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## **The impact of generation y's customer experience on emotions: online banking sector**

Sandra Maria CorreiaLoureiro<sup>1</sup>, Eduardo Moraes Sarmento<sup>2</sup>

<sup>1</sup> Instituto Universitário de Lisboa (ISCTE-IUL) Business Research Unit (BRU/UNIDE, Portugal  
sandramloureiro@netcabo.pt

<sup>2</sup> ISEG (Lisbon School of Economics & Management, Lisbon University), ULHT and ESHTE, Portugal  
emoraessarmento@gmail.com

### **Abstract**

Recently, banking sector focused on attracting Generation Y (individuals born between 1980 and 2000) because they have emerged as a huge force with growing spending power which will unavoidably rival with Baby Boomers' market dominance. They try to attract them through a unique customer experience, especially the ability of differentiation.

Using the Mehrabian & Russell's model of stimulus (S) - organism (O) - response (R), this study developed the Generation Y customer experience framework that intends to explain their consumer emotional responses toward customer experience attributes in a bank through three aspects: pleasure, dominance and arousal toward online banks.

Empirical evidence, based on data from a survey suggests that the overall customer experience attributes in the bank had a positive relation with emotinal responses in different ways. "Value for money", "Getting things right the first time" and "Put the consumer first" emerged as the most importance attributes for Generation Y in experiencing a bank.

**Keywords:** Customer experience, Generation Y, Stimulus-organism-response model, pleasure, dominance, arousal, and Banking sector.

## **Introduction**

In a global and competitive world, searching for competitive advantage through product differentiation in the banking sector is increasingly difficult because products and services are very quickly copied forcing banks to find new ways and opportunities of identifying and developing relationships with customer and enhancing positive feelings about them. Today, banking is a consumer-oriented service industry, and their business increasingly depends on the quality of the consumer service provided and overall satisfaction of the customer. Therefore, experiences have become a critical aspect to corporate banking success. Today, customers expect a high level of experience from banks, which, if fulfilled, could result in significantly improved customer satisfaction, and potentially retention levels [1]. Furthermore, the Brand experience has been as the outcome of an attribute drove information processing in which consumers are engaged rationally and emotionally. Therefore, when creating a brand experience, the key is to engage all senses and to evoke emotional as well as intellectual reaction towards a brand [2].

Generation Y (Gen Y) is considerably less likely to have positive experiences, compared to all other age groups due to the high expectations they have toward banks' digital capabilities. Gen Y is far more interested in using mobile banking compared to other age groups, placing additional importance on the development of this channel [3]. Customer experience acts as an emerging opportunity in this fast-paced highly competitive world especially in the new horizon of experience economy since customers with positive experiences are three to five times more likely to refer others and purchase additional products [4].

Prior studies with bank institutions revealed a gap because they didn't properly analyzed which stimuli of online bank experience could influence positively the emotions. Therefore, the research question is: which stimuli of bank experience can influence the emotions of Generation Y (or Gen Y)?

We will try to understand the impact of Generation Y customer experience in the banking sector through the stimulus (S) - organism (O) - response (R) model developed by Mehrabian and Russell (1974). This model is a key component in focusing the various dimensions that may stimulate consumers, as well as postulating the various emotional responses of consumers. All those aspects are affected by stimulus variables. The emotional responses represent the outcomes of the bank marketing effort which include three variables: pleasure, dominance and arousal.

This article is organized into three parts. The first one gives the theoretical background, and it starts with the Stimulus–Organism–Response model that will be relied on this study as well as the analysis of the topic of Sensory Marketing and Co-creator, Experience and Brand experience, and Stimulus as Customer experience. We also present the description to the topic of Generation Y as a focus segment in this study. The second part is related to the research design and methodology and the last part analyses the results and conclusions.

## **1. Theoretical framework**

### **1.1 Stimulus–organism–response model**

The stimulus–organism–response model (S-O-R) was introduced into marketing by Donovan and Rossiter in 1982. When applied to a retail setting the stimulus is operationalized as the atmospheric cues, organism as emotional and cognitive states of consumers, and response as approach or avoidance behaviors such as re-patronage, store search, and various in-store behaviors [6].

The stimuli in the S-O-R framework are represented by a set of attributes that affect the perceptions of the consumer [7]. These attributes are the starting point of the consumer behavioral process and are cues that enter a consumer’s cognition and arouse or incite him (as a recipient) consciously or subconsciously into action. The attributes entered into a consumer’s mind in a traditional retail environment include social factor such as the people in the store, customers, and employees, design factors such as visual cues of layout, clutter, cleanliness, and color, and ambient factor such as non-visual cues including smells and sounds [8]. The organism, the second component in the S–O–R framework, refers to the intervening internal process between the stimuli and reaction of the consumer. It is a process in which, the consumer converts the stimuli into meaningful information and utilizes them to comprehend the environment before making any judgment or conclusion. The third component, the response, is the final outcome or reaction of the consumers, including psychological reactions such as attitudes and/or behavioral reactions [9].

In other words, a stimulus is something outside consumers’ control, which can include marketing mix variables or other inputs from the environment. Those stimuli will affect consumers’ internal states [10]. The organism is described as the internal processes and structures intervening between stimuli, external to the person, and the final actions, reactions, or responses emitted” [11]. Finally, the response is defined as the output in the form of the reaction of consumers toward the stimuli[11].

In examining generation Y experience in the banking sector, “stimuli” or environmental cues will be conceptualized as Customer Experience attributes. More specifically accessibility, ease of doing business, execution excellence, personalized offering, staff engagement, value for money, and reputation. “Organism” will be described as the internal state, using the Pleasure-Arousal-Dominance scale to measure the affective and emotional state of consumers, as well as a satisfactions scale, which ultimately reflects upon the attitudinal state of the consumers while engaging with particular experience attributes given by the bank.

## **1.2 Customer experience in banking sector**

By monitoring competitive scenario that happens in different business sectors, customer experience has turn out to be a hotspot in the growth cycle of any organizations. The concept of customer experience first appeared in marketing studies in 1982 by Holbrook and Hirschman and became generalized in marketing literature by Pine II and Gilmore in 1998. Nowadays, creating and delivering superior customer experience has become one of the prime objectives of organizations. Since traditional Marketing views customer as rational decision making, who care about benefit and functional feature of products/service [16].

The term started gaining increasing interest among academicians and practitioners, especially because of turn from service- based economy to experience- based economy. In other words, as goods and services become commoditized, the customer experiences that companies create will matter most. An experience occurs when

a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event [17].

