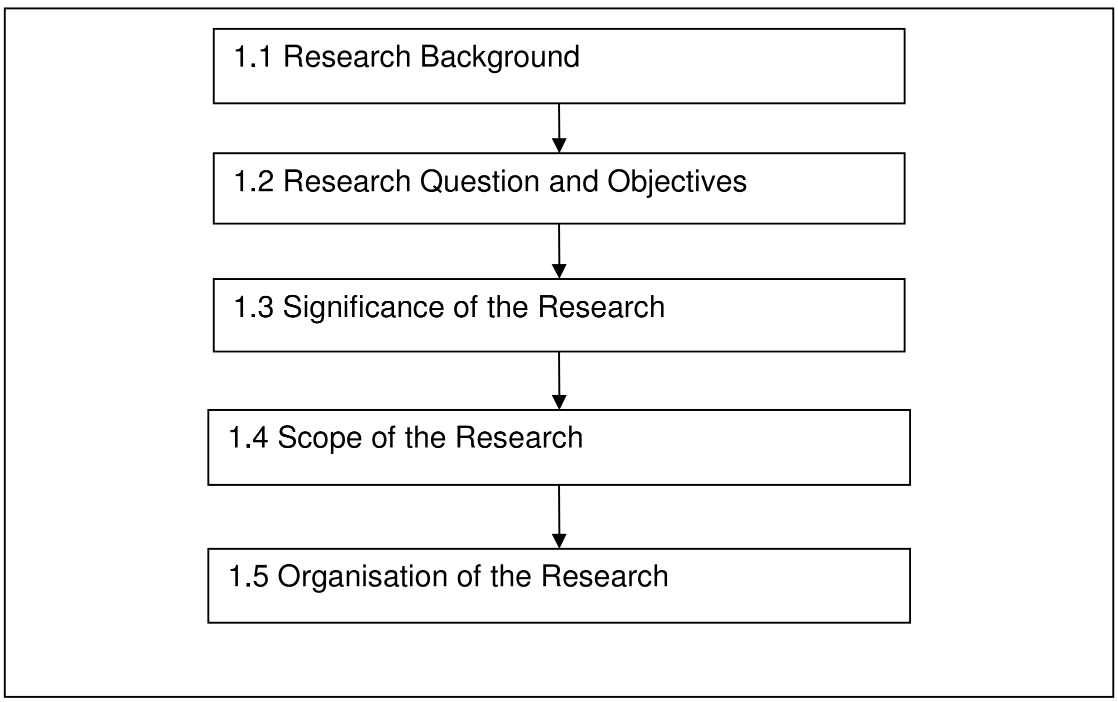
CHAPTER 1: INTRODUCTION

This chapter will be organised according to Figure 1.1. First, the chapter introduces the research background and the core research problem and objectives. Next, it explains the significance of the research and followed by description of the scope of the research. The chapter ends with outlining the organisation of the research.

Figure 1.1
Organisation of Introduction



1.1. Research Background

Pursuit of loyalty as a strategic business goal is a viable move as most business understands the profit impact of having a loyal customer based. Several authors emphasised the positive relationship existing between customer loyalty and business performance (Reichheld and Sasser, 1990; Sheth and Parvatiyar, 1995, Reichheld et al., 2000) while others have noted that the relative costs of customer retention are substantially less than those of acquisition (Fornell and Wernerfelt 1987; Dick and Basu, 1994; Fournier, 1998).

Customer loyalty has become an essential concern and strategic obsession for marketers mainly due to intense competition in today's market place, particularly in service industry. Similar to the financial sectors in many countries, the dual forces of technology and regulation are constantly increasing the pace and altering the nature of competitive activities within the Malaysia financial service industry. The new legislative environment has lowered entry barriers to the sector and blurred the business boundaries between different types of financial services. The technological development has led to the adoption of "high technology" services, such as Internet and mobile services. In a marketplace comprising of new entrants, changing delivery channels and rapidly emerging new services and packages, all players in the financial service sector have had to establish their most viable competitive position.

Jones and Sasser (1995) claimed that providing customers with outstanding value may be the only reliable way to achieve sustained customer loyalty regardless of the competitive environment. Consistently, Reichheld et al., (2000) argued that value creation process is the key to success for any enterprise, as company that has delivered superior value will be able to maintain highest retention rate and earn the best profit.

Traditionally, the focus of all innovation has been on physical aspect of products and services that a company offers. It was a world of certainty in which features and functionality were embedded in the product. This dominant model has been a “firm and product centric” view of value. However, the discontinuous changes brought about by digitisation, ubiquitous connectivity, and convergence of technologies and industry boundaries are taking place in almost every industry including the financial services industry (Prahalad and Ramaswamy, 2003). Consequently, companies relying on the conventional firm and product centric practices find themselves troubled by decreased customer satisfaction and declined profits despite of increasing product variety in defending against an increasingly transforming competitive space (Prahalad and Ramaswamy, 2003).

The emerging reality is that the role of consumers in the industrial system has changed from isolated to connected, from unaware to informed, from passive to active. The net result is that companies can no longer act autonomously, designing products, developing production processes, crafting marketing messages, and controlling sales channels with little or no interference from consumers.

In recent years, marketing theory has evolved around the service-dominant logic developed by Vargo and Lusch (2004). According to this approach, competence (knowledge and skills) is the fundamental unit of exchange, and the resources of the interacting parties are utilised in a co-creation process. Along with this development, Prahalad and Ramaswamy's (2004) proposed that companies should move their focus from creating products/services in anticipation of consumer preference to involving the consumer in the creation of value.

In the firm and product centric model, value was regarded as a ratio between benefit and cost. In the new perspective, value is realized when a product/service is used by the customer. The result then is value in use, or the customer experience, which is co-created and judged by the customer in the customer's own processes and activities (Vargo and Lush, 2004). Thus, "value is now centred in the experiences of consumers" (Prahalad and Ramaswamy, 2004, p.137), rather than embedded in goods and services.

Several researchers argued that value co-creation is considered an important strategy for businesses competing to satisfy personalised demands and to gain competitive advantages in today's fast paced and difficult marketplace (Vargo and Lusch, 2004; Prahalad and Ramaswamy, 2004; Mascarenhad et al., 2004; Zhang and Chen, 2006). Mascarenhed et al. (2006) further argued that distinct marketing offering resulting from high quality interaction between customers and company will elicit positive customer experience that generate sustainable customer loyalty. Kambil et al. (1999) claimed that co-creation adds a new dynamic to the company-customer relationship and it is a new source of value leading to a rebirth of customer loyalty.

Despite the increasing amount of research on service-dominant logic and value co-creation (Gronroos, 2008; Payne et al., 2008; Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004, 2006, 2008), research on value co-creation is still in an early stage. Further, little empirical research has attempted to bind together the notion of co-creation and customer loyalty in some way or other. This research adopted the service-dominant logic and value co-creation concept put forward by Vargo and Lusch (2004) and Prahalad and Ramaswamy (2004) to analyse the relationship between value co-creation and customer loyalty in the highly complex and competitive financial service market.

1.2. Research Question and Objectives

The primary purpose of this research is to study customer loyalty in financial services from a service-dominant logic perspective. Specifically, the research represents an attempt to resolve the following question: how customer-firm co-creation of value influences customer loyalty in the financial services context.

This research has three objectives. First, it analyses the effect of customer-firm co-creation of value on customer experience in the provision of financial services. Second, it investigates the influence of customer experience derived from value co-creation on customer loyalty. With this second objective, it also studies whether customer experience exists as a mediating factor between value co-creation and customer loyalty. Third, this research examines the impact of attitudinal loyalty on behavioural loyalty in building true customer loyalty in the financial services context, and whether attitudinal loyalty mediates the relationship between customer experience and behavioural loyalty.

1.3. Significance of the Research

This research will make contributions to academic research and practices in financial service industry. First, the analysis builds empirical evidence to validate the theoretical proposition of value co-creation suggested by Vargo and Lusch, (2004) and Prahalad and Ramaswamy (2004).

Second, this research provides some insights for the practitioners. It may help marketers to discover new ways to differentiate their offerings. The findings may also provide ideas and guidelines for marketers who want to adopt value co-creation practices to build and strengthen customer loyalty.

1.4. Scope of the Research

The industry chosen to study these issues is the unit trust industry in Malaysia. Two reasons make this an appropriate choice. First, the unit trust industry is developing rapidly. Statistics in Table 1.1 illustrate that the industry has done extremely well over the past seventeen years. Similar to the other financial services in the country, the dual forces of technology and regulation are generating unprecedented competition for the unit trust companies. Therefore, there is a need for the players to innovate and find new ways of doing things in order to establish their most viable competitive position.

Table 1.1
Key Statistics of Malaysian Unit Trust Industry

	1993	2009	Percent Grow
Net asset value (RM)	28.1 billion	191.7 billion	582%
Bursa Malaysia market capitalization	4%	19.18%	395%
Number of unit trust account holders	5.3 million	14.1 million	166%
Number of funds	43	541	1,158%
Number of unit trust management companies	15	39	160%

Source: Federation of Investment Managers Malaysia (FiMM) Annual Reports and Securities Commission (SC) web site.

The second reason is that unit trust funds as an investment product is viewed as highly complex in nature. It is high in credence quality (Darby and Karni, 1973), and low in search quality (Devlin, 1998). Further, consumers of investment services simply lack of knowledge to assess the technical terms and information of the products and services (Sharma and Patterson, 1999). For these reasons, unit trust investment is a high contact service which required high degree of interaction with the representatives of unit trust companies namely their unit trust consultants and service employees. Therefore, it provides marvellous opportunities for value co-creation, and it will be able to provide meaningful insight into the influences of value co-creation practices on customer loyalty.

1.5. Organisation of the Research

The research consists of five chapters. Chapter one introduces the research background, research problem and objectives, including the scope and significance of the research. Chapter two provides a review of the relevant literature that builds the theoretical foundation of this research. It contains existing literatures related to services marketing, service-dominant logic, value co-creation, customer loyalty and customer experience. This chapter also describes the research problem and objective in more details.

Chapter three describes the development of hypotheses and design of measures. The selections of sample and data collection method are explained in this chapter. It also includes a brief description of the technique used to analyse data. Chapter Four tests the hypotheses developed using data collected from a survey, and present the results of statistical analysis. Chapter Five concludes the research with discussion on the findings, the implications for management and points out the limitations and suggestion for future research directions.

CHAPTER 2: LITERATURE REVIEW

This chapter aims to build the theoretical foundation of this research by reviewing the relevant literature. The review of literature will be organised according to Figure 2.1. First, the researcher reviews the definitions and characteristic of services marketing and considers some critics that lead to the discussion of a new marketing perspective i.e. the service-dominant logic. Second, the chapter explores literatures relating to customer loyalty and customer experience. Next, the researcher considers customer loyalty from the service-dominant logic perspective by putting together the concepts of value co-creation, customer experience and customer loyalty. The chapter ends with describing the research question and objectives.

2.1. Services Marketing

2.1.1. Definitions of Services

Most scholars consider services as activities, deeds or processes, performance, and interaction, not physical objects with embedded qualities in the product features (Solomon et al., 1985; Lovelock, 1991; Edvardsson, 1997; Gronroos, 2001; Zeithaml and Bitner, 2003).

Figure 2.1
Organisation of Literature Review

Parent theory
2.1. Services Marketing

- Definitions of services
- Characteristics of services
- Service-dominant logic
  - Introduction
  - The ten foundational premises
  - The key attributes

Parent theory
2.2. Customer Loyalty

- Benefits of customer loyalty
- Definitions of customer loyalty
  - Behavioural loyalty
  - Attitudinal loyalty
  - True loyalty
- Customer experience and loyalty

Immediate disciplines
2.3. Customer loyalty from a service-dominant logic perspective

- The concept of co-creation
- The dimensions of co-creation
- Co-creation in financial services context
- Co-creation, customer experience and customer loyalty

2.4 Research Question
How customer-firm co-creation of value influences customer loyalty in the financial services context?

