
THE INTERNET AS A RELATIONSHIP MARKETING TOOL IN BANKING SERVICE INDUSTRY

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The Internet is now harnessed as an interactive medium for delivering banking services and developing relationships with customers. With the potential of Internet to reach millions of customers and the opportunities to save transaction costs, banks in Hong Kong are now urged to provide online banking services and to develop online relationships with potential customers in order to remain competitiveness in a turbulent market. The purpose of this paper is to discuss what particular types of Web design are essential for enhancing loyalty in banking industry.

Introduction

In Hong Kong, banks are being forced to invest time and money in developing new strategic channels with the use of Internet, so as to defend themselves against new entrants and to remain firm's competitiveness. However, banks there are facing the dilemma of launching Internet banking services.

On one hand, banks in Hong Kong have to spend a great amount of money on developing online banking platforms with little additional profitability as least in short-term, for example, HSBC has invested US\$2.5 billion in information technology for offering Internet banking services last year, whereas Dao Heng spends around US\$12.8 million a year to upgrade its technology (Beckerling, 2000). It, therefore, might discourage many banks not to invest in developing Internet banking services. On the other hand, banks have been warned "damned if you do - damned more if you don't" (Beckerling, 2000). If they do, they will suffer from short-term pain, but may enjoy long-term gain. If they don't, then they will become losers from the Internet revolution. Therefore, banks keep investing so much time and money on developing Internet banking services, while the returns on offer are still in doubt.

The headlong rush into an uncertain future of Internet banking services is due to the hope of enjoying cost-savings and cross-selling opportunities in long term. In the first hand, the Internet should be viewed as a long-term key strategic tool, rather than another distribution channel (Beckerling, 2000). The Internet allows for improving bank's efficiency by transferring customers on to an automated and less-costly service delivery platform, which

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saves the transaction costs for serving a customer (Beckerling, 2000). By comparing with other banking service delivery channels, the cost of Internet banking transaction is the lowest. It only costs US\$0.3, whereas phone-banking transaction costs US\$0.6, ATM transaction costs US\$0.8, and branch transaction costs US\$1.95 (Beckerling, 2000). In long run, most of the transactions can be transferred from branches to the Internet that the cost-savings will be more significant and the organizational structure will be leaner. The experience in Hong Kong shows that Dah Sing Financial and Bank of East Asia would enjoy 25% overhead cost-savings, whereas HSBC and Dao Heng would have 11% more pre-tax profits subsequent to cost reduction with the use of Internet (Beckerling, 2000).

Cost-savings apart, another motivator of launching Internet banking services is the opportunity to cross-sell banking products. Once the customers have used online banking services, their personal details will be captured into electronic form and transformed into useful information under extensive data mining. Then, the banks will be able to introduce customized financial packages in response to individual needs. The Internet offers attractive and interactive platform for introducing individualized product packages and provide real-time account information rapidly and effectively that other transmission media cannot compete with. With cross-selling opportunities on net, bankers are then able to broaden and deepen the relationships with customers electronically.

Undoubtedly, the Internet as a service-delivery platform offers the requisite capabilities essential for banks attempting to fully embrace customer relationship management (CRM), such as delivering personalized and one-to-one service (Fluss, et al., 2000), undertaking market research, receiving customer feedback, and facilitating the interaction with individual customers at an effective cost (Rich, 2000).

However, Kolesar and Galbraith (2000) point out that the Internet as an interactive platform lacks the ability to deliver direct personal interaction, indeed good personal and responsive service remains the most critical element in keeping customer satisfaction (Banking World Hong Kong, 2001) and loyalty (Bhote, 1996; Reynolds and Beatty, 1999). Hence, the absence of direct personal interaction on net is expected having negative impact on customer loyalty (Kolesar and Galbraith, 2000; Walsh and Godfrey, 2000) that enriching an interactive and relational-oriented platform on the Internet is the way to offset the negative effect and even to strengthen customer loyalty (Kolesar and Galbraith, 2000; Smith, 2000).

Hence, the objective of this paper is to investigate what particular types of Web designs are essential for enhancing customer loyalty in Hong Kong banking industries. The first section will review the theories relating to service quality, customer satisfaction, loyalty, and Web design. The subsequent section will then talk about the results obtained from focus group discussion and interview. The final section will introduce conceptual framework, and associated research propositions for future research.

