The effect of cognitive dissonance on customer loyalty among demarketed segments in the banking sector with communication openness as a moderator

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DECLARATION

By submitting this thesis, I declare that the work contained within, and in its entirety, is my own original work. I am the principal author, and I worked under the direction of my supervisor mentioned above.

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ABSTRACT

A critical challenge for firms is managing customers who are targeted for one product but not another. For instance, banks may need to navigate how to retain a customer who holds a bank account but is declined for a home loan, all while preserving the customer's commitment, trust and loyalty in the institution. This action of selectively offering products to customers is referred to as demarketing, which is a situation where a seller induces a certain preferred segment of the market to complete a transaction, while discouraging certain other segments from completing the same transaction. A possible effect of the feelings of disappointment from customers who have been demarketed is cognitive dissonance, described as the feelings humans face when they have contradictory thoughts that cause conflict. This study, through cognitive dissonance theory and commitment-trust theory lenses, focused on customer loyalty as an outcome of commitment and trust, following cognitive dissonance arising from a demarketing effort. It also looked at the moderating effect of communication openness on the relationship between cognitive dissonance and satisfaction.

The study tested a theoretical model merging the cognitive dissonance model and the commitment-trust theory of relationship marketing to theoretically test the relationships between cognitive dissonance and customer loyalty. This research was quantitative and utilised the experimental method, where a vignette was presented to study participants, followed by a survey utilising validated scales. The target population comprised of adults (over the age of 18) residing in South Africa who are eligible to apply for unsecured consumer credit facilities from a registered credit provider as per the National Credit Act (No. 34 of 2005). Five hundred and five responses were collected for final analysis, and Covariance-Based Structural Equation Modelling (CB-SEM) on SPSS AMOS 27 was used to test the hypotheses.

The study findings indicated that being demarketed results in cognitive dissonance in customers, which further results in lower levels of satisfaction, trust, commitment and loyalty. However, dissonance reduction mechanisms that customers deploy were found to moderate this effect. Communication openness on the other hand was not found to have a moderating effect. Empirically, this research may assist firms to understand how best to minimize cognitive dissonance in their demarketing efforts, and thus limit damage to customer relationships. The findings of this study aim to contribute to knowledge in the fields of demarketing, cognitive dissonance and relationship marketing, responding to calls in literature for more research into strategies aimed at reducing cognitive dissonance. This is especially relevant in the South African context which experiences a very high level of loan declines and where consumers generally express low levels of satisfaction with their banks.

Keywords: Demarketing, Cognitive Dissonance, Satisfaction. Trust, Commitment, Loyalty, Communication Openness

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CHAPTER 1. BACKGROUND AND JUSTIFICATION FOR THE STUDY

1.1 INTRODUCTION

This chapter introduces a study on the effects of cognitive dissonance on demarketed segments in South Africa's retail banking sector. It begins by outlining the banking industry's contextual landscape, highlighting the unique challenges that make this research significant. The chapter then reviews the current state of knowledge, identifying gaps in the literature regarding cognitive dissonance, customer loyalty, and demarketing within the banking sector. A problem statement is then presented, emphasizing the need to investigate how cognitive dissonance impacts consumer behaviour, particularly in demarketed segments. Next, the chapter outlines the research objectives and questions, aiming to provide new insights into managing customer relationships in the face of demarketing practices, in the case of this study, loan rejections. Finally, the chapter provides an overview of the study's structure, guiding readers through the upcoming chapters and laying the foundation for the investigation.

1.2 BACKGROUND

Banks in the retail market commonly provide essential everyday banking services, including current, savings, deposit, and fixed deposit accounts (Devlin & Gerrard, 2004). Additionally, they offer secondary lending products like home loans, car loans, personal loans, credit cards, hire purchase facilities, and payday loans (Disney & Gathergood, 2013). While banks can readily offer basic banking services to almost all customers without stringent checks, they find the need to exercise caution with credit products. This caution arises from the potential risk of individual borrower defaults, the overall risk associated with any loan portfolio, and strict regulatory guidelines governing credit approval (Allen, DeLong, & Saunders, 2004).

Naicker and Kabir (2013) contend that for retail consumers, a home loan represents the most substantial and significant credit purchase they will ever undertake. In South Africa, home loans typically span 20 to 30 years (Verster, Harcharan, Bezuidenhout, & Baesens, 2021). PwC (2023) notes that since 2020, there has been a notable increase in retail unsecured loan portfolios, including credit cards, overdrafts, and personal unsecured loans. South Africa's retail lending market is extensive, with over 27 million people receiving credit from the 7,837 credit providers registered with the National Credit Regulator (NCR)

(FSCA&GenesisAnalytics, 2022). Despite the growing demand for credit, more than half of the credit-active population is over-indebted (FSCA&GenesisAnalytics, 2022).

In the US, granting of mortgage loans to buyers who were already over extended, coupled with an increase in interest rates, led to a collapse of the sub-prime market and resulted in bankruptcy for famous Wall Street banks including Lehman Brothers and Bear Stearns (Naicker & Kabir, 2013). Furthermore, the aftermath of the global financial crisis in 2008-2009 made it critical for financial institutions to re-examine the criteria they use to lend for all products, but especially for home loans, which carry a risk (Naicker & Kabir, 2013). This resulted in governments and banks moving to reduce the debt burden on households and minimize risk exposure, which entailed greater scrutiny by banks of customers applying for loan facilities (Naicker & Kabir, 2013).

Efforts by companies to diminish, shape, and manage demand for their products, such as the actions described above, were initially classified as 'demarketing' by Kotler and Levy (1971). According to Chaudhry, Cesareo, and Pastore (2019), strategies to reduce excess or undesirable demand need to be incorporated into any demand maximizing strategies by management. Selective demarketing is described as selectively targeting a certain type of customer, while discouraging segments of customers that would be unprofitable or undesirable (Kotler & Levy, 1971). Farquhar and Robson (2017) argued that firms should use this strategy with customers who are a poor fit for the firm's offering. Nonetheless, while they might not be willing to complete specific transactions with certain customers at that point in time, in most cases, banks still aspire to retain the primary banking relationship with those customers. Though challenging, building and maintaining customer loyalty in the service industry is critically important due to the high expenses associated with attracting new customers as opposed to keeping old ones happy (Mainardes, de Moura Rosa, & Nossa, 2020). In the banking industry, customers traditionally have had high levels of loyal engagement, only changing banks after facing serious issues (Beena & Khosla, 2015). However in the present day, customers have much more freedom to choose from and are much more likely to migrate to other banks that may serve them better due to increasing competition between banks and the advent of new forms of financial institutions (Mainardes et al., 2020). Thus, bank marketing has evolved beyond just transactions; it now primarily focuses on cultivating enduring relationships and trust, aiming to secure customer loyalty in the long run (Levy & Hino, 2016).

A key question for firms is how they should manage customers whom they are targeting to offer one product, but not another. Specifically for banks, how can they maintain a customer for a bank account, decline when that customer applies for a home loan, but still retain the customer, and further to that, maintain the loyalty that the customer has towards the bank? The paradox of banks refusing products that customers anticipate receiving while expecting continued loyalty from those customers presents a unique challenge. How customers perceive these demarketing efforts and how these actions influence their behavior, especially their sense of loyalty, is a crucial question. Does open communication ease the situation for customers facing declined credit requests? Moreover, after such an experience, is it conceivable for a customer to maintain loyalty towards the bank?

The rejection of a customer for a lending product can trigger feelings of disappointment, potentially leading to cognitive dissonance, a concept first introduced by Festinger (1957). Cognitive dissonance occurs when individuals hold conflicting thoughts, causing inner conflict, and to resolve this conflict, they either rationalize their thoughts or avoid differing viewpoints (Festinger, 1957). Conversely, cognitive dissonance theory elucidates how selective exposure to persuasive messages can alter behavior (Kah & Lee, 2016). According to Wilkins, Beckenuyte, and Butt (2016), post-purchase dissonance in consumers is likely to harm their relationships with the company. In this context, the level of openness in communication, reflecting how transparent the exchange is between the bank and the customer, could be pivotal in addressing the cognitive dissonance arising from such situations. Hence, open communication, defined by Arnott, Wilson, Doney, Barry, and Abratt (2007) as the degree to which firms communicate openly, sincerely and substantively either formally or informally with their customers, might lead to higher satisfaction levels. Increased satisfaction, in turn, could enhance trust, commitment, and ultimately foster loyalty toward the bank.

Research indicates that a company's survival can hinge on the careful selection and retention of its customers (Farquhar & Robson, 2017). Given the significance of building and managing customer relationships for service firms (Sheth & Parvatiyar, 2002), firms must consider how their actions impact consumer behaviour. According to Devlin, Roy, and Sekhon (2014), the level of trust consumers have in a company significantly influences their behavioural intentions. Consumer behaviour encompasses a wide array of activities and understanding it is crucial to marketers as it provides insights into the reasons behind consumers' actions, essential for shaping effective marketing strategies. This specific study will examine customer loyalty as an outcome of satisfaction, commitment, and trust, particularly in the context of cognitive dissonance arising from demarketing efforts, employing the lenses of cognitive dissonance theory and commitment-trust theory.

1.3 PROBLEM STATEMENT AND RESEARCH GAP

Understanding consumer behavior in the banking sector, particularly regarding cognitive dissonance, is critical due to its direct impact on customer satisfaction, trust, commitment, and ultimately, loyalty. The banking industry in South Africa faces unique challenges, notably the high rejection rates for home loans. Between 2018 and 2022, nearly 6 million mortgage applications were processed, with an average rejection rate of approximately 68% in recent quarters (Makinana, 2024). This high rejection rate presents significant challenges, particularly for customers in demarketed segments, defined in this study as those who are denied banking services like loans or other credit facilities due to risk concerns. For these customers, the experience of being rejected can create conflicting attitudes and beliefs, resulting in cognitive dissonance Bolia, Jha, and Jha (2016), which, if left unaddressed, can lead to reduced satisfaction, trust and commitment to the bank, and ultimately reduced customer loyalty.

Cognitive dissonance arises when individuals hold two or more conflicting beliefs or attitudes and in the banking context, customers who trust their bank but are rejected for a loan may experience dissonance between their positive feelings toward the institution and the negative emotions triggered by the rejection (Festinger, 1957). This psychological discomfort can lead to behaviors aimed at resolving the dissonance, such as switching banks, reducing interaction with the bank, or avoiding further financial commitments. Yet, while cognitive dissonance has been studied extensively in other industries, there is a notable lack of research addressing its impact on demarketed segments in the South African banking sector, particularly in relation to customer loyalty, satisfaction, and commitment.

Existing research on consumer behavior in the banking industry extensively covers topics like satisfaction (Wulandari, 2022), trust (Mostafa, 2020), and loyalty (Mainardes et al., 2020). Studies have found strong relationships between these constructs, particularly satisfaction and loyalty (Supriyanto, Wiyono, & Burhanuddin, 2021) and trust and commitment (Nora, 2019). However, there is a gap in understanding how these relationships evolve in demarketing scenarios, such as loan rejections, and how cognitive dissonance moderates or disrupts these dynamics. Moreover, research has not yet sufficiently explored the moderating role of communication openness in mitigating the negative effects of dissonance on customer loyalty.

This study aims to fill these gaps by combining Festinger's (1957) cognitive dissonance theory with Morgan and Hunt's (1994) commitment-trust theory. Cognitive dissonance theory provides the framework to understand the psychological conflict customers experience when they encounter negative events like loan declines. In contrast, the commitment-trust theory offers insight into how these psychological states affect long-term relationships with the bank, focusing on customer loyalty and trust. The interaction between these two theories offers a more comprehensive understanding of how cognitive dissonance impacts customer loyalty in demarketed segments, as well as the potential for communication openness to act as a moderating factor that alleviates the negative effects of dissonance.

Furthermore, the South African context introduces a layer of complexity that sets this study apart. South Africa's socio-economic challenges, such as income inequality and access to financial resources, create unique dynamics within the banking sector. The Home Loan and Mortgage Disclosure Act (HLAMDA) requires financial institutions to disclose detailed information about their lending activities. Between 2018 and 2022, of the 6 million mortgage applications, most were declined, with figures being as high as 68% in recent quarters (Makinana, 2024).

From a practical perspective, understanding how cognitive dissonance affects customer loyalty in these specific contexts is critical for South African banks. With rejection rates remaining high and customer dissatisfaction on the rise, banks face the challenge of maintaining customer trust and loyalty despite demarketing practices. This study aims to offer actionable insights for banks on how to manage customer relationships during demarketing scenarios. By examining the moderating role of communication openness, this research will consider how clear, transparent, and empathetic communication can mitigate the negative effects of cognitive dissonance, ultimately preserving customer loyalty.

While prior research in other markets such as India (Bolia et al., 2020) and Turkey (Yağcı & Özbozkurt, 2022) has addressed similar constructs, few studies have focused on the South African banking environment, particularly in terms of how cognitive dissonance affects demarketed segments. The distinct socio-economic and demographic factors in South Africa present a unique context that warrants further exploration. Therefore, this study aims to contribute not only to the theoretical understanding of cognitive dissonance and loyalty in the banking sector but also to offer practical solutions that banks can use to navigate the challenges associated with demarketing.

In summary, this study seeks to address a significant gap in the literature by exploring the relationship between cognitive dissonance and customer loyalty in the South African banking sector. By integrating cognitive dissonance theory and the commitment-trust theory, this research looks to provide valuable insights into how customers respond to demarketing situations and how banks can improve customer relationships through open communication. The focus on the unique South African context further enhances the relevance and novelty of the study, offering contributions that are both theoretically robust and practically useful.

1.4 SIGNIFICANCE OF THIS STUDY

In light of the problem statement and the identified research gaps stated above, this study aims to make a number of theoretical, practical and contextual contributions.

First, while acknowledging the contribution of existing theories, this study seeks to augment the existing theoretical base by introducing a new model that expands and refines the current understanding of customer behaviour dynamics within the banking industry, specifically in a demarketing context. Consequently, this research aims to bridge identified gaps, offering a dual contribution by advancing existing theoretical perspectives and proposing a novel model that enhances the conceptual toolkit available for understanding customer behaviour in the banking sector, incorporating cognitive dissonance, satisfaction, trust, commitment, loyalty, and communication openness.

Practically, this study could assist banks to understand how they can carry out demarketing activities without damaging long-term relationships and compromising the customer's loyalty to the bank. By unravelling the complex relationship between cognitive dissonance and customer loyalty, banks can devise targeted strategies to mitigate dissonance and enhance customer relationships. Understanding and harnessing these dynamics can empower banks to proactively address customer needs, fostering lasting brand loyalty and bolstering their competitive advantage. Open communication has been found to be important to the optimal functioning of relationships between organizations and their customers (Fensel, Toma, García, Stavrakantonakis, & Fensel, 2014; Madden & Perry, 2003). Thus understanding its' role can serve as an important tool for managing cognitive dissonance and maintaining loyalty among customers, thereby contributing substantially to banks' brand equity and customer retention rates.

From a contextual perspective, as loan declines are prevalent in the South African banking industry (FSCA & Genesis Analytics, 2022), comprehending the impact of this on customers can provide invaluable insights into their subsequent behaviours and attitudes. South Africa's banking landscape presents a distinctive setting due to its history and its socio-economic diversity, marked by a range of cultural backgrounds, financial literacy levels, and historical contexts. Thus, loan declines in this environment may carry unique implications. Understanding the intricate interplay of cognitive dissonance, satisfaction, trust, commitment and loyalty within this context is essential for banks to tailor strategies to the specific needs and expectations of the diverse customer base. In addition to this, exploring the role of communication openness among other factors to manage cognitive dissonance can offer practical strategies for banks to effectively engage with customers facing such challenges.

Scholars such as Xiao and Tao (2020) have highlighted the need for more research into facets of consumer finance, including borrowing, insurance, and management of money, as current focus is on investing behaviour. They call for more research into aspects such as explanation of the borrowing behaviour of consumers, and the effect of this on consumer well-being. They also propose additional inter disciplinary research, looking into links between consumer finance and areas such as human development, demographic trends and cultural associations. In alignment with this call, this study aims to contribute to this broader perspective by focusing on the borrowing dynamics within the banking sector. By investigating the dynamics of loan declines and their implications on loyalty, it seeks to provide insights into the cognitive and emotional aspects of consumer behaviour, thereby addressing a gap in the current research landscape.

1.5 MAIN PURPOSE OF THE STUDY

By proposing and testing a conceptual model that draws on the cognitive dissonance theory (Festinger, 1957) and the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994), the main purpose of this study is to investigate the impact of cognitive dissonance on customer loyalty within demarketed segments in the South African banking sector, considering the moderating influence of communication openness and dissonance reduction mechanisms.

1.6 RESEARCH OBJECTIVES

1.6.1 Primary Objective

To investigate the impact of cognitive dissonance on customer loyalty within demarketed segments in the South African banking sector, considering the moderating influence of communication openness and dissonance reduction mechanisms.

1.6.2 Secondary Objectives

- To determine whether the inconsistency resulting from the belief (of getting a home loan) and action (of the home loan getting declined) results in cognitive dissonance among demarketed customers in the South African banking industry.
- To examine the impact of cognitive dissonance on customer satisfaction following a demarketing effort in the South African banking industry.

- To determine whether dissonance reduction mechanisms impact the relationship between satisfaction and loyalty in demarketed customers in the South African banking industry.
- To determine the existence and extent of the moderating effect of communication openness on the satisfaction levels of demarketed customers in the South African banking industry.
- To investigate the relationship between satisfaction and commitment in a demarketing context in the South African banking industry.
- To examine the relationship between satisfaction and trust in a demarketing context in the South African banking industry.
- To investigate the impact of satisfaction on customer loyalty in a demarketing context in the South African banking industry.
- To ascertain the relationship between trust and commitment among demarketed customers in the South African banking industry.
- To investigate the relationship between customer commitment and loyalty following a demarketing effort in the South African banking industry.
- To examine the relationship between trust and customer loyalty following a demarketing effort in the South African banking industry.
- To investigate the demographic profile of respondents participating in the study with the aim of providing background information relating to the purpose of the study.
- To examine and develop an integrated model for retail banks in South Africa to understand and mitigate the effects of cognitive dissonance on demarketed customers.

1.7 OUTLINE OF THE STUDY

Chapter 1: Introduction, Background and Justification for the Study	The first chapter sets the scene for the study by introducing the context, presenting the research gap, problem statement, research purpose, objectives and research questions, as well as the motivation for the study and the outline the study will follow.
Chapter 2: Retail Banking Context and Theoretical Grounding	The second chapter aims to build a solid foundation for the study by contextualizing it within the South African retail banking landscape. It also aims to explain the significance of demarketing within the banking industry, and establishes the theoretical framework that will guide the research.

Chapter 3: Empirical Literature Review	The third chapter situates the study within the broader academic literature by providing an overview of the existing empirical literature on the topics of demarketing, cognitive dissonance, communication openness, satisfaction, commitment, trust and loyalty.
Chapter 4: Proposed Conceptual Model and Hypotheses Development	The fourth chapter considers the relationships between the variables and presents the hypotheses that were tested in the study depicting them in a conceptual model presented at the end of the chapter.
Chapter 5: Research Design, Methodology and Data Analysis Procedure	The fifth chapter outlines the research methodology that was employed to ensure the collection of reliable and valid data. It covers the research philosophy and design, sampling technique, data collection techniques and measurement instruments that were used. It also gives a comprehensive overview of the data analysis procedure that was followed.
Chapter 6: Presentation of Results	The sixth chapter presents the results of the descriptive analysis and inferential analysis.
Chapter 7: Discussion and Interpretation of Results	The seventh chapter discusses the descriptive and inferential results in detail and interprets them in the context of the study objectives and hypotheses and the literature review.
Chapter 8: Managerial Implications, Recommendations, Contributions, Limitations and Future Research Directions	The eighth and final chapter delves into the key outcomes of the study, investigating their implications for theory, practice, and the possibilities for future research. It also outlines the study's contribution and addresses the inherent limitations identified in the study.

Table 1: Outline of the Study (Source: Author's Conceptualisation)

1.8 CHAPTER SUMMARY

In this chapter, the study was introduced. The introduction encompassed a summary of the study's background as well as the problem statement and research gap, which served as the driving force behind the study. Contextual, theoretical, and practical significance of the study was discussed. Additionally, the research objectives and questions were outlined. Lastly, an overview of the thesis structure was provided, outlining the study's framework. The subsequent chapter offers a detailed analysis of the research context and theoretical grounding of the study.

CHAPTER 2. RETAIL BANKING CONTEXT AND THEORETICAL GROUNDING

2.1 INTRODUCTION

This chapter aims to establish a strong foundation for the study by situating it within the landscape of the South African retail banking sector. It seeks to explain the significance of demarketing in the banking industry and set the theoretical framework guiding the research. The chapter will commence with an exploration of the broader retail scenario in South Africa, emphasizing its pivotal role in the economy and offering an insight into the banking sector's functions. Subsequently, it will delve into the concept of demarketing within the banking context, outlining the reasons and scenarios necessitating demarketing strategies. The study's theoretical frameworks (the cognitive dissonance theory and the commitment-trust theory of relationship marketing) will be introduced. In discussing these theories, the chapter will briefly outline the relevance of cognitive dissonance, commitment, and trust in the banking sector, underlining the crucial need to investigate the interplay of these factors within the demarketed segments. The selection of these theories will be justified by explaining how they align with the study's focus and objectives. Overall, this comprehensive backdrop purposes to lay the ground for the subsequent chapters which will delve deeper into the empirical literature, research design, methodology, findings, and conclusions.

2.2 RESEARCH CONTEXT

The context presented for this study will provide a comprehensive overview of the South African banking industry, encompassing a detailed exploration of the diverse products offered by banks, with a specific focus on consumer lending, notably home loans. Additionally, it will offer an in-depth profile of the South African retail banking consumer. This comprehensive background is intended to enrich the understanding of the research by providing a holistic view of the context in which the study is situated.

2.2.1 Justification for the Selection of the Banking Industry

The selection of the banking sector as the context for this study is grounded in its paramount significance within the South African economic landscape and its' status on the African continent. The South African banking industry stands as the largest on the African continent, boasting substantial financial influence and strategic importance (Cowling, 2023). In 2021, the sector's combined tier 1 capital exceeded a substantial 34.4 billion U.S. dollars, in addition to the top five financial institutions in the country being ranked among the 10 largest African banks by asset value, attesting to their substantial market presence and influence (Cowling, 2023). Beyond sheer financial metrics, the banking sector's pervasive impact is evident in its representation within the country's economic fabric. The total assets of the banking sector accounted for a remarkable 88 percent of the South African GDP in 2020, affirming its central role in shaping the nation's economic trajectory (Cowling, 2023).

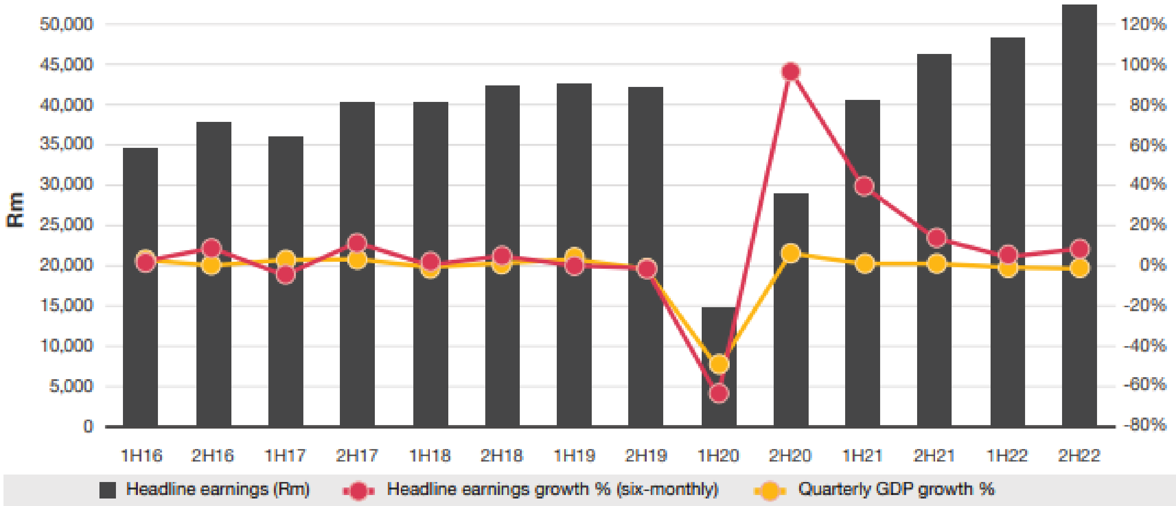

Figure 1: SA GDP and Banking Sector Headline Earnings (PwC, 2023)

According to PwC's 2023 Major Bank Analysis Report, South Africa's major banks achieved a historic milestone in 2022 with record combined headline earnings of R100.7 billion, surpassing the previous fiscal year's R86.8 billion. They also noted that the established correlation between South African GDP growth and the headline earnings of major banks remains pronounced, a connection that underscores the ongoing influence of the nation's economic performance on the financial success of the country's major banking institutions.

Thus, the banking sector's key role in economic development makes it an ideal arena for investigating consumer behaviour dynamics. As a strategically important sector for the country and a hub for diverse customer interactions, ranging from loans and savings to investment products, the sector presents a unique environment to explore the complexities of cognitive dissonance, satisfaction, trust, commitment, loyalty and communication openness in the aftermath of significant events like loan declines.

2.2.2 Background of the Banking Industry

The banking industry in South Africa is a dynamic and vital component of the country's economy (Ifeacho & Ngalawa, 2014). A diverse range of commercial banks, both domestic and foreign owned can be found in South Africa. Although there are 40 registered banking entities, banking activity is highly concentrated among the top four banks, Absa, First National Bank (FNB), Nedbank, and Standard Bank, who together hold 83% of the industry’s deposits (FSCA & Genesis Analytics, 2022). Notably, Capitec, the country’s biggest bank by number of customers (19 million), only held 2.7% of the share of total industry deposits as of 2021 (Cowling, 2023).

Banks play a crucial role in facilitating financial transactions, offering various services, and contributing to economic growth and expanding financial inclusion (Ifeacho & Ngalawa, 2014). The banking industry in South Africa has undergone significant changes over the years, influenced by both global financial trends and local developments. To ensure financial stability and consumer protection, the country’s banks are supervised by the Financial Sector Conduct Authority (FSCA), as well as by the Prudential Authority, a division of the South African Reserve Bank (SARB) (FSCA & Genesis Analytics, 2022).

South Africa’s banks offer a wide array of financial products and services, including retail banking, corporate banking, investment services, insurance and more. Institutions such as the International Monetary Fund have commended South Africa for its highly developed and resilient banking sector (FSCA & Genesis Analytics, 2022). Despite this, however, inclusivity still remains a challenge, especially for low-income households and businesses. Ensuring that banking offerings are more inclusive and that customers are being treated fairly is a key focus for the FSCA, as per their 2022 Financial Sector Outlook Report.

In the last few years, the industry has witnessed a significant transition towards digitalization and online banking, a transformation that has altered customer expectations, communication channels, and service delivery, making communication openness particularly important (PwC, 2023). Banks are increasingly focusing on enhancing the customer experience to build loyalty. This involves personalized services, user-friendly digital platforms, and effective communication strategies. This has become even more critical with the entry of new players on the scene, such as Tyme Bank in 2018, Discovery Bank in 2019 and Bank Zero in 2021, who aim to provide world class banking services based on digitally driven business models and limited physical infrastructure (FSCA & Genesis Analytics, 2022).

2.2.3 Types of Banking Services

The sector in focus in this study, retail banking, which caters to individual consumers, stands as a fundamental pillar of the industry. In the retail market, banks commonly provide essential everyday banking services like current, savings, and fixed deposit accounts (Devlin & Gerrard, 2004). Additionally, they offer supplementary lending products such as home loans, car loans, personal loans, credit cards, hire purchase facilities, and payday loans (Disney & Gathergood, 2013). South Africa's retail lending market is large, formally providing credit to more than 27 million people via the 7837 credit providers registered with the National Credit Regulator (NCR) (FSCA & Genesis Analytics, 2022). Banks however are the largest providers of consumer credit, holding about 82.6% of the total debt book (FSCA & Genesis Analytics, 2022). Although the demand for credit is growing, more than 50% of the credit active population are over-indebted (FSCA & Genesis Analytics, 2022). Thus demarketing strategies are not uncommon in the banking sector, and banks are seen to strategically limit certain offerings, manage demand, or address regulatory requirements. Demarketed segments include customers who are declined for certain financial products like loans or credit cards.

2.2.4 Consumer Lending

In considering traditional economic theory, Xiao and Tao (2020) posit that consumers are expected to consume at a certain level over their life cycle. Despite this expectation however, income levels do not always align, making borrowing a critical part of smoothing consumption, and access to credit a measure of financial wellbeing (Xiao & Tao, 2020). Financial institutions in developed markets offer a diverse range of consumer credit products, such as personal loans, credit cards, hire purchase facilities, and payday loans (Disney & Gathergood, 2013). Consumer debt, particularly through credit cards and other short-term revolving credit options, when managed responsibly, enables a higher level of participation in modern consumer culture (Bernthal, Crockett, & Rose, 2005). Credit cards, for instance, provide consumers the convenience of accessing credit upfront, which they can either pay off at the end of the billing cycle or over a more extended period (Chakravorti & To, 2007). Nevertheless, for banks, credit products pose inherent risks due to the possibility of individual customer defaults, the cumulative risk across their portfolio, and strict regulatory compliance regarding credit approval (Allen et al., 2004). Therefore, to aid lending decisions, banks commonly employ credit and behavioural scoring methods (Thomas, 2000).

Consumer lending plays a pivotal role in the South African economy. As of November 2021, figures from the South African Reserve Bank revealed substantial amounts borrowed: R1.156

billion in home loans, R138 billion in credit card debt, R481 billion in lease and instalment agreements, R214 billion in overdrafts, and R937 billion in term loans (SouthAfricaReserveBank, 2021). In addition, data from the Consumer Credit Index, published by TransUnion, a leading credit bureau, indicated that by the end of Q3 of 2021, South Africa had an estimated household debt amounting to 67% of disposable income (Transunion, 2021). TransUnion also reported a total of 53.8 million revolving credit consumer accounts.

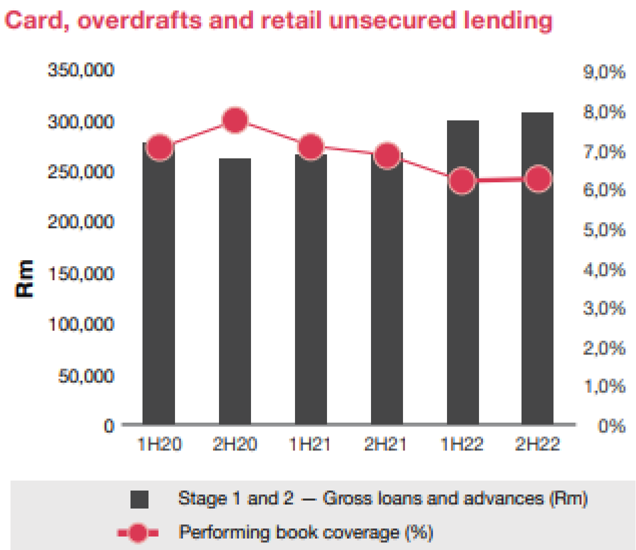

Figure 2: South Africa Banks Performance - Retail Lending (PwC, 2023)

According to PwC (2023), there had been a strong growth trend evident in retail unsecured loan portfolios from 2020 (including credit cards, overdrafts, and personal unsecured loans), which experienced a slowdown in the second half of 2022. They attributed this to various factors, including elevated inflation. And despite a 14.3% growth compared to FY21, the portfolio expanded by a more modest 2.3% compared to the first half of 2021. This shift indicates a deceleration in the growth trajectory of the retail unsecured loan portfolios during the specified period, reflecting the impact of economic factors on lending dynamics. On the other hand, they noted that residential home loan portfolios demonstrated continued robust growth, propelled by factors such as first-time homebuyers, a thriving property market in strategic locations, and innovative product offerings from banks. The residential mortgages expanded by 7.3% compared to FY21 and 3.6% against 1H21. This growth underscores the resilience of the residential home loans sector, with sustained demand from new buyers, favourable market conditions, and the strategic introduction of innovative financial products contributing to the overall positive performance of residential mortgage portfolios.

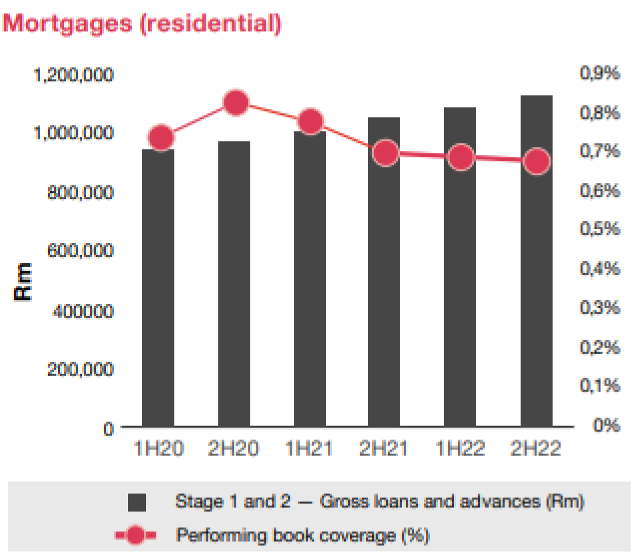

Figure 3 : South Africa Banks Performance - Home Loans (PwC, 2023)

2.2.5 Home Loans

Home loans represent a significant financial commitment with far-reaching implications, and they will be the focus of this study. A fundamental human need is the need for housing. Xiao and Tao (2020) posit that for most households, a mortgage is the most important borrowing the household will undertake. This view is also held by Naicker and Kabir (2013) who argue that for retail consumers, a home loan is the largest and most significant credit purchase they will ever have to make. To add to that, the length of home loans in South Africa is typically a 20-30 year term (Verster et al., 2021). This highlights the gravity of the situation when customers are declined for a home loan, leading to potential cognitive dissonance and implications for their loyalty behaviour. This adds weight to the potential cognitive dissonance experienced by customers who are declined, as they might have envisioned this commitment over a significant portion of their lives. In the wake of the global financial crisis in 2008-2009, it became imperative for banks to thoroughly reassess their lending standards across all sectors (Naicker & Kabir, 2013). This resulted in governments and banks moving to reduce the debt burden on households and minimize risk exposure, which entailed greater scrutiny by banks of customers applying for loan facilities, especially for home loans (Naicker & Kabir, 2013).

The avenue used to apply for a home loan is also of important. While most clients apply for home loans directly through their banks, some use mortgage originators, who work as intermediaries between banks and applicants. In an article in the popular press, Ooba Group, one of South Africa's biggest mortgage originators, observed that just because one is a loyal customer of the bank does not mean that the bank will lend to them at a favourable rate as banks make different decisions on what to lend and what rate to give for different customers due to differing criteria (Smith, 2022). Ooba further observed that when a home loan is declined by a bank, in 45.3% of instances that home loan is approved by another bank, which highlights the difference in lending criteria between banks. As a result, Ooba recommends applying to multiple banks.

According to the Human Settlements Minister, Mmamoloko Kubayi who was addressing journalists in August 2024, more than half of all home loans in South Africa are declined (Makinana, 2024). She was referencing the Home Loan and Mortgage Disclosure Act (HLAMDA) which requires financial institutions to report their lending activities in the home loan market to the Department of Human Settlements through the Office of Disclosure. The reported figures by banks indicated that between 2018 and 2022, banks processed nearly 6 million mortgage applications, and that the rejection rate for home loans has remained high, averaging around 68% in recent quarters. It further stated that between 2023 and 2024, the number of approved applications has seen a sharp decline, signaling worsening access to mortgage finance for those in need of affordable, secure housing. This trend highlights significant challenges in homeownership, especially for historically disadvantaged groups.

2.2.6 Demand Management in Consumer Lending

Despite their convenience, credit products frequently tempt consumers to borrow beyond their means (Karlan & Zinman, 2009). Therefore, it is crucial for borrowers to ensure that their borrowing remains within their financial capacity to meet repayments; otherwise, they risk insolvency and bankruptcy. Research conducted in the US found evidence that the expansion of revolving debt, particularly credit card debt, was a significant factor contributing to customers' inability to manage their payments (White, 2007). A similar study conducted in South Africa found that consumers, in their pursuit of upward mobility, often resort to debt, leading to unsustainable financial situations (James, 2014). Additionally, it has been observed that an increase in household credit utilization levels correlates with a decline in savings (Van der Walt & Prinsloo, 1993).Therefore, although banks can readily provide basic banking services to nearly all customers without stringent checks, they need to exercise greater caution with credit products due to the inherent risk of individual borrower defaults, the overall risk associated with a loan portfolio, and the strict regulatory guidelines governing credit approval (Allen et al., 2004). In the US, granting of mortgage loans to buyers who were already over extended, coupled with an increase in interest rates, led to a collapse of the sub-prime market and resulted in bankruptcy for famous Wall Street banks including Lehman Brothers and Bear

Stearns (Naicker & Kabir, 2013). Excessively indebted consumers pose significant challenges for financial institutions. When consumers struggle to meet their debt obligations, it significantly impacts the institution's profitability. Even more concerning is the potential for a rise in a bank's non-performing loan portfolio, which can heighten the risk of the bank's failure, the volume of non-performing loans in a bank's portfolio being one of the factors used to predict such failures (Podpiera & Weill, 2008). This risk is real; historical data demonstrates a notable increase in bank failures, especially in transition countries during the 1990s and early 2000s (Podpiera & Weill, 2008). Thus, it is important for banks to carefully manage their loan books by being selective of the customers that they lend to.

As per StatsSA (2019), the demand for credit is limited in situations of high unemployment, sluggish economic growth, decreased share prices, weak growth in property values, and stricter credit regulations. Additionally, on the consumer front, diminished confidence levels lead to reduced spending and a decline in the uptake of credit. With that said, generally, credit access in South Africa has increased due to a well-developed financial system, although demand had reduced during the pandemic. Data from TransUnion showed that demand for both credit and opening of new accounts reduced, despite a reduction in interest rates (Roberts, Struwig, Gordon, & Radebe, 2021).

