How emotions are considered crucial on an Omnichannel banking environment in gaining customer loyalty?

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Abstract

Emotions have been studied in a marketing context for years. However, the rapid change of digital channels and customers' omnichannel behavior emphasize the need to further investigate how emotions are considered to play role in customer satisfaction and through that to customer loyalty. Purpose of this chapter is to study emotions in omnichannel environment, and their contribution to customer loyalty, especially in the context of retail banking.

Introduction

The environment of traditional banks is changing rapidly. New entrants, including non-banking entitities are stepping into the financial market. Banks in the European Union (EU) member countries have been compelled to open their Application Programming Interfaces (API) because of the updated Payment Services Directive (PSD2). New online channels, especially mobile channels and social media, as well as digitalization, have changed customer behavior. The need to be cost-effective has forced banks to close a tremendous number of branches. There is an urgent need for banks to find new revenue channels as well as to retain and acquire profitable customers in this new landscape. The solution cannot merely be to expand digitally by closing more branches and improving online and mobile banking solutions. Banks need to move further into the lives of their customers, not only at the moment of financial transaction (Bush & Moreno 2014). Transformation in the digital age requires both high tech and high touch.

Customer satisfaction is a key marketing construct that has been studied from different perspectives since the early 1980s' and has evolved since that time. It is commonly agreed that customer satisfaction leads to customer loyalty (Shaikh et al., 2018). Loyal customers buy more, they are willing to recommend the company (Word-of-mouth, WOM), and they reduce cost of service, all of which directly and indirectly affects banks' financial outcomes. Emotions, which have been studied in a marketing context for years, are a key element of satisfaction. Research has been done on emotions evoked by marketing stimuli, products, and brands as well as on emotional reactions to advertising and service failures. There seems to be no research showing that emotions do not play an important role in the customers' journey. However, emotions' role in the omnichannel environment among retail banking customers and how they contribute to customer loyalty are not well understood.

The emotional relationship between customers and their banks seems to be weak (Marinkovic & Obradovic 2015), which creates risk for banks in the changing environment. Nevertheless, in the banking sector, emotions have a direct impact on customer satisfaction and thus on customer loyalty (Marinkovic & Obradovic, 2015). Emotionally involved customers are more loyal to their banks, and more satisfied customers maintain longer-lasting relationships with their banks and spread positive comments by word of mouth (Levy and Hino 2016, Marinkovic & Obradovic 2015).

Emotions have been studied for years in the context of marketing. Research has been done on the emotions marketing stimuli, products, and brands evoke (Holbrook & Hirschman 1982); on customers' emotional reactions to advertising (e.g. Derbaix 1995); and on emotions' effects on consumer satisfaction (e.g. Phillips & Baumgartner 2002), complaining (e.g. Stephens & Gwinner 1998), and response to service failures (e.g. Zeelenberg & Pieters 1999, Gohary et al. 2016). However, there does not seem to be research on emotions' impact on the omnichannel environment and thus on customer loyalty and companies' financial performance. Limited research has been done on the banking sector and among omnichannel customers in general.

In an omnichannel environment, customers expect a consistent, uniform, and integrated customer experience, including both online and offline experience when needed. However, research has found that heavy online usage without human touch weakens the bank-customer relationship (Levy 2014). Banks have started the digital transformation mainly for cost saving reasons and are now facing a new situation in which the power, that companies used to have, is moving to the customers. Technology has changed customer behavior, and the financial sector has been at the forefront of this movement. The use of mobile phones and tablets in particular has had a major impact on customer behavior in the financial sector (Liu, Abhishek, & Li 2015). According to (Juniper, 2016), mobile banking users are expected to reach 2 billion by 2020, representing more than 1 in 3 adults worldwide. At the same time, the natural borders between different channels are disappearing and the channels are becoming blurred (Verhoef, Kannan & Inman 2015). Customers are becoming more demanding in online environments (McLean & Wilson 2016), and they want to use channels seamlessly. For companies that is a challenge, because they have almost no ability to control that usage (Verhoef et al. 2015)

The omnichannel approach includes all mobile, online, and traditional channels and the key question is how providers can strengthen the emotional relationship in the omnichannel environment in a profitable manner. Even though emotions and customer loyalty, in both offline and online contexts, have been examined for many years (e.g. Armin. 2016, Bapat. & Bapat 2017, Bloemer, De Ruyeter,& Peeters 1998)) a lack of information regarding how emotions affect customer experience in an omnichannel environment still exists.

This chapter shows that understanding impact of emotions in omnichannel environment is crucial to gain loyalty in retail banking. This study aims to fill the potential gaps in the existing literature such as how emotions affect in omnichannel environment, by looking at emotions and omnichannel environment in retail banking and their contribution to customer loyalty.