Customer experience is defined as the internal and subjective response customers must any direct or indirect contact with a company. Direct contact generally occurs during purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company's products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth [18]. In other words, Customer experience is the user's interpretation of his or her total interaction with the brand [19].

In considering customer experience, it is appropriate to consider two perspectives of consumer behavior: the traditional "information processing and decision oriented" perspective and the "experiential" perspective. The first perspective sometimes referred to as the cognition affect and behavior approach; this cognitive view suggests that the customer is engaged primarily in goal-directed activities such as searching for information, evaluating available options and deciding whether to buy a particular product or service or not [20]. In another hand, the experiential view of consumption has broadened this perspective considerably. Consumption includes the flow of fantasies, feelings, and fun where such behavior may not necessarily be goal [21]. Customer experience needs to be seen from both an information-processing approach that focuses on memory-based activities and on processes that are more sub-conscious and private in nature [22].

The nature of service encounter and kind of service provider do an essential function because the customers not just purchase the service delivered by the business, however, purchases "experience" from that business, too. The main reason to work on the experiences of the banks' customers is that the prosperity of any bank depends upon its number of existing customers [23]. For services, it has been demonstrated that the creation and delivery of an emotion-rich experience provide brand differentiation and influences sales, consumer loyalty, and promotion of the brand [24].

In studying of customer experience factors in banking, a customer requires convenience at its every contact point with the organization as regarding the location of the bank, available parking facilities, speed, hygienic environment and alike [25]. According to (AHP) approach, the factor "convenience" possesses maximum weight it shows that though customer takes cognitive decisions regarding "monetary aspect" but still requires "convenience" in every aspect, while dealing with the organization. In addition, employees, online functional elements, and servicescape possess distinctively higher weights than the other factors such as service process, marketing mix, Customer interaction and online hedonic elements [23].

The research results about banking by Hardeep Chahal and Kamani Dutta study revealed that core service experience comprising cognitive, affective and behavioral factors is most significant dimension followed by relational experience and sensory experience dimensions. The cognition items affecting banking customer experience include knowledge of bank products, competitive interest on loans and information sharing. Bank managers when respect customer's time and give special attention to knowledge, speed and service process, can generate positive behavioral experience. Similarly, effective items in the core service factor include problem handling, responding quality, aesthetic, and empathy, which have a significant impact on creating

customer experience in banking sector. Behavioral characteristics affecting customer experience include concern and caring attitude, prompt customer service and error free bank services [26].

### **1.3 Organism - Internal Emotional States**

In this section, we will focus on three variables that will represent the organism component in SOR model; pleasure, arousal, and dominance.

Russell and Mehrabian presented pleasure-arousal-dominance scale as it relates to Consumer's affective state while engaged with the stimuli. Pleasure relates to how good a consumer feels about the retail environment. While arousal is the extent, to which a consumer feels excited or stimulated. Then finally, dominance is an effective state that relates to control in regards to the retail environment [5].

Donovan and Rossiter used the P-A-D model to examine the relationship between affective states provoked by store environment and the consumer behavioral intention in those environments. The study found that pleasure created a willingness to purchase while arousal created a positive desire to interact with the store environment, as well likelihood to return to the same environment. Furthermore, it has been examined that dominance variable is strongly related to usability attribute of websites, which ultimately affect pleasure and arousal states of consumers while engaging with a retailer [27].

**Pleasure** measures people's general positive or negative reaction to the environment. Pleasure is defined as the degree to which a person feels good, joyful, happy, or satisfied in a situation [8]. According to Menon and Kahn (1995), if consumers do not have any specific goals for evaluation, they may use their affective feelings as a guide while evaluating any target. In doing so, they may mistakenly attribute a pre-existing pleasure state as a reaction towards the target stimuli. This suggests that pre-existing emotions may increase favorable evaluations of novel stimuli more than familiar stimuli, thus increasing the approach behavior [28]. In addition, Sherman et al. (1997) demonstrated that pleasure has a positive influence on how much a consumer likes a store and the money spent in the store, but has no significant impact on the number of items purchased or time spent in the store [10].

**Arousal** refers to the extent to which a person feels stimulated, active, or excited [8]. The current study introduces a two-dimensional concept of arousal; there are at least two different types of arousal; energetic arousal and tense arousal. Energetic Arousal refers to the extent to which a person feels active, energetic, alert or vigorous ranging from subjectively defined feelings of energy and vigor to the opposite feelings of sleepiness and tiredness and varies in a circadian rhythm. Meanwhile, tense arousal refers to the extent that an individual feels anxious, jittery, tense, or nervous ranging from subjective tension to placidity and quietness [29]. In this study; Energetic Arousal just will be used.

**Dominance** defined by Russell and Mehrabian (1976) as the extent that a person feels powerful vis-à-vis the environment that surrounds him/her. According to them, a person feels dominant when he/she is able to influence or control the situation he/she is in. He/she feels submissive when the environment influences him/her [5]. In a service environment, dominance refers to the degree of power and influence on the service specification, realization, and outcome. Service providers can influence consumers' perceived dominance in

the environment. The proximity of the store, the control of the shopper's movement through the store layout, available and personalized stock and service can increase the consumers' perceived dominance [30].

#### **1.4 Generation Y**

The Generation Y segment comprises individuals who were born between 1980 and 2000. They are also referred to as Millennials, net generation and Echo Boomers [31]. Individuals in this segment were typically raised in a secure and goal-driven environment. The competitive environment at home is mild. They are also called "trophy kids" as they have several accomplishments. Generation Y likes to work in a team and in a culture that is organized, integrated and growth-oriented. They believe that this would help them to accomplish their goals more easily than when working individually. However, they are eager to achieve their objectives within a short time period and are receptive to continuous feedback [32].

Generation Y is influenced by western culture and is eager to spend money. They experiment with and adapt to new products and brands. They usually spend on personal services and consumer goods. While they have high brand awareness, they are generally not brand loyal. They are hence called "brand switchers." However, it is important to note that the purchasing power of this young segment will only increase over time [33]. Gen Y's use of social media is already changing the marketplace, the workplace, and society; it will ultimately lead to new business models, processes and products [34].

Younger customers are more likely to change their banks easily, so if retail banks want to retain younger customers, they need to offer more meaningful incentives to younger customers than they offer to older customers. In terms of practice, the findings of this research highlight the need for managers to design different switching barrier packages for each customer age group [35].