2.2.7 The South African Retail Banking Consumer

The typical profile of a retail banking consumer in South African is diverse, influenced by various demographic, socio-economic, and cultural factors. While each individual's circumstances may differ, there are common trends and issues that many South African retail banking consumers face. Consumers in the South African retail banking sector vary in age, from young adults just starting their financial journey to retirees managing their savings. According to the FSCA, over 81% of South Africans aged 16 and above have access to a bank account (FSCA & Genesis Analytics, 2022). The banking population, similar to the country’s population, consists of various racial and ethnic backgrounds, contributing to a multicultural landscape. A substantial portion of the country’s population, over 60%, resides in urban areas (Zubaidi et al., 2020), thus they require banking solutions that cater to their urban lifestyle and needs. This population encompasses a broad income spectrum, with consumers ranging from low-income earners to high-net-worth individuals with income playing a significant role in determining access to financial products and services. Educational backgrounds as well are diverse, and this has relevant implications as it influences financial literacy levels and the ability to make informed banking decisions. In addition to this, consumer spending and saving behaviour can be influenced by economic volatility and uncertainties, such as rising interest rates, inflationary concerns and geopolitical instability (PwC, 2023). And despite efforts to promote financial inclusion, many South Africans still lack access to formal banking services, which limits their ability to save, borrow, and invest (FSCA & Genesis Analytics, 2022). For those nearing retirement age, retirement planning and ensuring a comfortable retirement are crucial concerns. South Africa's retirement industry, holding assets of over ZAR4.6 trillion, has among the highest assets to GDP ratios in the world, an impressive statistic (FSCA & Genesis Analytics, 2022).

Debt management and financial discipline are significant concerns, and challenging for many individuals are the low levels of savings and high levels of consumer debt, including credit card debt and personal loans (FSCA & Genesis Analytics, 2022). While credit is essential for financial growth, obtaining credit can be challenging for some consumers due to credit history or stringent lending criteria (James, 2014). Home ownership is a significant aspiration, however, affordability and access to home loans is a barrier for a significant portion of the population (FSCA & Genesis Analytics, 2022).

Increasing digitalization has led to higher levels of digital adoption among consumers, ranging from tech-savvy individuals to those still adapting to online banking (BCG & Discovery Bank, 2022). The drive to digitization has led to a new appreciation for the speed and efficiency of internet banking and mobile apps as compared to traditional banking channels, although the human element in banking interactions remains critical (BCG & Discovery Bank, 2022). Customers want reassurance that they can access human assistance when they have questions, and when making high end transactions such as applying for a home loan (BCG & Discovery Bank, 2022). Further, while digital adoption is increasing, some consumers still struggle with digital literacy, hindering their ability to fully benefit from online banking services (BCG & Discovery Bank, 2022). Consumers expect efficient and personalized customer service from their banks that add value to their lives (BCG & Discovery Bank, 2022). Thus, a lack of proper communication and support can lead to frustration.

The FSCA (Financial Sector Conduct Authority) in partnership with the HSRC (Human Sciences Research Council) and the SASAS (South African Social Attitude Surveys) on 28 July 2022 released results from a report that was commissioned to understand financial literacy, attitudes, and behaviours of the country's population over the age of 16. The report was titled '2020 Baseline survey of financial literacy in South Africa' and surveyed 2693 South Africans who were 16 years and older. The study, by Roberts et al. (2021) resulted in the following observations on how the typical South African manages their finances:

- When asked if in the past year, they had been in a position where their income did not cover their expenses, 46 % responded that they had;

- When asked if they consider affordability before making a purchase, 65% indicated that they do;
- When asked if they monitor their finances diligently, and settle their bills timeously, 50% responded that they do;
- When asked to rate their credit rating, 86% reported that their rating was good, with only 14% reporting it as bad;
- When asked if they had problems meeting their debt obligations, 24% responded that they do;
- When asked if they were worried about their level of debt, 31% responded that they were, with those being worried owing a significant amount more than those who were not.

According to Transunion (2021), out of the 53.8 million revolving credit consumer accounts in South Africa as at 2021, 768,039 were three months or more in arrears. However, the data indicates an improvement in consumer repayment behavior compared to the previous period, with a 21% decline in the number of accounts in 3-month default from Q2 of 2021. This positive trend could be attributed to the introduction of new, higher quality accounts replacing closed ones, the restructuring of delinquent accounts, and reduced financial pressure on household balance sheets. The data also shows a reduction in distressed borrowing of 2.6% from the previous quarter. This suggests that there may have been more proactive credit management by lenders, and also households resorting to other measures such as reducing consumption, selling assets and receiving governement assistance rather than taking on additional credit.

2.3 THE CONCEPT OF DEMARKETING

The concept of demarketing was initially introduced by Kotler and Levy (1971), where it was defined as the marketing strategy aimed at discouraging demand, either from specific customer groups or the entire customer base, either temporarily or permanently. A more recent definition by Kim and Shin (2016) characterizes demarketing as the seller refraining from efforts to enhance the likelihood of a transaction. In demarketing, the seller encourages a preferred market segment to complete a transaction while dissuading other segments from doing the same (Kim & Shin, 2016) .

In demarketing, traditional marketing elements like product, price, place, and promotion, along with segmentation, targeting, and positioning, are employed with the reverse intention of dampening demand rather than stimulating it (Kotler, 2011; Lawther, Hastings, & Lowry, 1997). For instance, Kim and Shin (2016) elaborate on how price can be manipulated to reduce demand. They explain that price discrimination can be implemented by offering different price-quality bundles or exclusive deals through specific sales channels accessible only to particular customer segments. Tactics such as advertising and market selection can also be utilized in demarketing, similar to how they are used in marketing strategies (Miklós-Thal & Zhang, 2013). Classic demarketing approaches include reducing advertising expenses, modifying ad content, curtailing sales promotion spending, and increasing prices and other sales conditions (Kotler & Levy, 1971). Demarketing campaigns can employ various tactics, depending on the specific goal of curbing demand and these strategies aim to encourage reduced consumption.

2.3.1 Demarketing in the Banking Industry

In the financial services industry, demarketing has been conceptualized and applied in various ways in order to manage demand for financial products and services. One commonly applied form of demarketing in financial services is selective demarketing, which involves targeting specific market segments with reduced marketing efforts or even withdrawal of certain products or services (Kotler & Levy, 1971). An example is given by Obermiller (1988), during the 1980s, the banking industry in the US experienced significant deregulation. In response, banks actively engaged in demarketing strategies, targeting low-income customers. This involved tactics such as doubling service charges, raising minimum account balances, imposing fees on small accounts, shutting down central-city branches, and opening branches in suburban areas. These measures were taken to shift the focus towards higher-income customers, believed to offer better returns. Additionally, this approach was used to manage risk and maximize profitability by reducing exposure to high-risk market segments and focusing on the lower risk segments.

Financial service institutions have been noted to employ ostensible demarketing strategies. For instance, Balmer and Stotvig (1997) detailed the case of Child & Co. Bankers, which implemented a demarketing policy to preserve its exclusivity as a private bank catering exclusively to high net worth individuals. The bank deliberately made it challenging for customers to open accounts, frequently rejecting applicants upon their initial application. Accordingly, the bank adopted a discreet advertising and sponsorship approach and enforced high service fees for balances below £1,500.

As can be seen from the above examples, financial service institutions employ demarketing strategies for various reasons that vary depending on the specific situation and context. For example, in times of economic downturn or financial instability, demarketing may be used to manage demand for credit and other financial products in an attempt to manage risk and maintain financial stability. In other cases, demarketing may be used to manage demand for specific products or services that are in short supply, or to discourage customers from engaging in behaviour that may be harmful to their financial wellbeing.

2.3.2 Demarketing in the South African Banking Industry

The results of the '2020 Baseline Survey of Financial Literacy in South Africa' report demonstrate that demarketing is a critical strategy that needs to be applied in the financial services sector in South Africa, mostly in relation to credit products (Roberts et al., 2021). When customers' financial health is not good, consequently, credit is an easy short-term escape, but can be a very destructive path in the long run. Financial institutions bear a responsibility to lend responsibly, not only to safeguard their own interests but also to protect their customers (Richards, Palmer, & Bogdanova, 2008). They achieve this by limiting lending to individuals perceived capable of effectively managing their debt. The National Credit Act (No. 34 of 2005), commonly referred to as the NCA, has played a significant role in this regard. The Act covers credit cards, overdrafts, mortgages, instalment agreements, leases, and micro-loans, implementing stringent regulations within the industry. These measures include rigorous credit assessments, the prohibition of practices like cold calling and automatic credit limit extensions, and the elimination of misleading advertisements promising 'guaranteed loans' and 'no credit checks'. However, relying solely on the implementation and application of the NCA is insufficient. Lending to consumer markets operates on a combination of rewards and consequences that can help with responsible usage of debt by consumers. Rewards, or 'carrots,' may include reduced prices and increased loan sizes for customers displaying good repayment behaviour while consequences, or 'sticks,' encompass actions such as listing delinquencies on credit bureaus, phone calls from collection agents, legal summons, and wage garnishment (Bertrand, Karlan, Mullainathan, Shafir, & Zinman, 2010). Moreover, financial institutions need to actively dissuade customers from overextending themselves, preventing them from taking on more debt than they can handle. Through demarketing, these institutions can position themselves as responsible lenders, fostering a balanced approach in consumer lending practices.

Contrarily, demarketing can also have negative consequences for financial service institutions, particularly if they are perceived as unfair (Lepthien, Papies, Clement, & Melnyk, 2017). It can lead to negative publicity, loss of trust, and damage to the institution's brand and reputation. Demarketing can also lead to missed opportunities as by reducing exposure to perceived high-risk market segments or products, financial institutions may also be limiting their potential for growth and innovation. Capitec Bank for example, targeted bottom of the pyramid market, which had been largely untapped and effectively been demarketed by the other big four banks. Capitec's strategy was to target the unbanked, providing them with affordable, simple and accessible products, and by simplifying processes such that customers with little or no financial education did not feel inadequate or embarrassed in their interactions with the bank (Ver Loren van Themaat, Schutte, Lutters, & Kennon, 2013). This strategy paid off, and today with 19 million customers, Capitec is South Africa's biggest bank by customer numbers (Statista, 2022).

Ultimately, the dual nature of demarketing in the financial services sector underscores its potential for both positive and negative outcomes. While it can be a strategic tool for managing risk and focusing on specific market segments, its application must be approached with caution. As demonstrated by the case of Capitec Bank, a nuanced and innovative demarketing strategy can not only break through market barriers but also redefine industry landscapes. Ultimately, a well-calibrated demarketing strategy has the power to not only safeguard an institution against unnecessary risks but also foster sustainable growth and positive brand perception in the long run.

2.3.3 The Consumer Response to Demarketing

If executed properly, demarketing of credit products can contribute to effective customer relationship management and enhance customer satisfaction. By discouraging customers from taking on products that may be harmful to their financial well-being, financial institutions can build trust and demonstrate their commitment to the financial health of their customers. These efforts can enhance customer satisfaction and foster enduring relationships built on mutual trust and respect. Unfortunately, customers have been observed to react negatively to demarketing efforts regardless of the reason why it was done (Lepthien et al., 2017).

Despite this, selective demarketing in a banking context is inevitable. Farquhar and Robson (2017) argue that selective demarketing is a critical strategy for firms as it enables them to disengage from customers who are not in alignment with the best use of the firm's resources. However, where demarketing in banking differs from demarketing in other contexts is that often a customer is demarketed from one product (typically a credit product which is considered high risk) while the bank attempts to maintain the overall relationship with other low risk products. For example, the bank may want to maintain the customer's cheque and savings accounts, which are relatively low risk, but be cautious to provide them with lending products such as credit cards, overdrafts, personal loans, vehicle finance and home loans, which are higher risk. Granting of credit facilities even for long standing customers is not guaranteed, and many such applications are declined by banks. The customer may stay with his bank despite the loan facility being declined, or they may choose to terminate the relationship and move their entire banking portfolio elsewhere. Often, these customers choose to stay. The question then becomes about what behaviours do these customers exhibit and what is the impact of these behaviours on the relationship between them and their bank?

Demarketing, which leads to differential treatment of customers, raises concerns about fairness as it involves deliberately avoiding certain transactions. (Mayser & von Wangenheim, 2013). Firms should take interest in the concept of fairness, as studies indicate that consumers are inclined to resist unfair transactions and penalize firms engaged in unfair conduct (Kahneman, Knetsch, & Thaler, 1986). Research has demonstrated that communication can mitigate perceptions of unfairness by offering justifications for decisions (Campbell, 1999). To this end, it helps align customer perceptions and expectations (Moorman, Deshpande, & Zaltman, 1993), informs customers about the firm's procedures and norms, and provides clarity regarding their responsibilities (Sharma & Patterson, 1999).Consequently, perceptions of fairness are closely tied to the level of trust customers place in a firm, which in turn influences their behavioural intentions (Devlin et al., 2014). For example, Campbell (1999) found that unfair pricing perceptions lead to customer resistance, which can manifest as customers choosing to leave. Research indicates that customers' perception of a seller's unfairness impacts their decision to stay or switch (Malc, Mumel, & Pisnik, 2016; Nikbin, Marimuthu, & Hyun, 2016; Urbany, Madden, & Dickson, 1989). Although customers might tolerate occasional brand failures, prolonged disappointment or perceived unfairness can harm the relationship (Palusuk, Koles, & Hasan, 2019) and thus brands are advised to be proactive in responding to customer criticisms, and act on them as early as possible (Zarantonello, Romani, Grappi, & Bagozzi, 2016).

2.4 THEORETICAL GROUNDING

In aiming to address the problem statement posed in chapter 1, this study will employ two theories, the cognitive dissonance theory (Festinger, 1957) and the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994). The cognitive dissonance theory will examine the psychological conflict customers might experience in a demarketing situation, and the commitment-trust theory will extend the analysis to consider emotional commitment, trust, and coping mechanisms in these situations. These two theories will be applied separately, but will also be merged to propose a conceptual model that will be used to theoretically test the relationships between all the constructs in the study. It is anticipated that by combining the two theories, the study will be able to examine how cognitive dissonance interacts with satisfaction, commitment, trust, and loyalty, yielding a more holistic understanding of customer loyalty. This is expected to not only enhance the study's theoretical rigor by encompassing multiple dimensions of the phenomenon, but to also create a structured framework for testing the complex interplay between constructs, contributing to a deeper understanding of customer behaviour and loyalty dynamics within the banking sector's demarketed segments.

2.4.1 Introduction to the Cognitive Dissonance Theory

The cognitive dissonance theory was first proposed by Festinger (1957), who described it as the emotional discomfort experienced by individuals when they hold conflicting thoughts or beliefs, leading to inner conflict. The theory has garnered a lot of debate over the years. More recently, Bolia et al. (2016) described cognitive dissonance as the psychological phenomenon that takes place when there is inconsistency between the beliefs that a person holds and information received that does not align with that belief.

Cognitive dissonance theory as conceptualized by Festinger (1957) proposed that cognitions (mental processes related to acquiring, processing, storing, and using information such as thoughts, beliefs, attitudes, values, or knowledge that individuals possess) can be either consonant or dissonant to one another. According to the theory, cognitions are consonant if one leads to another and are dissonant if one cognition results in the other taking a different direction. When a human being encounters a situation where there is disconnect between what they believe and information presented to them, it becomes psychologically uncomfortable. The below diagram explains the theory.

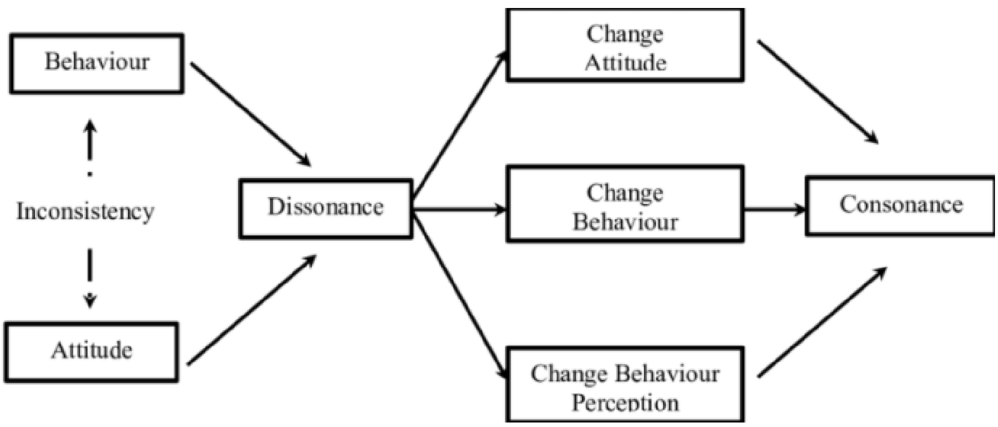

Figure 1: Cognitive Dissonance Theory Model adopted from Festinger (1957)

An example of this is that an individual might be health conscious and want to make responsible choices, but then end up having fries instead of salad for lunch, or not exercising for the day (McGrath, 2017). This causes some internal discomfort and to reduce this discomfort, they can either change their attitude, change their behaviour, or change their behaviour perception (Festinger, 1957). Only then can the individual return to a state of consonance.

As dissonance is psychologically uncomfortable, it results in the person being motivated to take actions to reduce the dissonance and thus return to a state of consonance (Harmon-Jones & Mills, 2019). Cooper (2019), posits that just as people are driven to reduce their hunger by eating and thirst by drinking, they are also driven to reduce inconsistencies they are confronted with. This view was first put forward by Festinger (1957) who contended that the desire to achieve consistency in cognitions is not a preference, but is rather a drive. It is not a passive process but a driving force that influences individuals' thoughts, behaviours, and decision-making processes in the attempt to return to a consonant state. During this process, a mental recovery process is triggered, which results in either (1) searching out information to support what the person believes (2) continued attempts to downplay the cognition that was the source of the dissonance or (3) the person changing their belief to reflect the new condition (Festinger, 1957; George & Edward, 2009).

Festinger (1957) gives a good example of how dealing with cognitions works. A habitual smoker who becomes aware that smoking is harmful to health experiences cognitive dissonance when they continue smoking despite the knowledge of its detrimental effects. Thus there are various ways that he could reduce the dissonance (1) he could stop smoking in believing that it is bad for him thus eliminating the source of the dissonance (2) he could eliminate the dissonant condition by choosing to believe that smoking is not bad for one’s health (3) he might give more weight to the positive effects of smoking such as keeping him from gaining weight and reducing his levels of stress (4) he might reduce the importance of the dissonant cognition by believing that the risk from smoking is smaller than the risk from other dangers such as being killed by a motor vehicle (5) he could increase the importance of consonant cognitions by considering that smoking is a very enjoyable part of his life thus is critical to keep despite its dangers. All the above are mechanisms that he might employ to reduce dissonance.

Due to its generality, the theory can be applied to a wide range of topics that involve the intersection of cognition, motivation, and emotion (Harmon-Jones & Mills, 2019). Today, cognitive dissonance theory is an important theory in social psychology as it proposes a general pattern portraying the human psyche and construction of reality (Vaidis & Bran, 2019).

It has also become an important theory in marketing, with much literature being generated on cognitive dissonance in marketing contexts, including consumer behaviour e.g. (Brijball, 2001; Kim, 2011; Soutar & Sweeney, 2003; Sweeney, Hausknecht, & Soutar, 2000; Tanford & Montgomery, 2015).

Cognitive Dissonance Theory has also been identified as having the potential to encourage positive behaviour change and as such, has implications for public policy. Policymakers could use dissonance as a tool to encourage people to change their behaviour in areas such as environmental conservation or public health. For example, if a person who believes that regular exercise is not important is exposed to persuasive messages highlighting the health benefits of exercise, they may experience dissonance, which could motivate them to change their behaviour and start exercising regularly (Kah & Lee, 2016).

2.4.2 Justification for the use of Cognitive Dissonance Theory

Cognitive dissonance theory was selected as one of the lenses with which to conduct this study on demarketing in the banking sector based on its conceptual alignment and explanatory power of the study’s context. As previously stated, cognitive dissonance theory as proposed by Leon Festinger centres on the discomfort that arises when individuals hold conflicting beliefs, attitudes, or behaviours. Hence, in the context of demarketed segments in the banking sector, customers might experience cognitive dissonance when their positive attitudes toward the bank clash with the negative feelings stemming from being declined for a home loan. This theory's premise aligns with the potential psychological conflict these customers might face, making it a suitable framework to explore their reactions and subsequent behaviour, most notably loyalty. The study hypothesizes that customers who experience cognitive dissonance due to loan rejection might adjust their attitudes or behaviours toward the bank. Understanding this process is essential for predicting how loyalty might be affected. Further, the theory delves into coping strategies individuals use to reduce cognitive dissonance, such as seeking information or rationalizing their decisions. In the banking context, to navigate their feelings of cognitive dissonance, customers might engage in similar coping mechanisms such as changing banks or appealing the bank’s decision, potentially influencing their loyalty outcomes. Moreover, the theory provides an opportunity for the study to ascertain the moderating role of communication openness. Cognitive dissonance theory can help explain how effective communication openness might mitigate cognitive dissonance, leading to enhanced customer loyalty despite demarketing situations.

2.4.3 Introduction to the Commitment-Trust Theory of Relationship Marketing

Service companies have come to recognize that in the face of a swiftly changing competitive landscape, extracting maximum value from existing accounts proves to be more achievable and profitable than acquiring new customers. (Arnott et al., 2007). Morgan and Hunt (1994) posited that for relationship marketing to succeed, there has to be commitment and trust. They defined relationship marketing as the activities related to building, developing, and maintaining successful relationship exchanges between parties. Following from this, they proposed the commitment-trust theory of relationship marketing, a theoretical framework that explains how organizations can develop long-term, mutually beneficial relationships with their customers. They argue that for relationship marketing to be successful, it requires parties to have trust and commitment, two inter-related and mutually reinforcing components.

According to Morgan and Hunt (1994) some of the ways that relationship commitment and trust is developed when firms are purposeful in their relationships are (1) offering resources, opportunities, and benefits that surpass those provided by competitors (2) upholding high standards of corporate value (3) communicating important information and (4) avoiding taking advantage of the relationship even if the opportunity to do so arises. They explain that commitment and trust are built through the ongoing interactions and exchanges between the parties, and as the relationship progresses, the levels of commitment and trust increases, and the relationship is strengthened. They continue to explain that when both commitment and trust are present in a relationship, there is increased efficiency, productivity and effectiveness because they encourage parties in the relationship to (1) cooperate with each other (2) view high risk actions positively because of the belief that the other party is not acting opportunistically and (3) focus on long term benefits as opposed to short term gains. To understand relationship marketing, Morgan and Hunt (1994) posit that relational exchanges can be productive, effective and relational, or they can be unproductive and effective, and that the difference between the two is success or failure of the relationship. They acknowledge that numerous factors can influence the outcome, but assert that in a fruitful relationship, commitment and trust are crucial elements, rather than relying on the use of power to elicit specific responses.

This theory has been tested empirically to understand its real life applications. To validate the theory when they proposed it, Morgan and Hunt (1994) tested it in the automobile tyre retailing industry. The study collected data from independent automobile tyre retailers both qualitatively (to develop the research instrument) and quantitatively (to validate the hypotheses). The empirical study confirmed the conceptual model, leading to the confirmation and wide acceptance of the theory. Other researchers have also validated the theory in varied fields, such as the performance arts, online retailing, and financial services (Ennew, Kharouf, & Sekhon, 2011; Garbarino & Johnson, 1999; Mukherjee & Nath, 2007). Using the commitment-trust theory, Garbarino and Johnson (1999) carried out an empirical study on customers of a New York off-Broadway theatre, seeking to understand what roles satisfaction, trust and commitment played in future intentions. The study found that there were significant differences in trust and commitment between customers who displayed more relational characteristics with the theatre than those who were more transactional. The theory has also been used in the online retailing context. Mukherjee and Nath (2007) conducted a study on online retailing, seeking to understand the antecedents and outcomes of commitment and trust, and also sought to provide a modified theoretical model for adaptation in a digitized business context. The study found that privacy and security features to be antecedents to trust, which in turn influenced relationship commitment, and that behavioural intentions were outcomes of both trust and commitment.

The commitment-trust theory has also been applied in banking, where it has been found to be especially useful. This is because bank customers are purchasing products such as accounts, loans and credit cards that can only be accessed once purchased, and thus trust becomes vital for customers in choosing a service provider (Ennew et al., 2011). In addition to this, financial services products are generally complex, high-involvement and long term in nature. Due to the sensitive nature of personal finances, customers need to feel that their money is safe, and that their bank will behave competently and ethically. These concerns are not unfounded, in the UK for example, concerns have been expressed about the declining levels of trust customers have in financial institutions, industry malpractices such as mis-selling of products, and the impact of the financial markets crises, all of which have significantly and negatively impacted consumer trust and confidence in the sector (Ennew & Sekhon, 2007). As a consequence, banks have had to pay significant fines, which signals wrongdoing on their part. A later research carried out by Ennew et al. (2011) however, presented an alternate view, that there generally exists trust between consumers and their financial services institutions, with cognitive trust being higher than affective trust. This would imply that the perception of customers is that their financial service institutions are likely to be reliable and competent in their operations, but that they are more focused on their own gains than their customers' best interests. Yet another study carried out using the commitment-trust theory by Yuan, Lai, and Chu (2019) was regarding continued use of internet banking services by customers, found that trust and commitment are predictors of continued use. The study employed a survey which collected data from college students who were also working full time. Findings from the study helped to contribute to an understanding of how banks can retain their online banking customers by understanding the role of trust and commitment.

The above studies all validate the use of the theory in an empirical context and support the applicability and relevance of trust and commitment in understanding the dynamics of customer relationship management. Thus, the commitment-trust theory of relationship marketing remains an important one in understanding the drivers of loyalty in various industries and contexts and gives valuable practical insights for businesses in sustaining their customer relationships. Related to demarketing efforts, managing consumer perceptions of fairness is vital for firms, as these perceptions serve as a fundamental antecedent to consumer satisfaction, which in turn fosters positive relationships wherein consumers are inclined to remain loyal. (Campbell, 1999). In contrast, perceptions of unfairness erode trust, and subsequently, diminished levels of trust weaken the strength of relationships (Berry & Seiders, 2008). When trust and commitment are present, they result in outcomes that promote effectiveness, efficiency and productivity (Morgan & Hunt, 1994).

2.4.4 Justification for the use of Commitment-Trust Theory

Use of the commitment-trust theory as one of the theoretical lenses with which to conduct this study can be justified by its relevance to understanding the complex interaction of the constructs of cognitive dissonance, satisfaction, trust, commitment, and loyalty, as well as the moderating role of communication openness. The commitment-trust theory of relationship marketing emphasizes the importance of commitment and trust in developing strong and enduring relationships. In the context of the banking sector, customers' relationships with banks can be viewed through this interpersonal lens, where commitment and trust play important roles in determining loyalty. This theory offers a holistic perspective on loyalty, considering both behavioural and emotional aspects. By applying this theory, this study will examine how cognitive dissonance influences not only customers' behaviours but also their emotional commitment and trust in the bank, thereby shaping their overall loyalty. Commitment-trust theory also highlights how customers' commitment and trust behaviour may change when they are faced with challenges to the relationship. When demarketed segments experience cognitive dissonance due to their loans being declined, their commitment and trust in the bank might be tested. The theory's insights into coping mechanisms can provide an indication of how these customers manage their dissonance and its impact on their loyalty. Further, commitment-trust theory is concerned with fostering and maintaining long-term relationships. Applying this theory acknowledges the long-term nature of customer relationships in the banking sector, where building commitment and trust are critical for sustained loyalty, even in challenging situations like demarketing.

2.4.5 Justification for the Integration of the Cognitive Dissonance Theory and the Commitment-Trust Theory

The integration of Cognitive Dissonance Theory and Commitment-Trust Theory in this study is justified by the complementary insights they offer into the dynamics of customer loyalty within demarketed segments in the banking sector. Cognitive Dissonance Theory, as proposed by Leon Festinger, focuses on the psychological discomfort individuals experience when faced with conflicting beliefs or actions. In the banking sector, demarketed customers who are denied loans may experience dissonance between their trust in the bank and the rejection, leading to potential shifts in their attitudes or loyalty. This theory is particularly useful in understanding how these customers cope with and resolve dissonance, which may affect their overall relationship with the bank.

On the other hand, Commitment-Trust Theory emphasizes the critical role of trust and commitment in sustaining long-term relationships. In the context of demarketing, when cognitive dissonance arises due to loan rejections, this theory provides a framework to understand how trust and commitment may be challenged but, if managed effectively, could still lead to customer retention. The theory underscores the importance of fostering trust through open communication, even when decisions negatively impact customers. This complements the insights from Cognitive Dissonance Theory by showing how banks can mitigate the adverse effects of dissonance through communication strategies that maintain trust and commitment.

Together, these theories offer a holistic view, with Cognitive Dissonance Theory explaining the psychological conflicts and Commitment-Trust Theory detailing the mechanisms for maintaining loyalty despite these challenges. Integrating these theories allows the study to explore not only how dissonance affects loyalty but also how communication openness can moderate these effects, offering valuable insights into managing customer relationships in demarketing situations.

2.5 CHAPTER SUMMARY

This chapter sought to combine the context of the study in the South African retail banking landscape with the significance of demarketing strategies within the banking industry. By delving into the broader retail landscape of South Africa, this chapter has illuminated the crucial role that the banking industry plays within the economy. The strategic use of demarketing within the industry has also been explained, underscoring its value in maintaining profitability, complying with regulations, and effectively managing customer demand while ensuring customer well-being. This examination provides a lens through which to understand the specific challenges and dynamics that arise within the banking sector and the consumer response to it. Over and above that, the chapter has introduced and justified the chosen theoretical frameworks of the cognitive dissonance theory and the commitment-trust theory of relationship marketing. The selected theories have been justified through their alignment with the study's focus and objectives. Their relevance within the banking context, coupled with the unique dynamics of demarketed segments, lends credibility to their application in examining the relationships between cognitive dissonance, satisfaction, commitment, trust, and loyalty.

This chapter sets the stage for the empirical literature review, research design, methodology, and findings that will be presented in subsequent chapters. It paves the way for the study to delve into the intricacies, unveil empirical insights, and ultimately contribute meaningfully to the understanding of customer relationships, loyalty, and cognitive dissonance in the context of the banking industry's demarketed segments.

CHAPTER 3. EMPIRICAL LITERATURE

3.1 INTRODUCTION

This chapter aims to provide an overview of the existing empirical literature on the topics of demarketing, cognitive dissonance, communication openness, satisfaction, commitment, trust and loyalty. The literature review is a key component of this thesis and will situate the study within the broader academic literature. It will also help to identify gaps in the current body of knowledge that the study seeks to fill. The chapter will delve into the current literature, drawing on a wide variety of sources, both seminal and current, to examine the current state of knowledge of the different constructs in the study. In doing so, it will identify areas where existing research has provided key insights and highlight areas where further exploration is needed. The chapter is organized into several sections, each of which focuses on a specific construct of the study. Each section will identify key debates and areas of consensus with areas of further development in relation to the study's research objectives and will provide an overview of the construct, conceptualisation of the construct, the importance of the construct, the construct's dimensions, and finally the relevance of the construct to the study.

Overall, this empirical literature review chapter seeks to provide a comprehensive and critical overview of the existing scholarship on the constructs of demarketing, cognitive dissonance, communication openness, satisfaction, commitment, trust and loyalty, while also setting the stage for the research that follows. By drawing on a wide range of academic sources, it aims to provide a solid foundation for the research that follows and help to ensure that the study makes a valuable contribution to current knowledge.

3.2 DEMARKETING

Demarketing has been used in many contexts and majority of the current literature on demarketing focuses on case studies of application, both where the strategies have worked and where they have not, with authors such as Medway, Warnaby, and Dharni (2010), Lawther et al. (1997) and Grinstein and Nisan (2009) giving detailed accounts of demarketing case studies.

The first documented application of demarketing in literature was during the energy crisis of 1973 in the US. At the time, Kotler and Levy's idea was very revolutionary, having been proposed just two years earlier. Demand was very high for oil, however due to a series of events that resulted in an OPEC (Organization of the Petroleum Exporting Countries) oil embargo, supply was extremely low. Harvey and Kerin (1977) carried out a case study of two organizations, Shell and Exxon, and their responses to the situation. In the study they carried out, demarketing attempted to induce social change by encouraging reduced demand for the commodity that was in very short supply. Unfortunately, the success of demarketing efforts in this instance was perceived to be marginal. However, there have since been other documented cases of successful application of demarketing strategies.

Another common application of the demarketing principle is the area of electricity consumption, for which exists several examples. One such case study was conducted in Israel in 1981. In Israel, electricity is produced from fully imported materials (oil and coal), and because of widening deficits in the country's balance of-trade, the Israeli Electric Company launched a public advertising campaign to reduce consumption by both households and industrial users (Deutsch & Liebermann, 1985). During the period of the campaign, a TV commercial was run thrice every week, supported by newspaper advertising and information leaflets, the theme being around how good it was to have electricity, thus the need to save so that everyone would not lack (Deutsch & Liebermann, 1985). The authors report that the campaign was successful, and it managed to achieve a reduction in immediate household electricity consumption.

A more recent local example is from Cape Town, South Africa. Towards the end of 2017, the city was expected to run out of water as the reserves were fast dwindling. To encourage everyone to conserve water and to avert certain disaster, a huge marketing campaign was launched by the city to encourage all residents and visitors to do their part in reducing their water consumption (LaVanchy, Kerwin, & Adamson, 2019). The campaign was successful and what had been dubbed 'Day Zero', when town was expected to run out of water, was averted.

Yet another application of demarketing, now commonly referred to as 'place demarketing, is in the tourism industry. Several countries have experienced problems with certain types of tourists who can holiday at rock-bottom prices in destinations that cannot support huge volumes of tourists. The Greek government, for example, struggled with cheap charter flights that bring in tourists who take cheap, unlicensed accommodation (Clements, 1989). These types of tourists tend to become rowdy, resulting in bad publicity for the travel industry and for those destinations. To combat these types of problems, the government of Cyprus implemented a demarketing strategy, where they discouraged demand from certain segments of tourists, while actively targeting others, making it possible for resorts to keep out rowdy tourists, and focus on the high value ones (Clements, 1989).

One of the case studies highlighted by Beeton and Benfield (2002) is the use of demarketing to conserve one of the world's greatest treasures, The Last Supper by Leonardo da Vinci, a painting on a wall in a chapel in Milan. Due to excessive visitor numbers, the painting started to flake from the wall, which necessitated a massive stabilization and restoration project. To preserve the painting, an elaborate air-conditioning and humidifying system was put in place, along with restrictions on visitor numbers. Only 25 visitors were allowed in per 15-minute time slot, four hours a day. Reservations were done in advance, and waits of up to 4 days to view the painting were not uncommon.

Governments have also been known to employ demarketing strategies to tackle social problems. One of the most well-known examples in the UK is the National Health Service campaign that sought to discourage the number of calls patients made to their family doctors over minor ailments, as the doctors needed to focus on more serious matters (Wright & Egan, 2000). Another application of demarketing has been in managing vehicular traffic. Due to increased traffic demand above a level that is sustainable in many cities, a combination of approaches is needed to deal with the problem (Wright & Egan, 2000). In attempting to tackle this problem, the UK government was faced with several proposals such as lowering speed limits or implementing a fuel duty escalator. However, these were viewed as likely to elicit backlash from the public as argued by Wright and Egan (2000) who instead advocated for changing attitudes by demarketing the car through target propaganda, thus reducing car travel. This would be done by launching a public information campaign that would be delivered by non-governmental agencies, focused on people's self-image, aiming to change the attitude towards car usage.

Since demarketing is useful as a tool for demand reduction, it therefore has possible application in a wide variety of social situations. Some relevant scenarios for South Africa would be in the food industry to discourage wastage of food along different points in the value chain, and in electricity consumption to reduce the need for load shedding.

3.2.1 Conceptualisation of Demarketing

Kotler and Levy (1971) identified three types of demarketing, (1) General demarketing – where a company reduces demand in general (2) Selective demarketing – where a company discourages demand from a certain class of consumers, for example a bar wanting to discourage demand from underage users (3) Ostensible demarketing – where a manufacturer appears to be reducing demand when the actual intention is to increase it by making it appear harder to obtain, for example a promoter selling a concert as 'limited tickets left'. More recently, Chaudhry et al. (2019) proposed new additions to the demarketing framework to reflect more contemporary issues for the 21st century. They proposed the addition of protective demarketing which has to do with reducing demand for products that cause harm, preventative demarketing which has to do with reducing demand for a product before it becomes a problem, and combative demarketing which has to do with fighting the use of illegitimate products of services such as piracy and counterfeiting.

3.2.2 Importance of Demarketing

The term ‘demarketing’ was first proposed by Kotler and Levy (1971) in their ground-breaking article ‘demarketing, yes demarketing.’ Demarketing is a very intriguing concept for marketers, running counter to the core marketing job of increasing demand, as it poses the question of why a marketer would need to discourage demand.

So what are some of the instances where customers need to be discouraged from buying, or demand needs to be shaped in a particular way? Kotler and Levy (1971) explain that the first is where a product is not good for people, such as cigarettes, excessive consumption of products such as fast food, alcohol and excessive gambling. This would also apply to societal issues such as obesity. An example of this is food companies, that have for years offered convenient, inexpensive and tasty food that can be mass produced, but are unfortunately, not always healthy, and over the long run, contribute to the problem of obesity (Wansink & Huckabee, 2005). Wansink and Huckabee (2005) propose tackling the problem and turning the tide back on obesity by making market-based changes that develop consumer appetite for healthy foods, rather than increased regulation on unhealthy foods. These changes will require reducing demand for unhealthy foods, fitting the definition of demarketing.

The second situation identified by Kotler and Levy (1971) is where demand is discouraged for products that are in short supply, such as water, electricity and tourist sites that cannot support huge numbers of people. Authors such as Demirdjian (1975) weighed in on the demarketing conversation early in the game, arguing that marketers play an important role in alleviating shortages and that the new role of marketing needs to decrease demand, especially for scarcity related shortage problems. More recently, other scholars such as Ramirez, Tajdini, and David (2017) pose that since demarketing is useful as a tool for consumption, it has possible application in a wide variety of social situations. Interest in demarketing continues to grow, especially with sustainability being a key theme in doing business in today’s environment.