Literature Review

The Internet

Among a number of information technologies, the Internet is designated as the most potential mechanism for keeping customer relationships and loyalty. The Internet is being adopted in many business sectors and in the public as well that the number of Internet users is increasing steadily in these few years. According to the statistics obtained by Survey Research Hong Kong Ltd. in August 1997, there were 500,000 Internet users in Hong Kong about 7.9% of the total population (<http://www.nua.ie>). In April 1998, based on the statistics from ACNielsen (<http://www.acnielsen.com>), there were 850,000 Internet users in Hong Kong. In June 2000, the number of Internet users at that time increased to 1.85 million in Hong Kong accounting for 26% of the total population (<http://www.iamasia.com>). The latest statistic taken in April 2001 by iamasia further shows that the Internet users in Hong Kong were about 2.2 million. By comparing these figures, it indicates a dramatic change of the number of Internet users in Hong Kong within a short period of time. Given the rapid increase in the number of Internet users, it is believed that online trading will soon experience rapid growth in the e-banking market.

The Internet enables the firms to maintain close, efficient, and effective one-to-one relationship with loyal customer (Dutta and Segev, 1999). For instance, Graver, systems officer of DST systems Inc., emphasizes, "the Web is pioneering customer loyalty and building committed relationship" (<http://www.loyalty.com>). On one hand, it provides firms with the ability to segment markets into individual market niches, and to provide specific products and services for each particular market (Fiore, 2001). On the other hand, it offers consumers a quick and easy way to communicate with firms about their needs, wants, and personal information (Fiore, 2001). It not only works better than other technologies in keeping interactive relationships, but also outperforms traditional media, like TV and magazines (Hofacker, 2001).

The unique nature of Internet enhances the firm's ability to provide individualized services, information, and recommendation to customers, which are essential for developing one-to-one relationship and customer loyalty (Fiore, 2001; Hofacker, 2001; Smith, 2000; Zineldin, 2000). However, it has been challenged that the Internet or WWW lacks the capability to deliver personal interaction with customers (Kolesar and Galbraith, 2000; Zineldin, 2000), which is historically regarded as one of the essential determinants of customer loyalty (Bhote, 1996; Reynolds and Beatty, 1999).

The ways to overcome this problem is to place emphases on enhancing product quality, service quality, image, the level of customer orientation, and/or relational benefits (Bhote, 1996; Bloemer et al., 1998; Ganesh et al., 2000; Gwinner et al., 1998; Johnson and Gustafsson, 2000; Lassar et al., 2000; Oliver, 1999; Reynolds and Beatty, 1999; Ruyter et al., 1998; Smith, 2000). Kolesar and Galbraith (2000) has pointed out that the Web site should be designed to enhance service quality on net for the purpose of maintaining customer loyalty. In the study of Zsidisin et al. (2000), the Web design does have significant impact on service quality. For that reason, it

is expected that Web design not only directly affects customer loyalty, but also indirectly influences loyalty via service quality.

Service Quality, Satisfaction, and Loyalty

Service quality is conceptualized as providing services to meet customers' requirement, needs, and their expectations of services (c.f. Lam and Zhang, 1999), which underlines the GAPS model for measuring service quality (Parasuraman et al., 1985). Service quality is believed having direct influence on loyalty in terms of recommendation (Parasuraman et al., 1991; Sivadas and Baker-Prewitt, 2000), favorable attitude towards the firm over potential alternatives (Sivadas and Baker-Prewitt, 2000), and also, word-of-mouth, purchase intention, and price sensitivity (Bloemer et al., 1999). Indirectly, it also takes an important role in affecting customer loyalty via inducing customers' trust towards supplier firm (Foster and Cadogan, 2000), repurchase intention (Sivadas and Baker-Prewitt, 2000), and satisfaction (Cronin and Taylor, 1992; McDugall and Levesque, 2000; Sivadas and Baker-Prewitt, 2000; Taylor and Baker, 1994; c.f. Buttle, 1996). Among these mediating variables, satisfaction is mostly adopted in mediating the relationship between service quality and loyalty. Although some studies reported that satisfaction is an antecedent of service quality (Bitner, 1990), it is commonly believed that service quality drives to loyalty via satisfaction (Johnson, 1998; Johnson and Gustafsson, 2000).