The study by Robert Rugimbana has shown that cultural values and perceptual variables may have significant implications for marketing practice particularly where Generation Y is concerned. Given that e-banking services are designed essentially to suit individuals who prefer convenience, quicker service, more frequent and less face-to-face retail banking services, one would expect that Generation Y individuals, more likely to use these e-banking services, would be those who are socialized in more individualistic and consumption orientations. These individuals would be expected to use the e-services more regularly given that individualistic societies tend to be more consumption-oriented and therefore more encouraging towards spending [36].

Bilgihan (2016) report that generation Y group likes to travel and prefers to spend money on experiences rather than materialistic items. Their responses to online marketing are expected to be different as they process website information five times faster than older generations and are the most emotional and least loyal customers compared to all other generations. In addition, Bigham demonstrated that trust is the most important antecedent of e-loyalty in online shopping for Gen Y customers. Brand equity is also a key precursor of e-loyalty. Finally, a positive online experience (flow) is also a significant precursor of e-loyalty for this cohort [37].

#### **1.5 Banking Sector**

For several years now, the banking sector has been facing several challenges. One of the biggest challenges is keeping pace with ongoing development technology. In this part, we will deliver brief information about Internet Banking & Mobile-Banking, Banking for generation Y and show worldwide examples about banking experience for generation Y.

### **1.5.1 Internet Banking and Mobile-Banking**

The Internet has transformed the ways in which individuals, groups, organizations communicate, obtain information, access entertainment, and conduct their economic and social activities. Looking forward, by 2018 almost 3.6 billion people, i.e. half of the world's population will be connected to the internet or the mobile internet [38].

In response to market competition and with relatively low setup costs, traditional banks have adopted a policy of enhancing the possibilities of their online services. Interactive banking services have currently become a common practice, ubiquitously performed all over the world and are now an integral part of the modern commercial environment [39].

It is widely recognized that the nature of banking services is changing rapidly, due to the diverse advances offered by the revolutionary information technologies of the Internet. This significant change extends across all levels of service in the banking industry – from global business to individual concerns. Advances in technology, globalization, and customization have created a dynamic banking environment, in an attempt to improve service quality and satisfy customers' need for faster, easier, independent and real-time service [40]. Internet banking as a medium of delivery of banking services and as a strategic tool for business development has gained wide acceptance internationally and is fast catching up with more and more banks entering the fray [41]. Internet banking services can be defined as the provision of information or services by a bank to its customers via the computer, cellular phone or other Internet-oriented devices [42]. The online banking penetration in the European Union (EU 28) showed that in 2007 it was 25% and in 2015 it was 46%. In 2015, 46 % of all individuals used the internet for online banking, but usage was higher among those who had used the internet within the last three months, at 57 %.

Sahoo and Swain [41] reported main benefits from Internet banking for both Banks and customers being the most important its availability 24 hours a day and 7 days a week. Customer's perception and life style play an important role in the growth of Internet banking system: (i) banks are succeeded to reduce this queue through uses of latest technology. Also, banks are going to utilize internet facility for customer's transactions this method will reduce paperwork and will give a quick response to the customer while they remain in their office or at home; (ii) E- Banking, i.e., the liberation of bank's services to a customer at his workplace or domicile using Electronic Technology, makes it easier for customers to compare banks' services and products. Also, it can augment competition among banks, and authorizes banks to penetrate new markets and thus inflate their geographical reach; (iii) customers in e-banking era can access services more easily from banks abroad and through wireless communication systems, which are developing more rapidly than traditional "wired" communication network and that provides enormous benefits to consumers regarding the ease and cost of transactions.



As a result, mobile has become an intrinsic and vital part of bank customers' everyday life, and they expect banks to respond rapidly to their demands and provide the level of service they want [43]. According to the second annual Trends in Consumer Mobility report of Bank of America, of those consumers who use a mobile banking app, nearly two-thirds (62%) access it at least a few times a week or more, while one in five (20%) check once a day or more [44].

Mobile Banking covers some areas, from apps to mobile financial services and even mobile payments in the future, and from smartphones to smart TVs (and eventually all devices will become 'smart' and connected). These are all part of the rapidly evolving mobile ecosystem [43]. In addition, according to in Consumer Mobility report of Bank of America. The majority of consumers check their balance or statement (74%), view transactions (63%) via their mobile banking app and 72% of Millennials ages 25-34 generation report using mobile bank check deposit. Additionally, nearly four in 10 (38%) pay bills, almost one-third (32%) use it to locate a branch or ATM, and 15 % manage investments [44].

Other issues also need to be considered, such as the opportunities and challenges posed by the social media; the development of mobile wallets; and the role of payments. Mobile payments are often seen as being a separate discipline from mobile banking. However, there are a few signs that there could soon be a level of convergence between the two areas, which will lead to a larger mobile ecosystem [43].

Despite the huge worldwide migration towards the use of mobiles in recent years, mobile banking is still really in its infancy. There is a lot to be discovered, and many challenges to overcome – and meanwhile the whole mobile ecosystem is continuing to grow and evolve [43].

### **1.5.2 Banking for generation Y**

As banks target technology-friendly Gen Y customers, they must focus on developing products and services in unique and innovative ways. Gen Y customers are more likely to be attracted by innovation, quality of service, and accessibility to various products and services such as payment systems and banking accounts. To that end, effectively utilizing mobile and social media tools are powerful ways to engage Gen Y [3].

Generations often hold common values shaped by shared experiences during their key developmental years. Social media allows experiences and attitudes to be wide - nearly instantly - shared. The reasons that younger generations patronize banks is that they offer more sophisticated - online and mobile- banking services and is more convenient access to ATMs. Online or mobile banking is an influential factor for about 25% of younger generations, but only 18 % of Older Boomers or Matures. Gen Y is more likely to pay attention to what their friends are saying, texting or perhaps entering on their Facebook page about the bank than what the bank is saying about itself. Gen Y prefers to receive communications via the bank's online banking site (after login), e-mail to their computers or the bank's website more than by "snail mail." Gen Y also is more receptive than others to communications via the bank's ATM machines or their mobile phones [1].

According to Capgemini report (2014) called "What Makes Gen Y-Stick with a Bank?", Gen Y Requirements & Demands are the following: (i) they choose banks that charge lower fees and are more interested in products and services that offer low fees and charges; (ii) tend to shop around for the best price, and are willing to switch banks to obtain higher rates on savings accounts; (iii) they prefer banks whose processes

are more streamlined and offer a high level of convenience; (iv) they are aware of a bank's quality of service and will select a bank that delivers the greatest value and benefit to them; (v) they seek added convenience in terms of services, not only through bank branches but also online and through mobile channels [45].