2.4 Research Objective

- To analyse the effect of customer-firm co-creation of value on customer experiences in the provision of financial services.
- To investigate the influence of customer experience on customers loyalty, and whether customer experience exists as a mediating factor between value co-creation and customer loyalty.
- To examine the impact of attitudinal loyalty on behavioural loyalty in building true loyalty in the financial services context, and whether attitudinal loyalty mediates the relationship between customer experience and behavioural loyalty.

Several scholars stress the customer's perspective in defining the concept of services. According to Gummesson (1995), consumers do not buy goods or services, but rather purchase offerings that render services, which create value. Gronroos (2001) emphasise three core dimensions in his definition namely activities, interaction and solution to customer problems, he defines services as activities that take place in the interaction between the customer and the service provider to provide solutions to customer problems.

A different approach to defining the concept is suggested by Vargo and Lusch (2004a, b). They define services as "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself" (p. 2). They argue that this definition is more inclusive and that it captures the fundamental function of all business enterprises.

2.1.2. Characteristics of Services

During the past three decades, the services marketing literatures maintained the view that services and goods (physical products) are different, and services were often defined by comparing them with goods by means of the goods-and services dichotomy (Berry, 1980; Edvardsson et al., 2005). As a result, the four characteristics that differentiate goods and services, notably inseparability, intangibility, heterogeneity and perishability have been used not only to build the research field, but also to defend service research when it has been criticized (Edvardsson et al., 2005).

The fundamental difference universally cited by authors is *intangibility* (Bateson 1977; Berry 1980; Lovelock 1981; Rathmell 1966; Shostack 1977a). Services are said to be intangible because they are performances rather than objects. They cannot be touched, seen, felt or tasted in the same manner as goods. Rather, they are experienced, and consumer's judgments about them tend to be more subjective than objective. Bateson (1979) claims that intangibility is the critical goods-services distinction from which all other differences emerge.

The focus of *heterogeneity* is standardisation and quality. The idea is that because humans are involved in the provision of services, services cannot be standardised like goods (Vargo and Lusch, 2004b). The quality and essence of a service can vary from not only among service workers but even between the sale employee's interactions from one customer to another and from one day to another (Langeard et al., 1981; Sasser et al., 1978; Knisely, 1979a).

Inseparability implies that with services, the producer and customer must interact simultaneously for the service to be received, and therefore, unlike goods, services cannot be produced away from and without the "interruption" by the customer of the efficiency of the standardised manufacturing process. (Regan, 1963; Beaven and Scotti, 1990; Zeithaml and Bitner, 2003).

Perishability means that services cannot be saved, stored for reuse at later date, resold, or returned (Bessom and Jackson 1975, Thomas 1978, Edgett and Parkinson 1993; Zeitheml and Bitner, 2003). Since services are performances that cannot be stored, service businesses frequently find it difficult to synchronize supply and demand (Berry, 1980).

However, in a research conducted by Edvardsson et al. (2005) to review the concept and characteristics of service, most of the service experts question the validity and relevance of these characteristics, as they think that these characteristics do not portray the essence of value creation through service in meaningful way, they do not capture the process and interactive nature of services. Further, Vargo and Lusch (2004b) argue that these characteristics have most often been discussed through the lens of the service provider, instead of the lens of the customer (Vargo and Lusch, 2004b).

In terms of *intangibility*, there is often something tangible from the customer's perspective, such as new knowledge, a memorable experience, or something tangible related to possessions or advice of a professional (Shostack, 1977a; Swartz et al., 1992; Beaven and Scotti, 1990; Vargo and Lusch, 2004). The value of the intangible service may actually be tangible for a long time (Edvardsson et al., 2005).

From the customer's perspective, the *heterogeneous* nature of services may be fruitful and necessary for customisation which is often seen as more responsive to customer demand (Beaven and Scotti, 1990; Vargo and Lusch, 2004). Therefore, heterogeneity may contribute to customer value while standardisation may have a negative influence on value creation.

Lovelock and Gummesson (2004) called *inseparability* an oversimplification and argued that many services are partly or largely produced independent of the customer, such as financial and entertainment services. Vargo and Lusch (2004) suggest services are processes overlapping in time and space, involving customers, employees and other parties/actors in a co-production and co-consumption constellation (Vargo and Lusch, 2004).

As for *perishability*, services are stored in systems, buildings, machines, knowledge, and people (Gummesson, 2000). For examples, the ATM is a store of standardised cash withdrawal and the hotel is a store of rooms. Vargo and Lusch (2004b) argue that from a demand perspective, all market offerings are subject to perishability because styles, taste, expectations and consumer need are not static variables regardless of the existence of material content (Vargo and Lusch, 2004b).

The four distinguish service characteristics seem to be a result of the former firm and product-centred paradigm where services were defined in relation to goods and how they should be produced and market (Edvardsson et al., 2005). However, with the emerging service and customer-centred view within management and marketing, service should be used as a perspective. The new focus is not on differences between goods and services, but on how to portray value creation with customer where the customer's perspective is emphasised (Edvardsson et al., 2005). Accordingly, the next section will discuss a new way of portraying service i.e. the service-dominant logic perspective.

2.1.3. Service-Dominant Logic

Traditionally, marketing is characterised as a decision-making activity directed at satisfying the customer at a profit by targeting a market and then making optimal decision on the marketing mix, or the "4Ps" (Kotler, 1967). Thus, competitive advantage was seen to be a function of utility maximization through embedding value in products by superior manipulation of the "4Ps", with an assumed passive consumer in mind (Vargo and Lusch, 2004a).

The idea that "service" could increase competitive advantage was developed upon this goods-dominant conceptual foundation (Vargo and Lusch, 2004). Services (usually plural) represent residual activities, such as aids to the production of goods (Fisk et al., 1993), "value-added" activities (Dixon, 1990), or at best, a particular type (intangible) of product (i.e. "services") and something of a fifth "P" (Booms and Bitner 1981; Christopher et al., 1991), another tools for maximising the value of other products. Value results mainly through manufacturing and other activities realised by the firm, and the customer is exogenous and destroys value through consumption (Ordanini and Pasini, 2008).

In their seminal article published in the Journal of Marketing, Vargo and Lusch (2004a) called for a shift towards a new paradigm in the marketing discipline, i.e. the service-dominant logic. They suggest that the economic world is all about service. That is, all economic entities are service providers to one another. They considers “service” (singular) – a process of doing something (application of knowledge and competencies) for the benefit another party – in its own right, without reference to goods and identifies service as the primary focus of exchange activity (Vargo and Lusch, 2004a).

2.1.3.1. The Ten Foundational Premises of Service-Dominant Logic

Service-dominant logic is grounded in ten foundational premises revised in Vargo and Lusch (2008b); eight of which were initially elaborated in Vargo and Lusch (2004a), the ninth in Vargo and Lusch (2006) and the tenth in Vargo and Lusch (2008b). These are reproduced in Table 2.1 with brief explanation.

Table 2.1
The Ten Foundational Premises of Service-Dominant Logic

Foundational premises		**Explanation/justification**
FP1.	Service is the fundamental basis of exchange	The application of operant resources (knowledge and skills), "service," is the basis for all exchange. Service is exchanged for service.
FP2.	Indirect exchange masks the fundamental basis of exchange	Goods, money, and institutions mask the service-for-service nature of exchange
FP3.	Goods are distribution mechanisms for service provision	Goods (both durable and non-durable) derive their value through use – the service they provide
FP4.	Operant resources are the fundamental source of competitive advantage	The comparative ability to cause desired change drives competition
FP5.	All economies are service economies	Service (singular) is only now becoming more apparent with increased specialization and outsourcing
FP6.	The customer is always a co-creator of value	Implies that value creation is interactional
FP7.	The enterprise cannot deliver value, but only offer value propositions	The firm can offer its applied resources and collaboratively (interactively) create value following acceptance, but cannot create/deliver value alone
FP8.	A service-centered view is inherently customer oriented and relational	Service is customer-determined and co-created; thus, it is inherently customer-oriented and relational
FP9.	All economic and social actors are resource integrators	Implies that the context of value creation is networks of networks (resource-integrators)
FP10.	Value is always uniquely and phenomenologically determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning-laden

Source: Adapted from Vargo and Lucsh (2008b)

2.1.3.2. The Key Attributes of Service-Dominant Logic

The differences between a goods-dominant logic and service-dominant logic of marketing can be captured in the seven key attributes below:

i. Operand and Operant Resources

Service-dominant logic shifts the primary focus from operand resources to operant resources (Vargo and Lusch, 2004a). *Operand resources* are usually tangible, static resources that require other, more dynamic resources to act on them to produce an effect; they include factors of production such as raw materials or goods. *Operant resources* are largely dynamic resources used for activating operand resources or other operant resources, such as invisible and intangible variables – firm's core competencies (skills and knowledge), to create value through service provision (Constantin and Lusch, 1994; Vargo and Lusch, 2004a).

In the good-centred view, firms primarily focus on operand resources and are concerned with make-and-sell or productions and distributions. In the service-centred view, firms focus on operant resources and are concerned with sense-and-response in order to create competitive advantage over competitors (Vargo and Lusch, 2004a, 2006). This shift in the primacy of resources has implication on how exchange process, market and customers are perceived and approached.

ii. Primary unit of exchange

Goods-dominant logic is centred in the goods or “product” to include both tangible (goods) and intangible (services) units of output (Vargo and Lusch, 2004a, 2008). The essence of goods-dominant logic is that economic of exchange is fundamentally concerned with units of output that are embedded with value during the manufacturing process, measured in terms of price mechanisms and value-in-exchange (Vargo and Lusch, 2008).

The central tenet of service-dominant logic is that service is the fundamental basis of exchange (FP1) (Vargo, 2004a). That is, service is exchanged for service. People exchange to acquire the benefits of specialised competences, i.e. knowledge and skills (Vargo and Lusch, 2004a). Goods are actually mechanism for service provision (FP3). Therefore, exchange is fundamentally about intangible rather than tangible, which shift marketing focus to providing solution that customer is seeking (Lusch et al., 2006).

iii. Role of goods

Under the goods-dominant logic, goods are operand resources and end products. Marketers take matter and change its form, place, time and possession. In the service-dominant logic, goods are transmitters of operant resources (embedded knowledge); they are intermediate “products” that are used by other operant resources (customers) in their role as appliances in value-creation processes (Vargo and Lusch, 2004a).

iv. Role of customer

Under the goods-dominant logic, the customers are an operand resource, ideally they are separated from producer in order to enable maximum manufacturing efficiency (Vargo and Lusch, 2004a,b). The customer is the recipient of goods, marketers do things to customers; they segment them, penetrate them, distribute to them, and promote to them (Vargo and Lusch, 2004a).

In service-dominant logic, the customer is portrayed to be actively involved as a co-producer of service and co-creator of value (Vargo and Lusch, 2004a; Vargo and Lush, 2008). The customer becomes primarily an operant resources, marketing is a process of doing things in interaction with the customer (Vargo and Lush, 2004, 2008).

v. Determination and meaning of value

In good-dominant logic, value is determined by the producer and distributed to consumers who destroy (consume) it. It is embedded in the goods, and is defined in terms of "value-in-exchange" represented by market price or what the customer is willing to pay (Vargo and Lusch, 2004).