Satisfaction is viewed as an attitude in service marketing literature (Levesque and McDougall, 1996), and defined as "the consumer's fulfillment response...it is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment" (Oliver, 1997 p.13). Satisfaction turns out to be more directly tie to customers' repurchase behaviors and intentions (Johnson and Gustafsson, 2000), anticipation of future intention (Crosby et al., 1990; Garbarino and Johnson, 1999), positive word of mouth (Bhote, 1996; Mols, 1998; Reynolds and Beatty, 1999), intentions to purchase (Mols, 1998), loyalty (Gwinner et al., 1998; Reynolds and Beatty, 1999), share of purchase with others (Reynolds and Beatty, 1999), price sensitivity and propensity to exit (Mols, 1998). However, Dick and Basu (1994) remind that highly satisfied customers may not exhibit high repeat patronage due to some situational or environmental factors, that is, latent loyalty. On the whole, satisfaction is one of the drivers of customer loyalty (Bhote, 1996; Johnson, 1998; Johnson and Gustafsson, 2000).

Loyalty is a concept mostly discussed with satisfaction, service quality, and image (Andreassen and Lindestad, 1998; Bhote, 1996; Bloemer and Ruyter, 1998; Bloemer et al., 1998, 1999; Hennig-Thurau and Klee, 1997; Johnson and Gustafsson, 2000; Kandampully, 1998; Kandampully and Suhartanto, 2000; Lovelock and Wright, 1999; McDougall and Levesque, 2000; Mols, 1998; Nguyen and LeBlanc, 1998; Oliver, 1999; Ruyter and Bloemer, 1999; Zeithaml et al., 1996; just to name a few). There are three main aspects of loyalty: behavioral, attitudinal, and cognitive loyalty. Behavioral loyalty is measured by repeat

patronage, repeat purchasing, or commitment to repurchase (Dick and Basu, 1994; Gremler and Brown, 1996; Oliver, 1999). Attitudinal dimension is termed as a conscious effort to evaluate competing brands and consumers' preferences or intentions to select the brand (Gremler and Brown, 1996). It is a liking or relative favorable attitude towards a particular brand developed on the basis of cumulatively satisfying usage occasions (Dick and Basu, 1994; Oliver, 1999). Cognitive loyalty refers to a brand that comes up first in customer's mind and that is more preferable than other alternatives when decide to make a purchase (Dick and Basu, 1994; Oliver, 1999). Gremler and Brown (1996) have summarized these three dimensions into a definition, "Service loyalty is the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises" (Gremler and Brown, 1996 p.173).

The motive to dissect the skeleton of loyalty is due to the potential benefits of loyalty on firm's profitability. Retaining loyal customers will result in higher profits, repeat purchases, higher market share, more positive word-of-mouth, more referrals, and significant cost savings (Bhote, 1996). It is evidenced that the costs of retaining existing customers are five to seven times lower than the costs of attracting new customers, and the percentages of return on equity, profit on sales, market share growth, and stock price growth are relatively higher in customer-focused companies than the other firms (Bhote, 1996). In other words, the higher the level of customer loyalty, the higher the level of profitability will be. The tremendous impact of loyalty on profitability and market share reveals that the Web site should be designed for enhancing service quality, satisfaction, and customer loyalty.

Web Design

Web design refers to the content of a Web site, and the services provided via Internet, such as hot links, search capability, Java, cookies, frequently updated information, animations, and so on. When a firm is going to use Web site as a relationship-delivery medium, certain kinds of Web elements and functions should be included. It is believed that the Web design will have impact on customer relationship, loyalty, and service quality. In Table 1 below, the studies of Fiore (2001), Hofacker (2001), Parker (2000), Smith (2000), and Walsh and Godfrey (2000) outline some specific characteristics of Web design that are particularly essential for pursuing relationship marketing or loyalty marketing strategies.