However, according to World Retail Banking Report (2014), one find some important facts when comparing gen Y and other age groups: (i) Gen Y customers who do have positive experiences are somewhat less likely to engage in profitable behaviors; (ii) Gen Y are slightly less likely to refer a friend, and a similar trend exists regarding the likelihood of Gen Y to purchase another product [3].

For that and to encourage an ongoing mutually valuable relationship with Gen Y customers, banks need to focus on four key areas that could increase Gen Y Customer Stickiness [45]: (i) Banks should introduce Gen Y-specific checking and savings accounts that offer competitive interest rates and a high level of online and mobile banking convenience. Banks should provide attractive long-term savings, pension, and securities and insurance products and services to meet this need. This may encourage Gen Y customers to stay with a bank over the long term; (ii) Gen Y customers have unique preferences in the way they prefer to make payments, so banks should bundle payment instruments because bundled payments offer a high level of convenience. For example, the emerging digital wallet payment system enables customers to access payment systems remotely anytime and anywhere, increasing convenience; (iii) Gen Y customers seek access to banking services anytime, so they are among the most likely segments to use the Internet for online and mobile banking. This technology (mobiles and internet) allows them to check account balances, make purchases, and conduct payment transactions on their mobile devices or the Internet. Gen Y customers are always connected to the world via their smartphones, and they are increasingly adopting smartphones and Internet banking, so banks should focus on enhancing their online and mobile channels; (iv) To improve brand awareness and increase customer retention, banks need to embrace social media platforms to engage Gen Y customers who are more likely to trust experiences posted on social media by other customers and use social networks and platforms to voice their opinions. Before making a purchase, these customers are more apt to conduct extensive research on social media and the Internet, collecting expert opinions and feedback from friends and relatives.

To ensure how important the relationship between the banking sector and young generation is, the Child and Youth Finance International (CYFI) issued '*The Child and Youth Friendly Banking Product Certificate*.' The Certificate is awarded to Banking Products that meet specific standards, including Availability and accessibility for children and youth, Maximum control to children and youth, the Positive financial incentive for children and youth, A Financial education component, and Monitoring of child and youth satisfaction. Core Principles of CYFI movement are focused firmly on increasing the financial protection and empowerment of all children and youth across the world. Also, CYFI is leading a global movement which seeks to facilitate access to child and youth friendly bank accounts and holistic financial education for 100 million children and youth in 100 countries by 2015 [46].

## **2. Research Model and hypotheses**

In order to explore the impact of Customer Experience attributes on generation Y's behavior in the banking sector, we defined the following conceptual model and research hypotheses based on several studies previously developed. From those studies, important information was retrieved and selectively used to adequately match the aims of the present study.

The research model (see figure 1), was developed on stimulus-organism-response (S-O-R) theory. The stimulus aspects are represented by Customer Experience attributes. The Customer Experience attributes encompass: Accessibility, Ease of doing business, Executional excellence, Personalized offering, Staff engagement, Value for money, and Reputation affect the organism. The organism is defined by the affective state that includes pleasure, dominance and arousal.

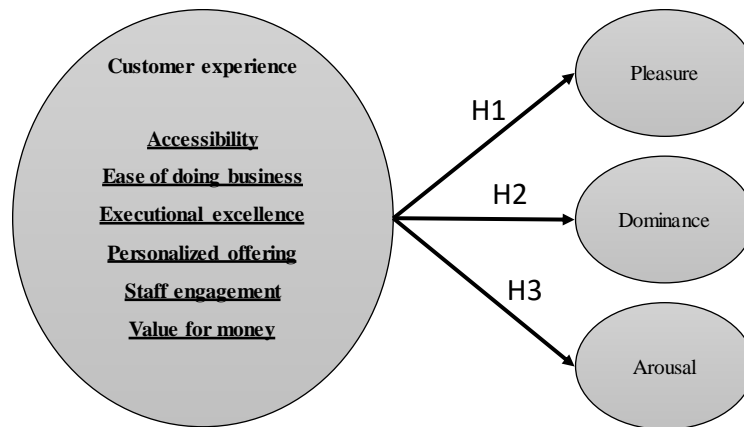


Figure 1: Research model (Source: Authors' elaboration)

The overall hypotheses proposed for this study are the following:

**H1: Customer Experience, that is, Accessibility(H1a), Ease of doing business(H1b), Executional excellence(H1c), Personalized offering(H1d), Staff engagement(H1e), Value for money(H1f), and Reputation(H1g) positively affects pleasure of Generation Y in experiencing the bank.**

**H2: Customer Experience, that is, Accessibility(H2a), Ease of doing business(H2b), Executional excellence(H2c), Personalized offering(H2d), Staff engagement(H2e), Value for money(H2f), and Reputation(H2g) positively affects Dominance of Generation Y in experiencing the bank.**

**H3: Customer Experience, that is, Accessibility(H3a), Ease of doing business(H3b), Executional excellence(H3c), Personalized offering(H3d), Staff engagement(H3e), Value for money(H3f), and Reputation(H3g) positively affects Arousal of Generation Y in experiencing the bank.**

## 2.Method

### 2.1 Data collection

We collected secondary data through a revision of previous researches related to the topic. With the support of the theoretical background and in order to collect primary data an on-line survey was created and launched

via the umfrageonline website, being available during February and March 2016. Therefore, it was chosen and online survey because (i) it allows a quick response and it possible to reach a higher number of Generation Y's customers in a small period of time in different places; (ii) the study is aimed at Generation Y that is also known as the Internet generation, increasing the importance of using an on-line survey. The survey was spread to customers via Facebook. We posted the survey's link on several Facebook pages like universities and youth organizations.

## **2.2 Questionnaire Design**

The theoretical framework of this study was grounded in the S-O-R framework [5]. The questionnaire was mainly designed to measure: Customer Experience attributes, internal emotional consumer states. The items of the questionnaire were rated on a 5-point Likert scale: (1= strongly agree, 2= agree, 3= Neither agree nor disagree, 4= disagree, 5= strongly disagree).

