. Some major companies have required federal assistance payments funded by taxpayers in order to maintain operations. The major Canadian bank assumed more toxic sub-prime mortgage debts from American banks than the industry average, which led to the decrease in net income.

High Image/Low Performance

One major Canadian bank decreased pay to their top executives by millions of dollars in compensation and bonuses during the 2008 year. The salaries of top executives of this bank went down a total of $8.4 million dollars during the world financial crisis, down from the year before. By comparison, the median family income in Canada declined by almost ten percent while the top executives of this bank have received their lowest paycheques in the past decade. This bank performed exceptionally poorly in comparison to expectations during the 2008-2009 economic downturn. The bank posted a decrease in net income during the world financial crisis that was well below the industry average. The recession, which many have described as the worst since the Great Depression of the 1930s, saw a large decline in investment and home values, decreasing the net worth of the average consumer by a large margin. Some major companies have required federal assistance payments funded by taxpayers in order to maintain operations. The major Canadian bank assumed more toxic sub-prime mortgage debts from American banks than the industry average, which led to the decrease in net income.

Low Image/High Performance

One major Canadian bank increased pay to their top executives by millions of dollars in compensation and bonuses during the 2008 year. The salaries of top executives of one of this bank went up a total of $8.4 million dollars during the world financial crisis, up from the year before. By comparison, the median family income in Canada declined by almost ten percent while the top executives of this bank received their highest paycheques in the past decade. This bank performed exceptionally well in comparison to expectations during the 2008-2009 economic downturn. The bank posted an increase in net income during the world financial crisis that was well above the industry average. The recession, which many have described as the worst since the Great Depression of the 1930s, saw a large decline in investment and home values, decreasing the net worth of the average consumer by a large margin. Some major companies have required federal assistance payments funded by taxpayers in order to maintain operations. The major Canadian bank assumed less toxic sub-prime mortgage debts from American banks than the industry average, which led to the increase in net income.

High Image/High Performance

One major Canadian bank decreased pay to their top executives by millions of dollars in compensation and bonuses during the 2008 year. The salaries of top executives of this bank went down a total of $8.4 million dollars during the world financial crisis, down from the year before. By comparison, the median family income in Canada declined by almost ten percent while the top executives of this bank have received their lowest paycheques in the past decade. This bank performed exceptionally well in comparison to expectations during the 2008-2009 economic downturn. The bank posted an increase in net income during the world financial crisis that was well above the industry average. The recession, which many have described as the worst since the Great Depression of the 1930s, saw a large decline in investment and home values, decreasing the net worth of the average consumer by a large margin. Some major companies have required federal assistance payments funded by taxpayers in order to maintain operations. The major Canadian bank assumed less toxic sub-prime mortgage debts from American banks than the industry average, which led to the increase in net income.

APPENDIX E

Research Instrument (High Image, Low Performance Conditions)

Bank Study

Below is an excerpt from an article taken from the Globe and Mail about a Canadian bank and their actions during the 2008 recession. The name of the bank has been omitted to protect their identity. Please read the following article and answer the questions on the other side of the page. Thank you for your participation in this study.

"One major Canadian bank decreased pay to their top executives by millions of dollars in compensation and bonuses during the 2008 year. The salaries of top executives of this bank went down a total of $8.4 million dollars during the world financial crisis, down from the year before. By comparison, the median family income in Canada declined by almost ten percent while the top executives of this bank have received their lowest paycheques in the past decade."

Please imagine that the bank in this article is your primary bank (where you keep your daily chequing account)

Please rate the image of the bank in the article

Dislike	1	2	3	4	5	6	7	Like
Negative	1	2	3	4	5	6	7	Positive
Unfavourable	1	2	3	4	5	6	7	Favourable
Bad	1	2	3	4	5	6	7	Good
Unethical	1	2	3	4	5	6	7	Ethical
Unfair	1	2	3	4	5	6	7	Fair

Please imagine the salaries received were 20% lower than the previous year. Do you consider this:

Unreasonable	1	2	3	4	5	6	7	Reasonable

Undeserved	1	2	3	4	5	6	7	Deserved
Unrealistic	1	2	3	4	5	6	7	Realistic

Please imagine the salaries received were 40% lower than the previous year. Do you consider this:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Undeserved	1	2	3	4	5	6	7	Deserved
Unrealistic	1	2	3	4	5	6	7	Realistic

What is your gender? (circle one)

Male Female

What is your age? ____________

What is your major? ____

Thanks for your participation in this survey!