Table 1: Web Design for Enhancing Relationship, Revisit, and Loyalty

<i>Author</i>	<i>Web Elements, Functions, Services, Characteristics</i>	
Fiore (2001)	<ul style="list-style-type: none"> ◆ Customized information ◆ Register function ◆ Incentive and reward programs ◆ Ongoing dialogue ◆ Online community ◆ Online customer service representative ◆ Online chat rooms or forums ◆ Online questionnaire or survey 	<ul style="list-style-type: none"> ◆ Online representative to supervise or host chat rooms or forum ◆ Personalized Web pages ◆ Personalized information & recommendation ◆ Timely reminder Service ◆ A wish-list service ◆ Up-selling and cross-selling
Hofacker (2001)	<ul style="list-style-type: none"> ◆ Avoid dead link ◆ Fast loading speed ◆ Fast response time ◆ Highlight new material ◆ Hot links ◆ Keep content fresh 	<ul style="list-style-type: none"> ◆ Online community ◆ Provide different content style ◆ Search engine ◆ Test all pages on many types of computers and monitors ◆ Updated frequently
Parker (2000)	<ul style="list-style-type: none"> ◆ Customized content ◆ Continuously updated Web site with new information ◆ Existing of dialog between company and customers through Web sites ◆ High degree of information density 	<ul style="list-style-type: none"> ◆ Not urgent to make immediate sales ◆ Ongoing follow up management ◆ Qualification ◆ Search Capability ◆ Size of Web site ◆ Two-way information flow
Smith (2000)	<ul style="list-style-type: none"> ◆ Allow to update personal profiles ◆ Customized or personalized information, recommendations, ads ◆ Fast loading speed ◆ Highly relevant information ◆ Intelligent system ◆ Online chat rooms or bulletin boards ◆ Online community ◆ Online customer service representative ◆ Online survey or focus group ◆ Personalized promotions 	<ul style="list-style-type: none"> ◆ Quick response ◆ Real time information ◆ Registration ◆ Regular communication ◆ Rewards and incentives programs ◆ Search Engine ◆ Sign ups (newsletter, email notifications, samples, coupons, etc.) ◆ Special members-only retail areas ◆ Up-selling and cross-selling
Walsh and Godfrey (2000)	<ul style="list-style-type: none"> ◆ Ability to customize own Web pages ◆ Constant dialogue ◆ Cross selling ◆ Customized products ◆ Follow up management ◆ Immediate feedback ◆ Invite customer feedback, comments and suggestions ◆ Online chat rooms, talk forums ◆ Online community 	<ul style="list-style-type: none"> ◆ Online representative to in charge the chats or forum ◆ Online help desk or customer service representative ◆ Online tracking system ◆ Personalized, highly relevant, and timely message, promotion, or recommendation ◆ Personalized response ◆ Rewards and Incentives programs ◆ Targeted, personally directed, and highly relevant information

In addition to the above studies, some scholars identified the characteristics of Web design according to relationship formation stages. Generally speaking, relationship marketing involves three main stages - creating, developing and maintaining (Harker, 1999). The paper of Long et al. (1998) adopts these three main stages to propose Web elements into different categories, whereas the studies of Gilbert et al. (1999) and Ting (2000) arrange the Web functions along four and five stages respectively. The details can be referred to Table 2.

Table 2: Web Design for Enhancing Relationships According To Relationship Formation Stages

<i>Author</i>	<i>Web Elements, Functions, Services, Characteristics</i>	
Long et al. (1998)	<p><i>Stage 1: Opening relationships</i></p> <ul style="list-style-type: none"> ◆ Easy memorable address ◆ Easy of searching from Yahoo! ◆ Slickness of graphics <p><i>Stage 2: Developing relationships</i></p> <ul style="list-style-type: none"> ◆ Availability of message board ◆ E-mail feedback invitation 	<ul style="list-style-type: none"> ◆ Hot links ◆ Pack shots showing ◆ Update frequently <p><i>Stage 3: Cementing relationships</i></p> <ul style="list-style-type: none"> ◆ E-mail mailing list ◆ Include interesting things on site
Gilbert et al. (1999)	<p><i>Stage 1: Identify more about customers through database analysis</i></p> <ul style="list-style-type: none"> ◆ Online questionnaire with incentives <p><i>Stage 2: Improve & make the product/service more attractive</i></p> <ul style="list-style-type: none"> ◆ Customized online questionnaire ◆ E-mail <p><i>Stage 3: Inform customer and to build their knowledge of the company</i></p> <ul style="list-style-type: none"> ◆ Direct email ◆ Electronic newsletter ◆ Online notice board 	<ul style="list-style-type: none"> ◆ Update and online information center <p><i>Stage 4: Tempt customers to purchase more regularly, and to try different products</i></p> <ul style="list-style-type: none"> ◆ Automated cross selling ◆ Direct email ◆ Special electronic promotion leaflet <p><i>Stage 5: Retain customers by developing different forms of loyalty schemes</i></p> <ul style="list-style-type: none"> ◆ Exclusive Web sites ◆ Online members' magazines ◆ Online members-only customer services ◆ Services for loyalty scheme members
Ting (2000)	<p><i>Stage 1: Identify customers</i></p> <ul style="list-style-type: none"> ◆ Ability to identify user's identity ◆ Not required to re-enter personal information again and again ◆ Privacy security system ◆ Register function <p><i>Stage 2: Differentiate customers</i></p> <ul style="list-style-type: none"> ◆ Clear main theme and classified content ◆ Consideration of target customers and content designs ◆ Database and differentiate selling ◆ Database management and mining systems ◆ Identify top customers ◆ Integration of information ◆ Online community 	<p><i>Stage 3: Interact with them</i></p> <ul style="list-style-type: none"> ◆ Degree of community interaction ◆ Feedback system ◆ Follow up management ◆ Online transaction ◆ Online community ◆ Search engine ◆ Size of community and frequency of activities <p><i>Stage 4: Customize service for them</i></p> <ul style="list-style-type: none"> ◆ Convenient transaction ◆ Customized content ◆ Customized Web page ◆ Multiple CRM programs ◆ Personal history files ◆ Up-selling, cross-selling, active selling ◆ Varieties of transaction methods