Hence, in the first part, the respondent had four demographic questions: gender, age, marital status and educational background. In the second part, the respondents were asked to answer eighteen questions concerning the seven Customer Experience attributes (1-Accessibility, 2-Ease of doing business, 3-Executorial excellence, 4-Personalized offering, 5-Staff engagement, 6-Value for money, and 7-Reputation). Those eighteen questions were grouped in two groups. This part was based on the study of KMPG International [47]. In the third part, the respondents were asked to rank that Customer Experience attributes according to its importance to them according to the scale 1= most important, 7= less important.

In the fourth part, the respondents were asked to answer questions about emotional states. The emotional state (pleasure, arousal, and dominance) were based on a scale developed by Koo & Lee [6].

## **2.3 Sample Profile**

The sample of this study consisted of Generation Y customers of banks from different countries around the world. In order to achieve the target sample, an online survey was spread through Facebook with URL embedded that lead the respondents to the survey.

Almost 550 questionnaires were spread over a two-month period in 2016. Thereby, we gathered a sample of 211 respondents. The data consists of 205 usable survey participants (120 male-58%; 85 female-42%). Most of the answers are from individuals aged between 21-25 (46.8%) and between 26-30 (35.1%) followed by 31-35 (13%) and 18-20 (5%). Regarding the marital status, most the respondents were single (180), and the others 25 were married.

Finally, regarding the education level, most of the sample is doing or already has University degree (100-49%), 41% were doing or already had a Master degree, 3% has a Ph.D. degree, and 7% had a senior high school degree.

## **3. Results**

In this section, we divided the results into three parts: the descriptive statistics, reliability, multiple regressions and custom table.

### **3.1 Descriptive Statistics and Reliability**

We go through all the Customer Experience items (1-Accessibility, 2-Ease of doing business, 3-Executional excellence, 4-Personalized offering, 5-Staff engagement, 6-Value for money, 7-Reputation) analyzing means and standard deviations for all of them.

Cronbach’s alpha was calculated to confirm the construct reliability of the scales for the following customer experience Items (Executional excellence, Staff engagement, and Reputation). For the others customer experience items (Accessibility, Ease of doing business, Personalized offering and Value for money) we do not apply the reliability test using the Cronbach’s Alpha because those items had only two statements.

**Stimuli-Online Bank experience**

**1. Accessibility**

As we can see in Table 1, the item 1CE1 is the one that shows the highest agreement, with an average response of 2.09 (where 2=agree, in 5-point Likert scale). Moreover, regarding variability **1CE2** shows the highest value, with a standard deviation of 0.95.

Items	Mean	Std. Deviation
<b>1CE1:</b> In my Bank, the physical proximity/ease of access is good	<u>2.09</u>	0.85
<b>1CE2:</b> In my Bank, the availability of services (around the clock) is good	2.27	<u>0.95</u>

Table 1: Accessibility (Source: authors’ elaboration)

**2. Ease of doing business**

As shown in Table 2, the item 2CE2 is the one that shows the highest agreement, with an average response of 2.44 and 2CE1 shows the highest variability with a standard deviation of 0.92.

Items	Mean	Std. Deviation
<b>2CE1:</b> My Bank has services and products that are easy to understand	2.47	<u>0.92</u>
<b>2CE2:</b> It is ease of getting issues/queries/complaints resolved	<u>2.44</u>	0.89

Table 2: Ease of doing business (Source: authors’ elaboration)

**3. Executional excellence**

Concerning the Execution excellence. We can see in table 4 below that the item **3CE1** shows the highest agreement rate, with an average response of 2.04 (where 2=agree). Moreover, in terms of variability, 3CE2 shows the highest value, with a standard deviation of 0.93.

Moreover, we can conclude that the internal dimensions of the items do have consistency and can be used for statistical analysis since the value 0,762 observed for the Cronbach’s Alpha is considered a respectable value.

Items	Mean	Std. Deviation	Cronbach’s Alpha
<b>3CE1:</b> It is fast to make an inquiry/transaction	<u>2.04</u>	0.86	<b>0.762</b>
<b>3CE2:</b> My Bank is fast in resolving a complaint/resolving a query	2.46	<u>0.93</u>	
<b>3CE3:</b> I get things right from the first time	2.47	0.85	
<b>3CE4:</b> The services are Consistent – continuity in communications or interactions	2.34	0.82	

Table 3: Executional excellence (Source: authors’ elaboration)

**4. Personalized offering**

As we can see in table 4, the item **4CE1** is the one that shows the highest agreement, with an average response of 1.95 (where 2=agree), and **4CE2** shows the highest variability, with a standard deviation of 0.93.

Items	Mean	Std. Deviation
<b>4CE1:</b> My Bank offers products and services that can be tailored to my specific needs.	<u>1.95</u>	0.92
<b>4CE2:</b> My Bank rewards my choice to do business with it.	2.98	<u>0.93</u>

Table 4: Personalized offering (Source: authors' elaboration)

### 5. Staff engagement

Concerning the Staff engagement. We show in table 5 that the item 5CE1 shows the highest agreement rate, with an average response of 2.21. Also, regarding variability, 5CE2 shows the highest value, with a standard deviation of 0.89.

Moreover, we can conclude that the internal dimensions of the items do have consistency and can be used for statistical analysis since the value 0,711 observed for the Cronbach's Alpha is considered a respectable value.

Items	Mean	Std. Deviation	Cronbach's Alpha
5CE1: In my Bank, the staff has a positive attitude	<u>2.21</u>	0.80	0.711
5CE2: The staff are honest and tell the truth	2.32	<u>0.89</u>	
5CE3: My Bank offer high quality of advice and service	2.41	0.85	

Table 5: Staff engagement (Source: authors' elaboration)

### 6. Value for money

In term of value for money, we can see in table 6 that the item **6CE1** shows the highest agreement rate, with an average response of 2.77. Also, in terms of variability, **6CE1** shows the highest value, with a standard deviation of 1.08.

Items	Mean	Std. Deviation
<b>6CE1:</b> The fees/charges are fair and appropriate (Value for money).	<u>2.77</u>	<u>1.08</u>
<b>6CE2:</b> The rewards and promotions are available.	2.85	0.89

Table 6: Value for money (Source: authors' elaboration)

### 7. Reputation

In term of value for money, we can see in table 7 that the item 7CE1 shows the highest agreement rate, with an average response of 2.27. Also, regarding variability, 7CE1 also shows the highest value, with a standard deviation of 1.03.

Concerning the Cronbach's Alpha, the value of 0.65 – that appear in table 9 below - is considered the minimally acceptable value hence, we can infer that the internal dimensions of the items do have consistency and can be used for statistical analysis.