The other situation identified by Kotler and Levy (1971) is in the case of premium or luxury goods, where supply is limited to create exclusivity. An example of this is a Michelin starred restaurant in London that limits seating to nine customers, even though technically it can cater for more people. In this case, reduced demand creates exclusivity and increases the profile of the restaurant.

3.2.3 Demarketing and Consumer Behaviour

As demarketing is carried out by employing marketing tools to reduce demand, the onus is on companies to manage the demarketing process. However, there is another side to consider; what role does the consumer play? Furthermore, do demarketing efforts work in changing consumer behaviour and reducing demand? Current literature argues that it does. While profit making companies have recorded mixed results on demarketing efforts, consumers have shown to respond to demarketing campaigns for social good. Grinstein and Nisan (2009) for example, share a case where a demarketing campaign was undertaken in an arid area in Israel to reduce consumption of water, and indeed consumers responded to the campaign and were willing to reduce their consumption. In such cases, demarketing investments result in investments in the future of society (Ramirez et al., 2017). When consumers are aware of demarketing initiatives related to the environment, it tends to shape their consumption patterns, for example in electricity consumption, those who are aware have a significantly lower rate of increase of their usage (Ramirez et al., 2017). Pro-environmental marketing can be useful in shaping behaviours and altering consumption patterns of commodities whose demand is highly inelastic (Ramirez et al., 2017).

As a strategy, demarketing can be used to complement economic and regulatory tools and can also be critical for policy makers (Grinstein & Nisan, 2009). Ramirez et al. (2017) argue for demarketing as a tool for governments and policy makers to reduce consumption where demand for resources exceeds what is available. They continue to propose that demarketing activities can be important in encouraging behaviours that support environmental sustainability through reduced consumption.

3.2.4 Methodological Considerations in Demarketing

There are different ways in which demarketing has been operationalized and tested in literature. One of the ways is through experimental studies, where demarketing strategies are tested in a controlled environment. One such study was carried out by Yakobovitch and Grinstein (2016). The study sought to examine the effect of descriptive norm demarketing on reducing household consumption. Data was collected by a between-subjects lab experiment that measured materialism levels. Another example is a study carried out by Suh, Rho, and Greene (2012) to look into how customers react to demarketing stimulation in an e-business environment and how demarketing efforts affect customer behaviour, including their intention to either exit or improve the relationship. To collect data for the study, an experiment was designed with different demarketing scenarios to compare customer reactions. In yet another experimental study, Reich and Soule (2016) compared how consumers responded to traditional green advertising appeals versus how they responded to green demarketing appeals (messages from for-profit companies encouraging environmental conservation by reduced category consumption). Participants were exposed to print advertisements from a fictitious trash bag brand for at least 25 seconds and their reactions were then measured. Although experimental studies are valuable in that they allow researchers to manipulate and control the variables under investigation and to isolate the effects of specific demarketing techniques, they may also present a challenge in that they may lack external validity, as they may not accurately reflect the complexity of real-world behaviour of customers in their everyday environments.

Some of the challenges of experimental studies in demarketing can be overcome by carrying out field studies. Field studies involve the observation of customer behaviour in natural settings. These studies can provide valuable insights into the effectiveness of demarketing strategies in real-world contexts. Lepthien et al. (2017) for example, carried out a field study on demarketing, collecting data on a firm that terminated contracts with over 10,000 of its customers and examining their responses to the demarketing effort. In their research into unintended consequences in demarketing antisocial behaviour the consequence was deliberate grassfires. Peattie, Peattie, and Newcombe (2016) carried out a qualitative study by conducting interviews and focus groups with fire fighters, youth groups and other community members. Despite having external validity, field studies may however be subject to measurement bias and may be limited by the difficulty of observing and measuring behaviour in natural settings.

Survey studies can also be used in the study of demarketing to gather data on customer attitudes, behaviours, and preferences. These studies are often conducted using self-reported data and can be useful in identifying trends and patterns in customer behaviour, although they may be subject to response bias and may not accurately capture the nuances of customer behaviour and decision-making. However, they have been used successfully in some cases like White and Thomas (2016)'s study that tested the effect of price, promotion and packaging on consumer smoking cessation. The study collected data by way of likert-type survey questions from respondents who were required to have smoked at least 100 cigarettes in their lifetime.

Demarketing remains a complex construct, with one of the challenges of measuring the impact of demarketing strategies being the difficulty of identifying the specific effects of demarketing on customer behaviour. This is because the effects may be difficult to isolate from other factors such as changes in market conditions or changes in customer preferences.

3.3 COGNITIVE DISSONANCE

Festinger's work on cognitive dissonance began with a series of experiments conducted in the 1950s that observed how people dealt with inconsistencies that they were confronted with. In one such experiment, conducted with his colleague, they had participants in the study speak publicly and very enthusiastically about how pleasant a task was that they had actually found quite dull and boring (Festinger & Carlsmith, 1959). Dissonance was created by the difference in their true feelings and their public statements, and it was observed that the need to reduce their dissonance led to the participants actually changing their minds about the task to align with their public statements. While the experiment generated a lot of interest, what caused real controversy was that some of the participants had been given a small sum of money ($1) to make the statement, while others had been given a significantly larger sum ($20) for the same task. Surprisingly, the finding was that the participants who had been given a smaller sum of money experienced more dissonance and changed their attitudes more than the participants who had received a larger sum. Festinger and Carlsmith had predicted that this would happen because the participants who received a large sum would be more easily able to understand why they had acted contrary to what they believed.

As dissonance is psychologically uncomfortable, it results in the person being motivated to take actions to reduce the dissonance and thus return to a state of consonance (Harmon-Jones & Mills, 2019). In explaining dissonance reduction, Cooper and Hogg (2007) posed the following hypothetical situation. Participants were told to imagine attending a political meeting where a representative of the party they support stands up to speak, with the topic being spoken on being one the particpant is familiar with their party's position on, and in which they are in support. However as the representative speaks, the participant is asked to imagine realizing that the representative is advocating for the opposite position to what the party believes, and what they believe. Cooper and Hogg (2007) hypothesize that this situation would make individuals feel uncomfortable, but that the individuals would resolve the resulting dissonance by changing their own views on the topic to align with the party representative's speech. In this case, the dissonant condition has been dealt with by removing the source of the dissonance i.e. changing the core belief.

Although research has identified several different ways in which consumers deal with dissonance, it is still not clear on how consumers choose a particular mode of dissonance reduction. A possible explanation could be the effect of contextual or environmental factors such as competing product offerings being available. Lindsey-Mullikin (2003) suggests that it may be attributable to individual differences between consumers. Questions have also been asked on what determines the magnitude of the dissonance experienced. Pei (2013) infers that the magnitude of cognitive dissonance is dependent on how important the decision is, the desirability and number of alternate options available, and how similar the alternatives are.

Research conducted by Gbadamosi (2009) found evidence of cognitive dissonance in products of low involvement, defined as products that are relatively inexpensive and require minimal consideration such as bread, milk and toothpaste. This suggests that even when consumers are making relatively quick purchase decisions for low-involvement products, they may still experience a sense of dissonance if there is a perceived mismatch between their beliefs or attitudes and the chosen product, demonstrating how influential cognitive dissonance is in decision making.

According to Festinger (1957), dissonance may intensify as a consumer moves through the purchase process. As consumers progress through the process, they encounter various stages such as searching for information, evaluating the options available and finally making a decision. The potential for cognitive dissonance lies in consumers encountering conflicting information or having to make trade-offs because as they move through the purchase process, they become exposed to more and more potential for dissonance.

It can thus be seen that the recognition of this potential for cognitive dissonance in the consumer journey is crucial for marketers and businesses. By understanding how dissonance affects the purchase process, businesses can tailor their communication and support efforts to enhance the overall customer experience and satisfaction.

3.3.1 Conceptualisation of Cognitive Dissonance

Festinger (1957) preceded the word ‘dissonance’ with ‘cognitive’ and argued that thoughts, behaviours and perceptions were represented cognitively in people’s thinking. Although, he did not clearly distinguish between the cognitive and emotional affects of dissonance. In later years, scholars such as Sweeney et al. (2000) and Harmon-Jones and Mills (2019) proposed that there are two types of dissonance; cognitive and emotional. They defined the cognitive part of dissonance as the psychological tension that arises from holding two or more conflicting beliefs, attitudes, or values. They explained that this type of dissonance is related to the awareness of individuals about themselves and their actions and is based on the idea that people strive to maintain a consistent sense of self and worldview. When their beliefs, attitudes, or behaviors conflict with this sense of self, cognitive dissonance arises. They described the emotional part of dissonance, on the other hand, as being more closely related to the emotional or affective experiences of individuals. They posited that this type of dissonance is more painful and distressing than the cognitive type, as it involves an emotional investment in the belief, attitude, or value that is being challenged. For example, if someone believes strongly in the value of honesty and then tells a lie, they may experience emotional dissonance as they struggle to reconcile their behavior with their personal values.

Research has subsequently classified dissonance into (1) attitudinal dissonance which refers to the discomfort felt when individuals hold attitudes and beliefs that are inconsistent with one another (Watson, Watson, Janakiraman, & Richardson, 2017) (2) behavioural dissonance which is the dissonance experienced when individuals behave in a way that is inconsistent with their values (Vaidis & Gosling, 2011; Watson et al., 2017) and (3) informational dissonance, described as information that is discrepant with the original cogntions (Vaidis & Gosling, 2011). An example of informational dissonace is where an individual may have always believed that a particular brand of car is the most reliable and has had a good experience with it. However, they come across an article that highlights several recalls and quality issues with the brand of car. In this case, the new information is discrepant with their original cognition that the brand is reliable, leading to informational dissonance.

According to Sweeney et al. (2000) specifically for purchase decisions, there are three conditions that could result in dissonance (1) the purchase must be of significance to the consumer, such as involving a large sum of money, psychological cost or be of personal relevance (2) the purchaser must have the ability to select between alternatives and (3) the decision must be irrevocable, such that the outcome is permanent. In such a situation, if the degree of dissonance is high enough, then some form of dissonance reduction needs to be employed to lessen or altogether eliminate the dissonance to revert back to a state of internal harmony (Lindsey-Mullikin, 2003).

Over the years, the cognitive dissonance theory has been debated and revised extensively although the original theory is still considered valid. Following from the original research conducted by Festinger in 1957, decades of research have resulted in support, contradictions and modifications to the theory (Cooper, 2019). Cognitive dissonance theory has led to innovation in the understanding of motivation for attitudes held, behaviours engaged in and preferences expressed by humans (Cooper, 2019). Scholars such as Vaidis and Bran (2019) recognize cognitive dissonance theory as an important social psychology theory in the understanding of human behaviour and conceptions of reality, arguing for more research and evaluation on it. There have also been calls to integrate the theory into other areas, such as Carpenter (2019) who called for integration of cognitive dissonance into communication.

3.3.2 Importance of Cognitive Dissonance

The cognitive dissonance theory as proposed by Festinger (1957) has become an extremely influential theory in social psychology, as well as a very controversial one that has resulted in hundreds and hundreds of other studies and has facilitated an understanding of psychological processes such as how attitudes and beliefs are determined, how values are internalized and consequences of decisions (Harmon-Jones & Mills, 2019).

Some of the studies carried out have been empirical, and have helped us understand how cognitive dissonance works in real life situations, and contributed to our understanding of the theory and its practical applications. One such example is a study carried out by Lindsey-Mullikin (2003) who used cognitive dissonance theory as a framework to conduct an empirical study to understand consumers' reactions to price encounters in situations where the consumers found items to cost significantly more or less than they expected. The study found that when confronted with an unexpected price, consumers resorted to reducing their dissonance by seeking consonant information, changing their attitude, or trivializing the significance of the unexpected price. In seeking consonant information, they looked for biased and filtered information to support their existing belief. Alternatively, in changing their attitude towards the price, they re-evaluated the unexpected price in relation to other external reference points such as quality and comparing with substitute prices while in trivializing significance of the unexpected price, they minimized the importance of finding savings and getting a good deal. This study provides a practical example of cognitive dissonance applied to consumer behaviour.

Kah and Lee (2016) applied the theory of cognitive dissonance to explain behavior changes that arise when individuals are selectively exposed to persuasive messages. Their research revealed that when individuals are exposed to persuasive messages that contradict their existing beliefs or attitudes, they might experience cognitive dissonance which can subsequently drive behavioral changes.

In yet another study that used cognitive dissonance theory as a framework, Marikyan, Papagiannidis, and Alamanos (2020) carried out a study on technology use in cases where technology did not perform as expected, and the coping mechanisms employed by those finding themselves in such a situation. The study was carried out on smart home users who had had a negative experience with smart home technologies such as smart home security systems, smart kitchens, smart plugs etc. The aim of the study was to investigate how dissonance can be translated into a positive outcome, and how negative emotions define which mechanism is used to reduce dissonance. The study found that dissonance resulted when expectations were not met and led to feelings of anger, guilt and regret, which in turn affected satisfaction and well being.

These are just a few examples of the many empirical studies that have been carried out by other scholars on cognitive dissonance. Overall, the empirical evidence supports the workings of the cognitive dissonance theory and provides insights into the psychological processes underlying cognitive inconsistency and the strategies individuals employ to restore cognitive consistency. Cognitive dissonance theory has proved to be invaluable in helping marketers understand how consumers make decisions and rationalize their choices when faced with conflicting information. It has also proven to be very useful in predicting consumer behaviour by understanding how consumers are likely to behave when their beliefs, attitudes and decisions are in conflict. Thus an understanding of cognitive dissonance can help in designing effective interventions, messages and strategies that will encounter minimal resistance from consumers.

3.3.3 Measurement of Cognitive Dissonance

Studies of cognitive dissonance have employed a wide range of methodologies, including experimental, surveys, field studies and physiological measures, each of which has strengths and weaknesses. Most common are experimental studies which are favoured by researchers because they allow for manipulation of the level of dissonance and for observance of cause and effect relationships. These studies encourage participants to engage in behaviour that is in conflict with their attitudes, beliefs or values, then measure the resultant change. For example, in a study on how exposure to polls affect choices that voters make at the polls, Morwitz and Pluzinski (1996) used cognitive dissonance to explain voter behaviour. In the study, voters were exposed to polls that either confirmed or disconfirmed their expected outcome. The study found that voters did indeed change their preferences and voting behaviour after exposure to the polls, indicating that they used the polls to achieve cognitive consistency. However, one criticism of the experimental method could be that the manipulation of the variables could fail to take into account other external factors. In a study on dating behaviour expectations among a group of undergraduates carried out by Semanko and Hinsz (2021), dissonance was induced by reminding participants of their past dating behaviour in contrast to their current expectations in dating. This was indeed found to result in dissonance, with the study using psychological discomfort as a measure of the magnitude of dissonance experienced.

Field studies have also been employed in studies of cognitive dissonance. In such studies, participants are observed in real world settings, which increases external validity of the results. Gbadamosi (2009) conducted one such field study on low-income women's consumption of grocery products that are low involvement. The study sought to investigate what role cognitive dissonance plays in the buying process, and the resulting attitudinal and behavioural responses. The study found that low-income consumers that habitually, and continually buy cheaper products, in most cases store brands, more likely believe that the products are just as effective as more expensive brands. The attitude and behaviour in buying the store brands, which are cheaper, seem to be related to their financial constraints rather than to brand loyalty. The findings of the study suggested that the female participants experienced cognitive dissonance with their attitude and purchase behaviour towards the cheaper products they buy, claiming they were the same quality as the more expensive products. The dissonance reduction mechanism employed to justify buying the lower priced products is to believe that there is no difference in quality, rather than attributing it to budget limitations. Some of the respondents in the study claimed that the cheaper brands actually performed better than the more expensive brands. Cognitive dissonance was further demonstrated in this case in that when the more expensive brands were on offer, the consumers shifted their buying to those brands, temporarily suspending their beliefs that the cheaper brands perform just as well or better as the more expensive brands.

Surveys, having the advantage of being able to collect large samples of data, are another option for researchers studying cognitive dissonance. An example is a study by Bolia et al. (2016) who carried out a quantitative study on cognitive dissonance in the financial services context in India. The researchers collected data by means of a survey administered to customers who had purchased a financial product from a recognized financial institution in the recent past. Their study aimed to find out what effect the type of financial service product had on the magnitude of cognitive dissonance that resulted. Their findings indicated that while demographic factors do not affect cognitive dissonance, there was a significant relationship between the magnitude of dissonance and the possibility of recommending the brand, where the higher the dissonance, the lower the possibility that the customer would recommend the brand. The disadvantage of surveys however is that they are self-reported by respondents, thus may be biased or inaccurate. More importantly, researchers have also come to the realization that several instruments meant to measure cognitive dissonance actually measure the consequences of dissonance and not the dissonance itself (Salzberger & Koller, 2010).

Another identified challenge is that being a negative construct, the measuring of dissonance could itself arouse dissonance (Salzberger & Koller, 2010). The development of a three factor, 22 item scale by Sweeney et al. (2000) was a significant step in measurement of dissonance, and has been widely accepted and adopted since then.

Another less common method used to study activation and reduction of cognitive dissonance is the measurement of skin conductance and heart rate variability, which has been employed in physiological studies (Ploger, Dunaway, Fournier, & Soroka, 2021). This however has not been widely accepted and studies employing such methods are scarce.

Despite the recognized contribution of the cognitive dissonance theory, it has also received criticism from scholars such as Vaidis and Bran (2019) who though acknowledge its' importance, challenge its validity. Their criticism is based on the unstandardized methodology on which the theory is based, being the definition of cognitive dissonance as well as its operationalization. Another criticism of the theory is that it is stated in general and very abstract terms, such that it has too wide a variety of applications (Harmon-Jones & Mills, 2019). Specifically in the marketing context, there is the additional challenge of marketing constructs being hard to measure operationally, added on to the challenges of measuring dissonance, which according to Telci, Maden, and Kantur (2011), have led to a decline in cognitive dissonance studies in marketing.

3.3.4 Relevance of Cognitive Dissonance to this Study

Cognitive dissonance theory remains one of the most studied theories in psychology that has been applied across different fields, including marketing. It has also been applied in a variety of contexts, including financial services. For example, Bolia et al. (2016) conducted a study to investigate how cognitive dissonance operates in a financial services context. The study considered the relationship between demographic factors (such as gender and age) and cognitive dissonance, with the aim of understanding whether these factors play a role in the experience of dissonance.

This study seeks to understand customer loyalty amongst demarketed segments within the South African banking sector through the lens of cognitive dissonance theory. Cognitive dissonance is expected to play a crucial role in shaping customer attitudes and behaviours in this specific context. By exploring how cognitive dissonance develops when customers are faced with the disconcerting experience of loan rejection from their main banks, this research aims to uncover the interplay between customers' pre-existing beliefs and their subsequent emotional and behavioural responses. The rejection of a loan application despite holding a primary banking relationship could lead to cognitive dissonance as customers question their choice of the bank and their decision-making process and perhaps their overall relationship with the bank. This dissonance could influence their loyalty by affecting their perceptions of the bank's credibility, trustworthiness, and alignment with their financial goals.

By investigating the role of cognitive dissonance in demarketed segments, this study seeks to contribute to the theoretical understanding of how cognitive dissonance operates in a unique context. This can expand the existing body of knowledge on cognitive dissonance and its applications in real-world scenarios. Overall, there is still a lot of work to be done on the theory, and this study aims to contribute to discussions on the field from a consumer behaviour perspective.

3.4 SATISFACTION

Satisfaction can be considered to be the outcome of a consumer purchasing and using a product and comparing the rewards and the costs in relation to what was anticipated, thus it is essentially how much a customer likes or does not like a product after using it (Churchill Jr & Surprenant, 1982). Satisfaction is a post decision construct (LaTour & Peat, 1979) meaning that evaluation only occurs after a purchase has been made and the customer has had an opportunity to use the product or service and thus can form an opinion.

Firms in the service industry, such as retail banks, have for a long time been measuring customer service to get an indication of how well they are meeting customer needs and requirements (Dabholkar, 1995). When customers are not satisfied, they are likely to not buy a product again, even though they may not complain, they are likely to resort to switch to other brands or retailers (Salzberger & Koller, 2010). Organizations have long identified that offering services and keeping customers satisfied is key to remaining in business, and thus many companies measure customer satisfaction to determine how well they are meeting the needs of their customers (Dabholkar, 1995). With increasing competition, technology advances and changes in consumer behaviour, it has become even more critical in today’s business landscape for firms to improve customer satisfaction levels for them to remain competitive (Hamzah & Shamsudin, 2020).

There has been a debate on whether satisfaction should be considered transaction or incident specific, or an overall evaluation of the relationship (Beerli, Martin, & Quintana, 2004; Bodet, 2008; Jones & Suh, 2000). On one hand, satisfaction can be considered to be the evaluation of a specific encounter, such as in this study, the approval or decline of the loan. Other the other hand, satisfaction can be argued to be an evaluation of the overall service of the relationship with the company, and takes into account multiple interactions, overall performance, and the consistency of the service provider over time. Although there are benefits to both approaches, this study will consider overall satisfaction, as banking is inherently relationship oriented, with customers holding several products and engaging in various transactions with their banks concurrently. This study will be looking into how the entire relationship between the bank and the customer is functioning.

3.4.1 Conceptualisation of Satisfaction

The concept of customer satisfaction is an important one in the context of choice and market share as it holds the potential to influence market share, and subsequently, profitability (Rust & Zahorik, 1993). According to Churchill Jr and Surprenant (1982), satisfaction is a key outcome in marketing activities, and companies generate profits through satisfaction of customer needs. Customer satisfaction has found wide application in the marketing literature, incorporating concepts such as loyalty, value, quality and complaining behaviour (Hom, 2000). Salzberger and Koller (2010) proposed that satisfaction impacts loyalty, as well as future purchase intentions and word of mouth.

According to the marketing literature, customer satisfaction is composed of several different elements such as disconfirmation of expectations, regret, affect, attribution and equity, which make it possible to operationalize the construct (Blackwell, Miniard, & Engel, 2001). Current marketing literature recognizes that customer satisfaction is not a singular concept but rather a composite of several factors that shape customers' perceptions and evaluations of their experiences. These factors provide a comprehensive framework for understanding and measuring customer satisfaction.

A key concept in satisfaction research is the concept of disconfirmation of expectations. Disconfirmation arises when there is a discrepancy between what the customer expected and the product’s actual performance, and according to Churchill Jr and Surprenant (1982), the magnitude of this difference determines either satisfaction or dissatisfaction. This view was echoed by Hom (2000) who identified disconfirmation as one of the most dominant models for the conceptualization and measurement of satisfaction. His research found that there is a relationship between satisfaction and the disconfirmation experience, where a user’s expectations are confirmed when a product’s performance aligns to initial expectations, disconfirmed negatively if performance is poorer than expected and disconfirmed positively if performance is better than expected.

A good body of the research on customer satisfaction has been dedicated to exploring its' antecedents. A study carried out by Jamal and Naser (2002) on the impact of customer quality and customer expertise on customer satisfaction in retail banking found that service quality is a causal antecedent of customer satisfaction. Churchill Jr and Surprenant (1982) identified the main determinants or antecedents of customer service as service quality, expectations, disconfirmation performance, desires, affect and equity. Leninkumar (2019) found customer trust to be an antecedent of customer satisfaction. Kurdi, Alshurideh, and Alnaser (2020) found that employee satisfaction has an impact on customer satisfaction. In their study on Korean restaurant customers, Babin, Lee, Kim, and Griffin (2005) found that there exists a significant relationship between positive affect and satisfaction, where positive affect refers to the experience of positive emotions such as happiness, which can influence attitudes, behaviours and decisions made. Specifically in online banking, a study carried out by Yoon (2010) on customer satisfaction identified five antecedents; design of the platform, security, speed, customer service support and information content.

In investigating the determinants of customer satisfaction, Churchill Jr and Surprenant (1982) posed the question of whether satisfaction is only determined by the extent of the disconfirmation experience, or whether expectations and performance also exert independent effects. To test this, they carried out an experiment with two products, a video disc player and a chrysanthemum, and manipulated expectations and performance separately. They then measured expectations, performance evaluations, disconfirmation and satisfaction. Their findings indicated that the results were different for the two products. In the case of the video disc player, satisfaction was solely determined by the product's performance, and not by initial expectations or the disconfirmation experience. In the case of the chrysanthemum, the disconfirmation experience had a positive effect on satisfaction, and prior expectations and product performance also had a positive effect on satisfaction. Such studies illustrate the importance of empirical research in advancing the theoretical understanding of the topic.

Conversely, research carried out by Jamal and Naser (2002) identified a negative link between satisfaction and customer expertise, where expertise is defined as a higher level of knowledge or expertise in a particular domain. The study found that as customer expertise increased, satisfaction levels tended to decrease. This suggests that customers with more expertise may have higher expectations or critical evaluations, leading to lower satisfaction levels compared to customers with less expertise.

The above exploration of customer satisfaction reveals its importance in shaping market dynamics and organizational success. As a multifaceted concept, customer satisfaction goes beyond just contentment of customers, influencing loyalty, market share, and profitability. The literature underscores the interplay of factors such as disconfirmation of expectations, trust, and even customer expertise in determining satisfaction outcomes with empirical studies demonstrating the dynamic nature of these interactions. Unexpected findings such as the link between satisfaction and customer expertise also highlight the ongoing need for empirical research to deepen our theoretical understanding of this critical aspect of marketing, ensuring businesses can effectively navigate the complexities of customer satisfaction.

3.4.2 Importance of Customer Satisfaction

In aiming to understand consumer behaviour, empirical research on satisfaction has been carried out in different industries. In the health care sector for example, Vukmir (2006) defined a patient to be satisfied when the expectations the patient had on their care and treatment were met or surpassed. The study found that one of the problems that resulted in dissatisfaction was when communication was less than ideal. The study identified communication as a key variable related to patient satisfaction in emergency departments, a view also held by Björvell and Stieg (1991) who found that patients who received the most information on arrival are the ones who evaluated their visits to the emergency department most positively. A study carried out by Hostutler, Taft, and Snyder (1999) on factors that would lead to satisfaction of patients in an emergency room showed that there were differences in what the nurses thought and what the patients thought. This indicates that it is important for organizations to define satisfaction from the customer's point of view rather than the organization's.

Research has also been carried out in the hospitality industry. One example is a study carried out by Babin et al. (2005) on restaurant customers in Korea. In the study, data was collected quantitatively using existing validated scales from patrons of family-style chain dinner houses. Findings were that the functional and affective service environment plays a role in the consumer's level of satisfaction and as well as future patronage intentions.

A large body of work also exists in the banking sector. Leninkumar (2019) for instance, conducted work into the antecedents of satisfaction in commercial banking in the Sri Lankan banking sector. Data for the study was collected quantitatively from 350 bank customers and results indicated that service quality, perceived value, and customer trust had a significant effect on customer satisfaction. In another study conducted by Chu, Lee, and Chao (2012), data was collected from 442 e-banking customers. The aim of the study was to study the relationships between service quality, satisfaction, customer trust and loyalty. The study found that to increase customer satisfaction and trust, banks need to focus on service quality.

It can be seen that a wealth of empirical studies exists on satisfaction, and it is an important concept for marketers. In the marketing context, satisfaction is a key determinant of consumer behaviour. By understanding the factors that influence satisfaction and how it can be measured, marketers can effectively assess and enhance customer satisfaction levels, leading to improved customer relationships and business success. This understanding allows marketers to tailor their strategies to align with customer preferences, address pain points, and optimize the overall customer experience. On top of that, the positive correlation between customer satisfaction and repeat buying, word-of-mouth referrals, and brand loyalty highlights the important role that satisfaction plays in driving long-term profitability and sustainable growth for businesses. As such, customer satisfaction can assist in guiding marketing efforts toward customer-centric practices that not only satisfy immediate needs but also establish lasting connections and mutually beneficial relationships between businesses and the segments they serve.

3.4.3 Measurement of Customer Satisfaction

Operationalization of the construct of customer satisfaction is key in measuring it. According to literature, the concept of customer satisfaction is made up of different elements such as disconfirmation of expectations, equity, attribution, affect and regret. Together, these elements make up the concept of satisfaction and enable the operationalization and measurement of the construct (Hom, 2000).

Hom (2000) proposes that satisfaction can be conceptualized in two ways – either using macro models or using micro models. The author considered a study in the community college setting in which context, (1) macro models looked at customer satisfaction related to other priorities, and utilized techniques such as examining performance of different services and products that could impact satisfaction while (2) micro models looked more directly at the different aspects of customer satisfaction. Key to note is that all models relied on customers giving feedback. With satisfaction being defined as how much a customer likes or does not like a product after using it (Churchill Jr & Surprenant, 1982), satisfaction cannot be observed or inferred, thus the information has to be collected from the customer. One of the most common ways that firms collect data on customer satisfaction is using the Net Promoter Score (NPS), which was first proposed by Reichheld (2003) as the one single measure needed to measure customer loyalty and experience. NPS is based on a single question asked to customers "On a scale of 0-10, how likely are you to recommend [company/product/service] to a friend or colleague?" Customers who score 9-10 are classified as promoters and highly satisfied, customers who score 7-8 are classified as passives, being generally satisfied but not enthusiastic, and customers who score 0-6 are classified detractors, as they are deemed to be dissatisfied. An overall company score is obtained by deducting the percentage of detractors from the percentage of promoters. Despite being widely adopted, NPS has also received criticism from scholars such as Fisher and Kordupleski (2019) and Kristensen and Eskildsen (2011) who have mostly challenged its ability to measure complex measures using such a simplified metric.

Other measures used by practitioners as alternatives to measure satisfaction include the Customer Satisfaction Score (CSAT) which consists of a likert type questionnaire with responses ranging from very satisfied to very dissatisfied (YuSheng & Ibrahim, 2019), the Customer Effort Score (CES) where interactions with support or sales teams are rated on a scale of 1 to 10 intended to measure how much effort the client had to put in (Agag & Eid, 2020) and SERVQUAL, used to measure service quality and satisfaction using likert type scales (Parasuraman, Zeithaml, & Berry, 1988).

While the above measures are prevalent in industry, studies in academia have tended to rely on surveys that utilize validated scales to suit different contexts. According to Danaher and Haddrell (1996), the scales used in customer satisfaction research can be classified into three groups; those measuring performance (such as poor, good, fair or excellent), those measuring disconfirmation (such as better than expected or worse than expected) and those measuring satisfaction (such as satisfied or dissatisfied). Each type of scale offers a unique perspective and appropriateness of the scale is generally based on the research objectives and context.

3.4.4 Relevance of Satisfaction to this Study

Customer satisfaction is a direct and tangible outcome that reflects the degree to which customers' needs, expectations, and desires are met through their interactions with their bank. When customers experience cognitive dissonance due to a loan rejection, their overall satisfaction with the banking relationship may be influenced. Given that this study aims to understand the impact of cognitive dissonance on customer loyalty, customer satisfaction becomes a key measure of the success or failure of the bank's efforts to manage dissonance and enhance loyalty. Customer satisfaction in this study is vital because it links the theoretical constructs of cognitive dissonance and customer loyalty to real-world outcomes. Demonstrating how cognitive dissonance influences customer satisfaction provides actionable insights for enhancing customer experiences, informing communication strategies, and fostering loyalty within demarketed segments in the banking sector.

3.5 COMMUNICATION OPENNESS

Communication can be defined as the formal and informal sharing of timely and meaningful information (Anderson & Narus, 1990). Communication can occur through different ways such as verbal, non-verbal, visual or written. Communication has been found to have a strong influence on the establishment and management of long-term marketing relationships (Arnott et al., 2007; Madden & Perry, 2003; Sharma & Patterson, 1999) although it has been noted that service providers often fail in communication with their customers (Andaleeb, 2001).

Communication can either be open or closed. Open communication can be defined as the degree to which firms communicate openly, sincerely and substantively either formally or informally with their customers (Arnott et al., 2007) or as the degree of understanding gained when two parties speak to each other, as well as the ease of the process (Ayoko, 2007). When parties are communicating openly, they can speak freely without fear of reprisal (Redding, 1972). Communication openness has been equated to trust, supportiveness, honesty and listening by Rogers (1987) who continues to explain that open communication includes requesting information, listening to it and acting on it. On the other hand, when communication is closed, there is only one active communicator and information flows one way; e.g. Petre (1970).

Communication openness has been studied in many contexts, the most common of which has been in the human resources field, looking at the relationship between employees and organizations. In the context of employer-employee relationships, Redding (1972) defines communication openness as a situation where supervisors are willing to let those who report to them express their feedback and complaints without fear of reprisal.

Communication openness has also been studied in the inter-corporate context, looking at how companies in the same industry can communicate openly. Wei, Kang, and Shi (2012) carried out a study on manufacturing enterprises in China, exploring the relationship between inter-corporate trust, communication openness and cooperation satisfaction. They defined communication openness in the inter-corporate context as the willingness of managers in different companies to share sensitive information both formally and informally. Their study found that communication openness partially mediates the relationship between trust and cooperation satisfaction, and also partially mediates the relationship between trust and cooperation satisfaction.

Researchers Schiller and Cui (2010) conducted a study on factors that contribute to communication openness. Their study looked at the effect of the communication medium used on communication openness in three directions - upwards, downwards and peer to peer. The study collected data on face to face and instant messaging channels in workplaces in the US and China and found that indeed the medium used had an effect on how open the communication was, as people communicate more openly through face to face than instant messaging.

Ayoko (2007) carried out a study on the effects on communication openness and reaction to conflict in a group setting. The study was carried out on employees from workgroups that were culturally diverse, from the public service and private sector. Data was collected via a survey that used a scale which measured the ease of talking to others in a group openly and the degree of understanding gained. The study found that groups that had low levels of communication openness exhibited more negative reactions to conflict while groups that had high levels of communication openness exhibited more productive reactions to conflict.

In yet another empirical study, communication in general was identified as an important component of the relationship between financial institutions and their customers. The study was conducted by Madden and Perry (2003) into how customers of a financial institution perceive its communications. Data in the study was collected qualitatively by interviewing 34 home loan customers of an Australian building society. Their research confirmed that communication with customers in a financial services provider is critical in maintaining the relationship. Their findings indicated that from their financial institution, customers want communication to be proactive, personalized and relevant to them, high quality and regular, keeping them up to date with information. The study also identified poor communication to be a cause of dissatisfaction for customers of financial institutions.

There is common consensus among scholars and communications theorists that the primary objective of effective bilateral (two-way) communications is to get to a mutual understanding between the parties and that there is no distortion in the message sent and what is received (Mohr & Bitner, 1991). Therefore, to manage customer relationships and company reputation, companies have to engage their customers and take into account their feedback (Fensel et al., 2014). Especially with the advent of social media, customers now expect fully bilateral, more granular and almost real-time communication from organizations rather than the one-way ‘’push’’ communications that had been the norm (Fensel et al., 2014).

3.5.1 Conceptualisation of Communication Openness

According to Kumar (1996), procedural fairness in exchanges involves two key elements. The first is bilateral communication, where the party with more power demonstrates a willingness to engage in two-way communication. The second element is explanation, requiring the more powerful party to provide clear explanations of policies and decisions to the less powerful party. During a transaction, two categories of communication can be identified: pre-communication, which aligns customer perceptions and expectations (Moorman et al., 1993), informs customers about firm procedures and norms, and clarifies their requirements (Sharma & Patterson, 1999) and post-communication, which justifies decisions made by the firm and reduces perceptions of unfairness (Campbell, 1999). Both categories of communication are important as they serve different functions. Where a customer is applying for a home loan for example, pre-communication would involve all the information given to the customer on the documentation required, the process, chances of success and possible outcomes. Post-communication would include all the information on the outcome of the application, if the loan has been declined, what the reasons were, options to appeal the decision and other options open to the customer going forward.

Consistent communication is essential, as per Morgan and Hunt (1994), as regular, high-quality communication fosters increased trust. It is important to also highlight that social exchange theory has identified communication openness as one of the actions that suggest the presence of trust in ongoing exchange relationships (Smith & Barclay, 1997). That being the case, when employees are open with customers in their communication, it creates trust, and can result in higher levels of loyalty (Sarmawa & Sugianingrat, 2022).

3.5.2 Importance of Communication Openness

Open communication has been identified as a crucial factor in relationship marketing (Dwyer, Schurr, & Oh, 1987). In conducting research on a village credit institution, Sarmawa and Sugianingrat (2022) found communication openness to be one of the most important factors contributing to business sustainability. Genç (2017) argues that communication is vital for success for all businesses, regardless of size. Ennew et al. (2011) suggest that communication is an important component of financial service institutions maintaining the relationship with their customers. They propose that financial service institutions need to maintain open communication with their customers, which includes providing information on product and organizational changes, as well as providing updates on complex transactions or complaint handling. According to Rogers (1987), when communication is open, problems can be identified early and solutions proposed before situations escalate to crisis mode.

Research conducted by Mazurenko, Richter, Swanson-Kazley, and Ford (2016) found that high levels of communication openness in hospitals was one of the factors significantly related to overall patient satisfaction. The study used secondary data from patient satisfaction measures from 181 hospitals in 50 states in the United States. The research demonstrated that hospitals that fostered an environment of transparent and effective communication, where patients felt heard and informed about their treatment, tended to have higher levels of patient satisfaction. This insight is in line with the broader understanding that communication plays a pivotal role in shaping perceptions of service quality and, consequently, customer satisfaction. The findings underscore the significance of communication in healthcare settings and emphasize its potential as a powerful tool for enhancing patient experiences and overall satisfaction with hospital care.

A study on crowd funding utilizing data collected from Kickstarter, one of the most popular crowd funding platforms, carried out by Yasar, Yılmaz, Hatipoğlu, and Salih (2022) found that when levels of communication openness are high, projects with stretch goals are more likely to succeed. Communicating openly with current and potential backers was observed to lead to more success, possibly due to reduced uncertainty as backers knew what to expect from the project and what the likely outcome would be (Yasar et al., 2022).

Communication openness has also been found to be important in managing customer exits, information from which can be used in proactively managing retention. When companies are able to get feedback from departing customers, they are able to figure out their weaknesses and address them before profitability is affected (Reichheld & Sasser, 1990). This is one reason why open communication is important, so that customers can be able to give feedback about issues that would cause them to leave. A US Credit company, MBNA, keen to ensure that each customer was satisfied and did not leave, started collecting feedback from exiting customers and used the information to improve its products and processes (Reichheld & Sasser, 1990). The company ended up with one of the lowest defection rates in the industry, and its industry ranking moved up to 4, from 38 with its profits increasing by a multiple of sixteen. This corresponds with the findings of Sharma and Patterson (1999), who contended that consistent and effective communication serves to minimize perceived uncertainty and risk, resolves misunderstandings, aligns expectations, educates the customer, and clearly outlines the available options.