The Web design attributes mentioned in Table 1 and Table 2 are expected to have direct and significant impact on customer relationship and loyalty, while some other Web elements are supposed to enhance perceived service quality, which in turns affects customer loyalty. The paper of Kolesar and Galbraith (2000) lists out what attributes on Web are critical to the perception of service quality without any empirical examination, whereas the study of Zsidisin et al. (2000) empirically investigates which kinds of Web design are having significant influence on service quality. For instance, users are able to access to firm's customer service representative (CSR), the site should be easy to navigate and frequently updated with follow up management, free downloads, immediate response, customized content and pages, high resolution pictures, hot links to functional and value-added pages, visually appealing images, login function, personalized content, reminder service, search facility, fast respond, and varieties of transaction methods (Kolesar and Galbraith, 2000; Zsidisin et al., 2000).

The Web design attributes proposed by the above academics (Fiore, 2001; Gilbert et al., 1999; Hofacker, 2001; Kolesar and Galbraith, 2000; Long et al., 1998; Parker, 2000; Smith, 2000; Ting, 2000; Walsh and Godfrey, 2000; Zsidisin et al., 2000) are expected having impact on customer relationship, their loyalty, and service quality, but some other Web design ingredients should also be harnessed for enhancing an enjoyable Internet experience that drive customers back to the Web site (Dholakia and Rego, 1998; internet.com; Teo, 1998). For example, clickable and non-clickable pictures, Java, hot links, easy to read, interactive, provide credible and original content in as many forms as possible, ability to customize, background music, sound effect, animations, video, and so on (Dholakia and Rego, 1998; internet.com; Teo, 1998). These few types of Web design attributes are used to enhance customers' surfing experiences and revisit intention, which are not specific for developing customer relationships and maintaining customer loyalty.

Based on the above studies, certain kinds of Web design are critical to enhance customer relationship, retain profitable customers, and encourage their revisit intention and behaviors. Indeed, these studies just simply list out which kinds of Web design elements are essential to retain customers via the Internet. Hence, the research question of this paper is what particular types of Web design characteristics are critical to enhance relationship and loyalty in banking industry from customer's perspective. For that reason, this paper is aimed at identifying Web attributes that are crucial for relational-oriented banking Web site in Hong Kong to maintain service quality and customer loyalty. This kind of research is being absent in literature and that will serve as a stepping-stone for further research.

Research Methodology

Current paper is an exploratory study discovering what kinds of Web design items are essential to enhance loyalty from customer's point of view with little theoretical supports. It was an inductive approach that experts were invited to provide description and clarification of the Web design for banking industry in Hong Kong by undertaking in-depth interview with key informants and focus group study (Hinkin et al., 1997). This inductive approach is commonly used while an unfamiliar area is going to be investigated under limited theoretical supports (Hinkin et al., 1997).

The purpose of doing in-depth interview with key informants was to generate ideas and items for measuring the Web design for banks in Hong Kong. As suggested by Campbell (1955), data obtained from few knowledgeable persons was more accurate than the data collected from a much larger group of less knowledgeable people (c.f. Huber and Power, 1985). Hence, a total of 5 key informants were invited as interviewees. All of them had used Internet banking services for more than three years, and they were experts in doing Internet banking services. Interviewing with few key informants helped providing a deeper understanding of Web design from respondents' perspective, and discovering the Web items that are not addressed in

previous literature (Huber and Power, 1985). The procedures of holding interviews went through few stages in accordance with the suggestion made by Huber and Power (1985): (1) selected experienced Internet banking services users as key informants, (2) motivated the informants to cooperate by ensuring the anonymity and confidentiality of responses and explaining how the research results can be useful to them, (3) used semi-structured questions to guide the discussion, and (4) pre-tested the questions before interviewing with them.