This chapter examines the relevant literature Key words were: emotions, omnichannel, customer satisfaction, customer loyalty, and customer dominant logic. Using these key words and the context of banking and services led to focus mainly on International Journal of Bank Marketing, Journal of Marketing, Journal of Retailing, and Journal of Retailing and Consumer Services. These journals naturally expanded the list of references covered. This chapter is organized as follows: after introduction the second paragraph is a review of the element of omnichannel environment. Third paragraph is a review of different approaches of emotions and fourth paragraph concentrates on customer satisfaction and loyalty. Next, there is the conclusion and discussion with theoretical and managerial implications. Last paragraph is the future research agenda based on the findings and identified questions.

Elements of Omnichannel environment

The literature includes different definitions of omnichannel. “Omni” is a Latin word meaning “all” or “universal” (Lazaris & Vrechopoulos 2014). In an omnichannel environment, customers move among the various channels. The environment emphasizes the connection between the customers and the brand (Piotrowicz & Cuthbertson 2014). In an omnichannel environment, customers expect a consistent, uniform, and integrated experience. They want to move seamlessly among different channels and find it confusing to see a lack of consistency in elements such as pricing, marketing, and brand building. All distinct channels (human and technology based, including sales personnel) should complement each other to have a joint influence on customer experience perception (Pantano & Viassone 2015).

I have examined the omnichannel environment through five elements. First is the components of the omnichannel experience: humans plus technology. The second element involves touchpoints, and the third focuses on channel choice. The fourth element emphasizes customers' value creation, and the fifth element explores the leadership required to ensure a good omnichannel experience. These elements are described in more detail in the following paragraphs. Table 1 summarize the findings.

[Insert Table 1 about here]

Omnichannel Environment

An omnichannel environment does not focus on the channels themselves like a multichannel environment does. However, the literature does not always make a clear distinction between multi- and omnichannel, and the interchanging use of those words is sometimes confusing. The crucial factor for distinguishing multichannel and omnichannel strategies is where the customer focus is. In multichannel strategy, managerial objectives are set for each channel, whereas in omnichannel strategy, the objective is to offer a holistic customer experience in which all the channels work together seamlessly (Juaneda-Ayensa, Mosquera & Murillo 2016). Lazaris et al. (2014) have studied several descriptions of omnichannel and found that they all agree that the prevailing theme is an integrated and seamless experience across all channels. In other words, multichannel involves a number of channels used one at a time, where omnichannel allows for seamless usage among the channels, with a focus on customers' lives.

In an omnichannel environment, it is crucial that the channels work together seamlessly, e.g. according to (Herington & Weaven 2009) good e-service performance does not override unsatisfactory performance in other areas. Favorable behavior (e.g. purchase, WOM) is based on the consumers' interactions with each channel. A customer needs to be able to choose the best possible channel for him or her in each situation, and those channels then need to communicate with each other (Pantano et al 2015). Combining this with the thinking of Verhoef, et al. (2015) that different channels are becoming blurred due to the disappearance of natural borders between channels and adding Cao & Li (2015) findings that positive synergies among channels tend to generate stronger sales growth, it is obvious the omnichannel approach becomes the new normal. To create best possible result, all channels customers are using must work synergistically.

The omnichannel approach includes both human and technology aspects. Modern bank customers desire to conduct their business anywhere they choose, while also requiring a deeper personal relationship with their bank advisors, creating complexity for banks (Accenture 2015). Customers feel more secure when they have a good relationship and rapport with an advisor, especially if he or she specializes in complex financial products (Buttle & Maklan 2015). However, customers operating online also have high expectations of timely service (McLean et al. 2016). Thus, some researchers see human relationships with customers as becoming less relevant in the future (Ostrom et al. 2015). They assume that machines and robots will replace employees (Ostrom et al. 2015) in both traditional service and sales functions (Brynjolfsson & McAfee 2014). Yet, recent research about employee presence and its impact on customer satisfaction shows that the practice of replacing employees with robots calls for caution (Söderlund 2017).

Touchpoints

Both customers and firms use different channels and touchpoints constantly, interchangeably, and simultaneously to facilitate the customer experience. The increasingly complex customer journey and myriad touchpoints across multiple channels are forcing companies to put increasing focus on the customer experience (Lemon & Verhoef 2016). Customers have experiences every time they encounter any part of a service, product, or brand, regardless of the channel (Pantano et al. 2015, Zomerdjik & Voss 2010). These moments of interaction between the customer and any part of the company are known as touchpoints and can be divided into four categories: (1) brand-owned (customer interactions during the experience, designed, controlled and managed by the company), (2) partner-owned (customer interactions during the experience, jointly designed, controlled or managed by the company and one or more partners), (3) customer-owned (customer actions, which the company or its partners does not influence or control), and (4) social/external/independent (customers are surrounded by external touch points, like other customers, that may influence the process) (Lemon et al. 2016).