3.5.3 Measurement of Communication Openness

Researchers have been studying the concept of communication openness since the 1930s and have come up with various ways to operationalize and measure the construct. Communication openness presents challenges in measurement and operationalization as it can be seen as subjective, and it does not have easily measurable indicators. It may also be very contextual.

Rogers (1987) measured communication openness in an ongoing organizational context by conducting a series of studies founded on the concept of communication openness as a specific set of messages sending and receiving behaviours consisting of three parts. The three parts included; who is communicating, how they are communicating, and what they are communicating about, for example suggestions and complaints. His study defined communication openness as the number of channels available within a group, then proceeded to control them and measure the effects. Initially, 120 behaviours were identified which were characteristic of open or closed behaviour, which were eventually narrowed down to 13 items. Based on this study, he proposed a communication openness measure, which has since been widely adopted as validated instrument to measure communication openness. These and other surveys have been adopted by other researchers such as Ayoko (2007) and Schiller and Cui (2010).

Qualitative methods such as interviews and focus groups have been employed by researchers such as Madden and Perry (2003) to collect data on communication openness. Researchers such as Mazurenko et al. (2016) have also used secondary data that can be used to draw inferences on communication openness.

In their study that explored the effect of communication openness on the success of crowd funding stretch projects, Yasar et al. (2022) measured communication openness by constructing a variable made up of a number of communication elements which represented how much information was given to the crowd. These were the length of the project description, use of images, creator comments, regular updates, and social media link counts. The resulting communication openness variable could be allocated a value of between 1 and 20. This was, however, very specific to their study and could not be translated to other contexts.

Researchers such as Bavelas (1951) took an alternate route, conducting laboratory experiments to study communication openness. The criticism for this however is that while measurements in a laboratory may be controlled, the context of an ongoing organization is different and may not accurately capture measurement on the construct in a real world setting.

Measuring communication openness poses ongoing challenges as it is very context-specific and can be approached in a variety of ways. Consequently, it remains an area that warrants further research and exploration.

3.5.4 Relevance of Communication Openness to this Study

Open and effective communication is closely tied to customer satisfaction. Effective communication has been proven to not only be important in addressing immediate concerns, but to also in contributing to a positive customer experience, satisfaction, and long-term loyalty, even in challenging situations. Communication openness is highly relevant in the context of cognitive dissonance. Following from previous studies as presented in this literature review, this study will hypothesize that when customers experience cognitive dissonance due to a loan rejection, transparent and open communication from the bank can play a vital role in alleviating their discomfort. Clear explanations, empathetic responses, and informative messages can help customers rationalize the situation, potentially reducing the negative impact of dissonance on their loyalty. It can also be hypothesized that by addressing customer concerns and queries openly, the bank can contribute to the overall satisfaction of demarketed segments.

Communication openness remains an area of interest for many researchers, though from a marketing and consumer behaviour, much remains to be done. Further research in this area will continue to deepen our understanding of communication openness and its implications for marketing strategies and consumer behaviour.

3.6 COMMITMENT

Morgan and Hunt (1994) define relationship commitment as a scenario where a party in a relationship deems the existing connection important enough to justify investing the maximum effort necessary to sustain it indefinitely. Whereas, Moorman et al. (1993) defined relationship commitment as the continued desire to keep a valued relationship going.

Morgan and Hunt (1994) argue that (1) relationship commitment can only exist when the relationship is seen as important and (2) a party committed to a relationship wants it to continue indefinitely and is willing to put in the work to make this happen. They also propose that the direct antecedents of relationship commitment are relationship termination costs, relationship benefits and shared values, and indirect antecedents are communication and opportunistic behaviour (these influence trust, which then influences commitment).

3.6.1 Conceptualisation of Commitment

Allen and Meyer (1990) identified three parts to commitment (1) affective commitment which measures the emotional attachment that customers develop towards brands (2) continuance commitment, also known as calculative commitment, which is when customers stay because of a lack of better alternatives and (3) normative commitment, which is when customers stay with a firm out of obligation. The difference between the different types of commitment is the motivation to maintain the relationship (Gounaris, 2005). Keiningham, Frennea, Aksoy, Buiye and Mittal (2015) contend that commitment arising from a customer not having any alternatives is substantially different from a customer who makes economic sacrifices to stay with a brand. Thus, a comprehensive understanding of commitment requires a multi-dimensional approach. By considering emotional, cognitive, and behavioural dimensions, researchers can capture the depth and complexity of commitment, shedding light on the underlying factors that contribute to the sustained desire. These dimensions delve into the psychological elements that foster the desire to maintain the relationship. For instance, affective commitment reflects the emotional bond and positive feelings individuals have toward a brand or provider. Cognitive commitment, on the other hand, pertains to the rational beliefs and obligations that drive commitment. By assessing these dimensions alongside behavioural indicators like retention, researchers can create a more nuanced and holistic measurement of commitment. In line with this, this research will focus on affective and calculative commitment.

3.6.1.1 Calculative commitment

Calculative commitment arises from the potential high switching costs of exiting a relationship (Gounaris, 2005). When a customer considers the cost of leaving the relationship weighed against what has been invested already, they may choose to stay, making them calculatively committed (Allen & Meyer, 1990). A customer may choose to stay with their bank because they may have history with the bank, are aware of how things function, have set up their internet and mobile banking and may not want to be inconvenienced by having to start the process all over again at a different institution. This can be contrasted to affective commitment where the customer chooses to stay because they are emotionally invested. Calculative commitment has been found to have a negative effect on churn and is crucial as it makes tangible the competitiveness of the brand’s value proposition in contrast to affective commitment which relies on perception (Gustafsson, Johnson, & Roos, 2005).

3.6.1.2 Affective commitment

Affective commitment has been identified as the more emotional aspect of commitment. According to Rather, Tehseen, Itoo, and Parrey (2019), who carried out a study in the hospitality industry, firms can use customer satisfaction to drive brand trust, which in turn drives up affective commitment. The study found satisfaction to have a significant effect on affective commitment. When service providers are unable to meet customer expectations, it has an effect on their affective commitment, and their intention to stay with the service provider. The study also found brand trust to be a key driver of affective commitment.

Kumar, Hibbard, and Stern (1994) argue that affective commitment is better than calculative commitment because when customers are affectively committed, they will invest more in the relationship and will be less likely to exhibit opportunistic behaviour as compared to calculatively committed customers.

3.6.2 Importance of Commitment

Customer commitment to firms has been of interest to researchers as it is associated with behavioural responses such as repurchase intention and advocacy (Jones, Taylor & Bansal, 2008). When customers perceive a sense of entrapment with firms, they might express a desire to terminate the partnership once an opportunity arises (Fullerton, 2005). Therefore, to sustain long-term relationships, firms must foster a positive attitude among customers, which subsequently influences customer behaviour positively (Roy, 2013). For good measure, existing literature indicates that marketing scholars and practitioners should prioritize customer commitment, as it motivates key behaviours like advocacy intentions (Fullerton, 2005).

According to Curth, Uhrich, and Benkenstein (2014), customer citizenship behaviour is largely motivated by affective commitment. Customer citizenship behaviour refers to voluntary actions (beyond regular duties) undertaken by customers that offer extra value to the firm, though not obligatory for value creation (Yi & Gong, 2008). Scholars often liken this voluntary conduct to good social citizenship due to its similar attributes and motivational drivers (Yi & Gong, 2008).

3.6.3 Measurement of Commitment

Commitment has been operationalized and measured in many different ways in research. As commitment is defined as the continued desire to keep a valued relationship going (Moorman et al., 1993), one of the most obvious ways to measure it would be to observe customer retention, or to observe customer behaviours and actions that would indicate commitment. Customer retention is often seen as a driver of commitment (Gustafsson et al., 2005). When customers consistently choose a particular provider over alternatives, it signals a level of dedication to the relationship. However, customer retention is influenced by various factors beyond commitment, such as convenience, inertia, or external circumstances. Hence, while retention can provide valuable insights into commitment, it might not capture the full scope of the emotional and cognitive aspects that underlie a committed relationship.

Another method to measure both affective and calculative commitment is by use of surveys, where respondents are asked to rate their level of agreement or disagreement with certain statements. An example is a study conducted by Gustafsson et al. (2005) that utilized previously validated likert type scales to collect data on both affective and calculative commitment of telecommunications customers. Experimental or vignette designs have also been used in studies on commitment, with the identified advantage of being able to capture the interaction between variables (Fullerton, 2003). For example Fullerton (2003) conducted a longitudinal experimental study on the effect of customer commitment in marketing relationships.

Data on commitment can also be collected qualitatively such as through interviews or focus groups, where researchers can explore the nature and drivers of commitment more in depth than they would in a quantitative study. Keiningham et al. (2015) for example carried out interviews to understand ways in which customers felt committed and how it manifests in their behaviour.

3.6.4 Relevance of Commitment to this Study

Commitment provides valuable insights into the mechanisms underlying customer loyalty. While loyalty can be observed through behaviours like retention, repeat purchases, and referrals, commitment delves into why these behaviours occur. Investigating the interplay between cognitive dissonance, commitment, and loyalty offers a holistic view of the customer journey and the factors driving sustained engagement. Cognitive dissonance can influence commitment by introducing conflicting thoughts and emotions. When customers experience dissonance due to a loan rejection, their commitment to the bank might waver as they question their decisions and relationship. Exploring this connection helps uncover how cognitive dissonance impacts the emotional and cognitive dimensions of commitment. Thus, by understanding how cognitive dissonance affects commitment within demarketed segments, this study aims to address a critical aspect of the customer experience that directly influences loyalty.

3.7 TRUST

Trust is a concept that has been researched in psychology, sociology, economics and management. According to Morgan and Hunt (1994) trust, defined as a situation where a party in a relationship has confidence in the other party's reliability and integrity, is one of the most important elements in a buyer-seller relationship. Moorman et al. (1993) define trust as the willingness to rely on the other party in a relationship in whom one has confidence. Sekhon, Ennew, Kharouf, and Devlin (2014) define trust as the degree to which uncertainty can be absorbed by an individual in regard to a party with whom they are interacting. In carrying out a study in the banking sector on the antecedents of customer satisfaction, Leninkumar (2019) defined trust as a customer having confidence in a bank and thus being willing to rely on it.

According to Ennew and Sekhon (2007), while there exist many definitions of trust, certain themes are common, (1) there has to be an element of risk as trust only comes into play if there is uncertainty, (2) the parties involves need to be interdependent on each other, otherwise if they are independent there would be no need for trust, (3) there has to be an element of vulnerability created by the risk and interdependence, (4) there is a strong expectation of the other party behaving positively in the future, and (5) some form of trust is needed in most relationships, as none can be fully contractual or fully certain.

3.7.1 Conceptualisation of Trust

According to Tiwari (2022), trust develops over time, when satisfactory service is provided, thus firms need to demonstrate reliability, honesty, sympathy, expertise and customer focus to gain the trust of their customers. Researchers have tried to understand the antecedents of trust. (Zhang et al., 2020) in carrying out a study on building a sustainable brand, found that an expressive brand relationship has a positive effect on trust and loyalty. In a study on religiosity in financial services, Alhazmi (2019) found customer religiosity to have a strong influence on customer trust in financial services. Both Alhazmi (2019) and Sekhon, Roy, Shergill, and Pritchard (2013) looked at disposition to trust as an antecedent to trust. While Sekhon et al. (2013) found disposition to trust has an influence on trust, Alhazmi (2019) did not find evidence of any link between trust disposition and customer trust which he explained could be because majority of the respondents in their study were individuals who had been with their bank more than five years and of the high risk and uncertainty in banking which may lead customers to ignore their dispositions. Ennew et al. (2011) also make a distinction between trust (owned by the customer) and trustworthiness (owned by the organization) and their conceptual model proposes that customer trust is primarily determined by organizational trustworthiness.

A study conducted by Ennew and Sekhon (2007) on trust in financial services found that older customers, specifically those over 65, recorded significantly higher ratings of trust. They also found that customers who had been in a longer relationship with a financial services provider had higher levels of trust, as did those who had more products with the financial institution. Customers with one or two products with a particular financial institution were found to have lower levels of trust than those with more than two products. Gender also played a part, with females recording slightly higher levels of trust. The study also found that customers who used internet banking had significantly lower trust levels in their financial institutions than those who went into a branch or used telephone banking, indicating that the human factor plays a role in the development of trust when compared to technology.

Unfortunately, research suggests that the extent to which financial services institutions are able to inspire trust with their customers is decreasing (Ennew & Sekhon, 2007). Ennew et al. (2011) carried out research on UK financial services customers, by collecting data that assessed trust over a five-year period against a backdrop of declining levels of trust in UK financial services firms. The research looked at the way in which trust develops, and how firms can manage the process. They proposed that individuals move from cognitive trust, which is lower order, to affective trust, which is higher order. Results of a study carried out by Sekhon et al. (2013) showed that affective trust has an effect on overall trust customers have in a bank. They argued that banks need to increase affective trust with their customers by providing security, fulfilling their promises, being transparent and fair, and by adapting their offerings to their customers' needs. When bank customers get the sense that a bank employee is genuinely concerned about identifying needs and fulfilling them, they start to develop trust both cognitively and affectively (Kumra & Sharma, 2022).

3.7.2 Importance of Trust

Ennew et. al., (2011) theorise that where trust is present, transaction costs are lower as there is reduced need for regulation and governance and the burden of parties having to constantly monitor each other is removed. Thus, trust reduces risks and simplifies decision making for consumers (Ennew & Sekhon, 2007). In particular, purchasing of financial services products represents a high level of risk for customers as the services are intangible, complex in their nature and long term in nature (Ennew & Sekhon, 2007). Customers have to judge the different products on offer and to trust that they are being offered the right kind of product, making trust an important ingredient in the relationship between financial services institutions and their customers (Ennew & Sekhon, 2007).

When it comes to the management of conflict, trust has also been found to play a role, and Morgan and Hunt (1994) argue that trust influences how disagreements are perceived by parties in a relationship. They posit that where trust exists, parties view conflict as functional and thus discuss problems openly because they do not fear that the other party will act maliciously. The study also found that how parties communicate has an effect on whether conflict is perceived as functional. In a competitive service environment, brands need to instil trust in their customers through sincere, open, non-manipulative communication (Markovic, Iglesias, Singh, & Sierra, 2018).

Researchers such as Ennew and Sekhon (2007) and Sekhon et al. (2014) argue that trust has been treated as too simple a concept that does not take into account the richness and multi dimensionality of the concept. Having an understanding of trust dimensions will help relationship managers come up with differentiated strategies to build, rebuild and sustain long-term relationships where trust is present with their customers (Sekhon et al., 2013).

3.7.3 Measurement of Trust

Trust has been operationalized and measured in different ways in academic research. Glaeser, Laibson, Scheinkman, and Soutter (2000) postulate that although trust plays a crucial role in various social and economic transactions, it presents challenges in measurement, a view also held by McEvily and Tortoriello (2011). Glaeser et al. (2000) identify some of the challenges as (1) the multidimensionality of the concept, being that it encompasses confidence in both individuals and in institutions, (2) it is a subjective belief or expectation that is influenced by personal experiences, culture and social norms, and (3) it is intangible and thus can only be measured by proxy measures.

Consequently, trust has been measured in different ways in academia, including surveys, experiments and economic modelling. One of the most common ways in which trust is measured is using the psychometric approach, which would typically take the form of a multi item scale (McEvily & Tortoriello, 2011). An example of this is the survey used by Ennew and Sekhon (2007) in their study on trust in the financial services sector.

As mentioned above, another way that trust has been measured is by the use of experiments. Experiments can take the form of vignettes followed by survey questions. An example is the study carried out by Buskens and Weesie (2000) where participants were presented with different fictional scenarios based on buying a used car. The advantage of experiments is that they allow researchers to manipulate variables. An example of this is the research by Glaeser et al. (2000) who carried out two experiments to measure trust and trustworthiness. In the experiments, past trusting behaviour was used to predict trust. Experiments can also take the form of trust/ investment games, e.g. Berg, Dickhaut, and McCabe (1995), where participants are put in a game situation where they have to make decisions involving trust and cooperation. In these kind of experiments, levels of trust are inferred by observing the behaviour of the participants.

3.7.4 Relevance of Trust to this Study

Being a vital element of a successful long-term customer-provider relationship, building trust is an investment in long-term relationships and is significant beyond immediate transactions. Hence, trust enables customers to believe that the bank's intentions are aligned with their best interests. Given that this study focuses on demarketed segments facing potential cognitive dissonance, investigating how trust is affected in such situations provides insights into the dynamics of the overall relationship. The relevance of trust emphasizes its potential role as a buffer against cognitive dissonance's negative effects on loyalty. By examining trust within this particular group, this study aims to address how banks can nurture relationships even when customers face setbacks such a loan decline, thereby contributing to long-term loyalty. When customers trust the bank's communication and intentions, they are more likely to interpret dissonance-inducing situations in a less negative light. This can mitigate the emotional and cognitive impact of dissonance and contribute to sustained commitment and loyalty. In exploring how cognitive dissonance influences satisfaction, trust and subsequently affects customer loyalty, this study aims to addresses a critical aspect of customer behaviour and decision-making and contribute to strategies that nurture trust, mitigate the impact of dissonance, and cultivate enduring customer loyalty in the banking sector.

3.8 LOYALTY

Jacoby and Chestnut (1978) defined loyalty as the evaluative decision-making process leading to a customer consistently preferring a particular brand over time when presented with similar alternatives. To add to that, Oliver (1999) defined it as a well rooted commitment to repeatedly purchasing a preferred product or service thus causing repetitive purchases even where the opportunity exists to buy a different brand. In their research carried out in the banking sector, Zephaniah, Ogba, and Izogo (2020) defined loyalty as customers continuously purchasing from or showing supportive behaviour to a preferred bank despite other banks' marketing efforts to encourage switching. Simply put by Beerli et al. (2004), loyalty is purchasing a product repeatedly. All four definitions indicate that the elements of consistency and preference are present in loyalty, with the first three also including elements of preference and commitment. The common thread of continued purchasing means that the firm is able to retain the customer. Customers who are loyal to a company generally have a positive attitude towards the company, make repeated purchases from it, and recommend it to others (Levy & Hino, 2016).

3.8.1 Conceptualisation of Loyalty

According to Dick and Basu (1994), loyalty exists when there is a positive attitude toward a brand compared to other options available and when there is repeated patronage of that brand. They conceptualized loyalty as the relationship between relative attitude and patronage behaviour, in that when there is a low relative attitude and low repeat patronage, loyalty does not exist, where there is low relative attitude and high repeat patronage, loyalty is spurious, where there is high relative attitude and high repeat patronage there is loyalty, and where there is high relative attitude but low repeat patronage, loyalty is latent. In the spurious loyalty situation, a consumer would rely on social influence or situational cues e.g. shelf positioning, to make a purchase, while in the latent loyalty situation, subjective norms and situational effects are equal or more influential than preference for the brand.

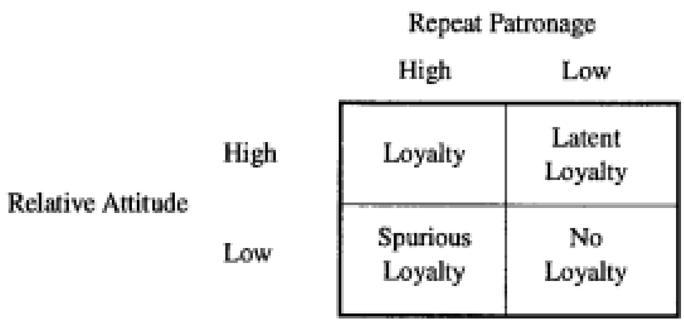

Figure 2: Relative Attitude-Behaviour Relationship (Dick & Basu, 1994)

Loyalty has been found by De Matos and Rossi (2008) to lead to positive WOM (Word of Mouth) as when customers are loyal, they are more likely to give positive recommendations of the company to their friends and family (Dick & Basu, 1994). Additionally, Dick and Basu

(1994), in proposing the above mentioned conceptual framework for loyalty, further highlighted resistance to counter persuasion, and reduced search motivation for alternatives as consequences of loyalty. Some obstacles to customer loyalty have also been identified by researchers, including customer idiosyncrasies such as variety seeking, multi-brand loyalty and switching incentives (Oliver, 1999).

Scholars have long debated the concept of loyalty, looking at its antecedents and outcomes, as well as ways in which companies can increase levels of loyalty from their customers. One particular debate is central to what some of the reasons for customer loyalty are. Early scholars argued that customer loyalty stemmed from product superiority, to mean that when a company produces goods of a high quality, it creates a preference for the brand among its customers (Oliver, 1999). According to Zeithaml, Berry, and Parasuraman (1996), customers do business with firms either because they are getting good value, the firm has a stronger brand compared to competitors or because the switching costs are too high. Other scholars such as Paulose and Shakeel (2022) and Tiwari (2022) believe that loyalty stems from satisfaction. Santos and Schlesinger (2021) found brand experience and brand love to have a significant and direct impact on brand loyalty. Selnes (1993) identified brand reputation and customer satisfaction as antecedents of customer loyalty. Sharma, Gupta, Gera, Sati, and Sharma (2020) identified customer trust as an antecedent of loyalty.

Specifically in the retail banking sector, a study by Beerli et al. (2004) found that personal switching costs and satisfaction were direct antecedents of customer loyalty. Also in the retail banking sector, Lewis and Soureli (2006) found customer loyalty to be influenced more by cognitive factors than by affective factors. In a study carried out in the Indonesian banking sector, Supriyanto et al. (2021) also found satisfaction to have a significant influence on customer loyalty. They identified perceived value, service quality, service attributes, satisfaction, image and trust as antecedents to loyalty. According to Zephaniah et al. (2020) perception that customers have on marketing communications tools used by banks has an effect on their loyalty. They argue that banks operating in a highly competitive environment can use marketing communication tools to position service delivery engagements with the resultant effect of increasing customer loyalty. The marketing tools they discuss are advertising, sales promotion, personal selling, public relations and direct marketing. Yet another study carried out qualitatively by Beerli et al. (2004) in the retail banking space by interviewing customers from six major banks showed that personal switching costs and satisfaction were direct antecedents of customer loyalty.

A study carried out by Paulose and Shakeel (2022) in the hospitality industry, where data was collected from hotel guests during the first week of lockdown in an Indian hotel, found that perceived experience, perceived value and customer satisfaction to be antecedents to loyalty. Where guests perceived that service levels were high, they exhibited more satisfaction as well as more loyalty. Another study carried out by Makudza (2020) on the effect of customer experience on customer loyalty found that the quality of the service interaction between bank customers and front line employees such as tellers, personal bankers and customer service officials has an effect on customer loyalty and that when customers are properly managed, they are likely to be more loyal. The study collected data from customers of 11 traditional banks who filled out a survey. Following this, the author urges banks to ensure that their front line officers are trained and retrained so that they can offer a positive interaction with customers, which will then augment customer loyalty (Makudza, 2020). Another study carried out in the banking industry by Cengiz, Ayyildiz, and Er (2007) collected data via face to face interviews with private banking clients. Findings were that loyalty is influenced by bank image and advertising efficiency.

The antecedents proposed by researchers are many and varied, as demonstrated above. In attempting to find a pattern, Dick and Basu (1994) proposed a conceptual framework that sought to understand the antecedents of loyalty. They identified three categories of antecedents, which are cognitive, affective, and conative. Cognitive antecedents that were identified are factors that are related to the processing of information and are often associated with informational determinants, were accessibility, confidence, centrality and clarity. Affective antecedents that were identified refer to factors that are associated with a customer's emotional experiences and feelings towards a brand, were emotions, moods, primary affect and satisfaction. Finally, the conative antecedents that were identified refer to factors that are associated with a customer's behavioural intentions and decision-making process towards a brand, such as switching costs, sunk costs and expectations. In a later study, Oliver (1999), proposed that consumers are first cognitively loyal, then affectively loyal, then conatively loyal, and finally behaviourally loyal.

As can be seen from the above, the construct of loyalty is a complex one, with many different dimensions and aspects to consider. In aiming to maintain clarity and simplicity in the research design, this study will focus on two dimensions, behavioural and attitudinal loyalty. This will make it easier to establish clear causal relationships between the different study constructs. These dimensions have been widely studied and recognized as strong predictors of overall loyalty and customer retention and they provide a solid foundation for understanding how customers' actions and emotions contribute to their long-term commitment.

3.8.1.1 Behavioural Loyalty

Bowen and Chen (2001), propose that one of the ways that loyalty can be measured is behaviourally, which considers loyalty to be consistent, repetitive purchase behaviour. When customers are behaviourally loyal, they frequently buy from a particular brand. This approach is valuable in that it is able to quantify the value that a customer brings to a business through actual purchase behaviour, however its disadvantage is that it does not consider that purchases may simply be made out of convenience. For example, a frequent flyer may use the same airline all the time simply because it offers the shortest route, but when another airline opens on the same route he may simply switch because it is cheaper. This is an indication that repeat purchasing is not necessarily an indicator of loyalty (Bowen & Chen, 2001).

Jacoby and Chestnut (1978) argued that looking at loyalty as behavioural i.e. repeat buying behaviour fails to take into account the psychological reasons behind loyalty behaviour. They argued that some customers are repeat buyers because of convenience, and some customers are loyal to more than one brand thus may have inconsistent purchasing behaviour, but are still loyal. This view is also shared by Beerli et al. (2004) who in carrying out their study, considered loyalty not just the behaviour or purchasing repeatedly, but also the psychology behind it, acknowledging the difference between true loyalty to a brand, and inertia in moving to another brand.

3.8.1.2 Attitudinal Loyalty

Responding to industry speculations, Zeithaml et al. (1996) acknowledged that customers exhibit spurious loyalty by staying with companies even though they are dissatisfied when they do not see viable alternatives. For example, in the banking scenario, it may just be too much work for a customer to switch from one bank to another, thus the loyalty they exhibit may be inauthentic.

According to Pritchard, Howard, and Havitz (1992), research work on loyalty needs to clarify the relationship between behaviour and attitude. They proposed that the suitability of the different measures of behavioural loyalty can only be understood once the cognitive side of the construct has been explained. They argued that the concept of loyalty is a complex one as it needs to take into account both behavioural and attitudinal components. Oliver (1999) also acknowledged the need to take psychology into account and not just behaviour, and thus he defined loyalty as a well rooted commitment to repeatedly purchase a preferred product or service, thus causing repetitive purchases even where the opportunity exists to buy a different brand. Therefore in considering loyalty, attitudinal measures need to be taken into account, being the emotional and psychological aspects of loyalty such as engagement and allegiance (Bowen & Chen, 2001). For example, a customer may hold a specific airline in high regard, but not use it regularly, preferring to use alternatives they may feel are more budget friendly. Such a customer would be considered to have attitudinal loyalty even though they lack behavioural loyalty.

3.8.2 Importance of Loyalty

Customer retention is important for business success. Bowen and Chen (2001) noted a positive relationship between loyalty and profitability, because loyal customers provide repeat business and are less likely to shop around for better offers. This view is also held by Reichheld and Sasser (1990) who speculate that when customers are loyal, the company does not need to spend as much on marketing, sales increase, and operational costs. Operational costs reduce because onboarding costs such as credit checks and creating a customer profile are only done once and as the company gets to know its customer, and it has more data on them. As they do this, they become more efficient at serving the customer, and the customer also has fewer questions. With credit cards for example, a customer who has just acquired one tends to be slow with using the card, but as they grow accustomed to it and gain satisfaction from it, they use it more and more and the profit made from them rises sharply (Reichheld & Sasser, 1990).

When customers are loyal, they purchase more than customers who are not loyal, they are less sensitive to price increases and are thus less likely to switch because of them (Reichheld & Sasser, 1990). When customers defect, a firm must attract new customers to replace them, which has a financial impact as it is an expensive exercise, considering the marketing and set-up costs (Zeithaml et al., 1996). New customers also take a while to become profitable, in some cases taking years, such as in the insurance industry where the insurer only recovers their costs in the third or fourth year (Zeithaml et al., 1996). The longer a customer has a relationship with a firm, the more profitable they are, as they are more likely than short term customers to purchase additional services, speak favourably about the firm and pay more than newer customers (Zeithaml et al., 1996). Thus it is important for companies to identify customers who are at risk of leaving and take proactive steps to keep them.

This is especially applicable to the banking industry as it is highly competitive, complex and ever changing. Moreover, only very slight differences exist in the different offerings between financial services providers (Beerli et al., 2004). It is important to note that the this is a reason why the industry as a whole has had to change, with the focus moving from banks being product-oriented, to being more customer-oriented and relational, with loyalty being the main objective (Beerli et al., 2004). Banks also have a distinct advantage in the management of loyalty compared to retail businesses that may struggle to identify loyal customers as they are nameless and faceless (Reichheld & Sasser, 1990). It is easier for banks, as they have information on the customer and their behaviour. Banks can know in real time how their customers are using their products, and which customers are at risk of defection.

There has been a significant volume of empirical research carried out on loyalty over the years. Research has found consistently that increased customer loyalty leads to improved business outcomes for firms. For example, Reichheld and Sasser (1990), working together to learn about retention, one being a university professor and the other an industry leader in a customer retention practice, argued that when a company is able to keep just 5% of its customer base, profits go up by 25% to 125%. Customer loyalty has also been found to result in cost savings. A study on loyalty in the hospitality industry carried out by Bowen and Chen (2001), where data was collected from hotel guests by means of a survey, indicated that the cost of serving loyal customers is less. This is because the loyal customers were found to know the product and not to need as much information as non-loyal customers. The study found that loyal customers also serve as part-time employees as they pass on information about how things work to other customers. For example, in casinos, a loyal customer would explain how games work to other customers and in a hotel setting a loyal customer would tell other customers about great restaurants in the hotel.

Overall, empirical research has shown customer loyalty to be an important component of business success. Firms should focus on creating loyal relationships with their customers for improved business outcomes.

3.8.3 Measurement of Loyalty

Customer loyalty is a difficult construct to operationalize due to the difficulty in research of getting access to actual purchase repetition information. In their study, (Zeithaml et al., 1996) operationalized loyalty by using a combination of share of category wallet, intention to recommend and likelihood to purchase again. In the financial services context, loyalty has been assessed using measures of how long a customer has been with their bank, how many products they hold, and how often they use the bank (Lewis & Soureli, 2006). In measuring the construct in a study on brand loyalty in banking, Bapat (2015) used whether a customer treats the bank as their primary bank as a measure for loyalty, recognizing this to be an important concept within a banking relationship. The study also recognized other measures of loyalty in banking to include how long the customer has been with the bank, the type of relationship, number of products held and whether the customer would recommend the bank. However, it is not always possible or practical to observe customer behaviour or get access to actual customer spending data.

Data may also be collected by means of self-reported responses. Jacoby and Chestnut (1978) however criticized the consumer self-reported approach of collecting buyer information as they argued that it measures what consumers say or believe they do, rather than their actual behaviour in a buying situation.

Another way that data may be collected is by using scales. Bowen and Chen (2001) posit that three distinctive approaches currently exist to measure loyalty. The first is behavioural, which measures loyalty as consistent, repetitive purchase behaviour. The second measure is attitudinal, which measures the emotional and psychological aspects of loyalty, looking at the sense of loyalty, engagement and allegiance (Bowen & Chen, 2001). The third approach is a composite measure, which is when behavioural and attitudinal measures are combined. Behavioural measures offer practical insights into customer actions and their immediate impact on business outcomes while attitudinal measures delve into the emotional and cognitive dimensions that drive long-term commitment. Thus, composite measures provide a balanced view that considers both the tangible behaviours and the underlying emotions that contribute to loyalty. By combining both dimensions, researchers can create a more comprehensive and nuanced understanding of loyalty. Measuring loyalty compositely acknowledges that behaviours and attitudes are intertwined, and together they provide a fuller picture of customer loyalty.

3.8.4 Relevance of Loyalty to this Study

Loyalty remains one of the most studied concepts in consumer behaviour due to its importance in business continuity and success. This literature review has demonstrated that sustained customer loyalty translates to higher customer retention rates, increased repeat transactions, and enhanced customer lifetime value. Customers who are loyal are more likely to continue their relationship with the bank, take up additional products, and positively advocate for the brand. Thus understanding loyalty plays a role in forecasting customer actions and shaping future business outcomes. This is especially true of customers who have been the focus of a demarketing effort. When demarketed segments experience dissonance due to a loan rejection, it can challenge their loyalty to the bank. Insight is thus needed on how dissonance impacts loyalty which then informs strategies to mitigate its negative effects. By examining the interaction between cognitive dissonance, satisfaction, trust, commitment and both dimensions of loyalty, this study aims to provide a more complete picture customer behaviour within demarketed segments. This approach aligns with the complexity of real-world customer relationships and offers actionable insights for enhancing loyalty in the banking sector.

3.9 CHAPTER SUMMARY

Following from the context and theoretical grounding that was presented in the previous chapter, this empirical literature review sought to analyse the existing extensive body of scholarly work encompassing demarketing, cognitive dissonance, communication openness, satisfaction, commitment, trust, and loyalty. This provides proof of the academic rigor and intellectual curiosity that underpin this study and the comprehensive exploration on constructs serves as a cornerstone for the subsequent research. Through the synthesis of diverse academic sources, this chapter has effectively laid the groundwork, preparing the terrain for the forthcoming investigation to yield a meaningful and impactful contribution to the existing body of knowledge. Having attempted to explore each construct individually and in depth, the following chapter will the present the proposed relationships between the constructs of interest and set out the conceptual model for the study.

CHAPTER 4. PROPOSED CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

4.1 INTRODUCTION

The conceptual framework below, which laid the foundation for the empirical study, combined the cognitive dissonance theory with the commitment-trust theory to propose a model of consumer behaviour in a demarketing context. The relationships between the variables that were discussed in the literature review were dissonance (emotional and cognitive), satisfaction, trust, commitment, and loyalty were proposed. The study also considered the moderating role of dissonance reduction mechanisms and communication openness on the relationship between cognitive dissonance and satisfaction.

The following section discusses the relationships between the variables and presents the hypotheses that were tested in the study. The relationships between the variables are depicted in a conceptual model presented at the end of the chapter, which was then subjected to empirical tests.

4.1 HYPOTHESES DEVELOPMENT

4.1.1 Belief/ Action and Dissonance

Human beings have been observed to prefer cognitions that are in consonance over those that are not (George & Edward, 2009). When a human being encounters a situation where there is a discrepancy between what they believe and the information that is presented to them, it becomes psychologically uncomfortable. To reduce this discomfort, they seek rationalization for their thoughts, or avoid thoughts or individuals who provide different viewpoints (Festinger, 1957). Once this has been dealt with, the individual then returns to a state of consonance. The presence of cognitive dissonance in the study of consumer behaviour has been established in a variety of studies over the years. For example, through a cognitive dissonance lens, Lindsey-Mullikin (2003) conducted research into how consumers encounter prices which are significantly different from what they expected. Research findings concluded that customers did indeed experience dissonance which led them to resolve it using one of the three dissonance reduction mechanisms identified by Festinger (1957).

Yang, Lu, and Chau (2013) who conducted research into customers in a commercial banking environment, found that when customers' expectations are not met during an offline interaction, they experience cognitive dissonance which they may try to remedy by using an alternative channel, such as an online one. In yet another study, Marikyan et al. (2020) carried out research on 387 smart home users, looking into the coping mechanisms users deploy when the technology performs less optimally than expected. The study confirmed the presence of cognitive dissonance, which when reduced could transform negative experiences into positive ones.

This study will be looking at a situation where a customer applies for a home loan with their primary bank, and what transpires when the loan is declined. When a customer applies for a loan, there is some expectation that the loan will be approved. Similar to the examples above, it is hypothesized that having a loan declined is likely to result in disappointment, which would create some cognitive dissonance.

Hence, the following hypothesis is proposed:-

H1: The inconsistency resulting from the belief (of getting a home loan) and action (of the home loan getting declined) will result in cognitive dissonance.

4.1.2 Dissonance and Satisfaction

Researchers such as Sweeney et al. (2000) and Harmon-Jones and Mills (2019) have identified two types of dissonance, cognitive and emotional. Cognitive dissonance being related to self-awareness of individuals and the need to maintain a consistent sense of themselves and their world view. On the other hand, emotional dissonance being related to the emotional experience of having a belief, attitude or value challenged. In the context of a bank customer who has had their loan application declined, dissonance may occur both cognitively and emotionally. Dissonance may arise because they may feel that they have had a long and loyal relationship with their bank and because of this could expect a favourable outcome. Thus, when the loan is declined, they may feel confused about what happened because they consider themselves a good customer of the bank. Emotional dissonance may occur because the customer may feel negative emotions such as disappointment, frustration and anger related to the loan being declined. Up until that point, they may have had positive feelings towards the bank, but the loan being declined could lead to negative emotions and internal tensions, consequently emotional dissonance is manifested. The negative relationship between cognitive dissonance and satisfaction is also corroborated in research carried out by Yağcı and Özbozkurt (2022), Clark and Das (2009), Koller and Salzberger (2007), Hassan, Shabbir, Yaqub, and Imran (2016) and Graff, Sophonthummapharn, and Parida (2012).

According to Salzberger and Koller (2010), cognitive dissonance forms an important link between the customer's purchase and their level of satisfaction, and may also have a direct or indirect effect on loyalty. They argue that dissonance and satisfaction are complementary constructs that explain different aspects of the customer's mental state. Researchers such as Sweeney, Soutar, and Johnson (1996) went even further by asking the question of whether dissonance and satisfaction were indeed the same construct. Their research eventually led them to the conclusion that while they are not the same construct, there exists a statistically significant and inverse relationship between the two when satisfaction is low but that they are otherwise unrelated.

Marikyan et al. (2020) carried out a study on the relationship between post purchase dissonance, dissonance reduction mechanisms, overall wellbeing and emotions such as guilt, anger and regret. They defined post purchase dissonance as the state of cognitive dissonance that arises from unmet expectations regarding a product or service, where the actual experience falls short of what the customer expected. Post purchase dissonance was observed to result in emotions such as anger, guilt and regret, which then resulted in feelings of dissatisfaction. Where dissonance reduction mechanisms were employed, it was observed to reduce dissonance, which then resulted in improved satisfaction. To add to that, Sabokro, Bagheri Gara Bolagh, and Gholami (2019) found that among other factors, anticipated satisfaction has a significant negative effect on cognitive dissonance and that as a result, cognitive dissonance has a significant positive effect on predicted satisfaction. De Vos and Singleton (2020) conducted research on cognitive dissonance in the transport industry, looking at choices people made on where they live and how they travel to work and how they deal with the resulting dissonance. They concluded that cognitive dissonance theory helped to explain the satisfaction levels with available options.