Beside, a focus group study was undertaken to further explore what kinds of Web design were critical to enhance customer loyalty. According to the recommendation suggested by Morgan (1997), a focus group should be consisted of 6 to 10 participants. Hence, a total of 8 participants were invited to participate in the focus group for current study at the Hong Kong Polytechnic University. All participants had an account in any bank in Hong Kong, and they had used Internet banking services on site from 6 months to 3 years, like HSBC and Citibank. There was no restriction on age, gender, occupation, and income of the target participants, but restriction was posed on the services should be provided in Hong Kong. These participants were acquainted with the Internet banking services and Web design elements, and so providing adequate support for this paper (Huber and Power, 1985).

Both depth interview and focus group discussions were tape-recorded and transcribed for further analysis. Two analysts were involved in the analysis in order to provide an opportunity to assess the reliability in coding the main theme (Stewart and Shamdasani, 1990). The key points under each particular question in the transcriptions were cut apart and sorted into categories by both analysts respectively for the purpose of generating items (Hinkin et al., 1997). This cut-and-past technique is one of the content analysis techniques (Stewart and Shamdasani, 1990).

Findings and Discussion

The findings obtained from interviews served as a starting point to reveal the main categories of Web design elements and to guide the focus group discussion for further exploration (Morgan, 1997). As stated by those key informants in depth interviews, certain kinds of Web design attributes did enhance customers' service experiences and loyalty, including, able to view the Web pages by any kind of Web browsers and windows, constant dialogue, customization, online enquiry, online transaction, personalization, real-time information, security, simple and clear Web pages. Similarly, some of the above items had also been mentioned in focus group discussion that the details were shown in Table 3. It indicated that these kinds of Web elements were particularly critical to enhance quality experiences and loyalty behaviors. Apart from these Web design elements, focus group participants further proposed to include exclusive membership services, interaction with banks and other customers, and fast loading speed to strengthen the quality experiences and their loyalty level towards the bank. As classified by Fiore (2001), Gilbert et al. (1999), Hofacker (2001), Kolesar and Galbraith (2000), Long et al. (1998), Parker (2000), Smith (2000), Ting (2000),

Walsh and Godfrey (2000), and Zsidisin et al. (2000), all these kinds of elements are more relational oriented and specific to enhance revisit behaviors, service quality, and loyalty.

In the focus group discussion, those participants also recommended to incorporate other Web design attributes to improve the attractiveness of the Web site in order to enhance their revisit intention and behaviors, for example, background music, clickable and non-clickable pictures, graphic animations, movable pictures, flash, option for skipping flash, and sound effect during loading time. The details can be referred to Table 3 Web items no.13 to no.19. In accordance with the studies of Dholakia and Rego (1998), Teo (1998), and internet.com, these Web design attributes are effective in enhancing a pleasurable appearance of a site that drives customers back to the site next time.

The above findings showed that Web design elements were classified into two main categories: relational-oriented Web elements and Web site enhancement to enhance service quality and loyalty (Dholakia and Rego, 1998; Fiore, 2001; Gilbert et al., 1999; Hofacker, 2001; internet.com; Kolesar and Galbraith, 2000; Long et al., 1998; Parker, 2000; Smith, 2000; Teo, 1998; Ting, 2000; Walsh and Godfrey, 2000; Zsidisin et al., 2000).

Relational-oriented elements were those items having relationship characteristics and specific to enhance loyalty behaviors and service quality (Fiore, 2001; Gilbert et al., 1999; Hofacker, 2001; Kolesar and Galbraith, 2000; Long et al., 1998; Parker, 2000; Smith, 2000; Ting, 2000; Walsh and Godfrey, 2000; Zsidisin et al., 2000), for instance, customization, personalization, online trading etc (Table 3, items no.1 to no.12). These kinds of Web elements should be incorporated in a site aimed at developing and maintaining relationships with customers, because of their ability to improve the levels of perceived service quality and loyalty from customer's perspective.

Another category was labeled as Web site enhancements, which affect the attractiveness of a site, and in turns, customers' revisit behaviors (Dholakia and Rego, 1998; Teo, 1998; and internet.com), for example, background music, graphic animation, flash, and so on (Table 3, items no.13 to no.19). These types of Web enhancements were particular effective in enhancing a quality experience that further drives customers back to the site. As suggested by focus group participants, these Web enhancements were less important to affect their loyalty behaviors than relational-oriented Web items. Therefore, relational-oriented Web attributes should be included or provided in relational-oriented Web sites to enhance service quality and loyalty, while those Web site enhancement items might also be incorporated to further improve the levels of quality and loyalty. Moreover, those participants pointed out that they were more satisfied with and more loyal to the bank with quality services. Thus, the improvement of relational-oriented Web items and enhancements affected loyalty directly and indirectly via service quality and satisfaction.