Items	Mean	Std. Deviation	Cronbach's Alpha
7CE1: My Bank is well regarded in the media	<u>2.27</u>	<u>1.03</u>	0.65
7CE2: I trust that my Bank does the right thing	2.62	0.91	
7CE3: My Bank puts the consumer first	2.79	0.96	

Table 7: Reputation (Source: authors' elaboration)

**Organism - Internal Emotional States**

Regarding descriptive analysis of organism variables, we went through all the items (1-Pleasure, 2-Dominance, 3-Arousal). Cronbach’s alpha was calculated to confirm the construct reliability of the Credibility items. For the others organism variables, we didn’t apply the reliability test (Cronbach’s Alpha) because those items had only two statements for each.

**1. Pleasure**

As shown in table 8, the item **PL2** is the one that shows the highest agreement, with an average response of 2.54 (closer to 2= Agree on a 5-point Likert scale) and shows the highest variability, with a standard deviation of 0.89.

Items	Mean	Std. Deviation
<b>PL1:</b> When I am dealing with my Bank, I feel (Pleased)	2.58	<u>0.89</u>
<b>PL2:</b> When I am dealing with my Bank, I feel (Contented)	<u>2.54</u>	0.84

Table 8: Pleasure (Source: authors’ elaboration)

**2. Dominance**

From the table 9, we can infer that the item DO1 is the one that shows the highest agreement, with an average response of 2.65 and DO2 shows the highest variability, with a standard deviation of 0.85.

Items	Mean	Std. Deviation
DO1: When I am dealing with my Bank, I feel (Acted) in control of the environment.	<u>2.65</u>	0.80
DO2: When I am interacting with my Bank, I feel (Influential) in control of the environment.	2.77	<u>0.85</u>

Table 9: Dominance (Source: authors’ elaboration)

**3. Arousal**

From the table 10, we can infer that the item **AR2** is the one that shows agreement, with an average response of 2.80. In addition, in terms of variability, **AR2** shows the highest value, with a standard deviation of 0.88.

Items	Mean	Std. Deviation
<b>AR1:</b> When I am interacting with my Bank, I feel (Energetic)	3.04	0.85
<b>AR2:</b> When I am interacting with my Bank, I feel (Active)	<u>2.80</u>	<u>0.88</u>

Table 10: Arousal (Source: authors’ elaboration)

**3.2 Multiple regressions**

In order to test the hypothesized relationships of H1 through H3, multiple regression analysis was used since we wanted to determine relationships between two or more independent variables and one dependent variable.

Multiple regression analysis compares data and then prioritizes the effects. In this case, multiple regression determined the relative importance as well as the significance of the relationship between customer experience, the organism state, and responses.

To achieve this a transformation was employed for each of the latent variables presented: **Stimulus variables** (Customer Experience; Accessibility, Ease of doing business, Executional excellence, Personalized offering, Staff engagement, Value for money, Reputation) and **Organism variables** (Pleasure, Dominance, and Arousal). In order to detect multicollinearity among independent variables, the Variance Inflation Factor (VIF) was examined. All VIF values among independent variables in multiple regression models in this study were within acceptable range (VIF values were below 10).

Tolerance and Durbin-Watson values were tested for all the following regressions. For all of them, Tolerance values are superior to 0.1. Given the sample's dimension, it can be considered that the Durbin-Watson test is at the inclusion zone (close to 2).

**H1: Customer Experience positively affects the pleasure of Generation Y in experiencing the bank.**

In order to test the Hypothesis 1, multiple regression analysis was used. The seven attributes of Customer Experience; Accessibility, Ease of doing business, Executional excellence, Personalized offering, Staff engagement, Value for money and Reputation were used as independent or predictor variables while pleasure was the dependent or outcome variable.

In table 11, results show that there is a significant positive relationship between the Customer Experience and pleasure ( $p < .05$ ). The seven customer experience attributes help to explain 38.7% of the variability of Pleasure.

However, only the Executional excellence ( $\beta = .277, p \leq .05$ ), Personalized offering ( $\beta = .130, p \leq .05$ ), Staff engagement ( $\beta = .188, p \leq .05$ ), Value for money ( $\beta = .123, p \leq .05$ ) and the Reputation ( $\beta = .187, p \leq .05$ ) are important to explain the Pleasure. The Accessibility and Ease of doing business do not significantly contribute to explain the Pleasure.

F(sig.)= 19.384 (p= .000)		Adjusted R <sup>2</sup> = .387			Durbin-Watson= 1.852	
	Unstandardized Coefficients B	Standardized Coefficients Beta	t	p(Sig.)	Collinearity Statistics	
					Tolerance	VIF
(Constant)	.206		.612	.542		
Accessibility	-.044	-.041	-.634	.527	.728	1.374
Ease of doing business	.017	.017	.242	.809	.626	1.598
<u>Executional excellence</u>	.151	<u>.277</u>	3.699	<u>.000</u>	.537	1.862
<u>Personalized offering</u>	.138	<u>.130</u>	2.030	<u>.044</u>	.738	1.356
<u>Staff engagement</u>	.145	<u>.188</u>	2.750	<u>.007</u>	.644	1.552
<u>Value for money</u>	.118	<u>.123</u>	1.990	<u>.048</u>	.785	1.274



<u>Reputation</u>	.129	<u>.187</u>	2.862	<u>.005</u>	.701	1.427
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Table 11: H1: Customer Experience positively affects pleasure of Generation Y in experiencing the bank (Source: authors' elaboration)

**H2: Customer Experience positively affects Dominance of Generation Y in experiencing the bank.**

Hypothesis 2 was tested with the seven attributes of **Customer Experience**; Accessibility, Ease of doing business, Executional excellence, Personalized offering, Staff engagement, Value for money and Reputation as independent or predictor variables, while **Dominance** was the dependent or outcome variable.

In table 12, results show that there is a significant positive relationship between the Customer Experience and Dominance ( $p < .05$ ) and the seven customer service attributes used in the study help to explain 31.9% of the variability of Dominance.

However, only the Ease of doing business ( $\beta = .248$ ,  $p \leq .05$ ) and the Reputation ( $\beta = .217$ ,  $p \leq .05$ ) are important to explain the Dominance. The Accessibility, Executional excellence, Personalized offering, Staff engagement, and Value for money do not significantly contribute to explaining the Dominance.