In service-dominant logic, the enterprise can only offer value propositions, and the ultimate value is co-created through the combined efforts of firms, employees, customers, and other entities related to any given exchange. Value is always perceived and determined by the consumer's assessment of "value in use" (Lusch et al., 2006). The notion of value co-creation suggests that “there is no value until an offering is used - experience and perception are essential to value determination” (Vargo and Lusch, 2006, p.44).

vi. Customer oriented and relational

Interactivity, integration, customization, and co-production are the hallmarks of a service-centred view and its inherent focus on the customer and relationship (Vargo and Lusch, 2004a). As a service-centred model is participatory and dynamic, service provision is maximized through an interactive learning process between the enterprise and the consumer. Service provision and co-creation of value imply that exchange is inherently customer oriented and relational (Vargo and Lusch, 2004a).

vii. Financial performance for marketplace feedback

Profit maximisation is not in the vocabulary of service-dominant logic (Lusch et al., 2006). Firms learn from financial outcome as they attempt to better serve customers and improve firm performance (Vargo and Lusch, 2004a). Service-dominant logic embraces market and customer orientation, and a learning orientation. Therefore, financial success is not just an end in itself, but an important form of marketplace feedback about the fulfilment of value propositions (Vargo and Lusch, 2004a, Lusch et al., 2006).

In conclusion, the service-dominant logic is a marketing evolution which shifts from the old paradigm, the firm and product-centred perspective, to a new paradigm, the consumer and service-centred perspective (Vargo and Lusch 2004a). The two most critical distinctions between goods-dominant logic and service-dominant logic are found in the conceptualisation of service, and value and value co-creation. A service-centred perspective disposes of the limitations of thinking marketing in terms of goods taken to market, and points to opportunities for expanding the market by assisting the consumer in the process of value creation. The unique matching of firm capabilities with customer needs, guided by an on-going conversation between them, generates long term customer loyalty and competitive advantage (Vargo et al., 2007).

2.2. Customer Loyalty

2.2.1. Benefits of Customer Loyalty

Research has established many benefits of customer loyalty which have encouraged firms to develop and maintain a loyal customer base (Bove and Mitzifiris, 2007). Loyal customers allocate proportionally more of their budget to their “first choice” company than customers who switch (Knox and Denison, 2000). Loyalty has also been shown to increase customer’s forgiveness following a service failure (Mattila, 2001). In particular, a loyal customer base will generate more predictable sales, steady cash flow and an improved profit stream (Reichheld and Sasser, 1990; Aaker, 1991).

2.2.2. Definitions of Customer Loyalty

Research on customer loyalty has proposed two major perspectives in defining and operationalising customer loyalty, namely behavioural and attitudinal loyalty. (Dick and Basu, 1994; Oliver, 1999; Edvardsson et al., 2000; Reichheld et al., 2000; Chaudhuri and Holbrook, 2001; Gustafsson & Johnson, 2002).

2.2.2.1. Behavioural Loyalty

Traditionally, marketing studies perceived customer loyalty in a behavioural way, defining the concept in terms of the actual purchase observed over a period of time (Mellen et al., 1996; Mittal and Kamakura, 2001). These measures include proportion of purchase (Cunnungham, 1966), probability of purchase (Farley, 1964; Massey et al., 1970), purchase frequency (Brody and Cunningham, 1968), repeat purchase behaviour (Brown, 1952; Reichheld et al., 2000), purchase sequence (Kahn et al., 1986), and multiple aspect of purchase behaviour (Ehrenberg, 1988; DuWors and Haines, 1990). Loyal customers may also become advocates of the company (Hallowell, 1996; Birgelen et al., 1997; Reichheld et al., 2000; Zeithaml, 2000).

As a guiding principle, Reichheld et al. (2000) suggest that “customer repeat purchase loyalty must be the basic yardstick of success”. If a business can successfully achieve repurchase behaviour, then it is on the way to generating customer loyalty. However, the behavioural measures as an indicator of loyalty could be invalid since there might exist other factors that prevent customers from defecting (Day, 1969; Jacoby and Chestnut; 1978; Dick and

Basu, 1994; Oliver, 1999; Reibstein, 2002). Such factors include situational factors (such as stock- out or unavailable, happenstance buying or a preference for convenience), individual or intrinsic factors (such as resistance to change, multi-brand loyal), or social-cultural factors (such as social bonding).

2.2.2.2. Attitudinal Loyalty

Attitude has been defined as a psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour (Eagly and Chaiken, 1993). Attitudinal measures are usually based on surveys at the customer level (Mellen et al., 1996).

Attitudinal loyalty measures are based on attitudinal data to reflect the emotional and psychological attachment inherent in loyalty (Bowen and Chen, 2001). It has been often defined in the context of brand as it captures the cognitive and affective aspects of brand loyalty, such as brand preferences and commitment (Traylor, 1981; Dick and Basu, 1994; Mellens et al., 1996; Gremler and Brown, 1998). The strength of these attitudes is the key predictor of a brand's purchase and repeat patronage (Ajzen and Fishbein, 1977; Amine, 1998; Liddy, 2000; Arrondo et al., 2002) or the likelihood of customers recommending the company to their friends or colleagues (Reichheld, 2003).

2.2.2.3. True Loyalty

The behavioural perspective describes loyalty as repeat patronage but does not reveal the motive that inspires it, so it could be spurious (Dick and Basu, 1994; Reibstein, 2002), based on habit, third person influence, convenience or even random chance (Oliver, 1999).The attitudinal perspective positions loyalty as a desire to continue a relationship with the company, the problem is that intentions are an imperfect representation of behaviour since they do not always lead to actions (Mittal and Kamakura, 2001).

Several researchers argue that there must be a strong "attitudinal commitment" to a brand for true loyalty to exist (Day, 1969; Jacoby and Chesnut, 1978; Dick and Basu, 1994; Mellens et al., 1996; Reichheld, 1996; Rundle-Thiele and Bennett, 2001). Dick and Basu (1994) states that, "customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and their repeat patronage" (p. 99). They suggest that a favourable attitude and repeat purchase were required to define loyalty. Based on a psychological approach including cognitive, affective and conative meaning of loyalty, Oliver (1999), defines loyalty as "A deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour" (p.34). The author summarized the evolution of loyalty by stating that the first stage is the preference for a brand, later followed by commitment to the brand and continued purchasing.

Shoemaker and Lewis (1999) detect that truly loyal customers are customers who feel so strongly that the company can best meet their relevant needs that the company's competition is virtually excluded from the consideration set; these customers buy almost exclusively from the company. This observation implies that 'true' customer loyalty is difficult to build and sustain without including the underlying attitudinal aspects of the customer that drive customer behaviour.

2.2.3. Customer Experience and Loyalty

Companies are searching for new and better ways to create value and differentiate their service offering in order to attract and keep customers, as well as make a profit (Shaw and Ivins, 2002).

About 85% of senior business leaders interviewed in a study agreed that differentiating solely on the traditional physical elements such as quantity, quality, functionality, availability, accessibility, delivery, price and customer support is no longer an effective business strategy, and the new differentiator today is customer experience (Shaw and Ivins, 2002). Mascarenhas et al. (2006) concurs and states that all these physical attributes are considered as givens today; that is, customers take them for granted and feel entitled for them. The authors emphasise that understanding and delivering total customer experience in order to sustain lasting customer loyalty is increasingly important given the pressures of commoditization, globalization and market saturation.

2.2.3.1. Definitions of Customer Experience

Customer experience originates from a set of interactions, direct and indirect, between a customer and a product or a company, throughout the consumption chain which provoke a reaction (internal and subjective) (Johnston and Clark, 2005; Mascarenhas et al., 2006; Meyer and Schwager, 2007; Gentile et al., 2007; Sundbo and Hagedorn-Rasmussens's, 2008). Direct contact generally occurs in the course of purchase, use, and service, and is usually initiated by the customer, and indirect contact concern customers' unplanned encounters with messages sent by a company's products, services, or brands, and take the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews, and so forth.

The outcome of a customer experience could be tangible outputs, value, emotions and judgement and/or intentions (Johnston and Clark, 2005), which is partly in line with other definitions where the outcomes of experiences are described as cognitive, behavioural and emotional response (Edvardsson, 2005, Mascarenhas et al., 2006). In service-dominant logic, customer experience is linked to the concept of value in use for the customer (Vargo and Lusch, 2004a). In this perspective, it is the value perceived and evaluated at the time of consumption.

2.2.3.2. Constructs of Customer Experience

Berry et al. (2006, 2007) proposes that clues that make up a total customer experience fit into two categories. The first is the functional clues concerning the technical quality of the offering. These clues are the “what” of the experience, reflecting the reliability and functionality of the good or service.

The second category includes two types of clues: “mechanics” (clues emitted by things) and “humanics” (clues emitted by people). The mechanic clues come from inanimate objects and offer a physical representation of the intangible service. It include building design, equipment, furnishings, displaying, colours, textures, sounds, smells, lighting and other sensory clues visualise the service, communicating with customer without words. The humanic clues come from the behaviour and appearance of service providers – choice of words, tone of voice, level of enthusiasm, body language, neatness and appropriate dress. Humanic interaction in the service experience provides the primary opportunity to extend respect and esteem to customers and, in doing so, exceed their expectations and cultivate emotional connectivity (Berry et al., 2007). The emotional clues pertain more to “how” the experience is delivered.

Functional and emotional clues play specific role in creating customer’s experience (Berry et al., 2007). Functional clues primarily influence customers’ cognitive or calculative perceptions of service quality. Emotional clues revealing much about an organisation’s commitment to understanding and satisfying customers’ need and wants, they primarily influence customers’ emotional or affective perception. All clue categories are equally important to the customer experience and they work synergistically to influence customer's attitude (thought, feelings) that drive behaviour (Berry et al., 2002, 2007). Mascarenhas et al. (2006) proposes that a high total customer experience will automatically generate high and lasting customer loyalty.

Consistently, service-dominant logic states that customer experience is the individual judgement of the sum total of all the functional and emotional experience outcomes during the user consumption (Vargo and Lusch, 2004). Therefore, it is important for service provider to manage both functional and emotional experience outcomes, and co-create with their users in order that the value proposition is experienced in a way which brings highly perceived value to the user.

2.3. Customer Loyalty from a Service-Dominant Logic Perspective

The service dominant logic perspective changes the role of the customer from being seen as an operand resource, something is done to them by the service firm, to being regarded as an operant resource, someone who does something actively during value co-creation (Vargo and Lush, 2004, 2006). Consistently, one of the key foundational propositions of service-dominant logic is the customer as "always being a co-creator of value" (Vargo and Lusch, 2004), i.e. consumers are thought to be actively involved in the co-production of their consumption experiences and in the co-creation of the value that can be derived from those experiences (Vargo and Lusch, 2004, 2006, 2008).

The Vargo and Lusch (2004 a,b) articles were published at roughly the same time as Prahalad and Ramaswamy's (2004 a,b,c) works that moved the focus of the firm from creating products in anticipation of consumer preference to involving the customer in the creation of value. Prahalad and Ramaswamy point out that the notion of co-creation has largely come about as a consequence of the changing roles of the consumer and the marketer. The authors comment that with the emergence of connected, informed, networked, empowered, and active consumers, who are armed with new tools and dissatisfied with available choices, are now seeking to exercise their influence in every part of the business system, they want to interact and co-create value, not just with one firm but with whole communities of professionals, service providers, and other consumers.

Several authors claim that, involving customers to co-create value is considered an important strategy for businesses to gain competitive advantage in today's fast paced and difficult marketplace. This is because interactivity and doing things with the customer versus doing things to the customer enable firms to place a high priority on understanding and satisfying customer's personalised demands (Vargo and Lusch, 2004; Prahalad and Ramaswamy, 2004; Mascarenhas et al., 2004; Zhang and Chen, 2006).

2.3.1. The Concept of Co-creation

In service-dominant logic, co-creation begins with the premise that the value of the transaction between providers and consumers “can only be created with and determined by the user in the consumption’ process” (Lusch and Vargo, 2006, p. 284). Thus, co-creation of value for providers and consumers occurs during consumption; it is mediated by the product/service on offer, which is described as the value-in-use, or the customer experience (Vargo and Lusch, 2004, 2006).