Table 3: Analysis of Web Design

<i>Web Elements, Functions, Services</i>	<i>Mentioned in literature</i>	<i>Mentioned in Interviews</i>	<i>Mentioned in Focus Group Study</i>
1. <i>Able to view the Web pages by any kind of Web browsers & windows</i>	Internet.com	✓	✗
2. <i>Constant dialogue</i> <ul style="list-style-type: none"> ▪ Online CSR ▪ Online dialogue ▪ Online help 	Fiore (2001) Kolesar and Galbraith (2000) Parker (1998) Smith (2000) Walsh & Godfrey (2000) Zsidisin et al. (2000)	✓	✓
3. <i>Customization</i> <ul style="list-style-type: none"> ▪ Customized information ▪ Highly relevant information 	Fiore (2001) internet.com Hofacker (2001) Kolesar and Galbraith (2000) Parker (2000) Smith (2000) Ting (2000) Walsh & Godfrey (2000)	✓	✓
4. <i>Online enquiry</i> <ul style="list-style-type: none"> ▪ About account balance, interest rate, shares, exchange rate 	Walsh & Godfrey (2000)	✓	✓
5. <i>Online transaction</i> <ul style="list-style-type: none"> ▪ Provide all kinds of banking services online 	Kolesar and Galbraith (2000) Ting (2000)	✓	✓
6. <i>Personalization</i> <ul style="list-style-type: none"> ▪ Personalized history files ▪ Personalized recommendation 	Smith (2000) Ting (2000)	✓	✓
7. <i>Real-time information</i>	Hofacker (2001) Kolesar and Galbraith (2000) Long et al. (1998) Parker (2000) Zsidisin et al. (2000)	✓	✓
8. <i>Security</i> <ul style="list-style-type: none"> ▪ Login function ▪ Register mechanism 	Fiore (2001) Kolesar and Galbraith (2000) Parker (2000) Smith (2000) Ting (2000)	✓	✓
9. <i>Simple & clear</i> <ul style="list-style-type: none"> ▪ Clear guidelines ▪ Search Engine ▪ Site map ▪ User friendly ▪ Use pictures to clearly show the product categories 	Hofacker (2001) Kolesar and Galbraith (2000) Parker (2000) Smith (2000) Ting (2000) Teo (1998) Internet.com	✓	✓
10. <i>Fast Loading Speed</i>	Hofacker (2001) Smith (2000) Teo (1998)	✗	✓

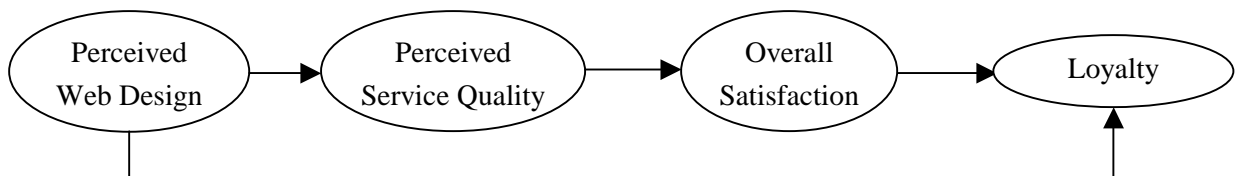
<i>Web Elements, Functions, Services</i>	<i>Mentioned in literature</i>	<i>Mentioned in Interviews</i>	<i>Mentioned in Focus Group Study</i>
11. Interaction with banks and other customers	Fiore (2001)		
▪ Online chat room	Gilbert et al. (1999)		
▪ Online market survey or questionnaire	Hofacker (2001)	✘	✓
	Smith (2000)		
	Ting (2000)		
	Walsh & Godfrey (2000)		
12. Exclusive membership services	Fiore (2000)		
▪ Ability to customize Web pages	Gilbert et al. (1999)		
▪ Email reminder services	Kolesar and Galbraith (2000)		
▪ Exclusive services for members	Walsh & Godfrey (2000)	✘	✓
▪ Periodical email announcement of latest information			
13. Background music	Dholakia and Rego (1998)		
	Teo (1998)	✘	✓
14. Clickable & non-clickable pictures	Dholakia and Rego (1998)	✘	✓
15. Graphic animations	Dholakia and Rego (1998)		
	Teo (1998)	✘	✓
16. Movable pictures	Dholakia and Rego (1998)	✘	✓
17. Flash	✘	✘	✓
18. Option for skipping flash/provide original content in as many forms as possible	Internet.com	✘	✓
19. Sound effect during loading time	Dholakia and Rego (1998)		
	Teo (1998)	✘	✓

Key: ✓ mentioned; ✘ not mentioned; no.1 to no.12 are those relational-oriented Web items; no.13 to no.19 are those Web site enhancements.