	Adjusted R <sup>2</sup> = .319			Durbin-Watson= 1.957			
	F(sig.)= 14.633 (p= .000)	Unstandardized Coefficients B	Standardized Coefficients Beta	t	p(Sig.)	Collinearity Statistics Tolerance	VIF
(Constant)		1.026		3.192	.002		
Accessibility		.086	.087	1.289	.199	.728	1.374
Ease of doing business		.235	<u>.248</u>	3.397	<u>.001</u>	.626	1.598
Executional excellence		.005	.010	.122	.903	.537	1.862
Personalized offering		.111	.115	1.708	.089	.738	1.356
Staff engagement		.098	.140	1.944	.053	.644	1.552
Value for money		.015	.017	.256	.798	.785	1.274
Reputation		.136	<u>.217</u>	3.145	<u>.002</u>	.701	1.427

Table 12: H2: Customer Experience positively affects Dominance of Generation Y in experiencing the bank (Source: authors' elaboration)

**H3: Customer Experience positively affects Arousal of Generation Y in experiencing the bank.**

In order to test the Hypothesis 3, multiple regression analysis was used. The seven attributes of Customer Experience; Accessibility, Ease of doing business, Executional excellence, Personalized offering, Staff engagement, Value for money and Reputation were used as independent or predictor variables while Arousal was the dependent or outcome variable.

Table 13 shows that there is a significant positive relationship between the Customer Experience and Arousal ( $p < .05$ ). Arousal is explained by the seven predictors by 32.4%.

However, only the Ease of doing business ( $\beta = .240, p \leq .05$ ), Personalized offering ( $\beta = .213, p \leq .05$ ), and Reputation ( $\beta = .168, p \leq .05$ ) are important to explain the Arousal variable. The Accessibility, Executional excellence, Staff engagement, and Value for money do not significantly contribute to explaining the Arousal.

F(sig.)= 14.999 (p= .000)		Adjusted R <sup>2</sup> = .324			Durbin-Watson= 1.903		
	Unstandardized Coefficients B	Standardized Coefficients Beta	t	p(Sig.)	Collinearity Statistics		
					Tolerance	VIF	
(Constant)	1.157		3.363	.001			
Accessibility	.060	.057	.850	.396	.728	1.374	
<u>Ease of doing business</u>	.244	<u>.240</u>	3.299	<u>.001</u>	.626	1.598	
Executional excellence	.034	.065	.822	.412	.537	1.862	
<u>Personalized offering</u>	.222	<u>.213</u>	3.186	<u>.002</u>	.738	1.356	
Staff engagement	.063	.084	1.173	.242	.644	1.552	
Value for money	.007	.008	.118	.906	.785	1.274	
<u>Reputation</u>	.113	<u>.168</u>	2.446	<u>.015</u>	.701	1.427	

Table 13: H3: Customer Experience positively affects Arousal of Generation Y in experiencing the bank (Source: authors' elaboration)

### 3.3 Custom Table - Rank the Customer Experience attributes

In order to find out how importance the Bank customer experience attributes for Gen Y customer, we asked them to rank the seven attributes that represent the seven categories of customer experience. The customer experience attributes are: Value for money (i.e. fair and appropriate fees and charges), Getting things right the first time, Put the consumer first, Staff who are honest and tell the truth, Ease of getting issues/queries/complaints resolved), Availability of services (around the clock), and Offers products and services that can be tailored to my specific needs [47].

To test the data, a custom Table 14 was created. From this table table 15 below that shows the number and percentage of respondents for each rank, the results determined that the majority of respondents mentioned Value for money (i.e. fair and appropriate fees and charges) as the most important attribute (rank 1) (68 respondents - 33.2%). The least important for most of respondents (rank 7) was Offers products and services that can be tailored to my specific needs (90 respondents - 43.9%).

Customer Experience attributes	Rank 1		Rank 2		Rank 3		Rank 4		Rank 5		Rank 6		Rank 7		Column Total	
	Availability of services (around the clock)	21	10.2%	31	15.1%	18	8.8%	25	12.2%	22	10.7%	57	27.8%	31	15.1%	205

Offers products and services that can be tailored to my specific needs	13	6.3 %	13	6.3 %	18	8.8 %	27	13.2 %	21	10.2%	23	11.2 %	90	43.9%	205	100 %
Value for money (i.e. fair and appropriate fees and charges)	68	33.2%	29	14.1%	31	15.1%	22	10.7 %	22	10.7%	19	9.3 %	14	6.8 %	205	100 %
Getting things right the first time	39	19.0%	39	19.0%	30	14.6%	31	15.1 %	25	12.2%	25	12.2 %	16	7.8 %	205	100 %
Put the consumer first	37	18.0%	41	20.0%	51	24.9%	26	12.7 %	23	11.2%	20	9.8 %	7	3.4 %	205	100 %
Staff who are honest and tell the truth	19	9.3 %	37	18.0%	29	14.1%	42	20.5 %	29	14.1%	29	14.1 %	20	9.8 %	205	100 %
Ease of getting issues/ queries/ complaints resolved	8	3.9 %	15	7.3 %	28	13.7%	32	15.6 %	63	30.7%	32	15.6 %	27	13.2%	205	100 %

Table 14: Custom Table (Source: authors' elaboration)

As well we can notice from the table 15, in rank (2) there are two attributes (Getting things right the first time and Put the consumer first) that have a close number of respondents 39 – 41 respectively.

The final order of importance for the seven attributes, with the number and percentage of respondents who gave each rank, is the in following table 16 (1= most important, 7= less important).

Customer Experience attributes	Rank	number of respondents gave this rank	% of respondents gave this rank
Value for money (i.e. fair and appropriate fees and charges)	1	68	33.2%
Getting things right the first time	2	39	19.0%
Put the consumer first	3	51	24.9%
Staff who are honest and tell the truth	4	42	20.5%
Ease of getting issues/ queries/ complaints resolved)	5	63	30.7%
Availability of services (around the clock)	6	57	27.8%
Offers products and services that can be tailored to my specific needs	7	90	43.9%

Table 15: Rank the Customer Experience attributes (Source: authors' elaboration)

#### 4. Conclusions and Managerial Implications

In order to go further in understanding how customer experience of Gen Y could affect the outcomes of the banking sector's efforts from a marketing perspective (the relationship between the Gen Y customer

experience attributes with the Internal States of customers -pleasure-arousal-dominance and Gen Y satisfaction from a customer perspective) we used a Russell and Mehrabian (1974)'s S-O-R theoretical framework.