Prahalad and Ramaswamy (2004a) define co-creation as “engaging customers as active participants in the consumption experience, with the various points of interaction being the locus of co-creation of value” (p. 16). In explaining the concept of co-creation, they focus on experience as the basis of value, and each person’s uniqueness affects the co-creation process and experience.

Co-creation proactively forces a firm to be intensively involved with its customers in the innovation and value creation processes, and leveraging the customer as a source of human capital and knowledge (Vargo and Lusch, 2004). It changes the nature of innovation by shifting the focus from product innovation to experience innovation (Prahalad and Ramaswamy, 2004). Value is now centred in the experience of customers (Vargo and Lusch, 2004; Prahalad and Ramaswamy, 2004).

2.3.2. The Dimensions of Co-creation

Prahalad and Ramaswamy (2004) propose that in co-creation of value, firm must learn as much as possible about customers. The information infrastructure must be centred on the consumers and encourage active participation in all aspects of the co-creation experience, including information search, configuration of products and services, fulfilment, and consumption. Therefore, a system for co-creation of value must be based on the building blocks of consumer-company interaction that facilitate co-creation of experience. Consequently, the authors develop four building blocks: dialogue, access, risk assessment, and transparency (DART), in discussing co-creation as an organisational process.

Dialogue means interactivity, engagement, and a propensity (ability and willingness) to act on both sides. Dialogue is more than listening to customers: it implies sharing, learning and communication between two equal problem solvers. This collaborative dialogue with customers, allows sharing of knowledge and enhancing the levels of understanding and trust. Consequently, creates and maintains a loyal community.

Access begins with information and tools. It is difficult to have meaningful dialogue if consumers do not have the same access to information. The ubiquitous connectivity provided by internet, enable firm to provide its customers with access to information such as the key processes, and products and services. Such facilities help customers to reduce the investment needed to participate effectively in doing business with the firm.

Risk assessment provides considerations on how to manage the risk-benefit proposition of a course of action and decision for both the customer and the firm. Risk refers to the probability of harm to the consumer. If consumers are active co-creators, the main limiting factor will be safety. As consumers will increasingly participate in co-creation of value, they will insist that business inform them fully about risks, providing not just data but appropriate methodologies for assessing the personal and societal risk associated with product and services.

Transparency relates to shared information and information symmetry. Companies have traditionally benefited from exploiting the information asymmetry between them and the individual customer. Asymmetry is rapidly disappearing. Firms can no longer assume opaqueness of prices, costs and profit margins. The immediacy of the internet today means information is ever more widely accessible and companies have little choice but to be transparent in their dealings with customers – particularly if they wish to get their own message across or combat misinformation.

The fundamental of DART model is very much consistent with the Service-dominant logic that calls for a shift to focus on information symmetry and dialogue among stakeholders of a service exchange (Lusch et al., 2006). Service-dominant logic suggests that all exchanges should be symmetric, implying that one does not mislead customers, employees or partners by not sharing relevant information that could enable them to make better and more informed choices. It also stresses that communication should be characterised by conversation and dialogue that should include customers, employees and other relevant stakeholders who may be affected by the service exchange.

2.3.3. Co-creation in Financial Services Context

Financial services are classified as professional service which is often viewed as highly complex, intangible, and highly customized, created and delivered by qualified personnel over a continuous stream of transactions (service encounters) (Crosby et al., 1990). It is high in credence qualities i.e. customers have difficulty in confidently evaluating service quality, even after purchase and consumption, especially in terms of core or “technical” service they receive (Darby and Karni, 1973; Bell and Eisingerich, 2007), It also tend to be low in search qualities, i.e. factors that can be assessed prior to purchase such as features and benefits, may be extremely limited (Devlin, 1998).

Sharma and Patterson (1999) explain that clients of personal financial services simply lack the know-how to, for example, assess levels of risk, and know whether their funds have been invested in appropriate investment vehicles. It is also a situation where the core service (technical performance) only unfolds over time, especially when investments happen to be in long-term financial growth products such as equity trusts, before the true value of the investment advice can be assessed. In such circumstances, customers are being truly asked to rely on and trust the service provider. When service provider and customer are facing high product related performance and monetary risk, value co-creation may be the most suitable process (Kasouf et al., 2008).

Financial service provider and customer have to frequently interact so that the provider can effect a needs assessment and customise financial solutions that suit each customer's individual situation (Sharma and Patterson, 1999; Auh et al., 2007). Customer's involvement leads to increased mutual understanding and the ability of a financial service provider to meet the peculiar need of its customer which results in positive emotional response to service experience (Mohr and Bitner, 1991, Ennew and Binks, 1996).

2.3.4. Co-creation, Customer Experience and Customer Loyalty

Co-creation of value involves personalised interactions that are meaningful and sensitive to a specific consumer. Firm that practices co-creation allows the consumers to have input into the product or service to co-construct the consumption experience that suit their individual context. In the process of consumption, the greatest value to a consumer is the experience of co-creating with the service provider that takes into accounts his or her peculiar circumstance. Such value is a critical factor differentiating one service provider from another (Prahalad and Ramaswamy, 2004).

The concept of co-creation offers a gateway into the mind of consumer. The co-creation process allows the firm to learn more deeply about consumers' aspiration, desires, motivation, behaviours and the agreeable trade-off regarding features and function through personalised and high quality interaction. These abilities enable firms to get new ideas to design and engineer a combination of features that enhances the value of service and ensure a unique customer experience (Prahalad and Ramaswamy, 2004). Such an exercise in co-creation reduces the risk for firm through fostering trust and loyalty (Prahalad and Ramaswamy, 2004).

Study conducted by Zhang and Chen (2006) to examine the mechanism of the value co-creation with customers confirms that the customer-firm interaction enhances the service and customerisation capability of the firm. The more the firm communicates with customers, the more firms know about customers' preferences and needs, the better the firms provide exactly what customers want and design distinct marketing offerings. Such offerings can generate an engaging and enduring experience which in turn has a positive impact on lasting customer loyalty (Gilmore and Pine, 2002; Mascarenhas et al., 2006).

2.4. Research Question and Objectives

The review of literature suggests that there is or should be an association between value co-creation and customer loyalty. Amidst the increasing amount of research on service-dominant logic and value co-creation, little empirical research has attempted to bind together the notion of co-creation and customer loyalty in some way or other. The question is how involving customers in co-creating value with firm in the consumption process influence customer loyalty in the financial services context?

This research has three objectives. First, an analysis is carried out to assess the effect of co-creation on customer experiences in the provision of financial services through value co-creation activities that involve customers as active participants in the service consumption process.

Second, an investigation is undertaken to evaluate the relationship between customer experience and the two perspectives of customer loyalty i.e. attitudinal and behavioural loyalty. This objective is also to study whether customer experience exists as a mediating factor between value co-creation and customer loyalty.

Finally, the research examines the impact of attitudinal loyalty on behavioural loyalty in building true customer loyalty in the financial services context. It also studies whether attitudinal loyalty mediates the relationship between customer experience and behavioural loyalty.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter will be organised according to Figure 3.1. First, the researcher describes the development of hypotheses and proposes the conceptual framework to illustrate the hypotheses suggested. Next, the chapter explains the development of measures, selection of sample and data collection method. Then, it provides a brief description of how data will be analysed and end with addressing ethics in research.

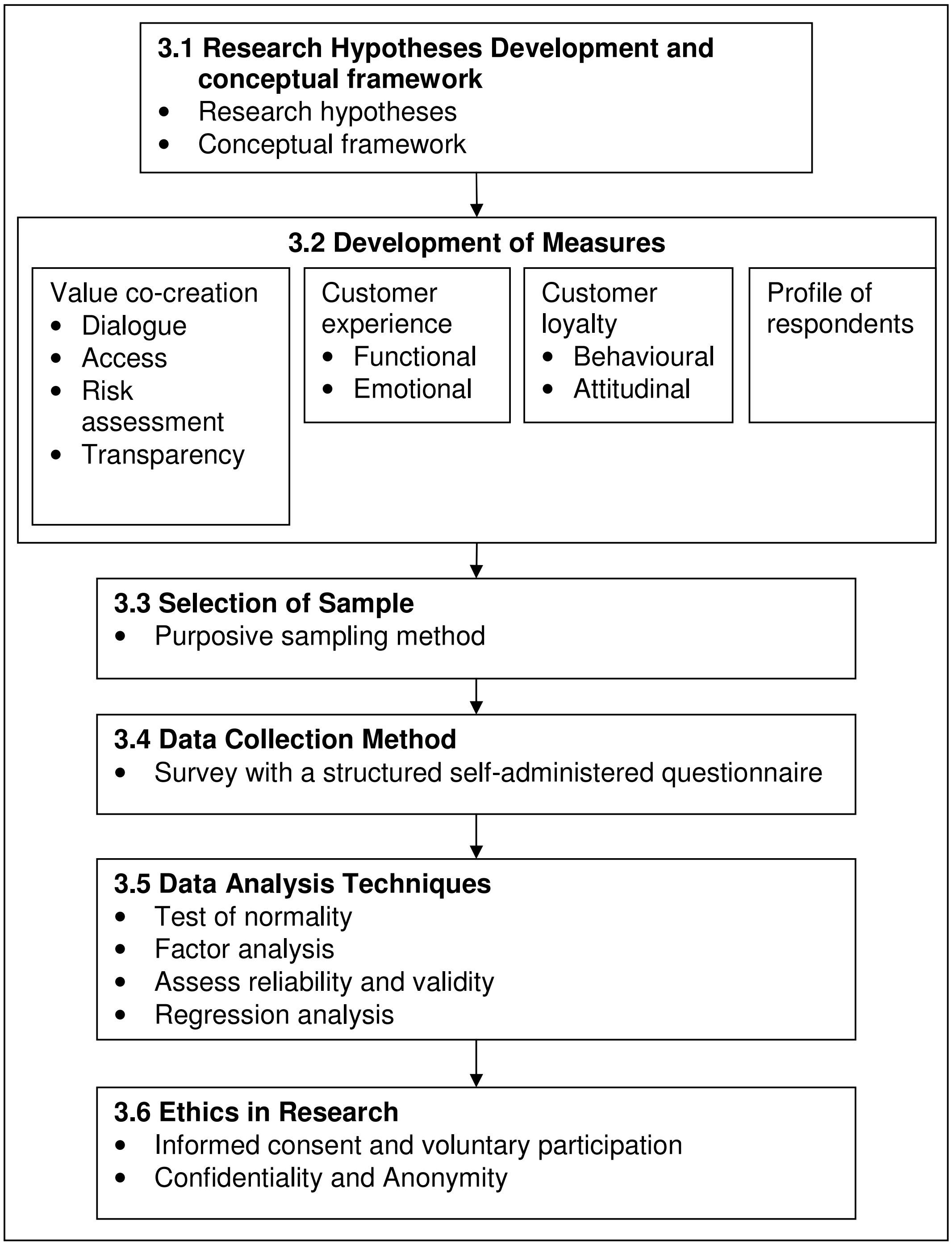
3.1. Research Hypotheses Development and Conceptual Framework

3.1.1. Research Hypotheses Development

As discussed in section 2.3., co-creation involves engaging customers as active participants in the consumption experience. The focus on personalised and high quality interaction between a consumer and the firm in co-creating value enable the firm to learn deeply about customer's preferences and needs, which in turn facilitates the firm to develop market offerings that can generate positive, engaging and enduring customer experience (Prahalad and Ramaswamy, 2004; Zhang and Chen, 2006). Therefore, it is hypothesised that:

H1: Value co-creation relates positively to customer experience.