"A major Canadian bank performed exceptionally poorly in comparison to expectations during the 2008-2009 economic downturn. The bank posted a decrease in net income during the world financial crisis that was well below the industry average. The recession, which many have described as the worst since the Great Depression of the 1930s, saw a large decline in investment and home values, decreasing the net worth of the average consumer by a large margin. Some major companies have required federal assistance payments funded by taxpayers in order to maintain operations. The major Canadian bank assumed more toxic sub-prime mortgage debts from American banks than the industry average, which led to the decrease in net income.

Please imagine that the bank in this article is your primary bank (where you keep your daily chequing account)

Please rate the performance of the bank in the article

Very Poor	1	2	3	4	5	6	7	Very Good
Inferior Quality	1	2	3	4	5	6	7	Superior Quality
Worthless	1	2	3	4	5	6	7	Valuable

Please imagine the decrease in net income totaled 30% less than the previous year. Do you consider this:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Undeserved	1	2	3	4	5	6	7	Deserved
Unrealistic	1	2	3	4	5	6	7	Realistic

Please imagine the decrease in net income totaled 50% less than the previous year. Do you consider this:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Undeserved	1	2	3	4	5	6	7	Deserved
Unrealistic	1	2	3	4	5	6	7	Realistic

What is your gender? (circle one)

Male Female

What is your age? ____________

What is your major? ____

Thanks for your participation in this survey!

APPENDIX F

Main Study Instrument (Low Performance/Low Image Condition)

Please rate your impressions of the following Canadian Financial Institutions

	Very Bad	Bad	Poor	Neither Good nor Bad	Fair	Good	Very Good
Toronto Dominion (TD)	❍	❍	❍	❍	❍	❍	❍
Royal Bank of Canada (RBC)	❍	❍	❍	❍	❍	❍	❍
Scotiabank	❍	❍	❍	❍	❍	❍	❍
Canadian Imperial Bank of Commerce (CIBC)	❍	❍	❍	❍	❍	❍	❍
Bank of Montreal (BMO)	❍	❍	❍	❍	❍	❍	❍

The following is an excerpt taken from an article written in the Globe and Mail's Report on Business Section. Please read the following excerpt and answer the questions that follow. For confidentiality reasons, the name of the bank has been removed.

MAJOR CANADIAN BANK INCREASES EXECUTIVE COMPENSATION IN SPITE OF POOR FINANCIAL RESULTS

One major Canadian bank increased pay to their top executives by millions of dollars in compensation and bonuses during the 2008 year. The salaries of top executives of one of this bank went up a total of $8.4 million dollars during the world financial crisis, up from the year before. By comparison, the median family income in Canada declined by almost ten percent while the top executives of this bank received their highest paycheques in the past decade. This bank performed exceptionally poorly in comparison to expectations during the 2008-2009 economic downturn. The bank posted a decrease in net income during the world financial crisis that was well below the industry average. The recession, which many have described as the worst since the Great Depression of the 1930s, saw a large decline in investment and home values, decreasing the net worth of the average consumer by a large margin. Some major companies have required federal assistance payments funded by taxpayers in order to maintain operations. The major Canadian bank assumed more toxic sub-prime mortgage debts from American banks than the industry average, which led to the decrease in net income.

Please imagine that the bank in the previous article is your primary bank (the bank where you keep your daily chequing account) and answer the following questions.

I think this bank is...

	1	2	3	4	5	6	7	
Fun	❍	❍	❍	❍	❍	❍	❍	Not Fun
Exciting	❍	❍	❍	❍	❍	❍	❍	Boring
Enjoyable	❍	❍	❍	❍	❍	❍	❍	Not Enjoyable
Thrilling	❍	❍	❍	❍	❍	❍	❍	Not Thrilling
Delightful	❍	❍	❍	❍	❍	❍	❍	Not Delightful
Practical	❍	❍	❍	❍	❍	❍	❍	Not Practical
Sensible	❍	❍	❍	❍	❍	❍	❍	Not Sensible
Functional	❍	❍	❍	❍	❍	❍	❍	Not Functional
Necessary	❍	❍	❍	❍	❍	❍	❍	Unnecessary