According to Wilkins et al. (2016), consumer post purchase dissonance is likely to damage relationships with the firm. They argue that when consumers experience dissonance, it can result in feelings such as regret and dissatisfaction, which may lead to a negative perception of the firm. Thus, firms need to ensure dissonance is minimized by taking steps to ensure that customers are satisfied and that concerns are addressed satisfactorily.

Following from this, the following hypothesis is proposed: -

H2: There is a significant negative relationship between cognitive dissonance and satisfaction

4.1.3 Dissonance Reduction Mechanisms, Dissonance and Satisfaction

The study of cognitive dissonance has established the understanding that consistency is preferred over inconsistency, that people resist and avoid inconsistency and that they may try to change contradictory information they are presented with (Bolia et al., 2016). For example, a consumer who goes shopping and encounters a price that is higher than what they expected to pay, may attempt to reduce their dissonance using such means as trivializing the discrepancy (arguing that they deserve a treat so can spend the money), seeking consonant information (waiting for the item to go on sale or looking for a store that sells it cheaper) or changing their attitude (rationalizing that there are extra features or that it has been a while since they made such a purchase) (Lindsey-Mullikin, 2003).

The use of dissonance reduction mechanisms is well established in cognitive dissonance research. One example is a study by Gbadamosi (2009) that aimed to understand the effect of cognitive dissonance on low-income women's consumption of low involvement grocery products. The study findings supported the presence of cognitive dissonance in these consumers, as they insisted that there was no difference between store value-range brands and manufacturers' brands. However, when they were presented with an opportunity to switch due to a cost advantage, they took the opportunity to acquire more expensive brands at the lower cost. The presence of dissonance reduction mechanisms is evident in this study. To deal with their dissonance at having to buy the lower priced items on a regular basis, the women rationalized that the cheaper store value-range (that were in line with their financial ability) were of the same quality as the higher priced manufacturer's brands. This enabled them to reduce their cognitive dissonance and achieve a state of consonance.

Cognitive dissonance studies have also found that use of cognitive dissonance reduction mechanisms has an effect on satisfaction. Research conducted by Mousavi, Hazarika, Chen, and Rienzo (2022) in the information systems field found that strategies to reduce dissonance result in a positive effect on satisfaction, and further, that dissonance reduction techniques strongly predict levels of satisfaction. Wilkins, Butt, and Heffernan (2018) argue that for high value services and for high involvement irrevocable purchases, organizations need to reduce cognitive dissonance for customers so as to minimize dissatisfaction and maximize satisfaction.

When their loans are declined, customers may experience dissonance, which they may deal with in different ways in order to revert back to a state of consonance. They could:

- Change their belief (to reflect the new condition): They could choose to believe that the bank was correct and that they are indeed not creditworthy and, in the process, abandon the loan application process;
- Change action perception (downplay the cognition that was the source of the dissonance): They could choose to hold the belief that the bank was wrong to have declined the loan (this may include challenging the bank on the decision by appealing);

- Change action (searching out information to support what the person believes): They could apply for the loan at another bank to see if they could get an approval.

Following from this, the following hypothesis is proposed: -

H3: Dissonance Reduction Mechanisms moderate the relationship between cognitive dissonance and satisfaction

4.1.4 Communication Openness, Dissonance and Satisfaction

Communication openness is a key concept in organizational communication and is important for handling negative and non-routine communication (Rogers, 1987). Research has suggested that the level of communication openness employed by an organization can influence the relationship between cognitive dissonance and satisfaction. Festinger (1957) for example, proposed that marketers can help their customers reduce dissonance by communicating in a detailed and specific manner on how products should be correctly used. Hunt (1970) explored the effectiveness of post purchase communication on decreasing dissonance, and found that letters to customers reduced dissonance, enhanced favourable attitudes and increased the possibility of future purchases.

In their study on institutions of higher learning, Wilkins et al. (2018) found that by managing expectations upfront and highlighting important information and communicating regularly once the semester has begun, managers can reduce cognitive dissonance in students. They proposed that for instance, during orientation, it can be communicated to students how much communication they can expect from their lecturers and when, and how long after submitting work or sitting exams they can expect to receive feedback. Such measures would be expected to reduce cognitive dissonance that students experience. A phone survey conducted by (Sun et al., 2000) on communication problems reported by patients included inadequate explanations of the causes of problems, not being told how long they would have to wait, test results being explained poorly and not being told when they would need to come back.

Research has attempted to study the relationship between cognitive dissonance, satisfaction and communication. According to Andaleeb (2001), communication has a significant impact on satisfaction. This view is also shared by Ashfaq, Manzoor, Ali, and Sheikh (2020) who carried out a study in the healthcare services sector. Their study found that communication has a significant effect on patient satisfaction. The authors argued that private hospitals should proactively promote communication openness between employees and patients by sharing the organization’s policies and procedures. This can then be used to streamline organizational processes. Research supports the view that communication between patients and healthcare providers should be encouraged as patients are also interested in their conditions, results and treatment options (Andaleeb, 2001) and not just on getting well.

However, not all scholars agree on the relationship between cognitive dissonance and communication. Sharifi and Esfidani (2014) carried out a study to investigate whether communication and trust mitigate the effect of cognitive dissonance after purchase. Their study aimed to understand how cognitive dissonance is related to satisfaction and thus how reducing cognitive dissonance increases satisfaction. They also sought to find out how brands and retailers can use trust and communication to bring about satisfaction after the customer has made a purchase, with the final desired outcome being loyalty. Although the study found that communication did not significantly impact cognitive dissonance, their findings are invaluable in refining our understanding of the complexities involved in post-purchase cognitive processes. In light of the lack of alignment with other research, the study's significance lies not only in its results but also in prompting a re-evaluation of the conventional wisdom surrounding the role of communication in alleviating cognitive dissonance, thus paving the way for further exploration and refinement of strategies to enhance customer satisfaction and loyalty in the post-purchase phase.

Thus this study will examine the direct relationship between cognitive dissonance and satisfaction, and further, the moderating effect of communication openness on this relationship. This research posits that how open the communication is from the bank following the decision to decline a loan could be a critical component in how the customer deals with the dissonance and could have an impact on the customer’s return to consonance.

Thus, the following hypothesis is proposed: -

H4: Communication openness moderates the relationship between cognitive dissonance and satisfaction

4.1.5 Satisfaction and Commitment

Research has established a link between the concepts of satisfaction and commitment. Mowday, Steers, and Porter (1979) in conducting research on satisfaction and commitment in the employee-organization context found commitment and satisfaction to be correlated. Despite the correlation, they contrasted the two, arguing that commitment is a global construct that takes into account feelings towards the organization, while satisfaction is more direct, looking at the response to one’s job, or specific aspects of the job. They also argued that commitment is more long term than satisfaction, as commitment develops over time while satisfaction is more day to day. Gustafsson et al. (2005) also pointed out a key difference in satisfaction and commitment in that while satisfaction is backward looking, commitment is forward looking.

Verhoef (2003) identified satisfaction as an antecedent of commitment while Roy et al. (2022) proposed that customer experience has a positive effect on customer commitment, which then positively affects engagement behaviour of customers. Results from their study suggest that a positive customer experience plays a role in fostering customer commitment which then encourages active engagement, and overall strengthens the relationship between the customer and the brand. And according to Rather et al. (2019), when customers are satisfied with a service provider, they are more likely to be committed to that service provider.

A study carried out by Richards (1996) on satisfaction and commitment among customers of a financial institution found that customers who were satisfied but not committed were four times more likely to leave than customers who were dissatisfied but committed. Keiningham et al. (2017) theorize that following from repeated interactions, a customer's level of commitment is influenced by their experience with the brand and vice versa, and that dynamics such as cognitive dissonance play a role in the perception of the customer from the experience they receive from the brand.

Following from this, the following hypothesis is proposed: -

H5: There is a significant positive relationship between satisfaction and commitment

4.1.6 Satisfaction and Trust

Existing studies such as Darmawan (2019) and Fauzi and Suryani (2019) have established a linkage between the concepts of satisfaction, trust and loyalty. According to Ranaweera and Prabhu (2003), satisfaction and trust work together to increase customer retention. However, their research is not clear on whether there a direct relationship between satisfaction and trust, although other researchers have found this relationship to exist. For example, a study carried out by Chu et al. (2012) in the Taiwanese banking sector found customer satisfaction to have a direct relationship with customer trust. Further to that, Ranaweera and Prabhu (2003),found that customer satisfaction and trust work together to increase customer loyalty.

Yet another banking study carried out by Leninkumar (2017) found that customer satisfaction is an antecedent of customer trust. In the study, customers who indicated higher levels of satisfaction also displayed higher levels of trust, signifying that customers who are satisfied are more inclined to trust their bank. This can be interpreted to mean that when a bank delivers on its promises to its customers and meets their expectations, it gives them a sense of confidence that the bank can deliver on its promises.

A study carried out by Leninkumar (2019) also found that customer trust has a significant positive relationship with customer satisfaction. Having said that, findings from the study show the direction of the relationship to be different, with the authors suggesting that trust is an antecedent of satisfaction, not the other way round. This view is supported by other researchers. Razzaque and Boon (2003) for example, found customers to be more satisfied where trust is higher. It can thus be surmised that the relationship between trust and satisfaction is bidirectional, meaning that trust can influence satisfaction and satisfaction can influence trust, dependent on the context and specific circumstances.

Thus, the following hypothesis is proposed: -

H6: There is a significant positive relationship between satisfaction and trust

4.1.7 Satisfaction and Loyalty

It is well accepted by researchers that satisfaction and loyalty are linked concepts (Hayati, Suroso, Suliyanto, & Kaukab, 2020; Oliver, 1999; Wulandari, 2022). Hom (2000) argued that customer satisfaction incorporates the concept of loyalty and according to Bowen and Chen (2001), there exists a relationship between satisfaction and loyalty. Researchers have consistently proposed satisfaction as one of the antecedents of loyalty. Tiwari (2022) posits that in a relationship marketing context, customer satisfaction is the most important determinant of loyalty. This is in alignment with studies conducted by Lewis and Soureli (2006), Beerli et al. (2004), Bapat (2017), Paulose and Shakeel (2022), Kamath, Pai, and Prabhu (2020) and Supriyanto et al. (2021).

However, Bowen and Chen (2001) argue that while the relationship exists, it is not linear, in that a small increase in satisfaction has a big effect on loyalty. Thus, to increase their levels of loyalty, customers need to be very satisfied. They also note that although a loyal customer is typically satisfied, a satisfied customer is not necessarily a loyal customer. Other scholars also hold alternate views on the nature of the relationship between satisfaction and loyalty. Rahim, Ignatius, and Adeoti (2012) argue that customer satisfaction and loyalty are strongly linked, however they continue to say that satisfaction alone cannot guarantee loyalty. Oliver (1999) argues that while satisfaction is an important component in the formation of loyalty, it may lose some of its significance as other mechanisms such as personal fortitude and social bonding begin to play a greater role in the development of loyalty. Kandampully, Zhang, and Bilgihan (2015) argue that it is not practical or profitable for companies to seek to meet or even exceed expectations of all their customers in providing superior service. They argue that if a company is to make loyalty profitable, they need to tailor their marketing and relationship strategies based on segmentation of their customers. They look at loyalty, not as an overall aspiration for a business, but more of a strategy for specific segments. Oliver (1999) contended that rather than striving for loyalty, which may not be achievable in some cases due to the product category or lack of consumer interest, firms should rather pursue satisfaction.

According to Reydet and Carsana (2017), the experience a customer has with their bank has an effect on the attitude and behaviour towards the bank, and as such, a positive experience of a bank's branch can result in a loyalty effect towards the bank. A study carried out in the banking sector by Beerli et al. (2004) found that satisfaction has an even greater impact on loyalty than switching costs, meaning that banks need to focus more on achieving customer satisfaction than on creating switching barriers so that their customers do not leave. And according to Hoang, Nguyen, Vuong, and Van Luong (2022), not only does financial well-being have a significant positive relationship to customer loyalty, it also acts as a moderator between customer satisfaction and loyalty. When customers are happy and in good financial health, they are more likely to stay with their bank (Hoang et al., 2022).

The divergent views above present an interesting opportunity to better understand the relationship between satisfaction and loyalty. This study will investigate the relationship between the two constructs in a demarketing banking context. Loyalty will be measured compositely, taking into account (1) behavioural loyalty, which measures loyalty as consistent, repetitive purchase behaviour, and (2) attitudinal loyalty, which measures the emotional and psychological aspects of loyalty (Bowen & Chen, 2001). This approach acknowledges the multifaceted nature of loyalty and allows for a more nuanced understanding of how satisfaction relates to loyalty in demarketing contexts.

Thus, the following hypotheses is proposed: -

H7: There is a significant positive relationship between satisfaction and loyalty

4.1.8 Trust and Commitment

Research has found trust and commitment to be interlinked concepts (Nora, 2019). Morgan and Hunt (1994), for example, argue that when both commitment and trust are present in a relationship, they result in increased efficiency, productivity and effectiveness. They also propose trust as a determinant of commitment in a relationship. Yuan et al. (2019) found trust to have a positive relationship to both affective commitment and calculative commitment. This suggests that when trust is present, customers are more likely to develop a strong attachment to the firm.

Ennew et al. (2011) argue that trust is a pre-requisite for commitment, and a key concept in the development of loyalty. They further propose that commitment and trust are mediating variables between the antecedents of relationship marketing and the outcomes of relationship marketing. This suggests that without trust, it is unlikely that customers will develop commitment towards the firm.

In their study on online retailing, Mukherjee and Nath (2007) hypothesized that trust has an influence on relationship commitment. They propose that as trust increases, so does commitment. Their study suggested that in the online environment, where face to face interaction is not present, trust becomes even more important in establishing and maintaining commitment between firms and their customers. However according to Geyskens, Steenkamp, Scheer, and Kumar (1996), the different types of commitment are impacted differently by trust. They argue that when trust increases, affective commitment also increases but in contrast calculative commitment decreases.

Following from this, the below hypotheses is proposed: -

H8: There is a significant positive relationship between trust and commitment

4.1.9 Commitment and Loyalty

According to Morgan and Hunt (1994), commitment is key to the establishment and continued maintenance of a long term business relationship. Gustafsson et al. (2005) proposed that both affective and calculative commitment have a positive effect on customer retention. Specifically, affective commitment has been found to be an antecedent of loyalty. In their study on the hospitality industry, Rather et al. (2019) found affective commitment to have a positive impact on loyalty, with customers who display affective commitment to a hotel being more likely to consider the hotel as their first choice and also being more likely to promote it to others. Mukherjee and Nath (2007) proposed that behavioural intention is an outcome of trust and commitment, with behavioural intention being conceptualized as the combination of purchase intention, continued interaction and word of mouth.

A study carried out by Aldaihani and Ali (2019) on Islamic banking found that commitment impacts customer loyalty. The study found that when banks are committed to providing products and services that are personalized and in line with what the customer needs, the customers are then in turn incentivized to commit to a continued relationship with the bank.

Another study carried out by Ndubisi (2007) also found commitment to have a significant impact on customer loyalty. The study, which collected data quantitatively from 220 bank customers, found that when banks show genuine commitment to keeping their customers by nurturing the relationship, it leads to customers being more loyal. Commitment occurs from both the customer and from the organization, and it has been observed that when the firm is committed, it leads to the customer also being committed (Mowday et al., 1979).

One identified challenge of commitment and loyalty in research and practice is distinguishing between the two concepts as they are very closely linked. With commitment being defined as a situation where a party in a relationship believes that the existing relationship is important enough to warrant putting in the maximum amount of effort required to maintain it indefinitely (Morgan & Hunt, 1994) and loyalty being defined as the evaluative decision-making process that results in the behavioural outcome of a customer expressing preference, over a period of time, for a particular brand, given a selection of a similar brands (Jacoby & Chestnut, 1978) some commonalities can be noted. However Oliver (1999) argues that there is a difference between the two in that while committed customers can naturally be expected to exhibit loyalty, customers who exhibit loyalty behaviour may or may not be committed. Further, according to Mowday et al. (1979), commitment is more than just passive loyalty displayed to an organization and that it requires individuals to give something of themselves in aid of the organization's goals.

Following from this, the following hypotheses is proposed: -

H9: There is a significant positive relationship between commitment and loyalty

4.1.10 Trust and Loyalty

Scholars have argued that where there is trust between customers and brands, customers are more likely to be loyal to the brand (Chaudhuri & Holbrook, 2001; Delgado-Ballester, Munuera-Aleman, & Yague-Guillen, 2003; Delgado-Ballester & Munuera-Alemán, 2001). Research has been done in specific industries such as retailing (Stathopoulou & Balabanis, 2016), travel (Setó-Pamies, 2012), healthcare (Banytė, Tarutė, & Taujanskytė, 2014) and business to business services (Hannan, Suharjo, Kirbrandoko, & Nurmalina, 2017) and there is consensus that customer trust in a service provider increases loyalty. According to Huang (2017), brand trust acts as a mediator between brand experience and brand loyalty.

Brand trust can be defined as the perception of a consumer that the brand is reliable and interested in their welfare, resulting in a feeling of security (Delgado-Ballester & Munuera-

Alemán, 2001). Brand trust has been found to elicit favourable responses in customers, such as brand loyalty, and in addition, customer loyalty has been found to be a source of comparative advantage for firms (Chaudhuri & Holbrook, 2001). Huang (2017) argues that brand trust is the main mechanism used in developing attitudinal loyalty in customers. The author argues that by employing intellectual or behavioural marketing strategies, companies can influence attitudinal loyalty using brand trust and that for customers to develop a lasting emotional connection with a brand, brand trust and brand love models should be utilized (Huang, 2017).

A study carried out by Zhang et al. (2020) resulted in the development of the brand love theory model below, considered the effect of the relationship with the brand on brand loyalty. The results showed that brand relationship directly affects brand trust, attitudinal loyalty and behavioural loyalty. The results also showed that brand love directly and positively impacts attitudinal and behavioural loyalty. The authors of the study recommended that brand managers actively employ marketing strategies that foster a closer relationship between customers and brands, as this leads to attitudinal and behavioural loyalty.

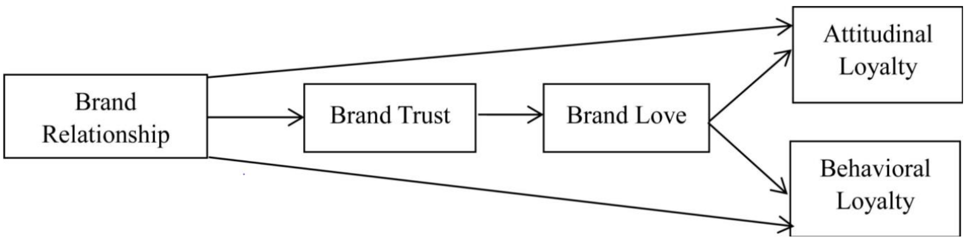

Figure 3: Brand love theory model proposed by Zhang et al. (2020)

According to a study carried out by Hoang (2019) on the Vietnamese banking industry, dialogue with customers is critical in bank marketing as it has a direct impact on customer loyalty. The research revealed that cultivating trust and improving customer engagement through communication significantly boosts customer loyalty in competitive environments. Furthermore, the study discovered that dialogue serves as a complete mediator in the relationship between customer satisfaction and loyalty, and as a partial mediator in the connection between customer trust and loyalty. Ultimately, the study highlighted the vital role of establishing trust and fostering customer engagement through effective communication in enhancing customer loyalty. Thus by establishing trust, engaging in meaningful dialogue and striving to satisfy customers, companies can cultivate loyalty with their customers. Another study carried out by Aldaihani and Ali (2019) found trust to have an impact on loyalty and was attributed to the ability of banks to provide services that are free of risk that encouraged customers to continue dealing with them. Similarly Chiao, Chiu, and Guan (2008) found that an increase in trust results in an increase in loyalty.

Following from this, the following hypothesis is proposed: -

H10: There is a significant positive relationship between trust and loyalty

4.2 THE PROPOSED CONCEPTUAL MODEL

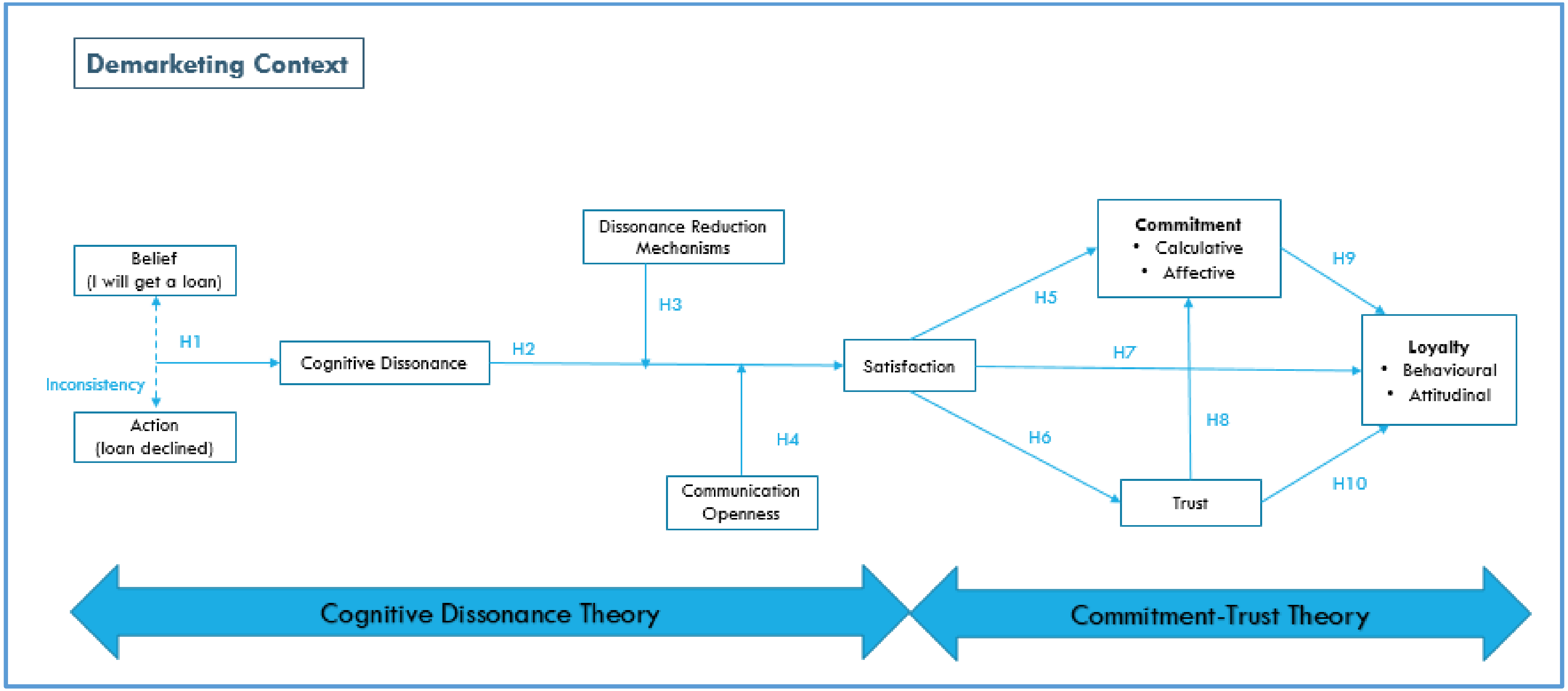

Figure 4: Proposed Conceptual Model (Festinger, 1957; Morgan & Hunt, 1994)

4.3 CHAPTER SUMMARY

The purpose of this chapter was to develop the hypotheses, following from the literature review, and to propose the conceptual model that formed the basis of this study. The chapter began with the development of the proposed hypothesized relationships. 14 hypotheses were proposed in total, predicting relationships among eight constructs. Based on the literature, the conceptual model proposed that dissonance would arise from the action of the loan being declined, which would then negatively affect the levels of satisfaction and subsequently the levels of trust commitment and loyalty. The moderating effects of the dissonance reduction mechanisms and communication openness were also taken into account in the model. The next chapter outlines the research methodology that was used to test the hypotheses and validate the conceptual model.

CHAPTER 5. RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

The research methodology employed in this study was designed to ensure the collection of reliable and valid data. This chapter explains the process that was followed to ensure validity and reliability. By following a rigorous methodology, this study aimed to ensure the integrity of the data collected and contribute to the understanding of the research topic. The chapter will start with an explanation of the research philosophy and design. The target population, sampling frame and size as well as the sampling technique that were used for the study will then be presented. Finally, the chapter will explain the data collection techniques that were employed, ending with a discussion of the measurement instruments that were adapted and used for collection of the data.

5.2 RESEARCH METHODOLOGY

Research methodology, as described by scholars like Collis and Hussey (2009) and Saunders, Lewis, and Thornhill (2009), is a systematic approach to the research process. It involves a set of methods and techniques used to gather, analyse, and interpret data in order to answer research questions or solve research problems. The approach to research methodology can vary based on the specific problems being investigated, as highlighted by Wedawatta, Ingirige, and Amaratunga (2011). Saunders at al. (2009) introduced the concept of the "research onion," which metaphorically represents the layers of complexity in the research process. Starting from the outer layers and moving inward, these layers include research philosophy, research approach, research strategy, choices, time horizons as well as the last layer, techniques and procedures. By peeling away each layer of the research onion, researchers progressively delve deeper into the complexities of their study, ultimately reaching the central research problem. Each layer represents a critical aspect of the research process, and the choices made at each level significantly impact the overall quality and validity of the study's findings. The research onion is illustrated diagrammatically in Figure 4 below.

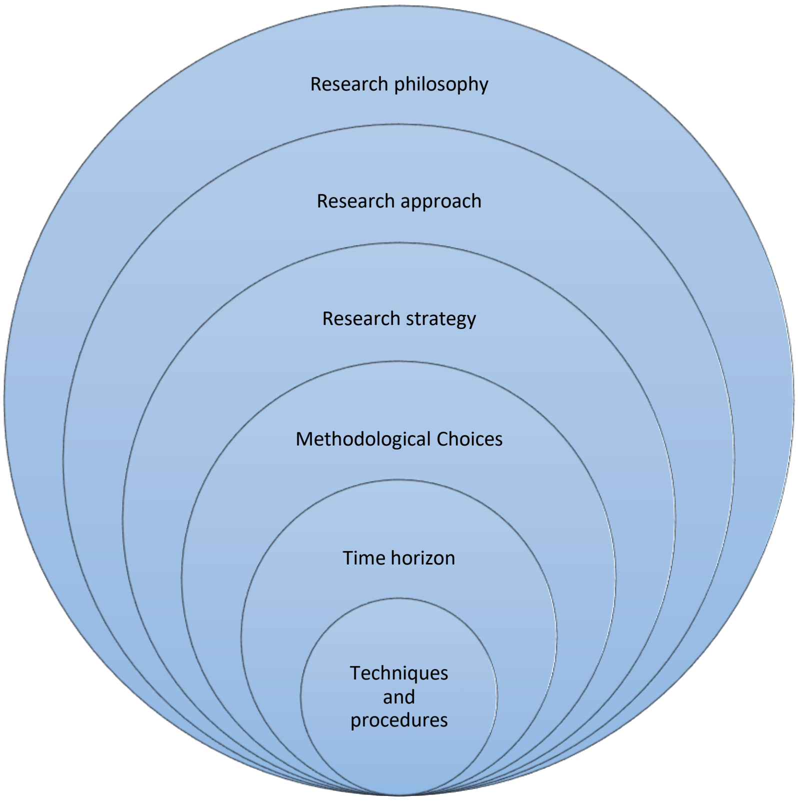

Figure 4: Research Onion (Saunders et al., 2009)

5.3 RESEARCH PHILOSOPHY

The research philosophy forms the outermost layer of the research onion. This layer represents the fundamental beliefs held by the researcher on the nature of reality and knowledge (Saunders, Lewis, Thornhill, & Bristow, 2015). Research philosophy reflects the beliefs about the way data is collected and used, guiding the research process and it provides the framework within which researchers conceptualize their studies, gather data, analyse information, and draw conclusions (Saunders et al., 2015). Research philosophy serves as the cornerstone upon which the entire research process is built as it establishes the framework for comprehending the research problem, shaping research questions, guiding methodological choices, and ultimately, impacting the outcomes and conclusions of the study (Saunders et al., 2015). Researchers must thus carefully consider their philosophical stance to ensure alignment between their underlying beliefs and the methodologies they employ. Common research philosophies include positivism, interpretivism, pragmatism, and realism.

5.2.1 Positivism

In social reality studies, positivism adopts a natural sciences approach, where knowledge can be inferred from social phenomena that are direct, systematic, observable and measurable (Grix, 2002). This emphasis on empirical evidence aligns positivism with the scientific method, where theories are tested through systematic observations and experiments. According to Chang (2017), positivism often starts with theory building, where researchers come up with hypotheses based on existing theories or observations. These hypotheses represent specific, testable predictions about the relationships between variables that are then tested through rigorous analysis, aiming to confirm or refute them, thus contributing to the accumulation of scientific knowledge. Positivist inquiry looks to create explanatory associations or relationships that can lead to an understanding of the phenomena being studied and, as such, seeks to uncover laws of nature that can be expressed through explanations of theory (Park, Konge, & Artino, 2020). Positivist researchers strive for objectivity and neutrality in their studies by aiming to maintain a scientific distance from the subject matter, minimizing biases and subjective interpretations (Ryan, 2018).

5.3.1 Post-Positivism

Post-positivism maintains the core elements of positivism, such as empirical observation and generalization, while incorporating a more sophisticated understanding of the social, cultural, and individual factors that shape knowledge (Wahyuni, 2012). It offers a balanced approach that respects the foundations of positivism while recognizing the need for a broader and more contextually sensitive perspective in the pursuit of knowledge (Henderson, 2011). Researchers adopting post-positivist perspectives appreciate the need for a more nuanced understanding of reality and often employ mixed methods approaches, combining quantitative and qualitative techniques (Henderson, 2011). Post-positivism acknowledges the importance of generalization in research, a concept inherited from positivism (Wahyuni, 2012). However, post-positivists recognize that knowledge is influenced by social conditioning, meaning that while researchers aim for generalizable findings, they also understand that these generalizations are shaped by societal, cultural, and historical contexts and thus knowledge is not considered absolute or entirely objective; rather, it is seen as constructed within social frameworks (Wahyuni, 2012).

5.3.2 Interpretivism

On the other hand, interpretivism contends that truth and knowledge are subjective and context-dependent and that knowledge is a product of human experiences and perspectives (Ritchie, Lewis, Nicholls, & Ormston, 2013). Thus instead of seeking universal laws, interpretivists emphasize the importance of understanding individuals' and communities' subjective experiences and interpretations (Ritchie et al., 2013). Interpretivists argue that truth and knowledge are deeply influenced by cultural and historical contexts as different cultures and historical periods shape how people perceive and interpret the world (Krauss, 2005). Researchers need to consider these contextual factors when studying social phenomena to gain a comprehensive understanding. Interpretivists also argue that that researchers are not impartial observers but rather involved participants in the research process and that researchers' values, beliefs, and experiences inevitably shape how they gather, give meaning to, and process data (Ryan, 2018). Interpretivists reject the idea of a single shared reality that can be objectively studied, instead, arguing that multiple, subjective realities coexisting within different social groups (Nickerson, 2022).Thus each group may have its own interpretations and constructions of reality which according to interpretivists are all valid within their respective contexts.

5.3.3 Pragmatism

Pragmatist researchers, recognizing the strengths and limitations of both quantitative and qualitative data, believe that combining these methods provides a more comprehensive understanding of social reality (Addae & Quan-Baffour, 2015). By integrating quantitative and qualitative data, pragmatists can capture both numerical trends and the rich, contextual nuances of human experiences. Pragmatism is often considered the philosophical basis for mixed methods research, that uses both quantitative and qualitative methods within the same study (Addae & Quan-Baffour, 2015). Pragmatism rejects the strict demands of positivism, particularly the idea of a single, universal theory that can explain all phenomena (Badley, 2003). Pragmatism emphasizes the practical integration of different philosophical perspectives, encouraging researchers to draw on positivist, interpretivist, and other philosophical traditions as needed (Saunders et al., 2009). By integrating these perspectives, pragmatists aim to enhance the depth and breadth of their research, capturing a more holistic view of social phenomena.

5.3.4 Justification for using Positivism

This study will follow the positivist research paradigm, a choice that can be justified based on several factors related to the research questions posed and the goals of the study. First, positivism is particularly suitable when the research involves quantifiable variables that can be measured empirically in an objective manner (Grix, 2002). In this study, variables such as cognitive dissonance, customer loyalty, and communication openness can be operationalized and measured using numerical data collected via validated scales. Then, positivism aims to establish objective relationships between variables (Chang, 2017). This study focuses on examining the relationships between cognitive dissonance, satisfaction, commitment, trust, loyalty, and communication openness. Positivism's emphasis on cause-and-effect relationships and empirical validation is valuable when trying to objectively understand how these variables interact and influence each other (Park et al., 2020). Finally, positivism supports the idea of generalizability, where research findings can be extended to a larger population beyond the studied sample (Chang, 2017). This is especially relevant in the banking sector, where findings related to customer loyalty and communication strategies might have practical implications for various banks in various contexts. In summary, the use of positivism in this research allows for a systematic, objective, and quantitative exploration of how different constructs are related, providing a structured framework for hypothesis testing and offers the potential for generalizability, making it a justifiable choice for this study.

5.4 RESEARCH APPROACH

Moving inward on the research onion, the research approach is the next layer. The research approach, determines how theory will be applied in the research project, whether deductively or inductively, and shapes the overall research process and influences how data is collected, analysed, and interpreted (Saunders, Lewis, & Thornhill, 2016). The choice between these approaches depends on the nature of the research questions and the type of data required. The deductive approach involves testing a specific hypothesis or theory where researchers start with a general theory or hypothesis and develop specific, testable hypotheses that can be tested through empirical observations and data collection (Melnikovas, 2018). The research process, more common in quantitative studies, typically follows a structured and predetermined path: theory → hypothesis → observation → confirmation or rejection (Melnikovas, 2018). On the other hand, the inductive approach involves generating theories or hypotheses from the data (Collis & Hussey, 2009). Researchers using this approach start with specific observations and patterns in the data and then work towards broader generalizations and theories (Saunders et al., 2009). Inductive reasoning is exploratory and allows for a more open-ended, flexible research process (Collis & Hussey, 2009). It is often used in qualitative research, where researchers aim to uncover new insights and understand complex phenomena (Soiferman, 2010).

This research will follow the deductive approach. The deductive approach is appropriate when there is a clear research focus and specific hypotheses or theories to be tested (Melnikovas, 2018). This will be exploring the effect of cognitive dissonance on customer loyalty and examining the relationships between cognitive dissonance, satisfaction, commitment, trust, loyalty, and communication openness. Using the deductive approach, allows for direct testing of these relationships based on existing theories and prior research (Melnikovas, 2018). As the study has specific, testable hypotheses to be confirmed or rejected, the deductive approach is suitable. For instance, this study hypothesizes that higher levels of cognitive dissonance results in reduced customer satisfaction and that communication openness moderates this relationship. The deductive approach allows for the study to test these hypotheses rigorously. Finally, as this study is intended to contribute to current knowledge and to be compared and contrasted with other studies in the field, the deductive approach is valuable as clear hypotheses, and structured methods enhance the study's replicability.

5.5 METHODOLOGICAL CHOICES

Different philosophies align with different methodologies which then dictate the data collection and analysis methods to be employed. Positivism often corresponds with quantitative methods, whereas interpretivism is often linked with qualitative methods (Park et al., 2020). Following from the positivist orientation of this research and the deductive approach to theory development, data for this research was collected in a quantitative manner. In a quantitative study, relationships between variables are examined by quantifying them, employing various statistical and graphical methods to analyse the data (Saunders et al., 2016). This study follows the approach of measuring of attitudes, perceptions and opinions in a way that can be done in a two-step approach; (1) formulating a theoretical constructs for measurement then (2) developing and validating measuring instruments (Joshi, Kale, Chandel, & Pal, 2015).

5.6 RESEARCH STRATEGY

The research strategy is the next layer in the research onion. This layer involves main data collection and analysis methods and techniques used that will answer the research question (Melnikovas, 2018). Research strategies can include experiments, surveys, case studies, interviews, or content analysis, among others. There are three primary methods under the positivist paradigm that are used to build theory, which are experiments, surveys and content analysis (Chang, 2017). This research utilized a combination of the experimental and survey methods. Experiments enable the testing of cause-and-effect relationships as they are conducted in controlled environments where researchers can observe the impact of one variable on another and ensure that no other variable could have produced the same effect (Chang, 2017). This is accomplished by manipulating independent variables, minimizing the influence of extraneous variables, and eliminating all other potential causal factors (Chang, 2017). In this research, a vignette followed by a survey were administered to a sample group, and results were analysed to establish causal relationships of the different variables, along with the moderating roles of dissonance reduction mechanisms and communication openness.

A positivist approach gives emphasis to conducting studies in settings where variables can be controlled and manipulated often by the creation of artificial environment where the influence of other external variables is minimized (Park et al., 2020). Due to this, experimental designs are highly regarded in positivist research, as they can be used to confirm or improve existing theories, or propose new hypotheses and studies (Park et al., 2020).

A study was designed to test the proposed hypotheses that made use of a vignette to conduct an experiment. Vignettes can be defined as concise descriptions of situations that specifically outline the crucial factors participants in the research employ to make decisions or judgments. (Alexander & Becker, 1978). Vignettes provide standard information for all participants by offering a detailed account that negates the need for participants to generate the information themselves (Alexander & Becker, 1978). Each sentence in a vignette is chosen to place the reader in a specific frame of mind; for example, ‘imagine that your brother has asked to borrow some money from you’. A typical quantitative vignette study is done in a two-step process, the core vignette experiment, followed by a survey to assess characteristics specific to participants (Atzmüller & Steiner, 2010). Below is an example of a vignette.