Figure 3.1
Organisation of Research Methodology



Refer to the discussion in section 2.3.4, the positive, engaging and enduring customer experiences generated through the value co-creation activities during the consumption process can help firm to foster lasting customer loyalty (Prahalad and Ramaswamy, 2004; Gilmore and Pine, 2002; Mascarenhas et al., 2006, Zhang and Chen, 2006). Taking into account the definitions of customer loyalty discussed in section 2.2.2 and the importance of considering both attitudinal and behavioural aspects of loyalty, the researcher proposes that:

H2: Customer experience will positively influence attitudinal loyalty.

H3: Customer experience will positively influence behavioural loyalty.

H4: Customer experience mediates the relationship between value co-creation and attitudinal loyalty.

H5: Customer experience mediates the relationship between value co-creation and behavioural loyalty.

Rundle-Thiele and Bennett (2001) argue that loyalty in services is always based on inertial, where a brand is brought out of habit. Since services are performances not objects, most consumers will perceive higher risk in services than in goods. As a result, buyers are less likely to brand switch, and once they have established a relationship with their service provider, they may be more likely to remain loyal in order to minimise the perceived risk.

Based on these purchasing behaviours in services, many consumers would be considered loyal according to the behavioural definition of loyalty despite their intentions to change to a competing service. This situation is obvious in the financial services, it is easy to incorrectly identify true versus spurious loyal customers because even when a customer can cite dissatisfying experiences, many financial service customers stay with their financial service provider simply because switching is too much of an aggravation (Panther and Farquhar, 2004).

This research adopts the definition of true loyalty discussed in section 2.2.2.3, that is a truly loyal customer must have a positive attitude and a high degree of commitment toward the brand which then develop into behavioural manner (Day, 1969; Jacoby and Chesnut, 1978; Dick and Basu, 1994; Oliver, 1999). Berry et al. (2002, 2007) emphasises that it is the customer's overall experience with an organisation and the goods or services it offers that evoke the perception of value which influence customer's attitude that drive behaviour (Berry et al., 2002, 2007). Therefore, the researcher tests the hypotheses that:

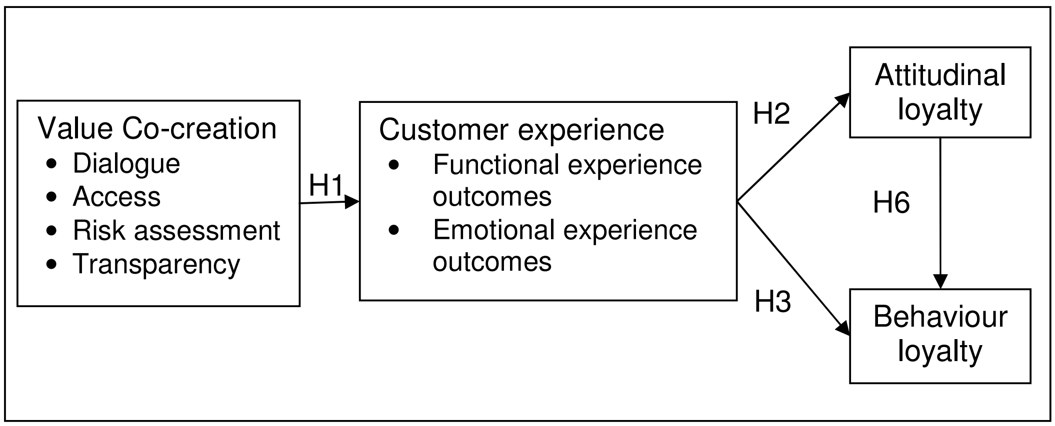
H6: Attitudinal loyalty relates positively to behavioural loyalty

H7: Attitudinal loyalty mediates the relationship between customer experience and behavioural loyalty.

3.1.2. Conceptual Framework

The conceptual framework in Figure 3.2 illustrates the relationship among the variables, namely value co-creation, customer experiences and customer loyalty established based on the seven hypotheses developed.

Figure 3.2
Conceptual Framework



H1: **Value co-creation relates positively to customer experience.**

H2: **Customer experience will positively influence attitudinal loyalty.**

H3: **Customer experience will positively influence behavioural loyalty.**

H4: **Customer experience mediates the relationship between value co-creation and attitudinal loyalty.**

H5: **Customer experience mediates the relationship between value co-creation and behavioural loyalty.**

H6: **Attitudinal loyalty relates positively to behavioural loyalty.**

H7: **Attitudinal loyalty mediates the relationship between customer experience and behavioural loyalty.**

3.2. Development of Measures

The questionnaire consists of four sections structured in the English language. This study adopted multi-item for each construct in order to make better distinctions among respondents over the use of single items (Flynn et al., 1994). Most measures were adopted from previous published works, in the event there was no references to previous published work, the measures were developed from literature specifically for this analysis. The items that measure the value co-creation activities, customer experience, and customer loyalty were structured on a 5-point Likert-type scale that ranged from 1: 'strongly disagree' to 5: 'strongly agree'. The respondents were asked to indicate their agreement with each statement. Appendix A shows the items that comprise each measure.

3.2.1. Value Co-creation Measures

The first section measures value co-creation activities using best practices established based on DART (dialogue, access, risk assessment and transparency) model proposed by Prahalad and Ramaswamy (2004).

3.2.1.1 Dialogue

In the co-creation view, all points of interaction between the company and the consumer are opportunity to foster meaningful dialogue for value creation and extraction. Based on the context of the unit trust industry in Malaysia, dialogue will be measured based on interactions between investor, financial adviser (which will be address as 'unit trust consultant' in the questionnaire), and the unit trust company.

Due to the complex nature and technicality of products and services of investment services, advisers must be effective in communicating with customers to instil confidence and reduce risk perceptions (Sharma and Pattersson, 1999). The content of communication in the financial context of this research focuses on keeping customers informed of investment strategies and portfolio performance, explaining financial concepts and trade-offs, and responding to client requests for information (Sharma and Patterson, 1999). Four items were chosen to measure the communications effectiveness of the adviser; of which two items were adopted from Anderson and Weitz (1992) while the other two items were adopted from Sharma and Patterson (1999).

Customers' involvement in service delivery is of particularly importance in financial services because the ability of a financial service provider to meet the needs of its customer is heavily dependent on the information provided by those customers (Ennew and Binks, 1996). Thus, customer participation at the client/adviser level was measured with a three items scale adopted from Bettencourt's (1997) measure of customer cooperation and participation.

Interaction with company was measured with five items scale developed based on co-creation literature published by Prahalad and Ramaswamy (from 2004 to 2010) to measure the interaction quality between customers and the service employees, as well as the extent of company sharing and learning with the customer through its feedback system.

3.2.1.2. Access

Access was measured using a six items scale developed based on co-creation and service-dominant logic literature published by Prahalad and Ramaswamy (from 2004 to 2010) and Vargo and Lusch (from 2004 to 2009). Three questions were asked to evaluate the accessibility of relevant information that could enable the investor to make better and informed choices. Three questions were asked to consider availability of tools in helping the customer to obtain the relevant information.

3.2.1.3. Risk Assessment

Refer to discussion in section 2.3.3, due to complex nature of financial services, it is important for the service providers to assist their customers in assessing the risk/benefit trade-off to instil confidence and reduce risk perceptions. Risk assessment in this context refers to whether the adviser and company inform the customer fully about risk, providing tools and methodologies to assess and reduce potential risk. It was measured using a five items scales developed based on co-creation literature published by Prahalad and Ramaswamy (from 2004 to 2010).

3.2.1.3. Transparency

Transparency refers to the level of availability and accessibility of product information, prices, charges, risks and returns of the products and services of the company. Five items scale was developed based on literature published by Granados et al., 2008) and Prahalad and Ramaswamy (2004-2010) to measure transparency.

3.2.2 Customer Experience Measures

The second section measures the customer experience by evaluating customer's perception of value in terms of functional and emotional experience outcomes as proposed by Berry et al. (2002, 2007), and Vargo and Lusch (2004).

3.2.2.1 Functional Experience Outcomes

Eight items scale was developed to measure the functional experience outcomes. Three items were adopted from Sharma and Patterson (1999) to evaluate the technical quality relates to actual outcomes of core service as perceived by customer. These items address technical quality in terms of monetary outcome and security of investments. Two items adopted from Gronroos (1988) to measure the technical quality dimension related to serviceability of the service employees. Another three items were adopted from Zhang and Chen (2006) to measure the service and customerisation capability resulted from value co-creation activities.

3.2.2.2. Emotional Experience Outcomes

Seven items scale were used to evaluate the emotional experience outcomes of a customer. These items were adopted from the process-related quality dimensions proposed by Gronroos (1988) to evaluate the adviser and service employees in terms of attitude and behaviour, accessibility and flexibility, reliability and trustworthiness, recovery, and reputation and credibility.

3.2.3. Customer Loyalty Measures

The third section measures the customer loyalty by examining the attitudinal and behavioural loyalty. Attitudinal loyalty was measured with three items adopted from Oliver (1999), and Dick and Basu (2004) evaluating customer's attitude in terms of preference, trust and commitment toward the company. Behavioural loyalty was measured with five items adopted from the behavioural-intentions battery of Zeithaml et al. (1996).

3.2.4. Profile of Respondents

The last section records the demographic information of the respondents, including age, gender, race, gross income level per month, highest education level, occupation, knowledge of investment products and services, number of years investing in unit trust in general and with their preferred unit trust company.

3.3. Selection of Sample

A purposive sampling method (Sekaran, 2007) was used to select the right sample for this research. Purposive sampling is used when it is necessary to obtain information from specific target groups. The sampling here is confined to specific types of people who can provide the desired information, either because they are the only ones who have it, or conform to some criteria set by the researcher.

This research is confined to the unit trust industry in Malaysia, therefore to obtain desired information, only customer who has experience investing in any unit trust fund with at least one unit trust company qualified to participate. This criterion was clearly spelt out at the beginning of the questionnaire. Thus, a purposive sampling method is suitable to ensure that the researcher attracts the correct respondents for the research.

3.4. Data Collection Method

The research was based on the administration of a survey using a structured self-administered questionnaire to address the hypotheses. Questionnaire is an effective data collection mechanism when the researcher knows what is required and how to measure the variables of interest. The main advantage is that the researcher can collect all the completed responses within a short period of time and any doubt the respondents had on any question could be clarify on the spot (Sekaran, 2007).

Pretesting of the questionnaire was conducted by arbitrarily selecting ten customers from the sample. The questionnaire was also sent to a licensed financial planner and some unit trust consultants to elicit their comments or opinion on the content and wording of the instrument and to assess questions for face validity (Sekaran, 2007). Based on their feedback, some wording had been adjusted to suit the appropriateness of the unit trust context.

Personally administering questionnaires and online questionnaire were used as a medium for data collection. Data were collected from a survey conducted among various groups of respondents in Malaysia including the MBA students in University of Malaya, working adults in various offices, clients of some unit trust consultants and online readers of a financial writer.

In the personally administering questionnaire, the researcher first approached the respondents to determine if they qualified for the sample and to elicit interest in the research project. Respondents who qualified and agreed to participate then completed a survey. For the online questionnaire, it began with a cover letter that explained the purpose of the research, the voluntary nature of the participation in the survey, and the confidentiality of information obtained. It also indicated clearly the prerequisite of respondents to participate in the survey in order to obtain the desired data.

The survey was conducted for a period of two weeks from 16 to 31 August 2010. 200 copies of self-administered questionnaire were distributed, and 116 copies were return to the researcher. Approximately 4,600 online questionnaires were disseminated and 185 responses were received.

3.5. Data Analysis Techniques

The data collected from the survey were coded into SPSS version 17.0 for analysis. First, a preliminary analysis was conducted to analyse the descriptive statistic. The normality of the data distribution is determined through skewness and kurtosis level and ensured that it meets the required scores. Then, factor analysis was performed to assess the dimensionality of construct. Next, reliability of data was tested using the cronbach's alpha, and a correlation analysis was conducted to analyse the validity of data.