Please rate the ethical image of the bank in the article

	1	2	3	4	5	6	7	
Dislike	❍	❍	❍	❍	❍	❍	❍	Like
Negative	❍	❍	❍	❍	❍	❍	❍	Positive
Unfavourable	❍	❍	❍	❍	❍	❍	❍	Favourable
Bad	❍	❍	❍	❍	❍	❍	❍	Good

Please rate the performance of the bank in the article

	1	2	3	4	5	6	7	
Very Poor	❍	❍	❍	❍	❍	❍	❍	Very Good
Inferior Quality	❍	❍	❍	❍	❍	❍	❍	Superior Quality
Worthless	❍	❍	❍	❍	❍	❍	❍	Valuable

Please rate the bank in the article on the following items

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Classy	❍	❍	❍	❍	❍	❍	❍
Sophisticated	❍	❍	❍	❍	❍	❍	❍
Stylish	❍	❍	❍	❍	❍	❍	❍
Good Image	❍	❍	❍	❍	❍	❍	❍
High Status	❍	❍	❍	❍	❍	❍	❍
Special	❍	❍	❍	❍	❍	❍	❍
Fun	❍	❍	❍	❍	❍	❍	❍
Exciting	❍	❍	❍	❍	❍	❍	❍
Enjoyable	❍	❍	❍	❍	❍	❍	❍
Attractive	❍	❍	❍	❍	❍	❍	❍
Pleasurable	❍	❍	❍	❍	❍	❍	❍
High Quality	❍	❍	❍	❍	❍	❍	❍
Reliable	❍	❍	❍	❍	❍	❍	❍
Dependable	❍	❍	❍	❍	❍	❍	❍
Responsive	❍	❍	❍	❍	❍	❍	❍
Worry-Free	❍	❍	❍	❍	❍	❍	❍

Please rate how important the following items are to you when relating to your primary bank

	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important
Classy	❍	❍	❍	❍	❍	❍	❍
Sophisticated	❍	❍	❍	❍	❍	❍	❍
Stylish	❍	❍	❍	❍	❍	❍	❍
Good Image	❍	❍	❍	❍	❍	❍	❍
High Status	❍	❍	❍	❍	❍	❍	❍
Special	❍	❍	❍	❍	❍	❍	❍
Fun	❍	❍	❍	❍	❍	❍	❍
Exciting	❍	❍	❍	❍	❍	❍	❍
Enjoyable	❍	❍	❍	❍	❍	❍	❍
Attractive	❍	❍	❍	❍	❍	❍	❍
Pleasurable	❍	❍	❍	❍	❍	❍	❍

High Quality	❍	❍	❍	❍	❍	❍	❍
Reliable	❍	❍	❍	❍	❍	❍	❍
Dependable	❍	❍	❍	❍	❍	❍	❍
Responsive	❍	❍	❍	❍	❍	❍	❍
Worry-Free	❍	❍	❍	❍	❍	❍	❍

Please rate your overall satisfaction with your primary financial institution on the following factors

	Very Dissatisfied	Dissatisfied	Somewhat Dissatisfied	Neutral	Somewhat Satisfied	Satisfied	Very Satisfied
Appearance of the Facility	❍	❍	❍	❍	❍	❍	❍
Appearance of Staff	❍	❍	❍	❍	❍	❍	❍
ATM Hours	❍	❍	❍	❍	❍	❍	❍
Attitude and Behaviour of Tellers	❍	❍	❍	❍	❍	❍	❍
Attitude and Behaviour of Other Staff	❍	❍	❍	❍	❍	❍	❍
Attitude and Behaviour of Customers	❍	❍	❍	❍	❍	❍	❍
Competence and Efficiency of Staff	❍	❍	❍	❍	❍	❍	❍
Decor and Atmosphere	❍	❍	❍	❍	❍	❍	❍
Evening Business Hours	❍	❍	❍	❍	❍	❍	❍
Weekend Business Hours	❍	❍	❍	❍	❍	❍	❍
Layout and Furniture Arrangement	❍	❍	❍	❍	❍	❍	❍
Procedures for Handling	❍	❍	❍	❍	❍	❍	❍

Complaints							
Reliability of Staff	❍	❍	❍	❍	❍	❍	❍
Response to Consumer Feedback	❍	❍	❍	❍	❍	❍	❍
Safety of Bank Location	❍	❍	❍	❍	❍	❍	❍
Size of the Facility	❍	❍	❍	❍	❍	❍	❍
Wait time at ATMs	❍	❍	❍	❍	❍	❍	❍

How satisfying was your last experience with this bank?