A more detailed approach to touchpoints can be found in the work of Stein & Ramaseshan (2016), who identified seven touchpoint elements: atmosphere, technology, communication, process, employee-customer interaction, customer-customer interaction, and product interaction. The nature of the omnichannel environment, with its human and technology aspects, suggests that emotions will influence each touchpoint element. However, the most relevant elements from the touchpoint elements of Stein and Ramaseshan for how emotions influence the retail banking context, are technological, process, customer-customer interaction, and employee-customer interaction. According to Stein & Ramaseshan (2016) the technological element describes customers' direct interactions with any form of technology during an encounter and involves ease of use, convenience, and self-service. Further, the process element describes the steps customers need to take to achieve the desired outcome. It plays an important role in shaping customers' perceptions and evaluations of service. Offline, it involves aspects such as the checkout wait time and the service process. In a digital environment, process elements include the way customers navigate the site or technology platform. Another element is the customer-customer interaction, which describes the direct and indirect exchanges customers have with other customers. It involves elements such as customer reviews and WOM. Further, the employee-customer interaction describes the direct and indirect communications customers have with employees and is not limited to face-to-face interaction. Such interactions could also be by phone or online chat, for example. This element involves the helpfulness or argumentativeness of employees and personalized services.

Channel choice

The customer experience in omnichannel environment brings up a question of key drivers of customers to adopt/choose different channels. Although the key drivers for different channels have been researched, it is still unclear how to adapt these findings to an omnichannel environment. Another study by Melero, Sese, and Verhoef (2016) found the drivers of customer channel choice to be channel attributes and characteristics, marketing activities, customer channel experience, social effects, and customer heterogeneity (in buying behavior as well as in psychographics and demographics). Juaneda-Ayensa et al (2016) studied purchases in a retail omnichannel context (not banking) and found the key drivers to be personal innovativeness, effort expectancy, and performance expectancy. Vankatesh, Thong & Xu (2012) describe that the personal innovativeness is the degree to which a person prefers to try new and varied products or channels, effort expectancy is the ease of use, and performance expectancy refers to the benefits consumers will get by using different channels. Furthermore, Estrella-Ramon, Sánchez-Pérez & Swinnen (2016) found that one reason banking customers choose online channel is for easy cancellation of products or services. Overall, research thus far has mostly on individual channels, indicating that there is still a lack of understanding drivers in an omnichannel environment, especially in banking.

Value creation

Customer value is holistic in nature; it is created by the total experience of all elements (Grönroos 2006). Three value creation stages exist: value in pre-use, value in use, and value in post-use (Jain, Aagja & Bagdare 2017). Jain et al. (2017) define the stages as follows: Value in pre-use refers to the pre-purchase stage in the consumer decision-making process in which customers seek out and become familiar with the service/product. Value in use is the stage in which the actual consumption happens, and the third stage, value in post-use, includes after-sales activities, customer complaint and feedback handling, loyalty programs, and regular communication. Collective value creation across all three stages has important implications for customer loyalty, overall customer satisfaction, and WOM (Jain et al. 2017). Excellent customer experiences require excellence in all stages at all touchpoints.

Value creation also happens in service recovery, which seems to be one of the top issues in the literature. Emotions play a significant role in these situations, and inviting customers to actively participate in the recovery process may increase the level of positive emotions. Gohary et al. (2016) studied positive and negative emotions' effects on the process of co-recovery in mobile banking settings and found that positive reactions promote the reuse of mobile banking and co-creation in the future, whereas negative emotions typically eliminate this tendency. Human interaction seems to be particularly appreciated in cases of service failure or dissatisfaction (Forbes, Kelley & Hoffman 2005). Customers do not want to feel left alone without any reliable company representatives to monitor their emotional climates in service failure situations (Levy 2014).

Furthermore, the Customer dominant logic (CDL) views value creation from customer point of view (Heinonen & Strandvik 2017). CDL finds that value-in-use continuously emerges during the usage of the service/product offer. CDL also emphasizes that value is formed in the customer's ecosystem, not the provider's service ecosystem. Customer ecosystem refers to a network of activities, practices and actors where the focus is not on individual but on the whole ecosystem. In CDL, the customer's perspective is primary, which highlights customer activities and how providers can engage in these activities and tasks. There are three levels of customer activities according to CDL: core activities, related activities, and other activities (Heinonen & Strandvik 2015). In contrast, (Vargo & Lusch 2004) find that value is always created in cooperation with customers. Companies can only offer value proposition for customers. According to this assumption, the value is created during the consumption, so they emphasize customer interaction and co-creation activities.

A study of the banking sector confirms the importance of co-creation, while customers who are engaged in co-creation processes tend to be committed to their banks (Martovoy & Santos 2012) .

Banks can use new digital channels combined with digital literacy to enable customers to act as co-designers and co-producers of the services (Straker & Wrigley 2016). Sandström et al. (2008) identified a model of total technology-based service experience. In the model customer is in the center as an active co-creator. Their model shows that value-in-use is the result of a cognitive assessment of the total service experience, which includes both the functional and emotional dimensions.