Following that, regression analysis was employed to test the research hypotheses on the relationships among the variables. The mediating effect of variable was tested using Baron and Kenny four steps (Baron and Kenny, 1986; Judd and Kenny, 1981).

3.6. Ethics in Research

The researcher observed strict ethical responsibilities in conducting this research. Research ethics relating to rights of human subjects in fieldwork, notably the right to informed consent; right to privacy and confidentiality; and right not to be deceived or harmed as a result of participation in the research were emphasised.

The prospective participants were fully informed about the procedures and risks involved in the research and must give their consent to participate in the survey. They were informed that their participation was voluntary and they may readily withdraw at any time. The prospective participants were also assured that their participation will not result in any adverse consequences, and all information provided will be treated with the strictest confidentiality. Finally, this research practiced the principle of anonymity i.e. the participants will remain anonymous throughout the study - even to the researcher.

CHAPTER 4: RESEARCH RESULTS

This chapter analyses and interprets data collected from the respondents. It will be organised according to Figure 4.1. First, the analysis begins with a preliminary analysis which covers the screening and cleaning of data, and descriptive statistics. Next, factor analysis is performed to assess the dimensionality of constructs, followed by checking the reliability and validity of data. Lastly, the researcher describes the statistical techniques used to explore relationships among variables.

Figure 4.1
Organisation of Research Results

4.1 Screening and Cleaning Data

↓

4.2 Descriptive Statistics

↓

4.3 Factor Analysis

↓

4.4 Goodness of Data
- Reliability of measures
- Validity of measures

↓

4.5 Hypotheses Testing
- Value co-creation → customer experience
- Customer experience → attitudinal loyalty
- Customer experience → behavioural loyalty
- Attitudinal loyalty → behavioural loyalty
- Statistical test of mediating variables

↓

4.6 Summary of Research Results

4.1. Screening and Cleaning Data

As discussed in section 3.5, data collection took place over two weeks from 16 to 31 August 2010. In total, 285 fully completed questionnaires were coded into SPSS for data analysis. Out of the 200 hard copies self-administered questionnaire distributed, 116 copies were returned equivalent to a 58% respond rate. A cross validation on the questionnaire was checked to avoid any missing values and questionnaire with more than 20% of items left unanswered was excluded. As a result, 100 sets of the returned hardcopy questionnaire were accepted. For the online survey, approximately 4,600 emails disseminated and 185 fully completed responses were received, equivalent to a 4% respond rate. A data screening process consists of checking, finding and correcting the error was conducted to ensure that all data entered fall within the range of possible values for a variable.

4.2. Descriptive Analysis

4.2.1. Profile of Respondents

Details of the demographic of the respondents are attached in Appendix B. There were 165 males (58%) and 120 female (42%) in the sample, giving a total of 285 respondents. In terms of race, the respondents were mostly Chinese (70%), followed by Malay (18%). The exceptionally high respond rate from Chinese could be due to two reasons. First, the researcher used non-probability sampling approach in attracting respondents could have caused the distribution of questionnaire biased towards a certain race. Second, there may be some misunderstanding between ‘unit trust fund’ and ‘amanah saham' (unit trust funds managed by Permodalan Nasional Berhad and state government) by the Malay investors. Majority of Malay are familiar and invested in 'amanah saham', they could have thought that this survey is not relevant to them if they do not invest in privately managed unit trust funds.

Next, the age of the respondents mostly ranged from 26-55 (247, 87%). This scenario is quite reflective of the unit trust fund investor population because most investors are investing via withdrawal of their Employee Provident Fund (EPF) and they are qualified for such withdrawal at the age of 26 to 55. For gross income per month, the largest number of respondents earned between 2,001 and 5,000 per month (123, 43%), which proved that unit trusts are affordable investment for low to medium income group to gain better opportunity to grow their money. In terms of highest education level, the biggest group was graduate (110, 39%) followed by postgraduate (58, 20%), which reflects that knowledge is crucial to some extent in the purchasing of technical and complex financial services. The occupation of the respondents was quite consistent with their education level. The two biggest group were executive (77, 27%) and manager (70, 25%).

More than half of respondents (150, 53%) have been investing in unit trusts in general for more than five years. More than half of respondents (181, 63%) invested with preferred unit trust company for 1-5 years. It indicates that some of the respondents may have switched to another unit trust company. Majority of the respondents were considered knowledgeable in terms of investment services and products (186, 65%), and experienced in investing (163, 58%).

4.2.2 Normality of Data

Normality test was carried out on each item, and was assessed statistically and graphically. The first and main statistics used were skewness and kurtosis. Statistical results in Appendix C shown that the value of skewness and kurtosis for all variables fell within the range between -2 and 2, consistent with the recommended ranges for normally distributed data (Palaniappan, 2007). The values were slightly negatively skewed which indicated that the scores were clustered at high value. This normality was confirmed by calculating the M-Estimators of the variables (Palaniappan, 2007). The M-Estimator values computed were not significantly difference from mean, 5% trimmed mean and median (Appendix D). Therefore, the distribution of data was considered reasonably normal.

In terms of graphical results, inspection of histogram, the normal probability plots labelled by Normal Q-Q Plots, the Detrended Normal Q-Q Plots for each variable has indicated the normal distribution of data. The result of the boxplot had shown that most of the variables are either negatively or positively skewed. These does not necessary indicate a problem with the scale, but rather reflects the underlying nature of the construct being measured (Pallant, 2005).

Boxplot also identified a small number (4 and below) of outliers in each variable but no extreme points. The researcher used information in the Descriptive table to assess how much of the problem these outlying cases were likely to be by comparing the 5% Trimmed Mean with the original mean. As the two mean values for all the variables are very similar (a difference between 0.02 and 0.08), the researcher had retained these cases in the data file.

4.3. Factor Analysis

Factor analysis was performed to assess the dimensionality of value co-creation and customer experience measures developed based on the conceptual research discussed in section 3.2. Preliminary analyses were first performed to ensure no violation of the assumptions, namely sample size, normality, linearity, outliers, multicollinearity and singularity, and factorability of the correlation matrix. Details of factor analysis are attached in Appendix E.

4.3.1. Classification of Value Co-creation

The 28 items (12 items measured dialogue, 6 items measured access, 5 items measured risk assessment, and 5 items measured transparency) developed to measured value co-creation were subjected to Principal Axis Factoring (PAF). Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaiser-Meyer-Oklin value was .96, exceeding the recommended value of .6 (Kaiser, 1970, 1974) and the Barlett's Test of Sphericity reached statistical significant ($p < .05$). The diagonals of the anti-image correlation matrix were all over .5, supporting the inclusion of each item in the factor analysis.

Principal Axis Factoring revealed the presence of four factors with eigenvalue exceeding 1, explaining a total of 71% of the variance. However, an inspection of the screeplot suggested one predominant factor. To aid in the interpretation of these factors, the researcher has rotated with extraction of four, three and two factors using Varimax and Oblimin rotation to arrive at the solution which generated the most comprehensible factor structure. Finally, Oblimin rotation with a two factor-solution provided the best defined factor structure. The two factors accounted for 61% of the variance. The final factor solution is presented in Appendix E, Table I. Items that have factor loading above .5 (as Hair et al. (1995) suggest this is a reasonable cut-off for a sample size of over 100), and no cross loading were included for analysis. A total of 7 items were deleted due to loading below .5 and/or cross loading, the items were presented in Appendix E, Table II.

A total of 11 items were included in Factor 1, the main loadings were related to access and transparency. It was expected that the items measuring these two dimensions may load on the same factor as they are associated with shared information and information symmetry. Items in this factor were concerned with disclosure of important information pertaining to products/services, processes, prices, fee and charges, risk and return, and accessibility of information pertinent to customers decision making process and investment status. In light of this it was named “information symmetry”.

A total of 10 items were included in Factor 2, the main loadings were related to dialogue and risk assessment. The items were concerned with communication effectiveness, risk assessment, customer's involvement, and interaction with company. Grouping of risk assessment with this factor was appropriate as this activity required extensive communication between adviser and customers to result in the most appropriate investment options peculiar to their risk tolerance level. This factor was labelled "dialogue" as it was associated with interactivity, sharing and communication between the service provider and customers to foster meaningful dialogue for value co-creation.

4.3.2. Classification of Customer Experience

The 15 items (8 items measured functional experience outcomes, 7 items measured emotional experience outcomes) developed to measured customer experience were subjected to Principal Axis Factoring (PAF). Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaiser-Meyer-Oklin value was .95, exceeding the recommended value of .6 (Kaiser, 1970, 1974) and the Barlett's Test of Sphericity reached statistical significant ($p < .05$). The diagonals of the anti-image correlation matrix were all over .5, supporting the inclusion of each item in the factor analysis.

Principal Axis Factoring revealed the presence of two factors with eigenvalue exceeding 1, explaining a total of 76% of the variance. However, an inspection of the screeplot suggested one predominant factor. The researcher has rotated with extraction of two factors using Varimax and Oblimin rotation to arrive at the solution which generated the most comprehensible factor structure. Finally, Oblimin rotation with a one-factor solution provided the best defined factor structure. The one factor accounted for 68% of the variance. The final factor solution is presented in Appendix E, Table III. Item that has factor loading above .5 and no cross loading were included for analysis.

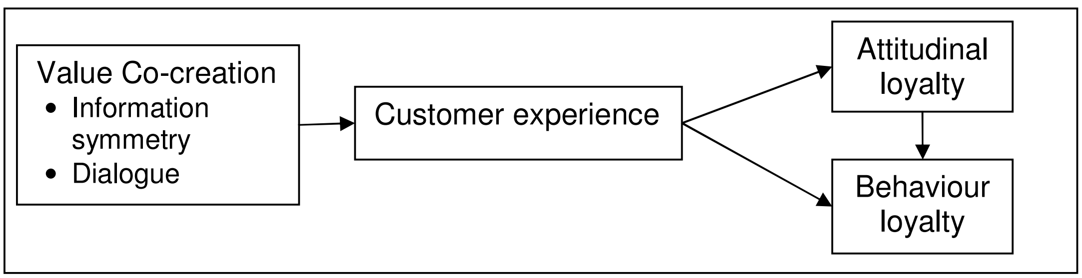
A total of 9 items were included, the rotated factor solution has integrated the functional and emotional experience clues. This is in line with the arguments that all clue categories are equally important and they work synergically (Berry et al., 2007), and stimuli present in a customer experience are typically interactive (Palmer, 2010). The main loadings were related to various service encounters when the customer interact with the company's service employees such as skills and knowledge, attitude and behaviour, reliability and trustworthiness, and the service and customerisation capability of company such as providing broad range of products and services, customised value-added services and offered what exactly the customer wants. This factor was labelled "customer experience".

A total of 6 items were deleted due to loading below .5, the items were presented in Appendix E, Table IV, and were related to technical outcomes and encounter with adviser. One possible explanation may be due to credence properties of financial services and the long time periods required to see the real outcomes, they are not top of mind in influencing customer's evaluation in this context.

4.3.3. Revised Conceptual Framework

Based on the results of factor analysis, the conceptual framework was revised and presented in Figure 4.2. Value co-creation is measured by two dimensions namely information symmetry and dialogue, and customer experience is measured by one construct that has integrated both the functional and emotional experience outcomes.

Figure 4.2
Revised Conceptual Framework



4.4. Goodness of Data

4.4.1. Reliability of Measures

Reliability was assessed by internal consistency using the Cronbach's coefficient alpha and the results are presented in Table 4.1. A reliability test was first conducted to examine the cronbach's alpha for two subscales that made up the value co-creation. The results of reliability showed that all the subscales recorded very high cronbach's alpha, more than 0.90. The subscales were then summed up and another reliability test was carried out to measure the cronbach's alpha of these scales in measuring the construct. The cronbach's alpha for value co-creation based on total scores of the two subscales was 0.94.