In this article, we used the 30 attributes of customer experience categorized in seven main categories by KPMG International [47] that focus on financial organizations. Those categories are (i) Accessibility; (ii) Ease of doing business; (iii) Executional excellence; (iv) Personalized offering; (v) Staff engagement; (vi) Value for money; (vii) Reputation. In general, by looking into the descriptive statistics, we noticed that all attributes had positive agreement rates. The highest agreement rates were for "Accessibility" and "Staff engagement" with an average response of 2.18 and 2.31 respectively, meaning that the Accessibility and Staff engagement bank's experience of the sample were positive. On the other hand, the lowest agreement rates were for "Value for money" (2.81) and "Reputation" (2.65).

In the same context, to know the most and less important customer experience attributes, we consider the results in the table (Rank the Customer Experience attributes). We saw that "Value for money" (i.e. fair and appropriate fees and charges) was the most importance attribute (with 33.2% of respondents). Moreover, the least importance attribute was "Offers products and services that can be tailored to my specific needs" with the 43.9% of respondents gave this rank. Those results are consistent with the ones found by KPMG International for banks [47]. The only difference is that Gen Y in this sample gave "Getting things right the first time" and "Put the consumer first" attributes were more importance than "Staff who are honest and tell the truth".

In the descriptive statistics and looking in the internal state: Pleasure - Dominance - Arousal scale results, we see overall positive agreement rates. However, this rate is low and closer to "neither agree nor disagree =3" than to "agree=2." The highest agreement rate is for "Pleasure," with an average response of (2.56) on a 5-point Likert scale. Further, the lowest agreement rate is for "Arousal" with an average response of (2.92), notably the lowest item rate "When I am interacting with my Bank, I feel (Energetic)" with an average response of (3.04). That means the banking experience of the sample members does not matter for the Gen Y internal state that much.

Moreover, for the Gen Y bank experience outcomes - Satisfaction, Credibility, Loyalty, Word-of-mouth and Brand equity - we can infer that there is an overall positive agreement rate, which means that banks provided a positive experience for the Gen Y customer. Moreover, both "Credibility" and "Satisfaction" showed the highest agreement rate among the sample's members (2.30, 2.31 respectively) while Word-of-mouth and Loyalty got the lowest agreement rate among all the outcomes, with 2.68 and 2.56 respectively. Those results are consistent with the studies that said Gen Y is less loyalty [51], [3].

To test the relationship in all the study hypotheses, we resorted to multiple linear regressions. All the hypotheses showed significant results, meaning that there is a significant positive relationship between the dependent variables and at least one of the independent or outcome variables. In other words, all customer experience attributes (Accessibility, Ease of doing business, Executional excellence, Personalized offering, Staff engagement, Value for money, and Reputation) had a positive impact on internal state (Pleasure -

Dominance – Arousal), Satisfaction and Credibility. Furthermore, those variables, internal state, satisfaction, and credibility had a positive effect on Loyalty, Word-of-mouth, and Brand equity.

The first research hypothesis has been confirmed. This hypothesis estimates Customer Experience attributes; Accessibility (**H1a**), Ease of doing business (**H1b**), Executional excellence (**H1c**), Personalized offering (**H1d**), Staff engagement (**H1e**), Value for money (**H1f**), and Reputation (**H1g**) have a positive impact on pleasure. Those results are consistent with the ones found by Murugiah and Akgam (2015) that said subjective emotions and experience are getting more and more important in bank sector [52]. However, only the Executional excellence, Personalized offering, Staff engagement, Value for money and the Reputation significantly contribute to explaining the pleasure by 38.7%. Although The Accessibility and Ease of doing business do not significantly contribute to explaining the pleasure.

We also confirmed the second research hypothesis related to Customer Experience attributes; Accessibility (**H2a**), Ease of doing business (**H2b**), Executional excellence (**H2c**), Personalized offering (**H2d**), Staff engagement (**H2e**), Value for money (**H2f**), and Reputation (**H2g**) had a positive impact on dominance of Gen Y in experiencing a bank. However, not all the items significantly contribute to explaining the dependent variable, only the Ease of doing business and the Reputation do.

The third research hypothesis has been confirmed. This hypothesis stated that Customer Experience attributes; Accessibility (**H3a**), Ease of doing business (**H3b**), Executional excellence (**H3c**), Personalized offering (**H3d**), Staff engagement (**H3e**), Value for money (**H3f**), and Reputation (**H3g**) had a positive impact on Arousal. However, we found that only the Ease of doing business, Personalized offering, and Reputation significantly contribute to explaining the Arousal by 32.4%. While, The Accessibility, Executional excellence, Staff engagement, and Value for money do not significantly contribute to explaining the Arousal. In sum, by examining relationships from stimulus to organism and then to behavioral response, significant relationships were identified in this study. From that, it is determined that the seven underlying stimulus dimensions (customer experience attributes) predict the studied behavioral responses; Loyalty, Word-of-mouth, and Brand equity.

We can conclude from the figure below that “Ease of doing business”, “Executional excellence”, “Personalized offering”, and “Reputation” are primary predictor variables for all dimensions of behavioral response (Loyalty, Word-of-mouth, and Brand equity) through different organism variables.

“Reputation” plays a key role in predicting all the organism variables; Pleasure, Dominance, and Arousal. On the other hand, “Dominance” is a dimension not identified as a predictor variable for any of the measured behavioral responses in this article. It can be concluded that “Dominance” in itself can be seen as the resulting stage to an experience.

This study contributes to understanding the importance of customer experience concept in the banking sector for Gen Y and also to develop a new model for banks that focus on the emotional side of the interaction between Gen Y and banking sector.

Therefore, Banks need to be aware of the importance of the value for money for Gen Y as a first reason to stay or leave the Bank. Another important issue is the need to put the consumer first and Getting things right the first time play a crucial role in building a positive Gen Y customer experience. Furthermore, particular attention should also be paid to the Reputation because it plays the leading role to achieve marketing efforts outcomes and it is the foundation to any relationship between Gen Y and banks.

A genuine personalized offering along with excellence performance is a critical issue for Gen Y in the banking sector. It was also noticed that the Gen Y does not feel active or energetic when experiencing the bank environment as he/she does in other industries. So, bank's managers should consider turning the process of the interaction between Gen Y and the bank more entertainment for example.

In sum, banks need to work in making Gen Y customer experience unique. This must be done with customized services and products tailored answering to the special needs of this segment along with ongoing innovations that benefit from continuing IT development.

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