Kumar & Reinartz (2016) wrote about customer treatment and undesired consequences (costs). They found that digitalization in particular provides new facets for customer value creation. They raised the very interesting subject of the customers' understanding of the value they offer by providing their personal information. Some customers may value their privacy so much that they are willing to pay extra for it, which creates a market for privacy. This issue taps into the basic emotion of fear. If customers worry about their privacy and do not find a solution, that could impact loyalty.

Leadership

Enhancing experiences in omnichannel environment requires new forms of leadership. In the omnichannel environment, the ultimate goal is to deliver a holistic customer experience, so targets need to be set according to the holistic customer experience, not according to the goals of each channel. Leaders should avoid a silo mentality in which online and offline channels are treated separately, as it can easily destroy the holistic customer experience (Piotrowicz et al. 2014). Managerial mindset, or how managers view customers, plays a crucial role in how companies act towards customers (Heinonen et al. 2017). Rydén, Ringberg & Wilke (2015) identified four managerial mindsets: business-to-customers, business-from-customers, business-with-customers, and business-for-customers. Their study reveals the completely different mindsets of managers as they consider the role of customers.

Leaders tend to make two systematic mistakes when trying to understand their customers. According to (Hult, et al. 2017), leaders systematically overestimate levels of customer satisfaction and loyalty as well as misunderstand key drivers of their customers. By doing so, managers risk missing trouble signs (e.g. customers partly transfer their business) as they appear as well as seeing some issues as less dangerous than they really are (e.g. service delivery). In omnichannel environment, e.g. the seamless use of channels makes it almost impossible for managers to have control of customer behavior (Verhoef et al. 2015), which could lead to misunderstanding of customers' key drivers of channel choice. Managers are facing challenges with opportunities for synergies across channels, including decisions that must be made as well as rapid changes in customer behavior in the new environment (Carlson & O'Cass et al. 2015, Pantano et al 2015, Zhang et al. 2010).

It is also important to understand who the omnichannel customers are. Marinkovic et al. (2015) found that many customers have weak emotional connections with their banks, but they are willing to continue working with them. This lack of emotional connection could be a risk for banks, especially when new competitors like FinTech companies are entering the market. A recent study by (Estrella-Ramon, et al. 2016) found that customers with higher average monthly assets as well as customers who own high-risk products tend to engage in online banking more slowly than other customers. In other words, customers with savings and investments find the traditional channel important. According to Estrella-Ramon, et al. (2016), that behavior correlates with the risk. In contrast, home loans and transaction accounts as well as debit and credit cards have a significant positive impact on the adoption of online banking, which is an interesting and important topic for banks to consider.

Emotions

This section concentrates on explaining: What is an emotion; what are the different aspects of emotions and how the knowledge gain on 'emotions' could be utilized to understand retail banking customers' behavior in omnichannel environment.

Emotions have numerous definitions, and there does not seem to be any distinct or agreement on what emotions really are. That seems to be dependent on the discipline and researcher. The most widely used conceptualization of emotions is the classification into positive and negative. In the literature, positive and negative emotions are considered independent and are treated as different constructs. An advantage is that the model is simple, and the combination also indicates one's attitude (Laros & Steenkamp 2005). A disadvantage is that one may lose important information, (e.g. negative emotions could be anger, fear and sadness), because different emotions have different behavioral consequences (e.g. Bagozzi, et al. 1999). There is an interaction between emotion and memory (Lewis, et al. 2008), and people tend to remember emotional experiences better than non-emotional ones, and they tend to re-experience emotional situations.

Furthermore, emotions can also be grouped into three major clusters (Shaver et al. 1987, Storm & Storm 1987). First is the most general, superordinate level, which consists of positive and negative affect. Second is the basic emotion level like anger, fear, love and sadness. Third level consists of groups of individual emotions: e.g. fear consists of scared, afraid, panicky, nervous, worried and tense. This construct is consistent with that of Laros & Steenkamp (2005), who proposed a hierarchical model. They found that nuances can be lost if emotions are only conceptualized on very general level as positive or negative. Model of Laros and Steenkamp of consumer experience describes emotions at three levels of generality. First is the superordinate level, which distinguishes between positive and negative affect. The next level divides basic emotions into four positive categories (contentment, happiness, love, and pride) and four negative (sadness, fear, anger, and shame). The third level is the subordinate level, which distinguishes 42 specific emotions. For studying emotions of retail banking customers, the first two levels, slightly modified, are sufficient (love does not seem to be relevant for this type of study and it should be changed to trust).

It is also possible to classify emotions based on three independent and bipolar dimensions: pleasure/displeasure, arousal/non-arousal, and dominance/submissiveness (Russell & Mehrabian 1977). For marketing usage, the pleasure/displeasure dimension could be useful. That dimension includes positive and negative emotions, which past research has indicated impact consumer behavior (e.g. their adoption of e-services) (Beaudry & Pinsonneault 2010, Gelbrich 2010).