Cronbach's alpha for customer experience, attitudinal and behavioural loyalty, were 0.95, 0.95 and 0.96 respectively. The high reliability scores indicate that scales used were highly correlated and all are measuring the same underlying constructs.

Table 4.1
The Results of Reliability

Construct	Subscale	Number of Items	Cronbach's alpha	Composite Reliability
Value co-creation	Information Symmetry Dialogue	11 10	0.94 0.92	0.95
Customer experience		9	0.95	0.95
Attitudinal loyalty		3	0.95	0.95
Behavioural loyalty		5	0.96	0.96

4.4.2. Validity of Measures

Convergent validity can be established when there is high degree of correlation between two different sources responding to the same measure (Sekaran, 2007). Discriminant validity can be established when two distinctly different concepts are not correlated to each other (Sekaran, 2007).

A correlation matrix (Appendix F) was produced to examine the two principles at the same time. Based on observation, majority of the inter-correlations for items that related to the same construct are very high ranging from more than 0.60 to 0.89. Further observation on correlations between measures that reflect different constructs, the inter-correlations for such constructs were lower than the convergent correlations, ranging from a minimum of 0.18 to less than 0.70. Based on the observation, the researcher concluded that the correlation matrix provides evidence for both convergent and discriminant validity as the convergent correlations was always higher than the discriminant ones (Trochim, 2006).

4.5. Hypotheses Testing

Regression analysis was performed to examine the relationship between variables to test the hypotheses. Preliminary analyses were first performed to ensure no violation of the assumptions, namely ratio of cases to independent variables, outlier, multicollinearity and singularity, normality, linearity, homoscedasticity and independence of residual.

4.5.1. Relationship Between Value Co-creation and Customer Experience

A multiple regression was undertaken to investigate the relationship between value co-creation represented by activities listed in two dimensions namely information symmetry and dialogue, with customer experience. Multiple regression was used to explore how well the two dimensions are able to predict customer experience, and which activity is the best predictor of customer experience.

Regression analysis showed that the correlation of value co-creation and customer experience was positive and strong ($R = .84$). All the two independent variables together explained 71% of the variance in customer experience. The regression result was highly significant as indicated by the F-value of 345.27 ($p < .05$). The result supports the first hypothesis that value co-creation is positively related to customer experience.

The Standardised Coefficients represents by Beta value in Table 4.2 explains the contribution of each dimension to the prediction of the customer experience. In this case, information symmetry has the largest beta coefficient (.51), which means that it makes the strongest contribution to explain customer experience, when the variance explained by other variable in the model is controlled for. The Beta value for dialogue was slightly lower (.39), indicating it made less of a contribution. All two independent variables made statistically significant contribution to the prediction of customer experience.

Table 4.2
Result of Regression Analysis for Value Co-Creation on Customer Experience

Dependent variable	Independent variable	Unstandardised coefficients		Standardised coefficients		
		B	Std error	Beta	t	Sig.
Customer experience[a]	Information symmetry	.43	.04	.51	10.73	.000
	Dialogue	.35	.04	.39	8.28	.000

Note: [a]$R^2 = 0.71$, $F = 345.27$, $p < .05$

4.5.2. Relationship Between Customer Experience and Customer Loyalty

Linear regression was undertaken to examine Hypothesis 2 i.e. relationship between customer experience and attitudinal loyalty, and Hypothesis 3 i.e. relationship between customer experience and behavioural loyalty.

Result of regression analysis is presented in Table 4.3. Result showed that the correlation of customer experience and attitudinal loyalty was positive and strong (R = .83). Customer experience explained 68% of the variance in attitudinal loyalty. The result was highly significant as indicated by the F-value of 605.32 ($p < .05$). The result of analysis supports the second hypothesis that customer experience will positively influence attitudinal loyalty.

Table 4.3
Result of Regression Analysis for Customer Experience on Attitudinal Loyalty

Dependent variable	Independent variable	Unstandardised coefficients		Standardised coefficients		
		B	Std error	Beta	t	Sig.
Attitudinal loyalty[a]	Customer experience	.34	.01	.83	24.60	.000

Note: [a]$R^2 = 0.68$, $F = 605.32$, $p < .05$

Another linear regression was performed to examine the relationship between customer experience and behavioural loyalty. Result of regression analysis is presented in Table 4.4. Result showed that the correlation of customer experience and behavioural loyalty was positive and strong (R = .83). Customer experience explained 68% of the variance in behavioural loyalty. The result was highly significant as indicated by the F-value of 610.38 (p <

.05). The result of analysis supports the third hypothesis that customer experience will positively influence behavioural loyalty.

Table 4.4
Result of Regression Analysis for Customer Experience on Behavioural Loyalty

Dependent variable	Independent variable	Unstandardised coefficients		Standardised coefficients		
		B	Std error	Beta	t	Sig.
Behavioural loyalty[a]	Customer experience	.59	.02	.83	24.71	.000

Note: [a] $R^2 = 0.68$, $F = 610.38$, $p < .05$

4.5.3. Relationship Between Attitudinal Loyalty and Behavioural Loyalty

A linear regression was undertaken to examine the relationship between attitudinal loyalty and behavioural loyalty. The regression result showed that the correlation of attitudinal loyalty and behavioural loyalty was positive and strong (R = .91). Attitudinal loyalty explained 83% of the variance in behavioural loyalty. The result was highly significant as indicated by the F-value of 1379.92 ($p < .05$). The results of analysis support the sixth hypothesis that attitudinal loyalty is positively related to behavioural loyalty.

The R^2 on behavioural loyalty for attitudinal loyalty in this research is considered very high when compared with the result of a study conducted for mutual fund industry by Martenson (2006), which the Beta coefficient on behavioural loyalty is .65 for attitudinal loyalty.

One explanation for the high R^2 could be due to items used to measure behavioural and attitudinal loyalty might have overlapping meaning. Further review showed that item 1 (CB1) in behavioural loyalty i.e. “consider this unit trust company as the first choice” may be similar with “prefer to invest with this unit trust company” in attitudinal loyalty. A factor analysis undertaken for the five items in behavioural loyalty revealed that CB1 has the lowest loading. A regression analysis excluding this item was performed, however, the result still showed attitudinal contributed significantly ($F = 1143.30$, $p < .05$) and predicted a large proportion (80%) of the variance in behavioural loyalty. Table 4.5 show the results of both regression analyses.

Table 4.5
Result of Regression Analyses for Attitudinal Loyalty on Behavioural Loyalty

Dependent variable	Independent variable	Unstandardised coefficients		Standardised coefficients		
		B	Std error	Beta	t	Sig.
Behavioural loyalty[a]	Attitudinal loyalty	1.60	.04	.91	37.15	.000
Behavioural loyalty[b]	Attitudinal loyalty	1.27	.04	.89	33.81	.000

Note: ${}^{a}R^2 = 0.83$, $F = 1379.92$, $p < 0.05$; ${}^{b}R^2 = 0.80$, $F = 1143.30$, $p < .05$

a. Regression include CB1; b. Regression exclude CB1

4.5.4. Statistical Test of Mediating Variables

The Baron and Kenney four steps method (Baron and Kenny, 1986; Judd and Kenny, 1981) were used to test the mediation effect. The four steps are:

Step 1: the initial variable (X) must be correlated with the outcome variable (Y), path c.

Step 2: the initial variable (X) must be correlated with the mediator (M), path a.

Step 3: the mediator (M) must be correlated with the outcome variable (Y), holding constant any direct effect of X on Y, i.e. use Y as dependent variable and X and M as predictors in a regression equation, path b.

Step 4: when the effect of X on Y controlling for M (path c') is zero, i.e. X is no longer correlates with Y, M completely mediates X-Y relationship; but when the correlation between X and Y is reduced, M partially mediates X-Y relationship.

First, a multiple regression analysis was performed to investigate whether customer experience is mediating the relationships between value co-creation and the two perspectives of customer loyalty i.e. attitudinal and behavioural loyalty respectively. Based on the result shown in Table 4.6, the first three steps are met which indicates that customer experience is mediating the relationship between value co-creation and customer loyalty. However, Step 4 is not met; this indicates that customer experience has partial mediation effect in this model. As the beta coefficient of path c' is not significantly different from 0, customer experience is considered strongly mediating customer loyalty in this research. The result of analysis supports the fourth hypothesis that customer experience mediates the relationship between value co-creation and attitudinal loyalty, and the fifth hypothesis that customer experience mediates the relationship between value co-creation and behavioural loyalty.

Table 4.6
Path Analysis for Testing Customer Experience as a Mediating Variable

Initial variable	Outcome	Mediator	Path Analysis			
			Step 1	Step 2	Step 3 and 4	
			X→Y	X→M	X and M → Y	
(X)	(Y)	(M)	c	A	b	c’
Value co-creation	Attitudinal loyalty	Customer experience	0.78	0.84	0.84	0.30
Value co-creation	Behavioural loyalty	Customer experience	0.79	0.84	0.84	0.33

Next, another multiple regression analysis was performed to investigate whether attitudinal loyalty is mediating the relationship between customer experience and behavioural loyalty. Based on the result shown in Table 4.7, the first three steps are met which indicates that attitudinal loyalty is mediating the relationship between customer experience and behavioural loyalty. However, Step 4 is not met; this indicates that attitudinal loyalty has partial mediation effect in this model. As the beta coefficient of path c’ is not significantly different from 0, attitudinal loyalty is considered strongly mediating behavioural loyalty in this research. The result of analysis supports the seventh hypothesis that attitudinal loyalty is mediating the relationship between customer experience and behavioural loyalty

Table 4.7
Path Analysis for Testing Attitudinal Loyalty as a Mediating Variable

Initial variable	Outcome	Mediator	Path Analysis			
			Step 1 $X \rightarrow Y$	Step 2 $X \rightarrow M$	Step 3 and 4 X and M $\rightarrow$ Y	
(X)	(Y)	(M)	c	a	b	c'
Customer experience	Behavioural loyalty	Attitudinal loyalty	0.82	0.83	0.91	0.27

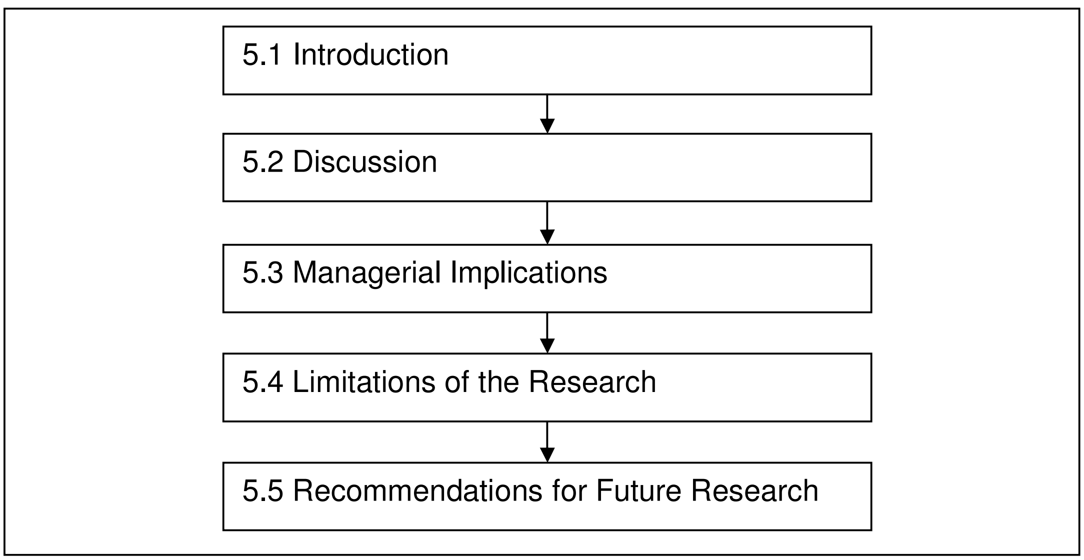
4.6. Summary of Research Results

Results of data analysis support all hypotheses proposed in section 3.1. Value co-creation displayed a significant and positive relationship with customer experience (R = 0.84, $p < .05$), thus supporting H1. Customer experience showed a significant and positive relationship with attitudinal loyalty (R = 0.83, $p < .05$), supporting H2, as well as behavioural loyalty (R = 0.83, $p < .05$) supporting H3. Statistical test for mediating variables showed that customer experience has a strong mediation effect on both perspectives of customer loyalty, thus supporting H4 and H5. Finally, attitudinal loyalty exhibited a significant and positive impact on behavioural loyalty (R = 0.89, $p < .05$), H6 is supported, and statistical test for mediating variable showed that attitudinal loyalty has a strong mediation effect on behavioural loyalty, H7 also supported.