Vignette Example

You have recently embarked on a home improvement venture to accommodate your expanding family's needs. However, the renovation expenses have surpassed your initial estimates, prompting you to seek a personal loan of R 150,000 from your long-standing bank, where you've maintained an account for 12 years. Your financial track record mostly includes prudent decisions. You hold a cheque account, savings account, credit card, and a mortgage with the bank.

Within 48 hours of submitting your loan request, you receive the following message from your bank.

Dear customer,

In response to your recent application for a personal loan of R 150,000, we regret to inform you that after careful consideration, your request has been unsuccessful at this time. For more details, please reach out to your branch representative.

Thank you for your continued patronage.

Regards,

Bank XYZ

Vignettes are advantageous for a number of reasons. Alexander and Becker (1978) explain the following. First, vignettes eradicate bias by relieving participants from concerns about social approval from interviewers, ensuring a more authentic information collection process. Secondly, they standardize the decision-making procedure by removing factors that might influence respondents' judgment. Lastly, the authors assert that vignettes allow for precise measurement of the impact of individual variables due to the systematic variation in design of vignette characteristics.

Eckerd, DuHadway, Bendoly, Carter, and Kaufmann (2021) suggest that vignettes should be used when the context is important for the research question to be answered, the topic being researched is sensitive, different scenarios can be depicted and manipulated realistically, and where respondents are able to understand the experimental context. For this particular study, the topic being researched was sensitive, as collecting real life data would have required participants to reveal sensitive financial information. It was considered that respondents would be unlikely to be comfortable to admit to having been declined a loan before as it carries a social stigma. Thus, presenting them with a hypothetical situation in the form of an experiment was deemed to be a more acceptable way to get their genuine feedback on their feelings and reactions.

Initially, the study was designed to have a main group and a control group. The main group was to be presented with a home loan declined scenario and the control group was to be presented with a home loan approved scenario, with the intention being to compare the responses from the two groups. However, during the first pilot study, respondents gave feedback that the home loan approved scenario was what was expected of a bank, and they were unsure about why there were follow up questions while the bank was just doing what it was meant to be doing in the first place. The analysis supported this feedback, as it showed that the respondents in this scenario registered little or no dissonance, which then rendered the conceptual model obsolete. This was in contrast to the customers in the home loan declined scenario who had very strong feelings about their loan being declined, and exhibited high levels of dissonance, which then made it possible to test the rest of the model.

In going back to the drawing board and considering the objectives of the study, being to examine the effect of cognitive dissonance on customer loyalty among demarketed segments in particular, the researcher the acknowledged that the control group was adding only very minimal value to the study. With this understanding, it was removed, and all participants in the main study were presented with a home loan declined scenario.

5.7 TIME HORIZON

Time horizons refer to the timeframe over which the research is conducted. Studies can be cross-sectional, capturing data at a particular moment in time, or longitudinal, spanning over an extended period (Melnikovas, 2018; Wang & Cheng, 2020). Time horizons are essential in understanding how variables change or remain stable over time. For this study, a cross-sectional approach was found to be most useful. Firstly, capturing the relationship between the constructs at one point allows for examination of the associations among these variables in the given context. Secondly, cross-sectional studies tend to be more effective on time and cost compared to longitudinal studies, which involve data collection over an extended period. Use of a cross-sectional approach for this study allowed for gathering of data efficiently and within a reasonable time frame and budget, making it the most practical choice.

5.8 TECHNIQUES AND PROCEDURES

Lastly, at the research onion's core lies the techniques and procedures layer. This layer involves the detailed steps and methodologies used to collect, process, and analyse data. It includes specific tools, software, and statistical techniques employed to draw conclusions from the gathered information.

5.8.1 Sampling Design

The entire group under study is called the population and could be all customers of a bank, all students in a school, or all individuals within a specific demographic category (Taherdoost, 2016). Researchers often lack the time, money, and resources to study every single case within a population comprehensively and thus usually select a sample, which is a subsection of the population, to be studied in detail (Taherdoost, 2016). The choice of the appropriate sampling method is critical, as it directly influences the validity and generalizability of the findings (Taherdoost, 2016).

5.8.1.1 Population of interest

The first step in sampling is scoping the relevant population, commonly related to the people living in a particular country (Taherdoost, 2016). This study was conducted in South Africa and the target population was adults aged 18 and above who are residents of South Africa and eligible to apply for consumer credit facilities from a registered credit provider according to the National Credit Act (No. 34 of 2005). It is important to note that the act grants the right to apply for credit to every adult individual, juristic person, or association of persons.

5.8.1.2 Sampling Frame

A sampling frame is the actual list of cases from which the sample will be derived (Taherdoost, 2016). The sample selected from the population of interest should ideally correspond to the larger population to ensure that the conclusions are generalizable. This analysis was conducted at micro-level and data was collected and measured on individual adults, which was the unit of observation. As the study aimed to understand the loyalty behaviour of the entire group of demarketed customers, thus the unit of analysis was demarketed customers in the banking industry in South Africa.

5.8.1.3 Sample Size

Selecting the right sample size is critical to avoid the study being underpowered, where there are too few participants thus an insufficient number to achieve worthwhile results, or being overpowered, where there too many participants thus unnecessary recruitment and burdens for participants (McCrum-Gardner, 2010).

One of the recommended tools to calculate sample size is the Raosoft calculator available on http://www.aosoft.com/samplesize.html (McCrum-Gardner, 2010). According to StatsSA, South Africa's population is estimated at 60,14 million at mid-year 2021 (StatsSA, 2021). Using the Raosoft calculator, the suggested sample size for this research was 395 participants, using a 5% margin of error, 95% confidence level and 50% response distribution.

The sample size for any study needs to be aligned to the target population for the study (Ferketich, 1991). It also needs to consider the tests that will be used to analyse the data. Structural Equation Modelling (SEM) was used to analyse the data for this study. For positivist research, sufficient sample sizes and power are key in making sound statistical inferences and getting a meaningful effect for a given experiment (Park et al., 2020). Kline (2005) proposes that whichever is larger of two options to determine sample sizes for SEM should be used. The two options for sample sizes being that the sample size (1) should preferably be more than 400 or (2) 5-20 times the number of parameters the study will estimate. This study will estimate 20 parameters. Park et al. (2020) argue that larger sample sizes increase certainty, resulting in stronger confidence in the results of a particular experiment. Thus, a decision was made by the researcher to target a total sample size of 500, to also take into account any potential data loss.

5.8.1.4 Sampling Method

According to StatsSA (2023), South Africa in 2022 had a total population of 62 million. Due to the impracticality of surveying every adult in South Africa, this study employed a non-probability sampling method, specifically convenience sampling. Convenience sampling involves selecting members from the target population who meet specific criteria, such as ease of access, administrative or geographical proximity, and willingness to participate (Etikan, Musa, & Alkassim, 2016). Non-probability sampling does not offer an equal chance to all members of the population to participate. One person in a population can have a 20% chance of being selected, while another can have 60% chance (Taherdoost, 2017). However, while convenience sampling may not guarantee a representative sample of the entire population, it offers practical advantages in terms of feasibility and cost effectiveness as it allows for data collection to proceed despite constraints of time, resources and logistics, especially for a large population (Etikan et al., 2016). Thus, convenience sampling still provides valuable insights and an opportunity to gather data from the subset of the population that is readily accessible. It is however important to recognize that convenience sampling may introduce potential bias in the study thus resulting in lack of external validity (Stratton, 2021). Therefore, findings need to be interpreted in the context of the sampled population.

5.8.2 Data Collection Approach

Participation was allowed from all provinces of the republic, as long as the minimum criteria were met. The study utilized convenience sampling, and thus collected responses from the members of the target population who qualified and were easiest to reach. To encourage as many respondents as possible to take part in the study, the survey was circulated electronically, an approach that has been used successfully by other researches such as Hasyim (2019). According to a leading research firm, Statista (2021), as of January 2021, South Africa had 38.13 million active internet users and 24.63 active social media users, which forms the majority of the population.

Primary data for this study was gathered through a questionnaire. Primary data refers to information collected specifically for a research project, in contrast to secondary data, which already exists and does not necessitate direct participant engagement (Zikmund, Carr, Babin, & Griffin, 2013). The data collected was specifically for this study and did not exist before.

5.8.3 Data Collection Tools

5.8.3.1 Survey Platform

The questionnaire was deployed on QualtricsXM, a web-based survey management tool that facilitates data collection through surveys, feedback and polls using a variety of distribution options. QualtricsXM allows for designing and evaluation of questionnaires, deployment, aggregation and analysis of results and exporting data to other platforms. It offers a user-friendly interface and a range of features that support the entire survey research process. With QualtricsXM, researchers can design and evaluate questionnaires, customize survey layouts, and easily incorporate various question types, including multiple choice, open-ended, Likert scale, matrix tables and rankings. For this study, the approved questionnaire was created on the platform, then optimized for ease of use and understanding.

One of the key features of the platform is the flexibility in distributing surveys to participants. Researchers can distribute surveys via email invitations, shareable links, embedded surveys on websites, or through the platform's panel services. It also allows for integration with other research panels for data collection.

Another helpful feature is the inclusion of robust tools for data management and analysis. Researchers can access real-time response tracking, monitor completion rates, and use skip logic and branching to tailor the survey experience. This was particularly useful as it allowed for real time analysis of the number and quality of responses being received as data collection progressed.

QualtricsXM offers a wide range of built-in analysis features, including basic descriptive statistics, cross-tabulation, and data visualization. Additionally, it allows for seamless data export, enabling researchers to export raw data to popular statistical analysis software like SPSS or Excel for further analysis. This integration with other platforms enhances compatibility and facilitates the integration of survey data into larger research projects.

Based on the above features, QualtricsXM was deemed to be the most convenient platform, and was used for the data collection for this study.

5.8.3.2 Use of Research Panels in Data Collection

A research panel refers to a group of individuals who have voluntarily agreed to participate in research studies or surveys on an ongoing basis. These individuals are typically recruited through various methods, such as opt-in invitations, online registrations, or partnerships with market research companies. The internet has been used to recruit research participants for a long time, however the convenience and simplicity of research panels is relatively new (Chandler, Rosenzweig, Moss, Robinson, & Litman, 2019). According to Baker et al. (2013) the growth of survey panels as a data collection tool is one of the most fascinating developments of the last decade. One of the most common is Amazon Mechanical Turk (MTurk) which is widely used in behavioural research (Baker et al., 2013). Others are Qualtrics Panel, Cint, Dynata, Ipsos and Survey Monkey.

This study utilized the services of Cint, which is a global software company that deals with digital insights and research technology. Cint provides panel research services to industry and academia, and across the globe, has millions of individuals registered on its' panels. For this study, participants were given an incentive of up to R 21.87 in airtime or other rewards to complete the questionnaire.

The use of internet research panels in social science research has become increasingly prevalent as it is cost effective, it allows access to large and diverse populations in a short period of time and the standardization of the data collection process makes replication easy (Hays, Liu, & Kapteyn, 2015). It however does come with some challenges including low data quality. Some respondents on research panels have been observed to engage in a variety of strategies to get through the survey as quickly as possible so they can collect the rewards (Chandler et al., 2019). Fortunately, these data quality issues can be mitigated through careful study design and screening of data (Chandler et al., 2019). For this study, data collection was closely monitored, screening questions applied and responses that did not meet the criteria were removed. As part of the agreement with Cint, the researcher did not have to pay for low quality responses that did not meet the criteria.

5.8.4 Measurement Instrument

Capturing some attributes of human behaviour and performance such as attitude and opinions through conventional measurement techniques can be a challenge, thus making it necessary to transform what is subjective from the individual's perception to an objective reality (Joshi et al., 2015). Likert scaling is an attitude measurement method that assigns a numerical value to each of the responses that measures a variable (Kothari, 2004). It is a method that was conceptualized and proposed by Likert (1932). The original Likert scale comprises a set of statements (also called items) for each construct being studied. On a metric scale, respondents are asked to indicate their level of agreement with the statement (from strongly disagree to strongly agree). For this study, five-point symmetric scales were used. With a symmetric scale, the neutral position lies exactly in the middle of the extremes of strongly agreeing and strongly disagreeing and allows a participant independence to choose a position in a balanced manner as compared to asymmetric scales that offer less choices on one side of neutrality (Joshi et al., 2015).

The questionnaire made use of existing validated Likert scales, asking respondents to indicate if they agree or disagree with each of the items. The scale items were: -

- 1 = Strongly disagree
- 2 = Somewhat disagree
- 3 = Neither agree nor disagree
- 4 = Somewhat agree
- 5 = Strongly agree

The scales and items used in the study are explained in the sections below and the full questionnaire as used for data collection are presented in appendix B.

5.8.4.1 Cognitive Dissonance Scale

The presence of dissonance was measured using scales adapted from Sweeney et al. (2000). The scale was developed to measure cognitive dissonance immediately after purchase of furniture and car stereos. Psychometric testing conducted on the scale found it to be valid and reliable, with Cronbach alphas of 0.80 to 0.97 (furniture) and from 0.78 to 0.95 (car stereo). Average Variance Extracted (AVE) for both cognitive and emotional dimensions was found to be 0.52 or greater.

The scale had originally been designed to measure cognitive dissonance post purchase, however considering the context of the study (that the home loan had been declined and thus there was no purchase), items had to be reworded to reflect this context. Thus, for example 'I wonder whether I should have bought anything at all' was reworded to 'I wondered if I should have applied at all'.

One challenge that has been identified with cognitive dissonance measurement is that the measurement of cognitive dissonance itself may arouse dissonance (Salzberger & Koller, 2010). To mitigate the potential arousal of dissonance in this study, all items were evaluated to identify those that could be deemed extreme or highly impactful within the specific context of the decline of a loan application. Following from this exercise, items from the survey that could potentially elicit strong emotional responses or amplify feelings of despair or distress, such as statements like 'I was in despair' or 'I was sick' were removed. By excluding these extreme items, the intention was to focus on capturing cognitive dissonance in a more nuanced and controlled manner, minimizing the risk of unnecessarily arousing dissonance among the participants during the data collection process. This approach aimed to strike a balance between capturing valid and reliable measures of cognitive dissonance while being mindful of the potential psychological impact on participants.

Following the above modifications, the final scale was concluded with 12 items, 7 for measuring emotional dissonance and 5 for measuring cognitive dissonance.

	Original Items	**Adapted Items**
	After I bought this product:	After you received communication from the bank that your home loan had been declined, how do you think you would be feeling?
	o I was in despair	*Dropped*

CD1	o I resented it	○ Resent your decision to apply
CD2	o I felt disappointed with myself	○ Disappointed with yourself
	o I felt scared	*Dropped*
	o I felt hollow	*Dropped*
CD3	o I felt angry	○ Angry
	o I felt uneasy	*Dropped*
	o I felt I'd let myself down	*Dropped*
CD4	o I felt annoyed	○ Annoyed
CD5	o I felt frustrated	○ Frustrated
	o I was in pain	*Dropped*
CD6	o I felt depressed	○ Depressed
CD7	o I felt furious with myself	○ Furious with yourself
	o I felt sick	*Dropped*
	o I was in agony	*Dropped*
CD8	I wondered if I really need this product	Wondered if you really needed the home loan
CD9	I wonder whether I should have bought anything at all	Wondered whether you should have applied at all
	I wonder if I have made the right choice	*Dropped*
CD10	I wonder if I have done the right thing in buying this product	Wondered if you had done the right thing in applying
CD11	After I bought this product, I wondered if I'd been fooled	Wondered if the bank had not been completely honest
	After I bought this product, I wondered if they had spun me a line	*Dropped*
CD12	After I bought this product, I wondered whether there was something wrong with the deal I got	Wondered if there was a problem with the response you had received

Table 2: Cognitive Dissonance Scale (Sweeney et al., 2000)

5.8.4.2 Communication Openness Scale

Communication openness was measured using a scale developed by Auh, Bell, McLeod, and Shih (2007). The scale was developed to measure the extent to which there is timely and meaningful information sharing between a customer and a service provider. There were two studies conducted, one on financial advisors and the other physicians.

The scale was found to have reliability, with Cronbach alphas of 0.91 when tested on financial advisors and 0.87 when tested on physicians. The authors were also able to provide evidence of the scale's convergent validity, discriminant validity and unidimensionality. The scale was found to have an AVE of 0.72 in the study on financial advisors and 0.64 in the study on physicians, and construct reliability of 0.91 when tested on financial advisors and 0.88 when tested on physicians.

Four items were used from the original scale, and one item was added for this specific study. The adapted scale was tested for reliability and internal consistency to ensure that the new item did not change the validity and reliability of the scale.

	Original Items	Adapted Items
CO1	My advisor keeps me very well informed about what is going on with my investments	The bank kept me very well informed about what was going on with my home loan
CO2	My advisor explains financial concepts and recommendations in a meaningful way	The bank explained the home loan application process in a meaningful way
CO3	My advisor always offers me as much information as I need	The bank offered me as much information as I needed
CO4	My advisor always explains to me the pros and cons of the investment he/she recommends to me	The bank explained to me the pros and cons of the home loan product recommended to me
CO5		*Added* The bank clearly explained their final decision to me

Table 3: Communication Openness Scale (Auh et al., 2007)

5.8.4.3 Satisfaction Scale

Satisfaction was measured using a scale developed by Adjei, Noble, and Noble (2010) in a study on the influence of customer-to-customer communications in online brand communities on customer purchase behaviour. The scale measured relationship quality, being made up of relationship and satisfaction. The satisfaction item was found to have a composite reliability of 0.97 and an AVE of 0.90. The items used in this scale correspond closely to items used by Verhoef, Franses, and Hoekstra (2002), Millan and Esteban (2004) and Jamal and Naser (2002).

As the original scale was used in a different context, the wording of the items was adapted to this particular study, for example ‘my relationship with XYZ has been satisfactory’ was changed to ‘your relationship with Bank XYZ has been satisfactory’. The original scale had three items, and for this study, two items were added. The adapted scale was tested for reliability and consistency.

	Original Item	Adapted Item
SAT1	My relationship with XYZ has been productive	Your relationship with Bank XYZ has been productive
SAT2	The time and effort I spent in the relationship with XYZ has been worthwhile	The time and effort that you have spent with Bank XYZ has been worthwhile

SAT3	My relationship with XYZ has been satisfactory	Your relationship with Bank XYZ has been satisfactory
SAT4		*Added* Your relationship with Bank XYZ has been fruitful
SAT5		*Added* The time and effort that you have spent with Bank XYZ has been meaningful

Table 4: Satisfaction Scale (Adjei et al., 2010)

5.8.4.4 Brand Trust Scale

Brand trust was measured using a scale developed by Chaudhuri and Holbrook (2001). This scale was designed to assess the measure of confidence a consumer has in a brand, and how much it could be counted on to do what it had promised. The scale was found to have reliability with an alpha of 0.81. Subsequently the scale was used by Grohmann (2009) who found the alpha to be 0.83 and AVE of above 0.67. The scale was also found to have sufficient discriminant validity.

For this study, the wording of the items was changed to reflect the research context. For example ‘I trust this brand’ was changed to ‘you trust Bank XYZ’. The original scale had four items, and for this study, one item was added. The adapted scale was then tested for reliability and consistency.

	Original Item	Adapted Item
TRU1	I trust this brand	You trust Bank XYZ
TRU2	I rely on this brand	You rely on Bank XYZ
TRU3	This is an honest brand	You think Bank XYZ is an honest bank
TRU4	This brand is safe	You think Bank XYZ is safe
TRU5		*Added* You think Bank XYZ says what it means

Table 5: Trust Scale (Chaudhuri & Holbrook, 2001)

5.8.4.5 Commitment Scale

Both affective and calculative commitment were measured using a scale developed by Verhoef et al. (2002) that was used to collect data on commitment from customers of an insurance company. The affective commitment part of the scale consisting of nine items was found to have a Cronbach alpha of 0.77, composite reliability of 0.78 and an AVE of 0.55. The calculative commitment part of the scale consisting of six items was found to have a Cronbach Alpha of 0.74, composite reliability of 0.75 and AVE of 0.53.

The scale had been designed for an insurance industry study; thus the wording of the items was changed to be specific to the banking sector. For example, 'If another insurance company would offer me better insurance, I would take my insurance to that company' was changed to 'If another bank would offer me better banking services, I would move my account to that bank'. All items from the scale were retained and none were added.

	Original Item	**Adapted Item**
AFF1	If another insurance company would offer me better insurance, I would take my insurance to that company	If another bank would offer me better banking services, I would move my account to that bank
AFF2	If XYZ made troublesome mistakes, I would not immediately stop my insurance at XYZ	If Bank XYZ made troublesome mistakes, I would not immediately stop my account with them
AFF3	I am interested in offers of competing insurance companies	I am interested in offers of competing banks
AFF4	I am a loyal customer of XYZ	I am a loyal customer of Bank XYZ
AFF5	Because I feel a strong attachment to XYZ, I remain a customer of XYZ	Because I feel a strong attachment to Bank XYZ, I remain a customer there
AFF6	I think XYZ is a good insurance company, and I therefore keep my insurance with XYZ	I think Bank XYZ is a good bank, and I therefore keep my account with them
AFF7	Because I feel a strong sense of belonging with XYZ, I want to remain a customer of XYZ	Because I feel a strong sense of belonging with Bank XYZ, I want to remain a customer there
AFF8	I have positive feelings about XYZ and therefore plan to remain a customer of XYZ	I have positive feelings about Bank XYZ and therefore plan to remain a customer there
AFF9	I like being a customer of XYZ	I like being a customer at Bank XYZ
CAL1	Because it is too costly to move my insurance to another company, I keep my insurance with XYZ.	Because it is too costly to move my account to another bank, I keep my account with Bank XYZ
CAL2	Because it is difficult to stop my insurance at XYZ, I remain a customer of XYZ.	Because it is difficult to stop my account at Bank XYZ bank, I remain a customer there
CAL3	Because no other good insurance companies are available, I remain a customer of XYZ.	Because no other good banks are available, I remain a customer at Bank XYZ
CAL4	I remain a customer of XYZ because I find it easy to do so.	I remain a customer of Bank XYZ because I find it easy to do so
CAL5	I remain a customer of XYZ because it is difficult to take my insurance to another insurance company.	I remain a customer of Bank XYZ because it is difficult to take my account to another bank
CAL6	I remain a customer of XYZ because it takes much time and energy to switch my insurance to another insurance company.	I remain a customer of Bank XYZ because it will take too much time and energy to switch my account to another bank

Table 6: Affective and Calculative Commitment Scale (Verhoef et al., 2002)

5.8.4.6 Loyalty Scale

Loyalty was measured using a combination of two scales, the first one was a scale used by Quach, Thaichon, and Jebarajakirthy (2016) to measure attitudinal and behavioural loyalty of customers to their internet service provider. The scale was found to have reliability, with a Cronbach alpha of 0.797, construct reliability of 0.796 and an AVE of 0.576 for the three items measuring behavioural loyalty items, and a Cronbach alpha of 0.917, construct reliability of 0.913 and an AVE of 0.779 for the three items measuring attitudinal loyalty.

The second scale used was adapted from a study conducted by Gecti and Zengin (2013) on sports shoes consumers. The three attitudinal items on the scale were found to have a Cronbach Alpha of 0.87, composite reliability of 0.88 and an AVE of 0.71 while the three behavioural loyalty items on the scale were found to have a Cronbach Alpha of 0.83, composite reliability of 0.85 and an AVE of 0.66.

The scale items were all used, and none were added. The wording from the original scales was adapted to make them more specific to this study. For example, 'I will buy this brand in the future' was changed to read 'I will use Bank XYZ in the future'.

	Original Item	**Adapted Item**
BL1	I will buy this brand in the future	I will use Bank XYZ in the future
BL2	I will fulfil the everlasting purchasing will over this brand	I feel like I will stay with Bank XYZ forever
BL3	I wish to continue purchasing over this brand	I wish to continue getting services from Bank XYZ
BL4	I would consider this ISP as my first choice to buy services	I would consider Bank XYZ as my first choice
BL5	I would do more business with this ISP in the next few years	I would do more business with Bank XYZ in the next few years
BL6	I would do less business with this ISP in the next few years	I would do less business with Bank XYZ in the next few years
AL1	I will not switch to other brand even though there are lots of other brand options	I will not switch to another bank even though there are lots of other bank options
AL2	I am willing to pay more than any other brand to get this particular brand	I am willing to pay more than any other bank to stay at Bank XYZ
AL3	I will always use this brand	I will always use Bank XYZ
AL4	I consider myself to be a loyal patron of this ISP	I consider myself to be a loyal patron of Bank XYZ
AL5	I would say positive things about this ISP to other people	I would say positive things about Bank XYZ to other people
AL6	I would recommend this ISP to someone who seeks my advice	I would recommend Bank XYZ to someone who seeks my advice

Table 7: Behavioural and Attitudinal Loyalty Scale (Gecti & Zengin, 2013; Quach et al., 2016)

5.8.5 Flow of the Study

The final questionnaire that was used for data collection can be found in Appendix A. The process followed for the study was as below:

- **Invite to participate**: An invitation to participate in the survey was sent out by Cint to qualifying panel members on the platform. Panel members who were interested in participating then clicked on a link that led them to the survey on the QualtricsXM platform.

- **Participant Information Sheet:** Participants were provided with detailed information about the study's purpose, expected completion time, and voluntary participation on the initial screen of the Qualtrics platform. They were assured of the option to withdraw at any point without consequences. Contact information for the researcher, supervisor, and university's Ethics Committee were also provided. If they were in agreement, participants proceeded to the questionnaire through a designated link.

- **Screening questions:** Participants were screened on two criteria: being 18 years or older and possessing citizenship or legal residency in the Republic of South Africa, aligning with the National Credit Act (Act No. 34, 2005) requirements. They were required to respond to these questions first and those not meeting these criteria were unable to proceed further in the study.

- **Demographic questions:** Participants were asked for their gender, age, employment status and how long they have been with their current bank.
- **Establishment of banking relationship:** Participants were asked if they had ever been declined for a loan, and if so, steps they took after receiving the feedback.
- **Demarketing vignette:** This section consisted of a vignette that was presented to participants. The vignette presented them with a scenario where they applied for a home loan at their primary bank and received a response that it had been declined.
- **Manipulation check:** A manipulation check as per Hoewe (2017) was used to test understanding of the condition to which the participants were exposed. Participants were asked to rate yes or no to the question: ‘It is reasonable to assume that you expected the bank to approve your loan.’
- **Survey:** This section consisted of survey questions on dissonance.
- **Communication Openness Vignette:** The vignette presented them with a scenario that described the communication between them and the bank.

- **Survey:** This section consisted of survey questions on communication openness, options to deal with dissonance, satisfaction, trust, commitment, and loyalty in a banking context.
- **Thank you and close:** Upon completion of the questionnaire, participants were thanked for their participation.

5.8.6 Pilot Studies

The questionnaire was piloted ahead of deployment to check ease of use, for validity and reliability, and for any other issues. In total, three pilot studies were conducted to resolve issues with the study design and measurement instrument. Once the pilot studies were completed and all necessary changes made, the survey was deployed.

5.8.6.1 Pilot 1

The first pilot study was aimed at testing the clarity of the survey instrument. The survey was loaded on Qualtrics and shared with the researcher's friends, family and peers. 31 responses were received. Each respondent who completed the survey was asked to give feedback on the process. At this point, there were two experimental conditions and respondents were randomly assigned to one. The feedback given was that:

- The survey read well, although some of the questions could be improved upon
- The Qualtrics platform was friendly and easy to use
- The loan declined scenario was quite straightforward and well received
- The loan approved scenario was considered very confusing

5.8.7 Pilot 2

Following from the feedback in the first pilot study, the loan approved scenario was dropped and the survey redesigned to make certain questions clearer. Data collection then resumed and 101 responses were received. To ensure that the instruments were working as designed, exploratory factor analysis and confirmatory factor analysis were carried out on the data collected. Unfortunately, data did not respond as expected, and on further scrutiny of the instrument, an error was discovered on the wording of one of the sections. This error had caused confusion among the respondents and had a significant effect on their subsequent responses. Therefore, the data could not be used.

5.8.8 Pilot 3

Once the error had been corrected, data collection resumed with a further 100 responses being collected. Analysis of this data confirmed that the instrument was working as expected and that the data was high quality as it passed all the tests.

Data collection then resumed with an additional 493 responses being collected, making a total of 593 responses that were received for the main study.

The below diagram summarizes the pilot study process.

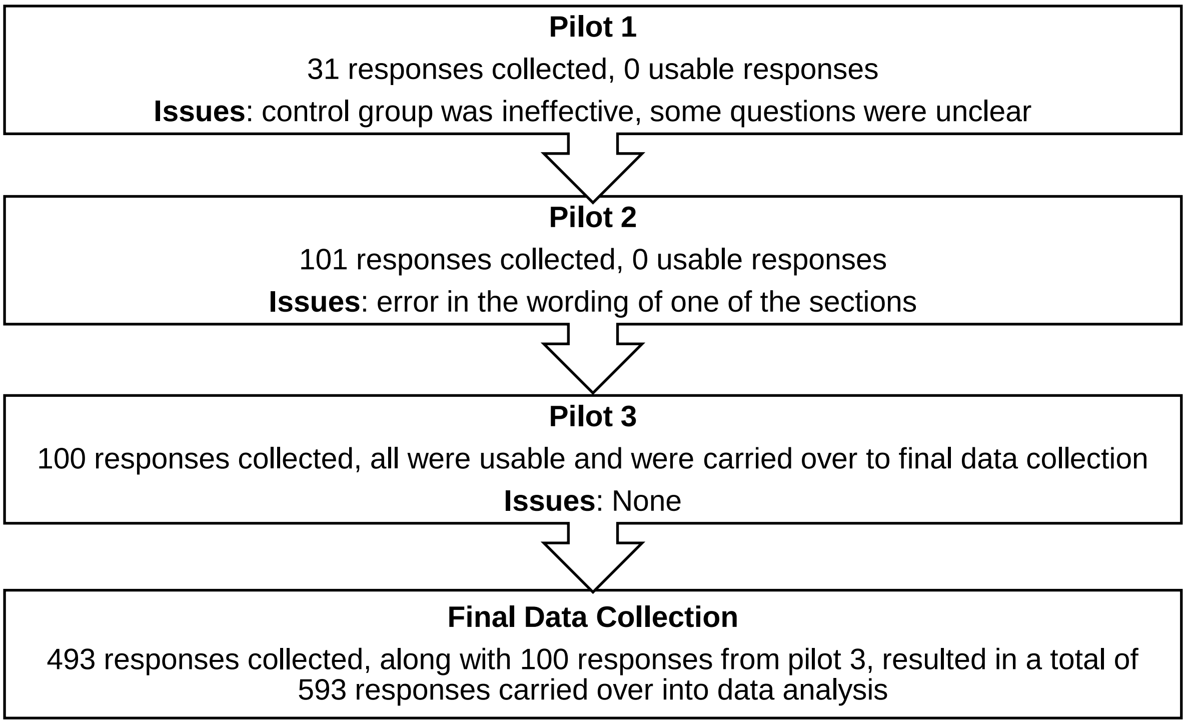

Figure 5: Pilot Study Process (Source: Author's Conceptualisation)

5.9 ETHICAL CONSIDERATIONS

Ethics play a crucial role in research as they ensure the protection and well-being of participants, maintain the integrity of the research process, and guard against the possibility of harm, wrongdoing and risk to participants (Bell & Bryman, 2007). Adhering to ethical guidelines is not only a moral obligation, but is also essential for establishing trust and credibility in the researcher (Conroy & Smith, 2017). In line with these principles, this study obtained ethics approval from the University of the Witwatersrand Ethics Committee (Non-Medical), before its commencement.

The ethics approval, granted by the designated committee under Protocol Number: R22/07/15 (see Appendix B), provides assurance that the study was thoroughly assessed to minimize potential risks to the participants, the researcher, and the university. This approval process is meant to ensure that the study is conducted in an ethical manner and adheres to established guidelines and regulations in social science research.

Participation in the study was voluntary, and the importance of informed consent and the participants' autonomy was emphasized in the participant information sheet. Before starting the survey, individuals were provided with comprehensive information about the research purpose, procedures, potential risks, and benefits (See Appendix A). They were assured that their decision to participate was voluntary and that they could exit the survey at any time, thus empowering them to make an informed choice based on what they were comfortable with.

Confidentiality and anonymity of research participants is a key theme in management research, with researchers being under increasing pressure to ensure they take this into account (Bell & Bryman, 2007). To protect the confidentiality and privacy of the participants in this study, individual responses were not individually identifiable, and data analysis was conducted on an aggregated level. This approach ensured that no personal information could be linked back to any specific participant, thus safeguarding their anonymity. This was especially relevant considering that the topic discussed related to personal finances.

To further ensure data security and confidentiality, rigorous measures were implemented in data handling and storage. The collected data was securely stored on password protected devices, and access was limited to only the researcher to prevent unauthorized access, use, or disclosure of the data. The collected data was retained and stored securely, as per institutional guidelines and data protection regulations. Should the need arise, the data is available for audit purposes to ensure transparency and accountability in the research process.

By adhering to ethical principles and practices, this study prioritizes the well-being and rights of the participants, maintains the integrity of the research process, and upholds the highest standards of ethical conduct. These ethical considerations are fundamental in contributing to the overall trustworthiness and reliability of the study's findings and conclusion.

5.10 DATA ANALYSIS

This chapter will describe the data analysis methods that were used to make sense of the data that was collected. Hair, Black, Babin and Anderson (2010) propose that data analysis methods should focus on relationships, significance and structure. In line with this, the data analysis methods used in this study and described in this chapter will examine the relationships between the variables in the dataset, exploring how they are related. The statistical significance of these relationships will also be considered using a variety of tests that will seek to establish if the relationships are meaningful. Finally, the data analysis techniques employed will seek to understand whether there are underlying patterns in the data. Thus, by focusing on the relationships, significance and structure, the analysis of this dataset will seek to draw meaningful conclusions, uncover key insights and look to address the research questions effectively. To begin, this chapter will describe the different data analysis methods that were used to clean and screen the data, as well as both descriptive and inferential analysis. The below diagram summarizes the data analysis process.

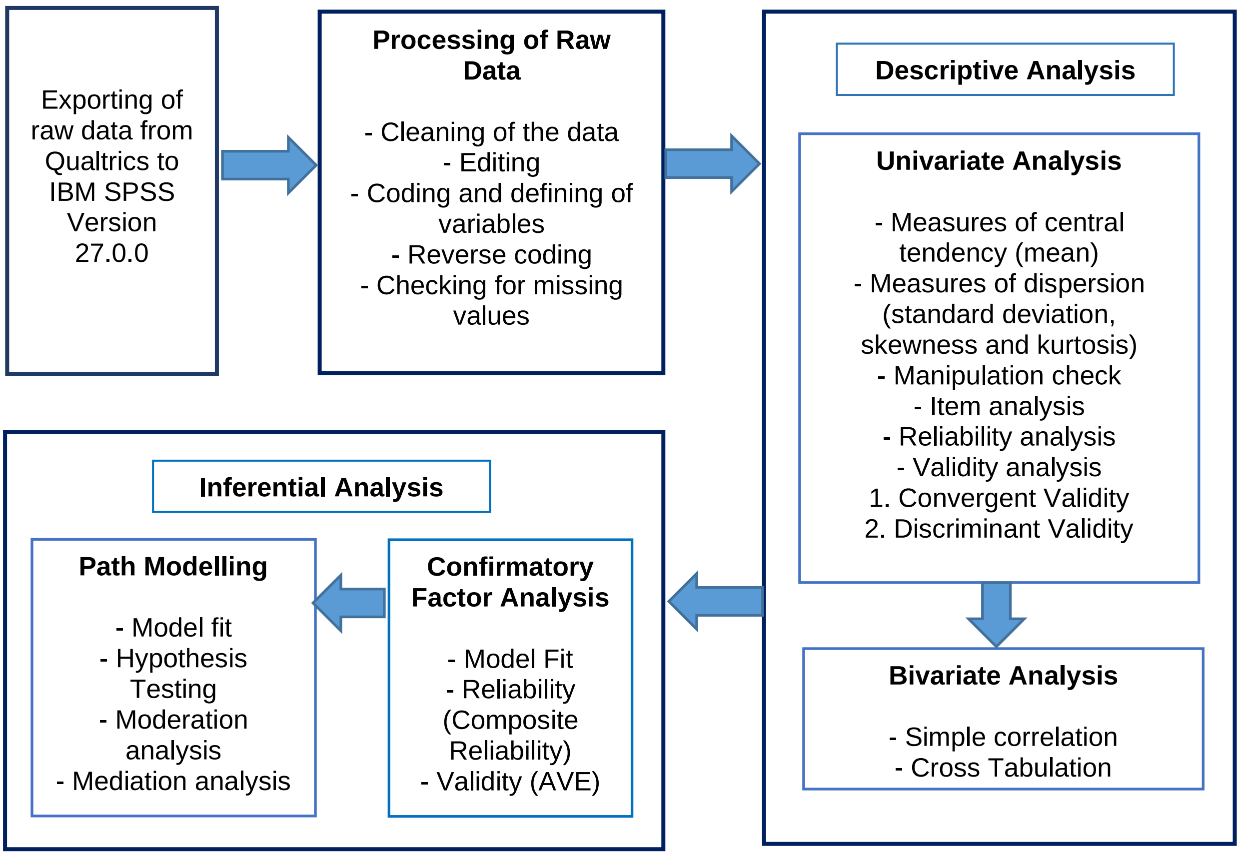

Figure 6: Processing and Analysis of the Data (Source: Author's Conceptualisation*)*

5.11 PROCESSING OF THE RAW DATA

Data was collected using Qualtrics XM, a survey tool. Once data collection was complete, the data was exported in a .sav file into IBM SPSS Version 27.0.0 to allow for descriptive analysis and subsequently into IBM SPSS AMOS Version 27.0.0 to allow for inferential analysis.

After importing the data into SPSS, the data was cleaned and edited. This involved checking for errors and inconsistencies to make sure that the data was ready for analysis. As per Van den Broeck, Argeseanu Cunningham, Eeckels, and Herbst (2005), cleaning of data is intended to identify and correct errors where data has already been collected and where not possible, minimize their impact on study results. To begin the process, as the data set was quite large, non-value adding identifiers in the data set that were not needed for purposes of the analysis such as response IDs and dates were removed to make the data more manageable. Next, the data was coded. This involved assigning numeric values to categorical data to make it suitable for statistical analysis. For example, 'yes' and 'no' responses were converted to 1 and 2 respectively. Next, reverse coding was done for items that had been worded in the opposite direction compared to other items in the scale. Finally, the data was checked for missing values. As the survey on Qualtrics XM had included a feature that forced responses, i.e. respondents could not move to the next question without responding, it was established that there were no missing responses except where the question was not applicable to the particular respondent. The above processes resulted in a cleaned data set that was ready for screening and analysis.