	1	2	3	4	5	6	7	8	9	10	
Highly Unsatisfactory	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	Highly Satisfactory
Very Unpleasant	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	Very Pleasant
Terrible	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	Delightful

I feel this bank is

	1	2	3	4	5	6	7	
Very Undependable	❍	❍	❍	❍	❍	❍	❍	Very Dependable
Very Incompetent	❍	❍	❍	❍	❍	❍	❍	Very Competent
Of Very Low Integrity	❍	❍	❍	❍	❍	❍	❍	Of Very High Integrity
Very Unresponsive to Customers	❍	❍	❍	❍	❍	❍	❍	Very Responsive to Customers

For the prices you pay in order to bank with this financial institution, would you say banking with this financial institution is

	1	2	3	4	5	6	7	
Very Poor Deal	❍	❍	❍	❍	❍	❍	❍	Very Good Deal

For the time you spend in order to bank with this financial institution, would you say banking with this institution is

	1	2	3	4	5	6	7	
Highly Unreasonable	❍	❍	❍	❍	❍	❍	❍	Highly Reasonable

For the effort involved in banking with this financial institution, would you say banking with this institution is

	1	2	3	4	5	6	7	
Not at all Worthwhile	❍	❍	❍	❍	❍	❍	❍	Not Worthwhile

How would you rate your overall experience with this financial institution?

	1	2	3	4	5	6	7	
Extremely Poor Value	❍	❍	❍	❍	❍	❍	❍	Extremely Good Value

Please indicate your agreement with the following statements

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
It would take me a great deal of time and effort to get used to a new bank	❍	❍	❍	❍	❍	❍	❍
It would cost me too much to switch to a new bank	❍	❍	❍	❍	❍	❍	❍
It would be a hassle switching to another financial institution	❍	❍	❍	❍	❍	❍	❍

Please indicate your agreement with the following statements

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I would say positive things about my primary financial institution	❍	❍	❍	❍	❍	❍	❍
I would recommend my primary financial institution to those seeking my advice on such matters	❍	❍	❍	❍	❍	❍	❍
I would encourage my family and friends to use my primary financial institution	❍	❍	❍	❍	❍	❍	❍
I would post positive messages about my primary financial institution on Internet or community message boards	❍	❍	❍	❍	❍	❍	❍
I intend to continue to	❍	❍	❍	❍	❍	❍	❍

do business with my primary financial institution							
I intend to do more business with my primary financial institution	❍	❍	❍	❍	❍	❍	❍

What is your gender?

❍ Male

❍ Female

Which is your primary bank (the bank where you keep your daily chequing account)?

❍ Toronto Dominion (TD)

❍ Royal Bank of Canada (RBC)

❍ Scotiabank

❍ Canadian Imperial Bank of Commerce (CIBC)

❍ Bank of Montreal (BMO)

❍ Other (please specify) ____________________

How long have you been with your primary bank?

❍ Less than one year

❍ One year to five years

❍ Six years to ten years

❍ More than ten years

How many deposit products (accounts and investments) and credit products (credit cards, loans, mortgages) do you hold with your primary bank?

- ❍ One
- ❍ Two
- ❍ Three
- ❍ Four
- ❍ Five
- ❍ Six
- ❍ Seven or More

What is your current age?

- ❍ Less than 18
- ❍ 18 to 25
- ❍ 26 to 35
- ❍ 36 to 45
- ❍ 46 to 55
- ❍ 56 to 65
- ❍ 66 to 75
- ❍ 65 years and over

What is the highest level of education you have completed?

- ❍ Less than High School
- ❍ High School / GED
- ❍ Some College/University
- ❍ College/University Degree
- ❍ Master's Degree
- ❍ Doctoral Degree

What is your annual income range?

- ❍ Below $20,000
- ❍ $20,000 - $29,999
- ❍ $30,000 - $39,999
- ❍ $40,000 - $49,999
- ❍ $50,000 - $59,999
- ❍ $60,000 - $69,999
- ❍ $70,000 - $79,000
- ❍ $80,000 - $89,999
- ❍ $90,000 or more

What country were you born in? ________________________
What is the primary language you speak at home? ________________________

Thank you for your participation in this survey!