One aspect could also be managerial as such. Grønholdt, et al. (2015) identified eight customer experience dimensions in their conceptual Customer Experience Model (CEM). Two of those dimensions are directly emotional: emotional customer experience and emotional skills of employees. In general, the analyzed companies in their study were good at rational components but poor at emotional components. There is a clear connection between performance and the ability to engage in both emotional and rational dimensions; top-performing companies excel in both. Retail bank managers should ensure that both components are used in their business.

Another aspect is the emotional timescapes. Maguire & Geiger (2015) studied emotional timescapes in service industries. They found that consumers can experience various and diverse emotions both simultaneously and successively during service encounters. Their study identified consumption emotions (emotions that are created within consumers during service encounter) occurring throughout the experiences. They found that during service encounters, consumption emotions change rapidly, causing overlay with incomplete effects. Their study also showed that the uncertainty that exists in consumers before a service encounter commences can lead to the consumers' experiencing conflicting or mixed emotions. People tend to react negatively to mixed emotions (Lau-Gesk, Kramer & Mukherjee 2011), so these feelings may lead customers to avoid the service situation in the future.

[Insert Figure 1 about here]

Satisfaction and Loyalty

This paragraph discuss about satisfaction and loyalty. Clearly, satisfaction leads to loyalty. A recent study by (Bapat & Bapat 2017) shows the strong link between satisfaction and loyalty also in the banking context. Loyal customers buy more, are willing to recommend the company (WOM), and reduce the cost of service, all of which has direct and indirect effects on banks' financial outcomes. There is also a clear understanding that emotions (positive and negative) are significantly related to customer satisfaction (e.g. Hassan, et al. 2015, Yim, Tse & Chan 2008, Bügel, Verhoef & Buunk 2011, Akgün, Keskin & Alan 2017) and that the emotional constituents of firm customer relationships are important drivers of customer loyalty. Furthermore, some research, particularly in the service sector, shows that customer loyalty originates from positive emotional experiences (Kandampully, Zhang & Bilgihan. 2015) and that emotions drive consumer behaviors (Razzaq, Yousaf & Hong 2017). Recent research also emphasizes that customers' positive affective experiences in banks seem to enhance customers' perceptions, especially via word-of-mouth, which initiates customer loyalty (Reydet & Carsana 2017).

In the banking sector, emotions have a direct impact on customer satisfaction and through that on customer loyalty. Bloemer, De Ruyter & Peeters, (1998 p. 277) define bank loyalty as "the biased (i.e. nonrandom) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one bank out of a set of banks, which is a function of psychological (decision-making and evaluative) processes resulting in brand commitment." Emotionally involved customers are more loyal to their banks, and customers who are more satisfied maintain long-lasting relationships with their banks and spread positive comments by word-of-mouth (Levy, et al. 2016, Marinkovic, et al. 2015). In banking, emotions drive customer behavior and are crucial to predicting customer loyalty intentions (Razzaq et al. 2017). Marinkovic, et al. (2015) also found that customer satisfaction is a strong driver of behavioral intentions (including WOM and repurchase intentions) in banking. Their study showed that intangible elements (trust, social bonds, image, and service quality) are highly valuable in establishing long-term relationships. These elements have a significant impact on customer satisfaction. They also found satisfaction and affective commitment to be variables reflecting the customers' emotional responses. Similar findings regarding the important variables in customer satisfaction also appear in the work of Zalfa, Siew & Sedigheh (2017), who studied perceived overall service quality in retail banking. Several studies also found trust to be of particular importance in satisfaction, especially in banking (Marinkovic,et al. 2015, Zalfa, et al. 2017).

Young, tech-savvy consumers are less loyal and more demanding than ever. According to Moreno (2014), one-fifth of customers change some or all of their retail banking products each year. These customers expect their service providers to know and understand them, which is consistent with CDL. By studying e-lifestyle customers' loyalty, Hassan, et al. (2015) found that e-values have the most significant impact on e-loyalty. Interestingly, finding is also that economic value has a greater influence on customer loyalty in the real world than in the virtual world, where social value is more important (Piyathasanan, et al. 2015). Further, the same research shows that loyalty can be generated in the virtual world independently from the real world, but brand loyalty is needed in both worlds to truly maintain loyalty (Piyathasanan, et al. 2015).