5.11.1 Data Screening

While data screening is important to ensure that the data that has been collected is fit for the purpose of this study, measures also need to be adopted at data collection stage to ensure that the data that was collected is of high quality. DeSimone, Harms, and DeSimone (2015) encourage researchers to consider data screening during survey design and reporting of results. For this study, the below measures were employed at data collection stage: -

- Clear, simple instructions on how to complete the questions were provided
- An assurance of confidentially and anonymity of responses was provided
- The survey was kept as short as possible
- Encouragement was provided to respondents towards the end of the survey to keep them engaged (e.g. "almost there!")

All these were aimed at ensuring that respondents provided high quality, thoughtful responses through the entire survey. However, although researchers generally hope that participants will be motivated enough to provide meaningful responses, this is always not the case (DeSimone et al., 2015). Some respondents may present behaviour such as agreeing or disagreeing with all items or attempting to present themselves favourably and thus not give genuine responses. Also, in a study such as this one where there is an incentive to complete the survey, some may just be looking for completion to without necessarily applying themselves to the questions asked. Others may simply not understand the questions being asked. Thus, screening techniques are applied to survey design and administration to guard against these issues.

One of the techniques used to screen data is by having a cut-off for a minimum amount of time that the respondents should spend on the survey (DeSimone et al., 2015). When less time than this is used, it implies that enough consideration was not applied. For this study, pilot studies indicated that the minimum amount of time required to complete the survey to be 5 minutes. Thus, respondents who completed the survey in less time than this were deemed to have been unlikely to have read both vignettes and the questions. Some respondents for example were observed to have spent under two minutes to respond to the entire survey. These responses were excluded from the final analysis, and only responses that took five minutes and above were considered in the final analysis.

For this study, it was also important to consider common method bias as well as non-response bias. Common method bias arises when both the independent and dependent variables are measured using the same method, potentially compromising the validity of study results. This issue is widely acknowledged in various fields, including marketing research (Hulland, Baumgartner, & Smith, 2018). One practical way to reduce bias is by providing clear questionnaire instructions, emphasizing that there are no right or wrong answers, and assuring respondents of anonymity. Keeping surveys concise and avoiding repetitive questions can also enhance response accuracy by maintaining participant motivation. Additionally, using both positively and negatively worded items can serve as a procedural control to reduce bias (Baumgartner & Steenkamp, 2001). Alternatively, employing items with polar opposites instead of reverse-worded items has also been recommended (Weijters & Baumgartner, 2012). All the above were considered and implemented at data collection stage, which mitigated issues related to common method bias. Also considered was non-response bias, which occurs when certain groups of respondents are underrepresented in survey data due to their lack of participation, leading to potential errors when estimating population characteristics (Berg, 2005). This bias can skew the results, as the sample may not accurately reflect the views or behaviours of the entire population. Analysis of the results revealed a balanced set of demographical data with adequate representation from different groups of respondents.

Once the data had been screened, it was ready for descriptive analysis.

5.11.2 Descriptive Statistics

Fisher and Marshall (2009) describe descriptive statistics as the mathematical methods or graphical illustrations employed to structure, examine, and display the attributes of a data sample. Descriptive statistics provide a structured summary of data and reveal the relationships between variables in a dataset and should always be performed as the initial step in data analysis, preceding any inferential statistical comparisons. (Kaur, Stoltzfus, & Yellapu, 2018). Descriptive statistics describe the midpoint of a range of scores (measures of central tendency such as mean, mode and median) and the spread of a range of scores (dispersion or variance measures such as frequency distribution, range, interquartile range and standard deviation) (Fisher & Marshall, 2009).

This study utilized analytical tools on the Qualtrics platform and SPSS to carry out the descriptive analysis to allow the researcher to get familiar with the data and understand its properties.

5.11.2.1 Measure of Central Tendency

For this study, the mean was calculated. The mean, which is the most commonly used measure of central tendency, is derived by summing up all the data values and dividing it by the number of observations (Manikandan, 2011a). The mean is a useful statistic as it uses every value in the data set and is thus representative of the full set of data (Manikandan, 2011a).

5.11.3 Measures of Dispersion

While measures of central tendency are important in describing data, they are not fully adequate, as they do not provide an indication of the variability of the data (Manikandan, 2011b). Thus, it is also useful to calculate measures of dispersion. For this study, standard deviation, the most used measure of dispersion, was calculated. It is derived by calculating the square root of the sum of the squared deviation from the mean, which is then divided by the number of observations (Manikandan, 2011b). The standard deviation is a useful statistic as it gives an indication of the variability of the data, and how concentrated or dispersed the individual values are around the mean (Kothari, 2004). A large standard deviation would suggest that there is a greater spread of data points, while a smaller standard deviation indicates a more clustered data set.

Standard deviation works on the assumption that data is normally distributed, which means that it is symmetrically balanced around a central point when plotted on a curve (Darling, 2022). However, data is rarely perfectly distributed, and thus some deviation from normality is acceptable (Livingston, 2004). When carrying out analysis on experimental data, it is important to find out how far the data is from normality, measures known as skewness and kurtosis (Livingston, 2004). Kurtosis describes the peakness or flatness of a dataset, while skewness describes the dataset's degree of asymmetry (Livingston, 2004).`For this study, both skewness and kurtosis were used to assess the normality of the data.

5.11.4 Manipulation Check

When administering surveys, it has been noted that respondents exhibit varying levels of effort and attention and consequently, respondents who do not apply themselves to the process may affect the trustworthiness of the results (DeSimone et al., 2015). To ensure the respondents are engaged and understand the questions posed, direct screening can be used, which involves adding items to a survey and then observing the behaviours of respondents in reaction to them (DeSimone et al., 2015). This is referred to as manipulation checking, which is common in experimental research and is intended to ensure that the experiment was received as intended. According to Festinger and Katz (1953) researchers cannot assume that the manipulation of variables as per the concept they had in mind were successful. This study utilized vignettes to put respondents in a certain frame of mind. It was thus important to understand if the respondents understood the scenario and resonated with it. To check this, a yes/ no question was posed immediately after the vignette was presented. Analysis of the manipulation check involved checking the percentage of respondents who answered yes compared to those who answered no.

5.11.5 Item Analysis

Item analysis is a statistical process done on individual items in a composite instrument to find and isolate any problems with the performance of the instrument (Ferketich, 1991). Item analysis specifically refers to the process of analysing the individual items or questions within a scale or questionnaire, and is used to evaluate the quality and effectiveness of each item in measuring the intended construct. Item analysis may result in some items being removed from the scale. In such a scenario, items that have the lowest inter item correlations are removed first, which may then increase the average inter item correlation quite substantially, although as the number of items removed increases, the magnitude of the change decreases (Ferketich, 1991). For this study, item analysis was done during the pilot studies and also after collection of the final data set. The processes used are described in the next sections.

5.11.6 Reliability

The scales used in this research were tested for reliability. Reliability relates to the consistency and stability of data collection and analysis methods, ensuring that if the study were replicated, it would yield similar results (Saunders & Lewis, 2009). The reliability of an instrument has to do with how consistently it can produce the same measurement, and is linked to its validity (Tavakol & Dennick, 2011). For an instrument to be valid, it has to be reliable, however it can have reliability but not validity.

Internal consistency is a measure of how coherent the elements of a scale are, and if there is any redundancy in any of its components (McCrae, Kurtz, Yamagata, & Terracciano, 2011). To check for reliability, this study calculated Cronbach alpha, Composite Reliability and Corrected to Item Total Values.

5.11.6.1 Cronbach Alpha

One of the most common ways of measuring an instrument's reliability is by calculating its Cronbach alpha (Tavakol & Dennick, 2011). Cronbach alpha, a measure of reliability that was first developed by Lee Cronbach (1951), is expressed as number between 0 and 1. Cronbach alpha seeks to measure the internal consistency of a scale, meaning the degree to which the scale items measure the same construct (Ferketich, 1991; Tavakol & Dennick, 2011). For example, a test with a Cronbach alpha score of 0.9 can be interpreted to mean that the scale is 90% reliable and 10% unreliable (Brown, 2002). As long as the correlation between the items is constant, the Cronbach alpha increases as the number of items in the scale increases (Ferketich, 1991).

The Cronbach alpha test randomly splits the responses into two sets, then runs tests comparing the scores of each by running a correlation. This process is done with all possible split of halves, and the correlation between each pair is then calculated and averaged (Roberts & Priest, 2006).

All scales used in this study were required to have Cronbach alpha values of at least 0.7 as recommended by Pallant (2013) and Bland and Altman (1997). A minimum value of 0.7 would suggest that the items within the scale are reasonably reliable measures of the construct, and that the scale is likely to produce consistent and stable results. Causes for a low alpha include too few questions, poor correlation between items and constructs that are unrelated. In the case of poor correlation, some items can be revised or removed, which is done by finding the correlation of each individual item with the score for the total test, and items that score low can be removed or edited (Tavakol & Dennick, 2011). A scale can also have alphas that are too high which could be as a result of some items testing the same question in a different way and thus being redundant (Tavakol & Dennick, 2011).

5.11.6.2 Composite Reliability

A popular alternative to Cronbach alpha for assessing scale reliability is Composite Reliability, which is used in structural equation modelling (Peterson & Kim, 2013). It is a statistic that assesses the extent to which a set of items or indicators within a scale or test consistently measures the same underlying construct or trait (Raykov & Grayson, 2003). Composite reliability is particularly important in the field of behavioural assessment, where researchers and practitioners rely on scales to measure various behavioural traits, characteristics, or outcomes (Raykov & Grayson, 2003). As per recommendation by Nunnally and Bernstein (1994) and Fornell and Larcker (1981), all scales in this study were required to have a Composite Reliability value of at least 0.70. High composite reliability suggests that the scale is measuring the construct consistently and is less affected by measurement error (Raykov & Grayson, 2003).

5.11.6.3 Corrected Item to Total Value

In assessing reliability, this study also considered Corrected Item to Total Value, which is another method used to assess how each item in a scale correlates to the overall scale. This is done by computing the correlation of each item with the sum of all the items, excluding that specific item (Howard & Forehand, 1962). Following from this, items with low correlations can be removed (Nunnally, 1978). According to Cristobal, Flavian, and Guinaliu (2007), items should not have a corrected item to total value of less than 0.30 as it indicates poor fit, and according to Nunnally (1978), they should not have a value of more than 0.85 as that may indicate multicollinearity.

5.11.7 Validity

Both reliability and validity are important in communicating the rigour of the research that has been conducted, and that the findings are trustworthy (Roberts & Priest, 2006). Some of the factors that make a research trustworthy include how the research questions were framed, the measurement instruments, how data was collected, and how it was analysed (Roberts & Priest, 2006). Having considered reliability for this study, we will now look at validity. Validity in research refers to the degree to which a study accurately measures or examines what it intends to measure or examine (Saunders & Lewis, 2009).

5.11.7.1 Experimental Design

Important in positivist experimentation is the ability to ensure that only the key variables of interest are considered, and this is achieved by isolating and controlling the effect of all the factors (Park et al., 2020). Thus minimizing threats to internal validity, by ensuring that the study's design and supporting evidence makes a case for causal inference, is critically important to ensure rigor (Park et al., 2020). In experiments, internal validity refers to the logical connections between stimuli and participant reactions, achieved through tight control of the conditions to eliminate biases and accurately establish cause-and-effect relationships (Atzmüller & Steiner, 2010). Unfortunately, this precision limits external validity and raises doubts about the generalizability of inferences to diverse settings with varying factors and levels (Atzmüller & Steiner, 2010). Vignettes are used in this study and resolve this dilemma by enabling researchers to manipulate independent variables, facilitating the simultaneous improvement of both internal and external validity (Aguinis & Bradley, 2014). The inherent nature of vignettes addresses fundamental concerns related to internal validity, construct validity, and reliability in a study as vignettes are grounded in real-life contexts, ensuring concrete and realistic scenarios with their design permitting simultaneous exploration, estimation, and testing of various factors, thereby enhancing the study's overall validity and reliability (Atzmüller & Steiner, 2010). Also, owing to the contextual specificity of vignettes, there is high construct validity, indicating the degree to which the study accurately measures its intended variables and concepts (Atzmüller & Steiner, 2010).

To enhance a vignette's internal validity, construct validity, external validity, and reliability, researchers can incorporate specific design elements which include conducting pilot studies and power analysis to detect potential errors, ensuring the appropriate sample size, and stratifying the participant sample (Atzmüller & Steiner, 2010). Manipulation checks can also be used to check internal validity. Additionally, participants need to find the vignette situation relatable to respond authentically (Aguinis & Bradley, 2014). In this study, all these suggestions were applied to construct the vignettes, enhancing the situations' realism and thereby increasing external validity.

5.11.7.2 External Validity

A scale has validity if it can adequately measure an attribute, which means that each item in the scale should also be measuring that attribute, therefore the more items relate to each other, the more they measure the attribute and demonstrate internal homogeneity (Ferketich, 1991). Homogeneity of a scale is important for both reliability and validity (Ferketich, 1991).

5.11.7.3 Internal Validity

Internal consistency needs to be measured to ensure the validity of test instruments (Tavakol & Dennick, 2011). Construct validity can be determined by establishing convergent and discriminant validity (Swank & Mullen, 2017). Convergent validity provides evidence for construct validity by providing a comparison of test scores from being examined to scores from other tests that measure the same construct (Drummond & Jones, 2006). A strong positive correlation between the scale that is being developed and a related construct demonstrates the presence of convergent validity (Swank & Mullen, 2017). On the other hand, Farrell and Rudd (2009) describe discriminant validity as the degree to which one latent variable discriminates from other latent variables in the same study. Thus discriminant validity implies that a latent variable is able to explain for more variance in the observed variables connected with it than both measurement errors or unmeasured influences, or other constructs within the study's conceptual framework (Farrell & Rudd, 2009). Confirmatory factor analysis, as suggested by Brown and Moore (2012) was used to demonstrate the presence of convergent and discriminant validity among constructs in this study. This was done using factor analysis and correlation tests.

The main objective of research is to determine whether a relationship exists between variables (Byrne, 2007). Another way that this can be done is by assessing bivariate correlation. Bivariate correlation is a method used in quantitative research to establish construct validity evidence, in looking at the relationship between scores on a test and the theoretical construct they are intended to measure (Swank & Mullen, 2017). Bivariate correlation can be used to determine construct validity, defined as the extent to which a set of items represent a specific construct (DeVellis & Thorpe, 2021). In conducting a bivariate correlation, a researcher measures two variables of interest, then computes a correlation coefficient to quantify the relationship between them by considering, (1) the statistical significance of the relationship, (2) the direction of the relationship, and (3) the strength of the relationship (Swank & Mullen, 2017).

5.11.8 Inferential Statistics

Once the descriptive analysis had been carried out on the data in this study, the researcher moved on to inferential statistics. While the purpose of descriptive statistics is to provide a summary of the data aimed at describing the sample, the purpose of inferential statistics is to summarize the data in a way that generalizes the findings from the sample to the wider population (Byrne, 2007) . Inferential statistics include a wide variety of statistical significance tests that can be grouped into three categories, (1) those that evaluate differences e.g. independent samples t-test and ANOVA, (2) those that examine relationships e.g. Pearson's R for correlation, and (3) those that make predictions e.g. regression analysis (Allua & Thompson, 2009). A description of the inferential tests used in this study are explained in the subsequent sections.

5.11.9 Structural Equation Modelling

Inferential analysis for this study was carried out on SPSS AMOS Version 27.0.0 using structural equation modelling (SEM). SEM can be defined as a powerful statistical technique that combines factor analysis and regression or path models to analyse data (Anderson & Gerbing, 1988). It encompasses a large number of statistical models and can be seen as an extension of general linear modelling procedures such as ANOVA and multiple regression (Lei & Wu, 2007). SEM models are comprised of two parts; (1) the measurement model, which establishes the relationship between the variables and the constructs, and (2) the structural path model, which establishes the relationship between constructs (Iacobucci, 2009). The measurement model tests the validity of the instruments, while the structural model tests the research hypotheses (Hair et al., 2014). Given its complexity, carrying out a SEM analysis requires a strong theoretical foundation to establish causality (Iacobucci, 2009). For SEM to be effective, it requires (1) the hypotheses to be relevant to the theory, (2) well operationalized constructs, and (3) a good match between the hypotheses and the statistical procedures that will be used to prove or disprove them (Smith & McMillan, 2001).

Structural Equation Modelling has many different methods, one of which is covariance-based structural equation modelling (CB-SEM), which is the approach that this study utilized. CB-SEM encompasses statistical methods designed to explain relationships among multiple constructs, and it expands on multivariate techniques like factor analysis and multiple regression (Svensson, 2015). CB-SEM is a comprehensive multivariate technique that uses normally distributed data sourced from a suitable sample size to provide accurate results (Hair, Ringle & Sarstedt, 2011). The model assesses theory using a confirmatory approach, as described by Hair et al. (2011). CB-SEM takes into account the complexities of cause and effect relationships (Babin & Svensson, 2012). It is appropriate for analysing cause and effect relationships between variables as it specifies a structural model by estimating a series of separate but linked multiple regression equation concurrently (Svensson, 2015).

SEM is useful in working with models that are not estimable via regression such as mediation chains (Iacobucci, 2009). For example, to look at the relationship X→M→Y, instead of using regression to look at X→M and M→Y, SEM can be used to simultaneously fit both paths, which has been proven to produce better results that are more parsimonious (Iacobucci, 2009). SEM has also been observed to deal with measurement error better than ordinary regression (Iacobucci, 2009). Where regression models are not able to separate measurement error from the model's lack of fit, lumping both into the Chi-square, SEM is able to distinguish between the two, which allows more accurate diagnosis for improving the model, as well as reduces multicollinearity issues (Iacobucci, 2009). SEM is a very useful tool that can be used in analysing market data, both from primary data collected from survey studies and experimental studies as well as secondary data from databases (Iacobucci, 2009). Due to its' generality, SEM has gained wide acceptance across disciplines, and has seen a lot of rapid expansion and with improvements in estimation techniques, basic models including measurement models and path models (Lei & Wu, 2007). Some important advantages of SEM are that it can be used in the study of relationships among latent constructs containing multiple measures and that it can be used for both cross sectional and longitudinal studies as well as experimental and non-experimental data (Lei & Wu, 2007).

5.11.10 Factor Analysis

Factor analysis, widely used in many fields including in behavioural and social sciences (Yong & Pearce, 2013), is a group of statistical analytical methods that are used to explore relationships within a set of observed variables, measured through questions or items (Beavers et al., 2013). Factor analysis is used to organize data and summarize it into meaningful categories that can make identification of relationships and patterns easy to see and interpret (Yong & Pearce, 2013). Based on shared variance, factor analysis reorganizes variables into a narrow set of clusters, thus eliminating the need for researchers to work with too many variables, some of which may be trivial (Yong & Pearce, 2013). Factor analysis requires strong grounding in theory and mathematical justification for decisions made (Beavers et al., 2013).

In factor analysis, responses from a study participant to a test items indicate the participant's view on the latent variable (Lei & Wu, 2007). Latent variables are those that are not observed or measured directly, but are inferred by responses to observable variables, for example intelligence is a latent variable that cannot be observed, but can be measured using tests designed for that purpose (Lei & Wu, 2007). Techniques such as exploratory or confirmatory factor analysis are used to assess the latent constructs underlying the observed variables, and to assess their adequacy of the observed variables in measuring the latent variables (Lei & Wu, 2007). The two main analysis techniques in factor analysis are exploratory factor analysis (EFA) and Confirmatory Factor Analysis (CFA). For this study, CFA was found to be more appropriate than EFA. This is because EFA is an exploratory data analysis technique that is used to determine the number of common factors and ascertain whether what was measured is a reasonable indicator of the latent dimensions (Brown & Moore, 2012). EFA is most commonly used in the early phases of scale development and validating of constructs (Brown & Moore, 2012).

5.11.10.1 Confirmatory Factor Analysis (CFA)

CFA is a statistical technique that deals with measurement models and examines the relationships between observed measures in a study (e.g. test items) and latent variables (Brown & Moore, 2012). To do a CFA, the researcher specifies the number of factors and their relationships before starting the analysis, then the model is then evaluated on how well the measured variables fits the model (Brown & Moore, 2012). Doing a CFA necessitates a strong empirical or conceptual understanding to guide specification of the model (Brown & Moore, 2012). In a CFA, the model structure is hypothesized from theory and tested empirically as it is assumed that the number of factors are known (Lei & Wu, 2007). The steps followed in a SEM analysis are model specification, collection of data, model estimation, model evaluation, and if necessary, model modification (Lei & Wu, 2007). In carrying out the analysis, the variables hypothesized to load on a factor are specified, and then they are estimated (Iacobucci, 2009). One loading for each factor is set to one, to set the scale and assist in overall model estimation (Iacobucci, 2009). CFA is generally used in the later stages of analysis when a model structure has already been established (Brown & Moore, 2012).

5.11.10.2 Model Fit

The main objective of SEM is to examine whether the proposed theoretical model aligns well with the data that has been collected (Brown & Moore, 2012). The approach that this takes is to test hypotheses, analysing theory to establish causal relationships among multiple variables, where causal relationships are specified with references to theory rather than from observations or experience (Lei & Wu, 2007). The theoretical model is then examined alongside the data to check whether it is in line with the data that has been collected, which is done through assessing model-data fit, a process that establishes to what extent the proposed relationships are probable (Lei & Wu, 2007).

Model fit is normally assessed using varied fit indices each of which provides different information (Iacobucci, 2010; Smith & McMillan, 2001). Fit indices used in SEM can be grouped into (1) those reflecting absolute fit such as Chi-squared and SRMR and (2) those reflecting incremental fit, being how one model compares to another, such as CFI (Iacobucci, 2010; Smith & McMillan, 2001). Commonly, researchers report on chi-square (and its degrees of freedom and p-value), the standardized root mean square residual (SRMR), and the comparative fit index (CFI). All these are descriptive statistics that do not have fixed thresholds for determining good fit except for chi-square which is inferential (Iacobucci, 2010). The downside of chi-square is that it is sensitive to sample size, and even with small samples, will almost always be significant (Iacobucci, 2010). Thus, researchers often rely on descriptive fit indices like SRMR and CFI, along with other model evaluation criteria, to make informed judgments about the adequacy of the theoretical model. Incremental fit indices are also popular with researchers as they are straightforward and easy to understand, providing an evaluation of whether a model fits the data, on a 0 to 1 scale (Marsh, Balla, & Hau, 1996).

Jaccard and Wan (1996) suggest using indices from each of the main classes; (1) Goodness of fit and, (2) Incremental fit indices, a recommendation that was adopted for this study. The indices that were used to assess model fit and their thresholds are presented below.

- **Testing the Null Hypotheses: Chi-squared**

Overall fit, judged by how well the model explains the entire data set, is most commonly assessed by using the chi-squared statistic (Hu & Bentler, 1995; Smith & McMillan, 2001). Chi-square is used in regression, however it is a descriptive measure and the goodness-of-fit is subjective as there are no fixed guidelines (Iacobucci, 2010). As per Kline (1998), chi-square is calculated by dividing the CMIN by the degrees of freedom (DF) and values resulting that are ≤ 3 are an acceptable fit.

- **Square Root Mean Residual (SRMR)**

Standardized Root Mean Square Residual (SRMR) is a badness-of-fit index, which ranges from 0.0, when the model predictions are a perfect fit with the data, to 1.0, when model predictions are a bad fit with the data (Iacobucci, 2010). It is calculated by getting the difference between the data and model predictions, computing the average and getting the square root (Iacobucci, 2010). It is considered a good indicator of whether the model captures the data as it not as sensitive to issues such as violation of distributional assumptions (Iacobucci, 2010). Hu and Bentler (1999) propose a cut-off value close to 0.08 in assessing fit.

- **Goodness of Fit (GFI) and Adjusted Goodness of Fit (AGFI)**

According to Kline (2005) and Byrne (1994), GFI values of ≥ 0.9 are acceptable and according to Tabachnick and Fidell (2007), AGFI values of ≥ 0.90 constitute an acceptable fit. However according to Baumgartner and Homburg (1996) and Doll, Xia, and Torkzadeh (1994), values of 0.80 and above are acceptable for GFI and AGFI.

- **Random Measure of Standard Error Approximation (RMSEA)**

RMSEA is one of the most popular indices used to assess goodness of fit within SEM (Kenny, Kaniskan, & McCoach, 2015). Hu and Bentler (1999) propose a cut-off value close to 0.06 for RMSEA in assessing fit.

- **Tests of Incremental Fit - Comparative Fit Index (CFI), Tucker-Lewis Index (TLI) and Incremental Fit Index *(*IFI*)***

Incremental fit indices provide an evaluation of whether a model fits the data, on a 0 to 1 scale (Marsh et al., 1996). According to Iacobucci (2010), while the Chi-Square compares the model to data, tests of incremental fit look at how one model fits the data and compares it to how another model fits the same data. It thus captures the relative goodness-of-fit of a hypothesized model as compared to a simpler model where no paths had been estimated.

CFI is a goodness-of-fit index, and values range from 0.0 to 1.0, with larger numbers being preferred. CFI makes an effort to adjust for model complexity or parsimony by including degrees of freedom in the calculations. Hu and Bentler (1999) propose a cut-off value of close to 0.95 for CFI and TLI, and according to Moss (2009), values of over 0.90 for IFI are considered acceptable.

5.11.11 Modification Indices

Modification indices are a valuable tool in SEM that help identify areas in the model where adding or estimating specific parameters could potentially improve the fit of the model to the data. Modification indices for measurement or structural models are calculated for places where a parameter had not been included or estimated (Iacobucci, 2009). Where a modification index is large, the model would have a better fit if that particular parameter had been included (Iacobucci, 2009). Modification indices are a helpful tool in SEM for identifying potential areas of model improvement. They assist researchers in refining the model and achieving a better fit to the data. However, researchers should use modification indices thoughtfully and ensure that any modifications align with the underlying theory and do not lead to over fitting or sacrificing theoretical coherence.

5.11.12 Path Modelling

For this study, path modelling was used to test the causal relationships between the different variables. In SEM, the structural model, also known as the path model, establishes relationships between constructs (Iacobucci, 2009). A path model distinguishes between exogenous (independent) and endogenous (dependent) variables (Iacobucci, 2009). Dependent variables are thought to be predicted by other constructs in the model, while independent variables are not influenced by any other constructs in the model (Iacobucci, 2009). Path modelling is a graphical representation of the relationships between variables using arrows to indicate direct effects and is a way to visually depict the hypothesized causal relationships in an SEM model. Path analysis is carried out by simultaneously estimating multiple regression models or equations, which then more directly and efficiently models mediation, indirect effects and other complex relationships that may exist among variables (Lei & Wu, 2007). The structural relations in a path analysis model the causal relationships of multiple variables as well as directional influences (Lei & Wu, 2007). The paths represent the estimated effects of one variable on another. These paths can be positive (indicating a positive relationship) or negative (indicating a negative relationship). Path analysis in this study included hypothesis as well as significance testing.

5.11.12.1 Hypotheses Testing

Hypotheses can be defined as statements that a researcher wants to prove or disprove in a particular study (Byrne, 2007). They are statements that make clear predictions or assertions about the expected outcomes of a study. This study proposed a set of 10 hypotheses.

Hypothesis testing was done by regression analysis on SPSS AMOS 27. Regression analysis is a simplified statistical technique commonly used to examine functional relationships between variables (Chatterjee & Hadi, 2013), making it suitable for testing hypotheses about how one variable predicts or influences another.

5.11.12.2 The Level of Significance

A fundamental concept behind inferential statistics is statistical significance. When something is considered statistically significant, it means that the observed result is unlikely to have occurred randomly, by chance alone (Byrne, 2007). When a result is deemed statistically significant, it implies that the observed difference, association, or effect is not likely to have occurred randomly. According to Byrne (2007), statistical significance is affected by the sample size, as well as the strength of the relationship between the variables. A larger sample size generally provides more statistical power, making it easier to detect small but meaningful effects. The strength of the relationship between variables also plays a role in determining statistical significance. If the relationship is strong, it's more likely to be statistically significant, even with a smaller sample size. Conversely, if the relationship is weak, a larger sample size may be needed to achieve statistical significance.

For this study, a significance level (P) of 0.05 (5%) was used. Where the p-value (probability value) associated with a statistical test was less than the P value, the result was considered statistically significant.

5.11.13 Moderation Analysis

A moderating variable can be described as a variable that has an influence on the magnitude and/ or direction between the independent variable (antecedent) and the dependent variable (outcome) (Aguinis, Edwards, & Bradley, 2017). Therefore, a moderating variable influences how and under what conditions the relationship between the antecedent and outcome variables occurs. Moderation analysis aims to explore and quantify how the relationship between the independent and dependent variable changes based on the different levels of the moderating variable. In moderation analysis, an interaction term is typically introduced between a dependent and an independent variable (Memon et al., 2019). For example, the relationship between two variables X and Y, depicted as $X \rightarrow Y$ when doing a moderation, the interaction term X*M (Z) is introduced.

Moderation analysis was conducted using SPSS AMOS 27. Two moderators will be tested, one categorical and one continuous. The relationships between the moderator variables, independent variables and interaction variables will be tested using regression analysis to see if relationships exist. For the categorical moderator, the multi-group analysis function on SPSS AMOS 27 will be used to test if a significant difference exists between the different groups.

5.11.14 Mediation Analysis

As defined by MacKinnon, Fairchild, and Fritz (2007), mediating variables are social, psychological, biological or behavioural constructs that explain the underlying mechanisms or processes through which one variable influences another. In a chain of causal hypotheses, a variable can be both a source variable (exogenous) and a result variable (endogenous) in which case it is referred to as a mediator (Lei & Wu, 2007). An example to explain this is given by Lei and Wu (2007), where the family environment can be theorized to impact learning motivation, which is in turn theorized to impact achievement. In this case, learning motivation is both a source and a result variable, making it a mediator. Mediation explains how a third variable affects the relationship between two variables, e.g. the relationship between two variables can be $X \rightarrow Y$ and when a third variable is introduced, the relationship becomes $X \rightarrow M \rightarrow Y$ (MacKinnon et al., 2007). Mediation analysis is important because it helps researchers delve deeper into the cause-and-effect relationships between variables by identifying the intermediate steps or constructs that link them.

Mediation analysis involves statistical techniques to test whether the mediating variable significantly accounts for the observed relationship between the independent and dependent variables. For this study, mediation analysis will be conducted using SPSS AMOS 27. The classical approach by Baron and Kenny (1986) will be used, where the direct effect is calculated between variable X and Y, then the indirect effect is calculated between X and Y through M. The coefficients are then compared and if the indirect effect is greater than the direct effect, it can be concluded that a mediating effect exists.

5.12 CHAPTER SUMMARY

In conclusion, this chapter aimed to serve as a robust framework for understanding the dataset. The study will employ a variety of data analysis methods to assess the interplay between variables, determine the statistical significance of these relationships, and identify underlying patterns within the data to provide valuable insights and address the research questions effectively. Through a combination of data cleaning, screening, descriptive analysis, and inferential techniques, this study looks to extract meaningful conclusions that contribute to the broader objectives of the study. By adhering to the principles set forth by Hair, Black, Babin, and Anderson (2010), this analysis aims to provide a solid foundation upon which the research findings can be built and interpreted.

CHAPTER 6. PRESENTATION OF RESULTS

6.1 INTRODUCTION

This chapter will present the results of the data analysis as described in the previous chapter. First, the descriptive analysis results will be presented. These were generated from SPSS 27 and include the demographic data, measures of central tendency, Cronbach's alpha, convergent and discriminant validity results and finally the bivariate correlation matrix. Next, the inferential analysis results will be presented, which were generated using SPSS AMOS 27. Anderson and Gerbing (1988) propose a two-step model for presenting findings from structural equation modelling. First, by estimating the measurement model (e.g. through confirmatory factor analysis) then followed by estimating the structural model (e.g. through path analysis). For this study, in line with this two-step model, first the results for the confirmatory factor analysis will be presented and will include composite reliability, average variance extracted and model fit, then the results for the path analysis will be presented and will include model fit and hypothesis testing. Finally, the results from moderation testing and mediation testing will be presented.

6.2 DESCRIPTIVE STATISTICS

In descriptive analysis, the characteristics of a given samples are systematized and described using mathematical procedures and graphical techniques (Fisher & Marshall, 2009). The data that was gathered for this study using the questionnaire was analysed quantitatively using statistical tools. The data was imported from QualtricsXM into SPSS 27 and was translated into summary statistics that aimed to derive meaningful information from the raw data.

6.2.1 Response Rate

Response rate is an important indicator of the quality of a survey, and typically is derived by calculating the number of surveys sent out compared to completed surveys received back. There are many factors that influence the response rate, such as the structure of the survey, the interests of participants, assurance of communication and privacy and how the survey was communicated, for example, if reminders were sent (Saleh & Bista, 2017).

A research panel was used for data collection in this study. The survey was pitched to an audience and in return for a small incentive, participants were asked to complete the survey. The target for the survey was 500 responses, and the platform was automated such that once just over the required number of responses had been collected, the survey closed. Due to the unique nature of how the survey was administered, it was not possible to calculate the response rate as a percentage of surveys distributed, as is the norm. Thus, it was necessary to use other methods to gauge the research panel's response to the survey. One such method was how long it took to reach the targeted number of responses. When scoping the project, it was estimated that data collection would take 10-14 days, however, over 500 complete responses were received in 5 days, which can be used as an indicator that the survey was well received by the research panel.

6.2.2 Quality of Responses

Quality of the responses was also used to gauge the research panel's engagement with the survey. Once the 519 responses had been received, a quick analysis was done on the amount of time participants spent on the survey, being an indicator of how much respondents applied themselves. It was noted that 80 of the respondents had completed the survey in under 5 minutes. These responses were considered not suitable for analysis, as this amount of time would not have been sufficient to give the required amount of attention to the survey. Thus, the survey was opened again for more responses to be collected. A further 151 responses were collected, and on analysis were deemed to be sufficient for analysis. From the data collected, 505 responses were used for the final analysis.

To ensure all the respondents met the minimum criteria, the survey design included qualifying questions which were asked on the first screen. Respondents were asked if they were South African citizens or residents, and if they were over 18 years. Any respondents who answered no to either of these questions were not allowed to proceed further. This screening process resulted in five respondents being eliminated.

6.2.3 Missing Values

Missing values are a concern for any researcher, and unfortunately traditional approaches to deal with this problem can result in biased estimates, distorted statistical power and thus invalid conclusions (Acock, 2005). To minimize the problem of missing data, one common approach used for online surveys is to force responses. This has been made possible by advances in technology and has been noted to substantially reduce dropout rates (Stieger, Reips, & Voracek, 2007). In line with this, forced responses was adopted as a strategy for this survey. The design of the questionnaire did not allow respondents to move to the next section before completing all the questions in the current section. This strategy resulted in all the responses being returned complete. The only exception to this were questions 10, 11 and 12 which were follow up questions to question 9 (Please confirm if you have ever had a home loan application declined by your main bank). If respondents answered yes to question 9 (that they had been declined for a home loan before), there were follow up questions relating to how they felt, but if they answered no, there was nothing further to interrogate and thus they had missing responses for questions 10, 11 and 12.

Despite expecting no missing data, the missing value analysis function in SPSS Version 27 was used to check the distribution of missing values. The analysis confirmed that there were no missing values.

6.2.4 Demographic Profiles of Respondents

Demographic data that was collected included gender and age. Banking information collected included their main bank, bank tenure, whether they had ever applied for a home loan, whether it had been declined, and if they responded yes, how they had reacted to the feedback.

The results are presented below.

6.2.4.1 Gender

Four response options were given for participants to indicate their gender, but only two options were used, with 62.6% of the respondents being female and 37.4% of the respondents being male.

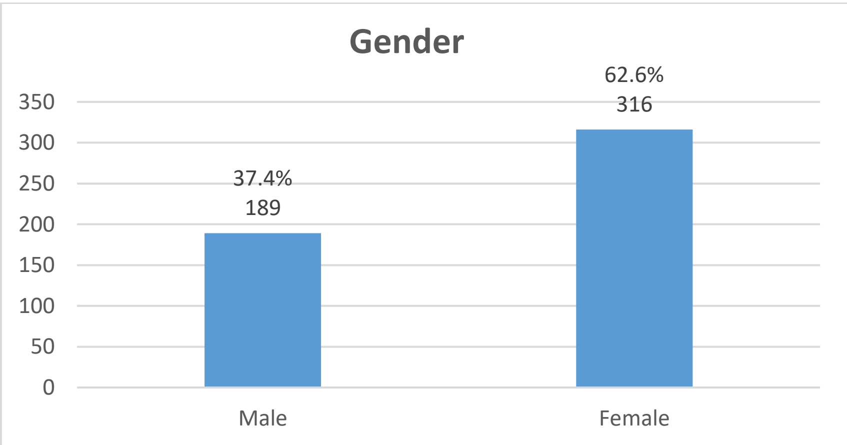

Figure 7: Gender of respondents (Source: Author's Conceptualisation)

6.2.4.2 Age

The summary statistics showed that the highest number of respondents came from the 26–35-year-old age group, comprising 47.9% of the study, followed by 36–45-year-olds, who comprised 28.3% of the study, and 46-55 year olds who made up 16.2%. The smallest representation in the study came from over 55-year-olds, who comprised 4.8% of the study, and 18–25-year-olds who comprised 2.8% of the study.