Conceptual Framework

Given the potential of Web design, in terms of relational oriented Web items and Web enhancements, on enhancing quality and loyalty as found in the exploratory studies, it indicated that Web design had both direct and indirect impact on loyalty. On one hand, Web design directly affected loyalty. On the other hand, it indirectly influenced loyalty via service quality and customer satisfaction. Hence, a conceptual framework of the above relationships were proposed and shown in Figure 1.

Figure 1: Conceptual Model



Research Propositions

Perceived Web Design: As indicated in the findings with the support from literature, Web design items can be classified into two main categories to enhance service quality and loyalty behaviors - relational-oriented Web items and Web enhancements. Relational-oriented Web items are specific to enhance loyalty because of its relational characteristics, while Web enhancements are more likely to influence service quality and loyalty via enhancing site's attractiveness. Hence, three propositions are proposed.

P1: The improvement of Web design in terms of relational-oriented Web design and Web enhancements will have positive effect on service quality.

P2: The improvement of Web design in terms of relational-oriented Web design and Web enhancements will have positive effect on customer loyalty.

P3: Relational-oriented Web design elements are more important than Web site enhancements to enhance service quality and customer loyalty.

Service Quality and Satisfaction: Service quality and satisfaction are important derives of customer loyalty. Better-perceived service quality has significant impact on customer satisfaction (Cronin and Taylor, 1992; McDugall and Levesque, 2000; Parasuraman et al., 1991; Sivadas and Baker-Prewitt, 2000; Taylor and Baker, 1994; c.f. Buttle, 1996) and loyalty (Bloemer et al., 1999; Johnson and Gustafsson, 2000; Parasuraman et al., 1991; Sivadas and Baker-Prewitt, 2000). Besides, satisfied customers are more loyalty to the firm (Bhote, 1996), in terms of future interaction (Crosby et al., 1990; Garbarino et al., 1999), retention (Ennew and Binks, 1999; Reynolds and Beatty, 1999), intentions to purchase (John and Suh, 2000; Mols, 1998), share of purchase (Reynolds and Beatty, 1999), and word-of-mouth (Mols, 1998; Reynolds and Beatty, 1999). As stated by the focus group participants, they were more satisfied with and more loyal to a bank with good quality services. Thus, a Web site with relational-oriented items and Web enhancements improves perceived service quality, and that further affects customer satisfaction and their loyalty intentions and behaviors.

P4: Once service quality is enhanced by the Web design, customers will be more satisfied.

P5: Satisfied customers will be more loyal to the bank than less satisfied customers.

Conclusion And Future Research

In conclusion, this study explores what particular types of Web design are critical to enhance service quality, satisfaction, and customer loyalty. As found in the interview and focus group study with the literature support, Web design items could be classified into two main categories - relational oriented Web elements and Web enhancements. Relational-oriented elements were specific to enhance service quality and loyalty, because of their relational characteristics to

develop and maintain relationships with customers, for example, customization, constant dialogue, personalization, online trading, etc (Table 3, no.1 to no.12). Relatively, web enhancements were less important to affect quality and loyalty. It was because these enhancements lacked relational characteristics. As cited in the studies of Dholakia and Rego (1998), Teo (1998), and internet.com, they were effective to enhance the site's attractiveness for the purpose of generating more visits of a customer, for example, clickable and non-clickable pictures, animations, flash, and so on (Table 3, no.13 to no.19). In brief, those relational-oriented items and Web enhancements found in the interviews and focus group study would have crucial effects on customer relationships and loyalty.

Future research is recommended to identify a set of Web design items and enhancements by undertaking empirical examination and research. The research may be undertaken for banking or any other service industry in order to generalize the items of Web design among different types of industries. Further analysis should also be undertaken to find out the possible impact of Web design on service quality and loyalty, and their related relationships.

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Appendix: Focus Group Discussion Questions

1. What kinds of Web site characteristics should be existed on the company Web page when the bank or apparel firm is trying to maintain relationship with you?
2. What kinds of Web page components are attractive to you?
3. What kinds of Web page functions should be provided for loyal members or customers like you?
4. Do you think Internet is a good channel to maintain relationships with you?
5. Are you satisfied with the use of Internet to maintain relationships?
6. Does the availability of Web site characteristics, functions and components affect your satisfaction level and loyalty?
7. Are you going to continuously use this channel to communicate with the bank or apparel firm?