Customer loyalty to a bank is relatively low in customers who engage in high levels of online banking service activities but lack direct face-to-face interactions. Heavy online usage without human touch weakens the bank-customer relationship (Levy 2014), which affects to loyalty. This is consistent with previous research that shows online customers still value human interaction (e.g. Gerrard, Cunningham & Devlin 2006, Holloway & Beatty 2003, Forbes, et al. 2005). Perceived ease of use and branch service quality (Carlson & O'Cass 2011, Herington, et al. 2009, Kaura, Ch & Sharma 2015, Amin 2016) as well as customer service in banking sector (Ganguli & Roy 2011, Ngoch & Nguyen 2010) are antecedents for customer satisfaction and loyalty. Technological factors mediate these factors and influence customer satisfaction. Customers want new online and mobile services, but at the same time, that could deteriorate loyalty via weakening relationship, and customers may be easily tempted by rival banks. For banks, that is a big risk and paradox.

On the other hand, research does show that internet banking service quality has a positive relationship with e-customer satisfaction (Carlson, et al. 2011, Herington, et al. 2009, Kaura, et al. 2015, Amin 2016). Four key dimensions of internet banking quality influence e-customer satisfaction and loyalty: personal need, site organization, user friendliness, and website efficiency (Amin 2016). The relationships among internet banking service quality, e-customer satisfaction, and e-customer loyalty are significant. Accordingly, research also shows that satisfaction with mobile banking affects customer loyalty (Thakur 2014).

Discussion and conclusion

Emotions are key in relationships between customers and companies in banking sector and especially in the omnichannel environment. It could be useful for banks to use the division of emotions into two general categories: positive and negative, in order to better understand customer relationship. To ensure important nuances are not lost, the division of basic emotions into four positive and four negative categories is also helpful. Of these, trust has been found to be a crucial issue in banking. Useful categories of basic emotions in banking context could be contentment, happiness, trust, pride, sadness, fear, anger, and shame. Emotions affect customer loyalty and therefore banks would benefit of better understanding the issue.

There is a wide agreement that satisfaction leads to loyalty, especially in service industries such as banking. Numerous studies show that emotions have a direct effect on satisfaction and thus direct or indirect effects on loyalty. Emotionally involved customers are more loyal, and emotions drive banking customer behavior. There is also a connection between emotions and memory, which indicates that emotional experiences (positive and negative) are easier to remember, and people tend to repeat positive memorable experiences. There are clear connections among emotions, omnichannel experiences, and loyalty, as evidenced by the studies discussed herein. Emotions may be positive or negative, but they always affect the experience in omnichannel environment as well as loyalty. Loyalty or disloyalty is the outcome of both emotions and the experience in omnichannel environment.

The literature shows that banks should provide customers with both high technology and high human touch to make a successful digital transformation. Customers require a consistent, uniform, and integrated experience in omnichannel environment. Research has been conducted to determine key drivers of customers' use of different channels. However, the research has mostly focused on single channels, and the key drivers in an omnichannel banking environment remain unclear. Customers seem to want an omnichannel experience, but providing it might be a double-edged sword for banks. Customers may see the offering of omnichannel possibilities as a commitment to effective, convenient, and high-quality service. If the bank does not meet these expectations, the customer will not be satisfied, leading to a decrease in customer loyalty.

Particularly in service recovery situations, customers appreciate the opportunity to actively participate in the process and to experience human interaction. The literature also shows that heavy online usage weakens the emotional relationship between customer and bank, which in turn affects customer loyalty. One possibility to avoid the loyalty deterioration is by giving the customer opportunities to engage in the service process and co-create it. Customer co-creation and value formation seem to help to build emotional relationships.

Customer behavior is undergoing fundamental changes, and the power has moved to the customers. In an omnichannel environment, banks have little ability to control customer usage and behavior. A new form of leadership is required, one in which the focus is on customers and no silo mentality regarding channels exists. Banks should understand the managerial mindset, the systematically overestimated levels and the key drivers of customer satisfaction, in order to take needed actions that ensure customer loyalty. Accordingly, managers also need to understand the different customer touchpoints and the importance of the emotional relationship between the customer and the bank. From the customer's point of view, all channels and marketing activities merge to form one impression. CDL looks at customers holistically and emphasizes understanding how customers compose their lives and use logic in purchasing situations. According to CDL, it is the customers who decide which providers they invite into their ecosystems. Customer empowerment gives customers the ability to use their emotions to show providers how they prefer them to become involved in their lives.

This chapter started with the hypotheses that understanding impact of emotions in omnichannel environment is crucial to gain loyalty in retail banking. This chapter shows that is true. Figure 2 describes that the basic emotions that are relevant in banking context, needs to be considered in each element of omnichannel environment to gain loyalty.

[Insert Figure 2 about here]

Theoretical and managerial implications

Theoretically this study describes what elements define the omnichannel environment and that emotions has strong effect. This study gives managers advice of how to describe and approach the omnichannel environment and to consider the effect of emotions on each element on the omnichannel environment. It also implicates the importance of emotions in banking, where most transactions could be handled through technology, but with more complex issues, customers still want to have possibility to human interactions. Omnichannel behavior, where all the channels are truly integrated and emotions are not neglected is the key to customer loyalty.