CHAPTER 5: DISCUSSION AND CONCLUSION

This chapter discusses the findings and concludes the research. It is organised according to Figure 5.1. First, the researcher briefly introduces the background and purpose of the research, and then discusses the findings. Next, the chapter discusses the managerial implications, points out the limitations of the research and finally recommends future research directions.

Figure 5.1
Organisation of Discussion and Conclusion



5.1. Introduction

The purpose of this research was to study customer loyalty in the financial services context from a new marketing perspective, namely the service-dominant logic perspective. A central element of service-dominant logic is co-creation i.e. the process of involving the customer in value creation process (Vargo and Lusch, 2004, 2006, 2008). According to service-dominant logic, the ultimate value is co-created with the customer and determined by the customer's assessment of value-in-use or consumption experience.

Concurrently, Prahalad and Ramaswamy (2004 a,b,c) proposed that firms should move their focus from creating products in anticipation of consumer preference to involving the customer in the creation of value. Correspondingly, they emphasise that the basis of value to consumers is their experience. The quality of that experience is dependent on the nature of the involvement the customer has had in co-creating it with the firm. They further state that the unique experience generated through the co-creation activities has a positive impact on customer loyalty. This proposition appears to be consistent with the works of several scholars who stress the importance of managing customer experience from the customer's perspective in building lasting customer loyalty (Berry et al., 2006, 2007; Mascarenhas et al., 2006).

The research question was: how involving customers in co-creating value with firm in the consumption process influences customer loyalty in the financial services context. Accordingly, the research aimed to achieve three objectives. First, to analyse the effect of value co-creation on customer experience in the provision of financial services. Second, to investigate the influence of customer experience evoked from the value co-creation activities on both perspectives of customer loyalty (i.e. attitudinal and behavioural loyalty), and examines the mediating effect of customer experience on customer loyalty. Third, to examine the impact of attitudinal loyalty on behavioural loyalty, and the mediating effect of attitudinal loyalty on behavioural loyalty.

5.2. Discussion

This research extends the understanding of value co-creation and customer loyalty by examining the relative impact of value co-creation on customer experience and customer loyalty in the context of financial services.

The two value co-creation activities namely information symmetry and dialogue displayed significantly strong positive impact on customer experience. This means that the more customers interact with their financial adviser and the company to jointly create value, the more favourable is their experience with the service. The findings are found in consistent with the conceptual research in the field of service-dominant logic and value co-creation. As there is no empirical research has been done in this context, the findings of this research build evidence to validate the concepts of service-dominant logic and value co-creation outlined by Vargo and Lusch (2004), and Prahalad and Ramaswamy (2004).

Between the two value co-creation activities, information symmetry appeared to have the most significant direct impact on customer. The finding support the theoretical concept of value co-creation that emphasises the important of providing customers with the same access to information for meaningful dialogue to take place (Prahalad and Ramaswamy, 2004) and enable them to make better and more informed choices (Lusch et al., 2006).

It also implies that for services characterised as high in credence quality i.e. difficult to evaluate the products and services even after purchase and consumption (Darby and Karni, 1973) and low in search qualities i.e. very limited factors that can be assessed prior to purchase (Devlin, 1998), customers relied highly on extensive information to enable them to effectively interact with the service provider in the value creation process. The most relevant information in this context includes information related to fees and charges, unit prices, company updates, products and services, and risk-return. The findings revealed that companies can enhance customer experience remarkably by ensuring that most relevant information are available and accessible by their customers.

The next most important value co-creation activity was dialogue. This means that the more conversations and interactions that take place between the customer, financial adviser and the service employees of the company, the higher customer's judgement of the experience outcome. The findings suggest that effective conversations and interactions play an important role in achieving strongly positive customer experience in investment services. This is because activities such as professionally explain products and services recommended, effectively assess individual's risk tolerance level, keeping customers informed about their investment status, constantly obtain information and feedback from customers will enhance the capability of company and advisers to provide customised investment solutions and personalised services that meet exactly what the customer wants.

Next, the results provided strong empirical support for the conceptual work that proposed customer experience as a determinant of customer loyalty (Berry, 2002; Mascarenhas et al., 2006; Pine and Gilmore, 1998). The findings suggest that strong and positive customer experience perceived and evaluated during the service consumption is significant in influencing both attitudinal and behavioural perspectives of customer loyalty. The findings also propose that customer experience plays an important mediating role between value co-creation and customer loyalty. This is consistent with the theoretical concept of value co-creation that stresses personalised co-creation experiences as the source of unique value to foster customer loyalty (Prahalad and Ramaswamy, 2004).

The findings reveals that due to the credence properties and long time periods required to see the real outcomes of investment services, technical outcome is not the top of mind in influencing customer's evaluation of service experience in this context. The various service encounters when the customer interacts with the company's service employees and the company's capability in providing exactly what customer want and customised service during value co-creation take on added significance in influencing their attitude and behaviour toward the company.

Lastly, the findings confirm the arguments that attitude and behaviour are consistent in most situations and that attitude is a strong predictor of behaviour (Ajzen and Fishbein, 1977; Arrondo et al., 2002). It upholds the notion that companies should concurrently focus on building attitudinal and behavioural loyalty to achieve true loyalty as proposed by several scholars (Oliver, 1999; Dick and Basu, 1994; Day, 1969; Rowley, 2005). The findings also indicate that attitudinal loyalty plays an important mediating role between customer experience and behavioural loyalty. Therefore, validates Berry's (2002, 2007) argument that it is the customer's experience that evokes the perception of value which influences customer's attitude that drive behaviour.

5.3. Managerial Implications

Several lessons emerge from the findings of this research that might be usefully applied not only to financial service industry, but any consumer professional service that is characterised by high credence properties and technical quality.

First, the findings show that value co-creation contributes substantially to the way in which consumers feel about and evaluate the value of an offering. Customers are a good source of information regarding what they want from a service – they are experts on their own consumption process (Gustafsson, 2010). Thus, companies should focus on the customer's value creation process and aim at leveraging customer competence to create product and service variety that can effectively competes for value.

This being the case, marketers need to systematically research and develop methods and systems to solicit and capture customers' feedback. Such knowledge can provide the breadth and depth of information about customers to guide the company's strategy, and product and service-innovation process in order to keep their offerings attuned to customers' changing needs. Companies can utilise a variety of methods to listen to existing, potential and former customers such as survey, market research, taking full advantage of frontline personnel who interact with customers, organise strategic activities such as bring in customer to participate in product development session.

Second, this research has implications for recruitment and training. Given the high level of interactive nature between customers, the financial advisers and the service employees of the companies, intensive training in interpersonal and communication skills as wells technical skills would seen warranted. This is important to ensure that the contact persons of the companies are competent in dealing with customer's peculiar problem during the value co-creation process as it will critically affect total customer experience outcomes.

Third, the significant of information symmetry implies that company should focus on development of communication devices and tools. Knowing the important of access and transparency of information in value co-creation process, companies should invest in developing innovative and efficient communication devices and tools that provide accurate, timely, adequate and most relevant information in an easily accessible manner to increase the opportunities for value co-creation that can enhance customer experience in the service consumption, for instance, develop an informative and interactive website.

Fourth, manage the differences between expert financial advisers and individual investors in the way investment risks are perceived. Financial advisers are normally more familiar with the products and services, thus they are likely to be less risk averse than individual investors. However, the investors are normally lack of the technical ability to evaluate and measure the investment risk, thus it is common that they have a high degree of perceived risk when dealing with potential investment decision.

A risk communication program can be organised to educate consumers with the aims to enlighten their imprecise risk perception. Fischoff (1995) and Morgan et al. (2002) recommend that effective risk communication in personal financial services should focus on the issues that recipients most need to understand, ensure that the message is understood as intended, and originate from authoritative and trustworthy sources. Simultaneously, it might be sensible for company to train their financial advisers and service employees to better understand individual risk perceptions and consumer behaviour in providing financial services. Such efforts enable the service providers and customer to engage in a two-way process in the management and communication of investment risk which in turn will help the process of co-creating positive investing experience that fosters customer loyalty toward the company.

Lastly, this research also strengthens the argument that companies, particularly in the financial service market, should concentrate on fostering true customer loyalty that evolves from favourable attitude to commitment and continuous purchasing. As discussed in section 3.1, it is easy for the financial service marketers to incorrectly identify true versus spurious loyal customers. Rowley (2005) cautions that firms that go after spurious loyalty find their businesses are often vulnerable to customer churn (switching to the competition). Therefore, it is important for financial marketer to understand these two segments in order to be more effective in using marketing resources.

5.4. Limitations of Research

First, owing to lack of empirical research in the area of value co-creation, particularly in the financial services context, an appropriate scale for value co-creation activities could not be found in the extant literature. Therefore, scales used to measure the four building blocks of co-creation activities were developed based on the researcher's understanding of relevant literature to suit the financial services context. It may not represent the most important value propositions from the customer's perspective. Ideally, a focus group discussion or interview with customers would be more effective to develop a more precise measurement scale. These limitations notwithstanding, they do not detract from the significance of the findings, as indicated by the good reliability and convergent validity results reported.

Next, this research was limited to study customers from only one service context – the financial services, particularly the unit trust industry in Malaysia. Therefore, the findings cannot be generalised to other contexts. This is a common limitation, just as product research is unable to address all possible product classes, this research could not cover all possible service context.

5.5. Recommendations for Further Research

Research in the area of involving customers to co-create value is still in its early stage. The literature on value co-creation largely overlooks the examination of system mechanism. Further research could be explored to examine the mechanism of the co-creation system in the service context in order to define and develop the dimensions that should be measured.

Creating a superior customer experience has been gaining increasing attention from marketers. However, there has been a scarcity of scholarly research on the customer experience constructs. Further research could be explored to identify and describe the key dimensions influencing customer experience that not only confined to functional and emotional evaluation, but covers other components such as social, cultural and physical evaluations in order to develop a robust scale that aims to measure customer experience in its full detail in the service context.

Financial services are high in credence properties, and for most customers are high involvement (Sharma and Patterson, 1999), so value co-creation initiatives are more likely to be perceived by customer as sources of unique value. Hence, the key constructs of this research should be explored and compared across service brands of different types such as those displaying search attributes, experience attributes and credence attributes. Such a comparison may provide important insight into consumer interaction with service brands when comparing services that can be easily evaluated prior to use as opposed to those more difficult to evaluate even after usage.

The sample of this research maintains a business-to-customer focus. The researcher believes that the ideas and framework of this research have potential applications in many settings, including business-to-business and non-profit services. Future research should extend into different settings to determine if the variables shown in this research are of similar relevance during service consumption in other purchasing situations.