Directions for future research

To further research in this area, several possible directions are outlined. First, it will be interesting to study the weight of the effect of each basic emotion (contentment, happiness, trust, pride, sadness, fear, anger, and shame) on each element of omnichannel environment. Second, the effect of emotions in each touchpoint would be interesting to study. That is to find out the main strengths and weaknesses according to different touchpoints. Thirdly, it would be interesting to find out what changes are needed in the organization to ensure that emotions in omnichannel environment are in focus. In other words, e.g. how to avoid silos and ensure that customer emotions are not neglected.

CDL offers many possibilities for future research. In the changing environment, it might be beneficial for banks to focus on customers as drivers and find out how banks could better enter customers' ecosystem. The CDL mindset could help banks to ensure that emotions are involved in customer interactions.

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List of Figures

Figure 1: Different approaches to emotions

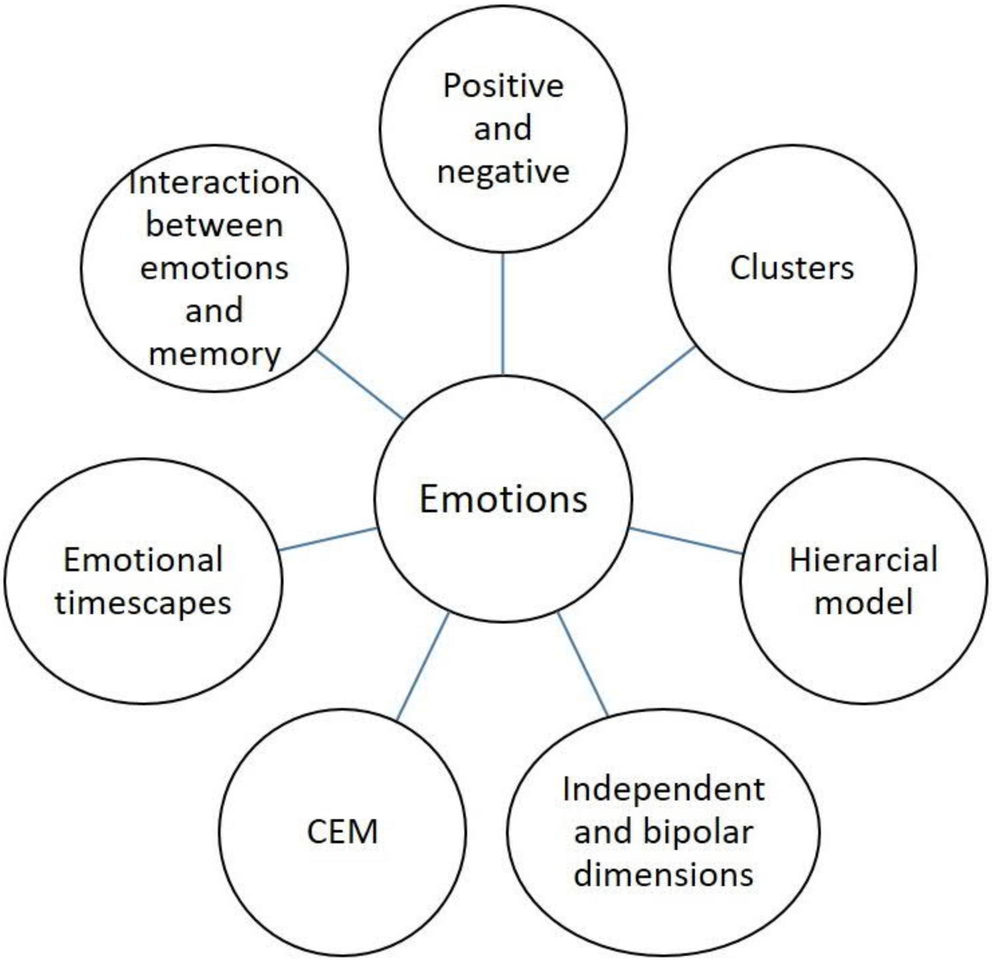
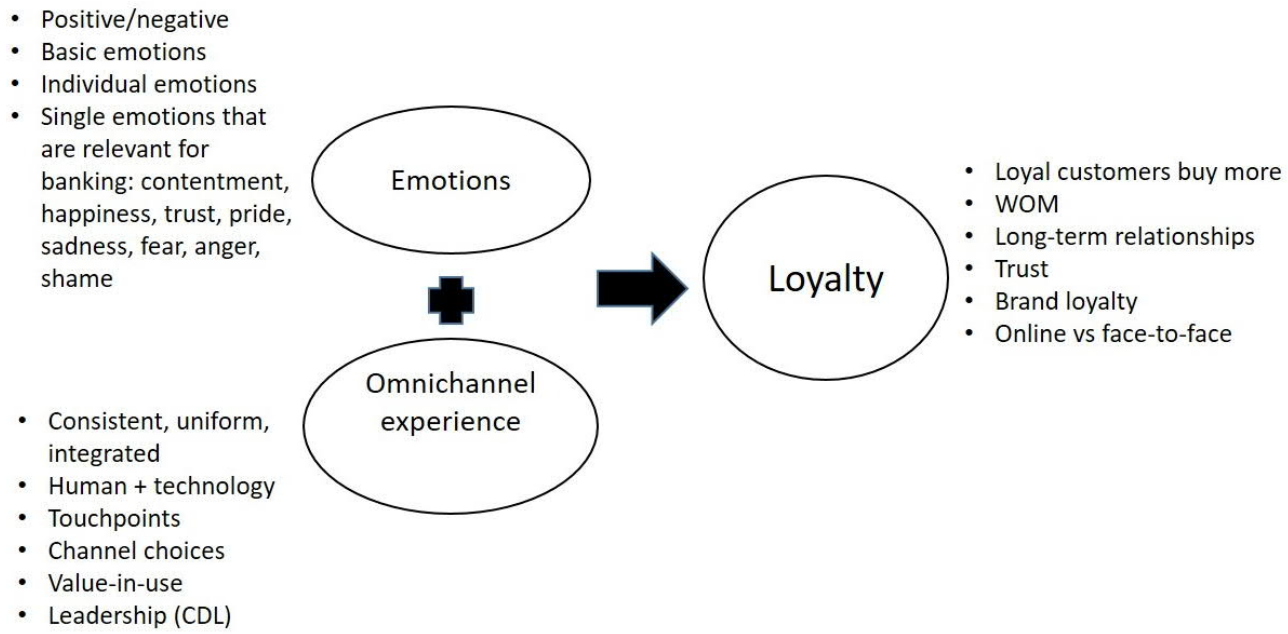


Figure 2: Basic emotions needs to be considered to gain loyalty



List of Tables

Table 1, Five elements of omnichannel environment

Element	Description	Citations
Omnichannel environment	Common descriptions of omnichannel attributes: Uniform, consistent, integrated. Heavy online banking usage without human touch weakens the relationship between customer and company. Personal relationships improve security with complex financial products. Sales personnel and technology should have a joint influence on customer experience	Pantano & Viassone (2015), Herington & Weaven (2009),Verhoef, Kannan & Inman (2015), Juaneda-Ayensa, Mosquera & Sierra 2016,Melero & Verhoef 2016,Lazaris & Vrechopoulos 2014, Levy, 2014 Buttle & Maklan 2015 Pantano & Viassone 2015
Touchpoints	Customer touchpoint categories: brand-owned, partner-owned, customer-owned, and social/external/independent Touchpoint elements: atmosphere, technology, communication, process, employee-customer interaction, customer-customer interaction, product interaction Customers have experiences whenever they “touch” any aspect of the service, product, or brand across multiple channels and at various points in time.	Lemon & Verhoef 2016 Stein & Ramaseshan 2016 Pantano & Viassone 2015, Zomerdjiik & Voss 2010

Channel choice	Channel attributes and marketing characteristics, marketing activities, customer channel experience, social effects, customer heterogeneity in buying behavior Personal innovativeness, effort expectancy, performance expectancy Easy cancellation of products	Melero, & Verhoef 2016 Juaneda-Ayensa Mosquera & Murillo 2016 Estrella-Ramon, Sanchez-Perez & Swinnen 2016
Value creation	Value creation stages: value in pre-use, value in use, value in post-use Co-creation, where customer is co-creating the process Recovery situations and how those are handled effect value creation Value is created during consumption Value formation, value continuously emerge when offering is used	Jain, Aagja & Bagdare 2017 Martovoy & Santos 2012, Sandström, Edvarsson, Kristensson &Magnusson 2008, Gohary, Hamzelu, Pourazizi & Hanzaee 2016 Forbes, Kelley & Hoffman 2005 Vargo & Lusch 2004 Heinonen & Strandvik 2017
Leadership	Silo mentality, where different players defend their “silos” instead of collaboration. Systematic mistakes that include overestimation of customer satisfaction and loyalty as well as misunderstanding of key drivers effecting customer experience. Managerial mindset, how managers view their customers Challenges with channel synergies	Piotrowicz & Cuthbertson 2014 Hult, Morgeson, Morgan, Mithas & Fornell 2017 Heinonen & Strandvik 2017, Ryden, Ringberg &Wilke 2015 Verhoef, Kannan & Inman 2015, Carlson &O’Cass 2011, Pantano & Viassone

		2015, Zhang, Farris, Irvin, Kushwaha, Steenburgh & Weitz 2010
	Customers weak emotional connection with their bank	Marinkovic & Obradovic 2015
	Customer dominant logic (CDL)	Heinonen & Strandvik 2017
	Online customers have higher expectations of service than offline customers	McLean & Wilson 2016