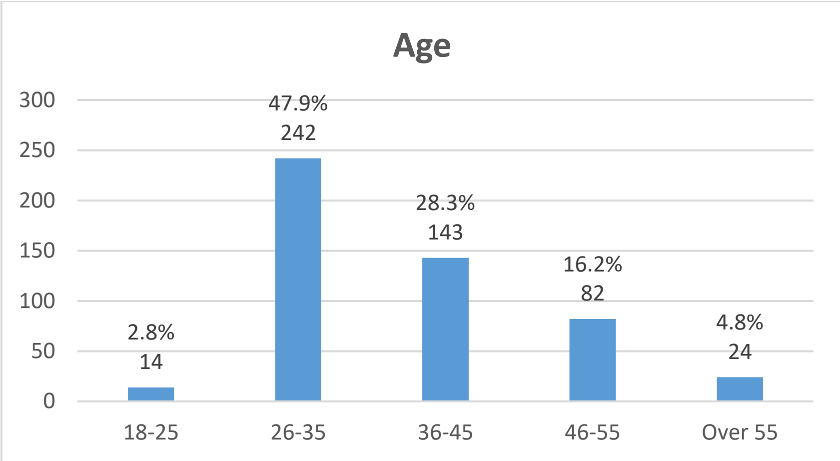

Figure 8: Age of respondents (Source: Author's Conceptualisation)

6.2.4.3 Main Bank

Data collected from the respondents showed that the highest number of respondents were FNB (37.4%) and Capitec customers (29.1%). Next was Standard Bank with 11.7% of respondents, Absa with 10.5% of respondents and Nedbank with 9.5% of customers. 1.8% of respondents reported banking with one of the other smaller banks.

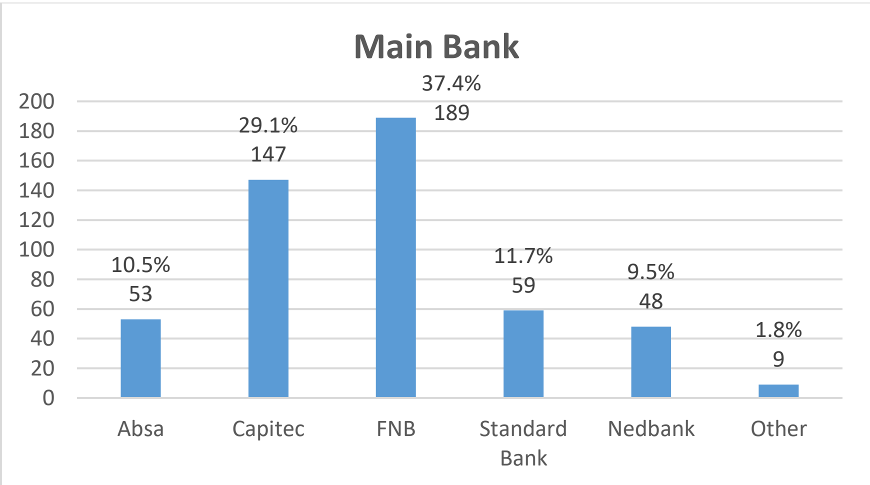

Figure 9: Primary banking institutions of respondents (Source: Author's Conceptualisation)

6.2.4.4 Bank Tenure

Respondents were asked to indicate how long they had been with their main bank. This was defined as the bank where they hold a current (cheque) account and process most of their transactions through, e.g. salary. Majority of the respondents reported that they had been with their main bank for more than 4 years, with 26.3% having been with their bank for 4-6 years, 17.8% having been with their bank for 7-9 years, 16.0% having been with their main bank for 10-12 years and 24.6% having been with their bank for over 12 years. Only a very small percentage, 2.4% reported being with their banks for less than a year.

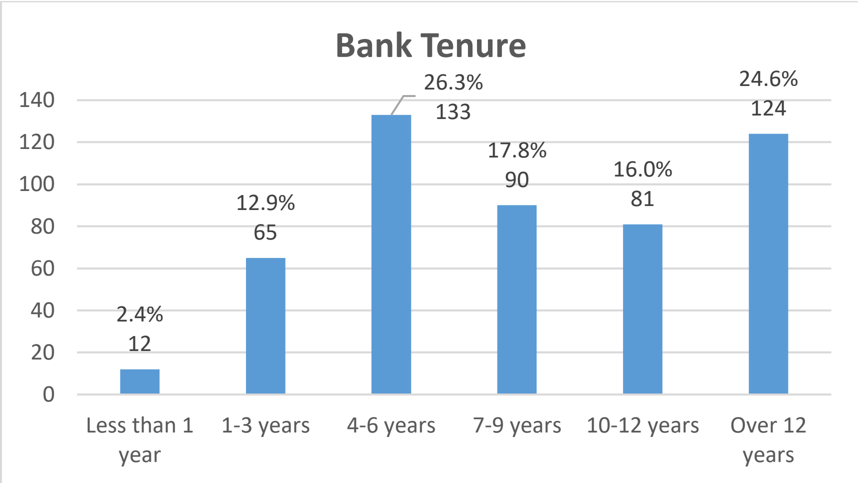

Figure 10: Tenure of respondents with their banks (Source: Author's Conceptualisation)

6.2.4.5 Previous Home Loan Applications

Although the main study collected and analysed data on a hypothetical scenario, information was also collected on respondents' real-life experiences. The results of the survey indicated that 50.7% of respondents had applied for a home loan before while 49.3% of the respondents in the survey had not. Respondents were asked whether they had ever had a home loan declined. Of those, 31.5% of them responded yes to having had a home loan declined before while 68.5% responded that they had never had a home loan declined before. From the responses, we can infer that out of the 256 who have applied for a home loan before, 159 had received a decline, meaning 97 have never had a home loan declined. In hindsight, this question should only have been asked to those who responded yes to having applied for a loan before for more reliable statistics. In interpreting the responses to this question, it needs to be taken into account that many home loan applicants apply more than once either to the same bank or a different bank, thus it is possible that a good majority of those who have had home loans declined before do currently have home loans after reapplying. This however does not have an effect on the findings of the study as this was treated as demographical data.

Respondents were also asked how they responded after they received a letter from the bank that their home loan had been declined. This question was only posed to respondents who reported that they had ever had a loan declined (159 respondents). Majority of respondents (84.3%) indicated that they stayed with their main bank after the encounter, while 15.7% reported leaving. While 35.8% of respondents agreed with the bank's decision to decline their loan, and 64.2% disagreed. Additionally, 37.1% of respondents appealed the bank's decision, 62.9% did not.

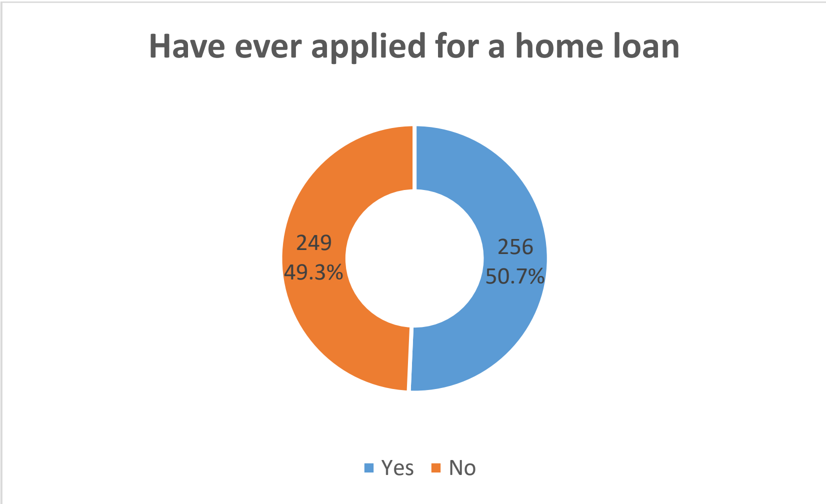

Figure 11: Whether respondents have ever applied for a home loan (Source: Author's Conceptualisation)

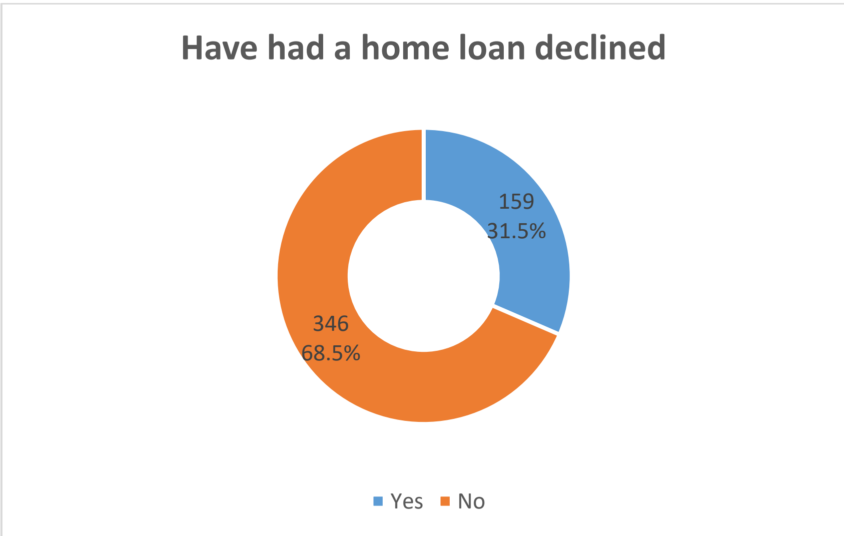

Figure 12: Whether respondents have had a home loan declined (Source: Author's Conceptualisation)

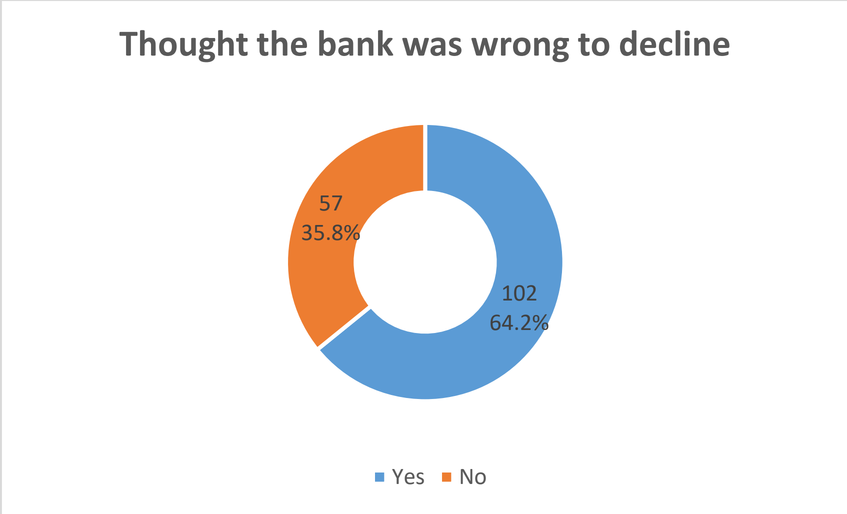

Figure 13: What respondents thought of the bank's decision (Source: Author's Conceptualisation)

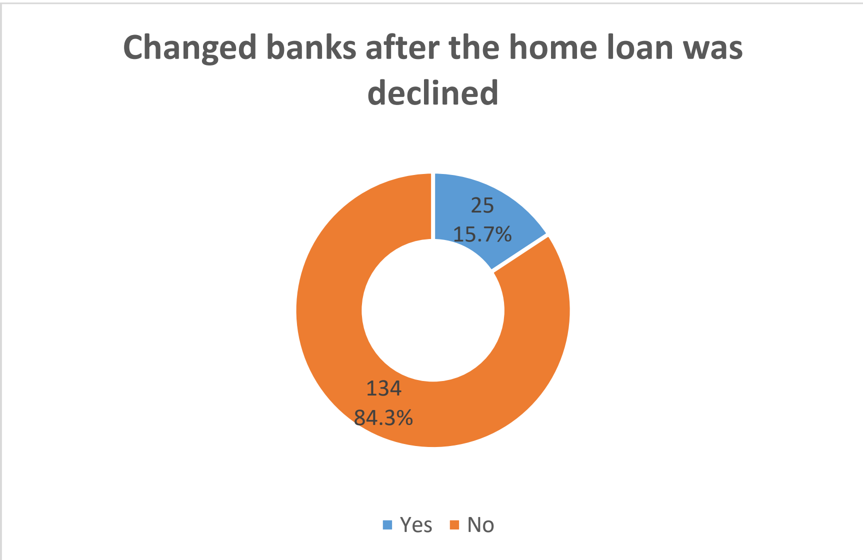

Figure 14: Whether respondents changed banks after the decline (Source: Author's Conceptualisation)

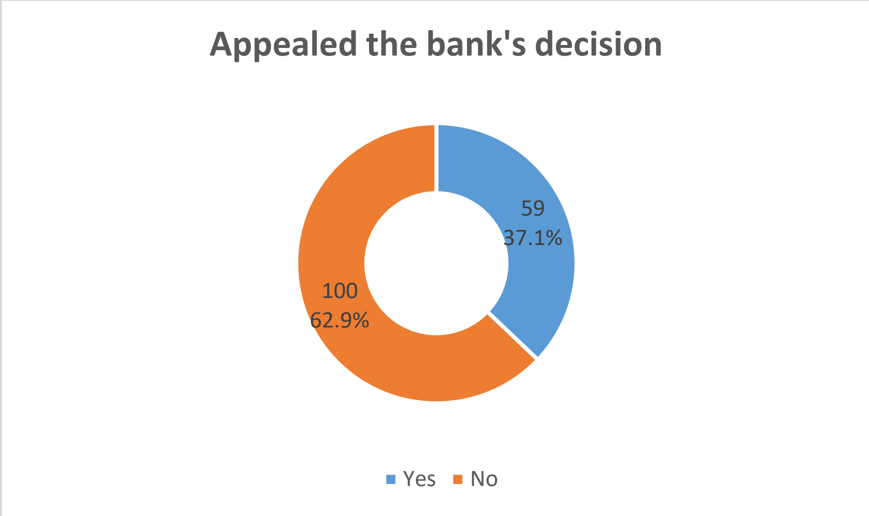

Figure 15: Whether respondents appealed the bank's decision (Source: Author's Conceptualisation)

6.2.4.6 Manipulation Check

A manipulation check was carried out on respondents to check the understanding of the vignette scenario. The respondents were asked whether it was a reasonable expectation that the bank would approve their loan. Majority of the respondents (92.7%) agreed that it was indeed a reasonable expectation, while 7.1% disagreed that it was a reasonable expectation.

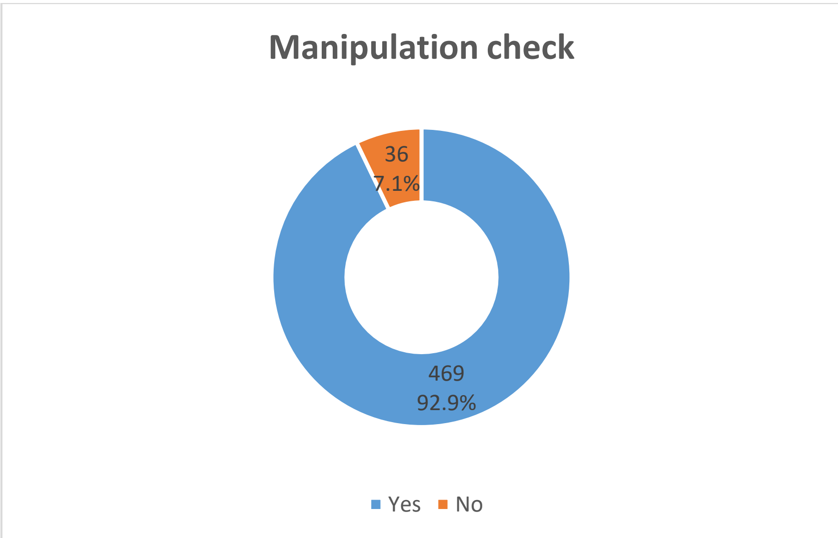

Figure 16: Manipulation check (Source: Author's Conceptualisation)

The use and effectiveness of manipulation checks has been widely debated by researchers. Most, however, hold the view that manipulation checks are beneficial in experimental research, and that failing to include them adversely affects the study (Hauser, Ellsworth, & Gonzalez, 2018). Another question that has been debated by researchers is what to do with respondents who failed manipulation checks, or did not respond to them as expected. Although some researchers are in favour of dropping respondents who failed manipulation checks, others such as Aronow, Baron, and Pinson (2019) argue that to do so creates serious bias and advocate for keeping the full sample. For this study, the vignette was well received and understood by the majority. Out of the 505 respondents, only 36 respondents did not resonate with the vignette as designed and responded no to the manipulation check, but in line with recommendations from Aronow et al. (2019) all responses were kept and included in the main analysis which will be presented later in this paper.

6.2.5 Cross-tabulation

As part of the descriptive analysis of this study, cross-tabulation was carried out on the data. Cross-tabulation is a procedure carried out on data to determine how two or more categorical variables in a data set are linked (Byrne, 2007; Dass, 2010). Categorical data collected from participants of this study included age, gender, their main bank, and how long they had been with their main bank.

The results are presented below.

6.2.5.1 Main Bank * Gender Cross-tabulation

Majority of the respondents in this study were female, which is the same across all banks in the study, but in looking at the male/ female split, FNB seems to have a have a higher ratio of men compared to the other banks.

		Male	%	Female	%	Total
Main Bank	Absa	18	34%	35	66%	53
	Capitec	52	35%	95	65%	147
	FNB	80	42%	109	58%	189
	Standard Bank	18	31%	41	69%	59
	Nedbank	16	33%	32	67%	48
	Other	5	56%	4	44%	9
Total		189		316		505

*Table 8: Main Bank *Gender Cross-tabulation (Source: Author's Conceptualisation)*

6.2.5.2 Main Bank * Age Cross-tabulation

The majority of respondents in the study were between the ages of 26 and 45, however in looking at the age breakdown by bank, Capitec appears to serve a younger audience while Absa has a disproportionate number of over 55s.

		18-25	26-35	36-45	46-55	Over 55	Total
Main Bank	Absa	1	22	18	6	6	53
	Capitec	7	66	39	26	9	147
	FNB	4	92	60	27	6	189
	Standard Bank	1	38	6	13	1	59
	Nedbank	1	23	14	9	1	48
	Other	0	1	6	1	1	9
Total		14	242	143	82	24	505

Table 9: Main Bank Age Cross-tabulation (Source: Author's Conceptualisation)*

6.2.5.3 Applied Home Loan * Gender Cross-tabulation

The study had a higher number of females than males, however, proportionate to the numbers, a higher percentage of men reported applying for home loans more than women.

		Male	%	Female	%	Total
Applied Home Loan	Yes	102	54.0%	154	48.7%	256
	No	87	46.0%	162	51.3%	249
Total		189	100.0%	316	100.0%	505

Table 10: Applied Home Loan Gender Cross-tabulation (Source: Author's Conceptualisation)*

6.2.5.4 Declined Home Loan * Gender Cross-tabulation

The percentage decline for men and women are almost similar, so there does not seem to be a significant influence in gender on home loans getting approved or declined.

		Male	%	Female	%	Total
Declined Home Loan	Yes	62	32.8%	97	30.6%	159
	No	127	67.1%	219	69.3%	346
Total		189	100.0%	316	100.0%	505

*Table 11: Declined Home Loan * Gender Cross-tabulation (Source: Author's Conceptualisation)*

6.2.6 Measures of Central Tendency and Distribution

For this study, participants were presented with five-point likert scales and asked to indicate their agreement or disagreement with the statements. Using this scale, 3 was a neutral position, where they neither agreed nor disagreed, thus values lower than 3 indicated disagreement, and values above 3 indicated agreement.

6.2.6.1 Measurement of Central Tendency

For this analysis, the mean was calculated for each item in the survey instrument, as well as for each construct. The means for the constructs ranged between 2.81 and 3.73. The means for the items ranged from 2.22, indicating overall disagreement, to 4.12, indicating overall agreement. A summary of the means by item and by construct can be found in Table 12.

6.2.6.2 Measurement of Dispersion

Measures of dispersion that were used to analyse the data in this study were standard deviation, skewness and kurtosis. Standard deviations of between 0.77 and 1.34 were recorded for the constructs, and between 1.05 and 1.42 for the items. A summary of the standard deviations by item and by construct can be found in Table 12. The constructs with smaller standard deviations (closer to 0.77) would suggest that participant responses to these questions were clustered around the mean, while the larger standard deviations (closer to 1.12) were spread further from the mean. Similar to the constructs, the smaller standard deviations of the items (closer to 1.05) suggest that responses to the items are relatively consistent and less spread out around the mean, while the larger deviations (closer to 1.42) indicate diversity and variability in the responses to individual items. Within the constructs, it can be observed that the standard deviations of the items are relatively consistent.

All the constructs in this study, except calculative commitment, demonstrated negative skewness indicating that the data was skewed to the left, and thus majority of the responses were concentrated to the right (largely showing agreement) with a few extreme values indicating disagreement. All the constructs had a negative kurtosis, indicating that the distribution of the data was flatter than a normal distribution, with fewer extreme values and less of a peak around the mean. A summary of the standard deviation by item and standard deviation, skewness and kurtosis by construct can be found in Table 12

Construct	Item	Mean		Standard Deviation		Skewness	Kurtosis	Corrected Item to Total	Cronbach Alpha	Cronbach Alpha if Item is Deleted	Factor Loading
CD	CD1	3.000	3.328	1.382	1.343	-0.123	-0.959	0.353	0.843	0.843	0.262
	CD2	3.030		1.414				0.549		0.828	0.643
	CD3	3.610		1.357				0.577		0.826	0.710
	CD4	3.940		1.232				0.537		0.829	0.712
	CD5	4.040		1.188				0.528		0.830	0.708
	CD6	3.310		1.369				0.581		0.826	0.642
	CD7	2.690		1.351				0.623		0.822	0.733
	CD8	2.770		1.390				0.372		0.842	0.613
	CD9	2.980		1.418				0.524		0.830	0.757
	CD10	3.170		1.386				0.526		0.830	0.722
	CD11	3.750		1.242				0.479		0.833	0.733
	CD12	3.640		1.247				0.460		0.835	0.627
CO	CO1	3.770	3.732	1.207	1.040	-0.766	-0.090	0.733	0.894	0.872	0.719
	CO2	3.860		1.155				0.807		0.857	0.804
	CO3	3.720		1.231				0.819		0.853	0.807
	CO4	3.770		1.189				0.757		0.867	0.723
	CO5	3.540		1.410				0.616		0.904	0.569
SAT	SAT1	3.220	3.153	1.282	1.199	-0.167	-1.050	0.809	0.951	0.948	0.722
	SAT2	3.170		1.337				0.863		0.939	0.782
	SAT3	3.190		1.279				0.866		0.939	0.792
	SAT4	3.040		1.327				0.884		0.935	0.807
	SAT5	3.150		1.332				0.896		0.933	0.815

TRU	TRU1	3.260	3.266	1.304	1.159	-0.230	-0.911	0.854	0.938	0.919	0.744
	TRU2	3.080		1.364				0.816		0.927	0.711
	TRU3	3.230		1.266				0.867		0.917	0.766
	TRU4	3.500		1.200				0.815		0.927	0.636
	TRU5	3.260		1.339				0.816		0.926	0.703
AFF	AFF1	4.120	3.476	1.100	0.767	-0.259	-0.444	-0.264	0.792	0.894	0.713
	AFF2	3.100		1.414				0.330		0.874	0.326
	AFF3	4.110		1.048				-0.208		0.890	0.676
	AFF4	3.460		1.245				0.659		0.860	0.571
	AFF5	3.110		1.338				0.744		0.853	0.670
	AFF6	3.380		1.261				0.767		0.855	0.729
	AFF7	3.230		1.305				0.805		0.852	0.743
	AFF8	3.270		1.288				0.807		0.851	0.803
	AFF9	3.490		1.217				0.780		0.854	0.789
CAL	CAL1	2.950	2.807	1.288	1.057	0.053	-0.755	0.737	0.886	0.856	0.646
	CAL2	2.640		1.279				0.767		0.858	0.738
	CAL3	2.600		1.356				0.612		0.863	0.547
	CAL4	3.350		1.297				0.612		0.853	0.685
	CAL5	2.530		1.306				0.751		0.860	0.744
	CAL6	2.770		1.420				0.723		0.860	0.699
BL	BL1	2.640	2.969	1.332	1.035	-0.080	-0.668	0.661	0.886	0.918	0.590
	BL2	2.220		1.276				0.523		0.923	0.465
	BL3	2.890		1.323				0.801		0.911	0.716
	BL4	3.340		1.306				0.727		0.913	0.656
	BL5	3.390		1.248				0.751		0.913	0.699
	BL6	3.330		1.300				0.738		0.912	0.748

AL	AL1	3.500	3.257	1.231	0.950	-0.317	-0.490	0.829	0.822	0.910	0.780
	AL2	2.920		1.354				0.777		0.911	0.731
	AL3	3.450		1.268				0.835		0.910	0.798
	AL4	3.240		1.357				0.855		0.909	0.803
	AL5	3.230		1.330				0.805		0.910	0.782
	AL6	3.200		1.293				-0.295		0.952	0.287

Table 12: Mean, Standard Deviation, Skewness, Kurtosis, Cronbach Alpha, Corrected Item to Total and Factor Loading for the Study Items (Source: Author's Conceptualisation)

*Notes: * Valid N (Listwise) = 505*

**Strongly disagree = 1; Somewhat disagree = 2; Neither agree nor disagree = 3; Somewhat agree = 4; Strongly agree = 5*

6.3 CONFIRMING THE PRESENCE OF DISSONANCE

The initial step in examining the conceptual model involved establishing the presence of cognitive dissonance, as represented by hypothesis H1. This was achieved by analysing the survey responses, where respondents used a five-point Likert scale to express their agreement or disagreement with specific statements. In this scale, a value of 3 represented a neutral position, while values below 3 indicated disagreement, and values above 3 indicated agreement. The calculated mean for cognitive dissonance (CD) was found to be 3.328. This indicated overall agreement among respondents with the survey items, implying the presence of dissonance within the surveyed population.

This foundational step in the research process confirms that the conditions necessary for further investigation into the relationships proposed by the conceptual model have been met. The acknowledgment of dissonance lays the groundwork for subsequent analysis, facilitating the exploration of how this dissonance influences factors like satisfaction, commitment, trust and loyalty within the context of demarketed segments in the South African banking sector. In presenting the research findings, these initial insights into the presence of cognitive dissonance serve as a fundamental basis for the subsequent analysis and discussions, ultimately contributing to a more comprehensive understanding of customer behaviour and reactions in demarketing situations within the banking industry.

6.4 INFERENTIAL STATISTICS

The first stage of inferential statistics, carried out via confirmatory factor analysis on SPSS AMOS 27, involved model fit checks to test whether the data collected was in line with the hypothesised model. Second, the measurement model was verified by confirming the reliability (i.e. CR values) and validity (i.e. AVE values) of the study constructs. Then, path modelling analysis was carried out by re-checking model fit and the hypothesised relationships. Lastly, the moderator and mediator tests were conducted.

6.4.1 Confirmatory Factor Analysis or Measurement Model Analysis

Model fit assessment was conducted using confirmatory factor analysis. To do this, a measurement model was constructed using SPSS AMOS version 27, specifically AMOS graphics, where the model is specified by drawing it in the application. The model consisted of first order constructs. A sound model is based on theory, being findings in existing literature, field knowledge and the researcher's educated guesses, and are most easily conceptualized and communicated graphically (Lei & Wu, 2007). Directional (→) arrows were used to indicate what the hypothesized causal relationships were, with the variable where the arrow is pointing being a dependent variable, and the one with no arrow pointing to it being an independent variable (Lei & Wu, 2007). Covariances that could not be explained were indicated by curved arrows, variables appearing in rectangles were the observed variables and those in circles or ellipses were latent constructs (Lei & Wu, 2007).

6.4.2 Model Fit

In carrying out a SEM analysis, model fit indices are first used to establish if the model is an acceptable fit to the data, and once that has been done, the next step is to establish if specific paths are significant (Moss, 2009). It is worth noting that a good number of fit indices are derived from the chi-square value (Moss, 2009). As different indices work better under different conditions and have different limitations, most researchers recommend using a range of them (Marsh et al., 1996). None should be considered in isolation, rather they should be evaluated simultaneously. For this analysis, Chi-Square (CMIN/DF), GFI, AGFI, SRMR, RMSEA, CFI, TLI and IFI were used to test model fit of the original model. The results of the original model as hypothesized are presented in Table 13 and indicated a poor model fit, implying that the model did not adequately explain the observed data. This outcome suggested that adjustments or refinements to the model, such as revising the structural paths, adding or removing variables, or addressing other model specification issues, were necessary to improve its alignment with the data.

6.4.3 Post Hoc Model Modifications

Post hoc modifications in SEM are sometimes necessary to improve model fit, but they should be approached with caution, as they can change the confirmatory method of SEM, distracting from the confirming or disconfirming of the model to making it a more exploratory undertaking (Lei & Wu, 2007). Such modifications can potentially obscure the primary objective of confirming or disconfirming the hypothesized model, as they may introduce changes that were not initially specified. Therefore, any modifications made should be carefully monitored and documented. In factor analysis, each variable has a factor loading, which is the extent to which the variable contributes to the factor (Yong & Pearce, 2013). A non-significant loading could mean that the variable is an inappropriate measure (e.g. it could have been confusing or ambiguous to respondents) and should be removed (Iacobucci, 2009). To improve the model fit for this study, first, items with low factor loading were deleted in an attempt to achieve a more parsimonious model. Results from this study revealed factor loading results ranging between 0.262 and 0.815. Items that had factor loadings that were too low (below 0.40) were deemed to be insignificant and failing to assist in reaching convergent validity and were thus deleted. This step is a common practice in SEM when items do not adequately contribute to their respective constructs or exhibit weak associations with the latent variables they are intended to measure. Deleting these items resulted in a notable improvement in the model fit, although it could still be improved. In total, nine items were deleted from three constructs. The deleted items are listed below.

- Cognitive Dissonance – CD1, CD2, CD8, CD9, CD10
- Commitment – AFF1, AFF2, AFF3
- Loyalty – AL6

Second, modification indices were applied to further improve the model fit. When a model is initially rejected based on goodness-of-fit statistics, it is not uncommon to explore alternative model specifications that better align with the observed data (Lei & Wu, 2007). Post hoc modifications, guided by modification indices, can be instrumental in achieving this objective (Lei & Wu, 2007). A modification index is the chi-square value, plus 1 degree of freedom, and considers if the model would be improved by freeing parameter or adding paths to the model (Lei & Wu, 2007). In doing this, covariances were applied to error terms that were highly correlated with each other to improve the model fit. The above systematic approach to improving the model fit resulted in a model that was a good fit to the data. The results of this are presented in Table 13 below.

Standards for Checking Model Fit	**Model Fit Index**	**Acceptable Threshold**	**Original Result**	**Revised Result**	**Outcome**
	Chi-Square	≤ 3	3.544	2.678	Acceptable
	CMIN/DF		*3919/1106*	1914/715	
Tests of Absolute Fit	GFI	≥ 0.800	0.720	0.830	Acceptable
	AGFI	≥ 0.800	0.690	0.805	Acceptable
	SRMR	≤ 0.080	0.091	0.079	Acceptable
	RMSEA	≤ 0.080	0.071	0.058	Acceptable
Tests of Incremental Fit	CFI	≥ 0.900	0.860	0.935	Acceptable
	TLI	≥ 0.900	0.851	0.929	Acceptable
	IFI	≥ 0.900	0.860	0.935	Acceptable

Table 13: Model Fit Results from CFA Analysis (Source: Author's Conceptualisation)

6.4.4 Final Measurement Model

Figure 16 below is a representation of the original measurement model as hypothesized and includes the constructs of interest and their connections as initially proposed. Following that is Figure 17, which is a representation of the best and final fit model after adjustments such as deletion of items with low factor loadings and application of modification indices. This model reflects the improved alignment with the observed data and the progression of the research. Presenting both versions of the model is meant to convey the transformations made to the model, from its initial conceptualization to its ultimate form.

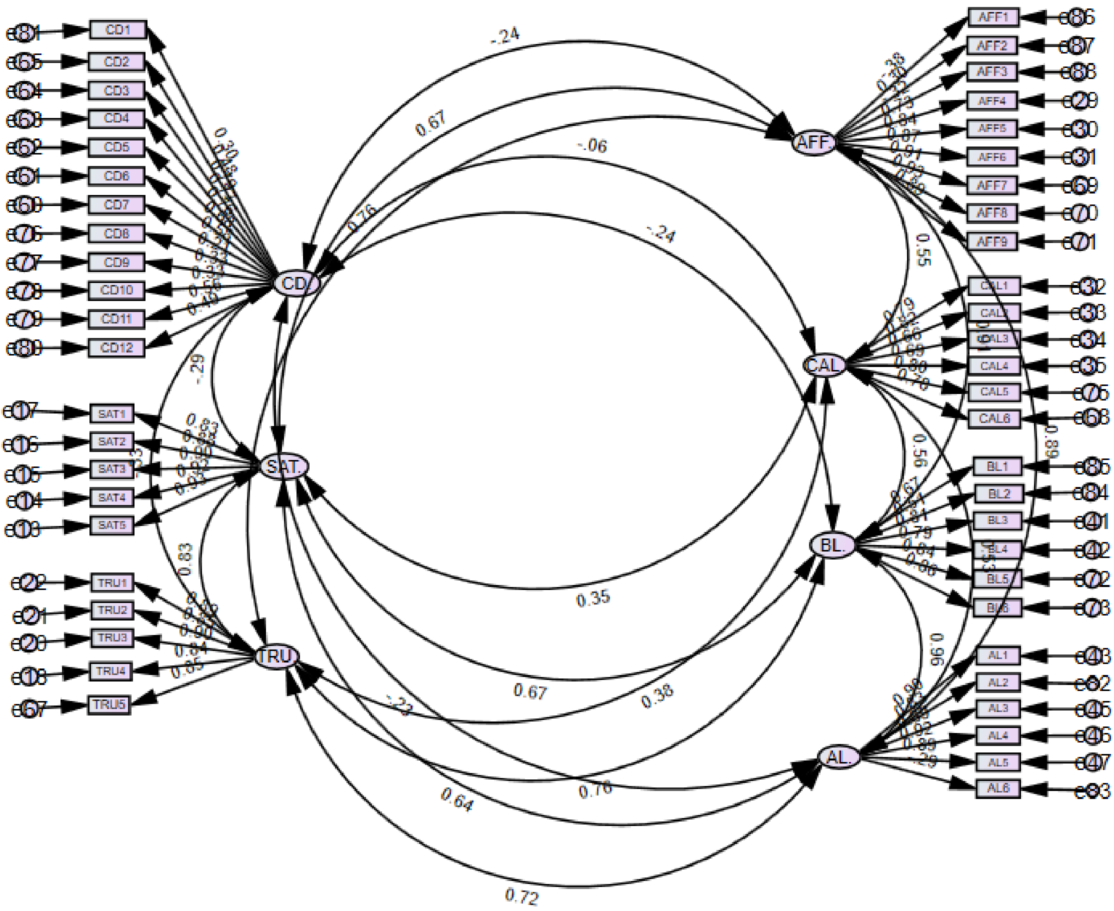

Figure 17: First Order Constructs Initial Measurement Model (Source: Author's Conceptualisation)

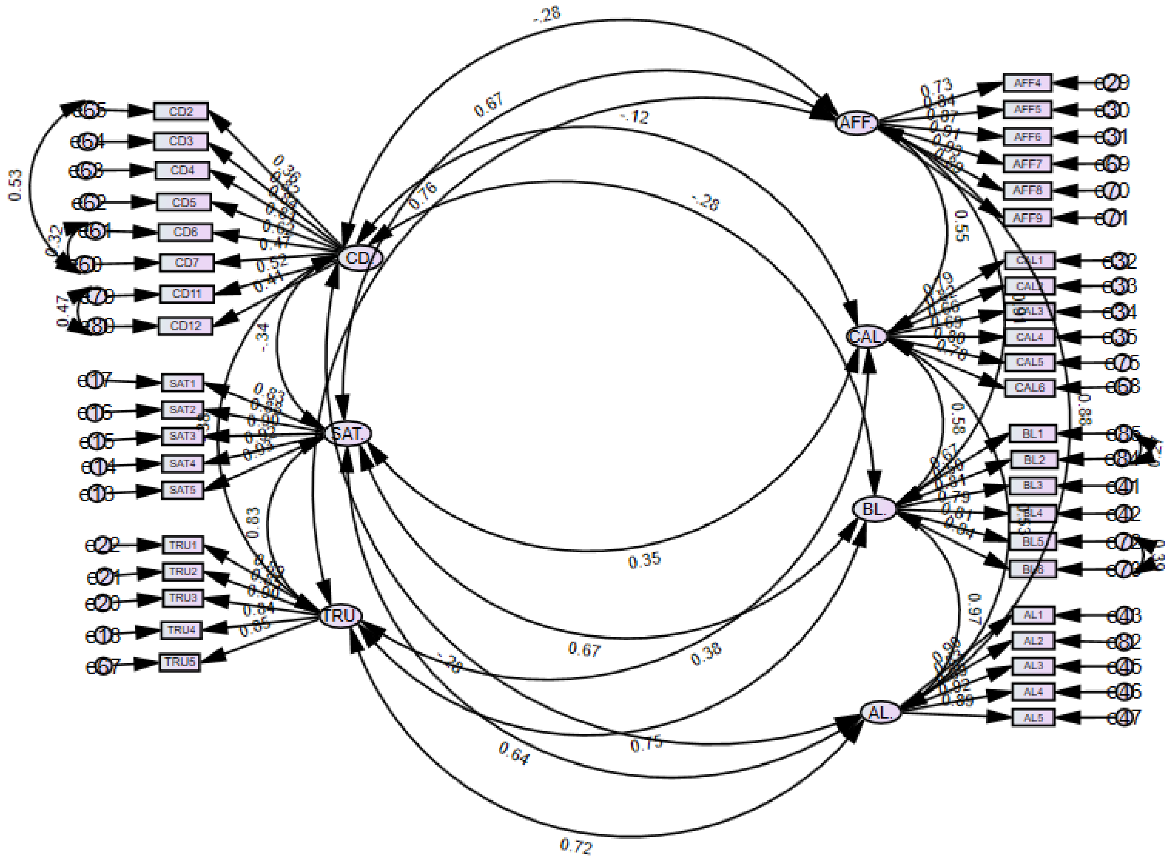

Figure 18: First Order Constructs Final Measurement Model (Source: Author's Conceptualisation)

6.5 TESTING FOR RELIABILITY

Once the model fit had been checked and confirmed to be a good fit, the next step was to check for reliability. Reliability is about how a specific test or tool, for example, a questionnaire, can replicate the same set of results, assuming all other factors are held constant (Roberts & Priest, 2006). Checking the internal consistency of a scale is one way of testing its' reliability. For this study, the internal consistency of the measurement instruments was measured using Cronbach Alpha, corrected item to total value and composite reliability (CR).

6.5.1 Cronbach's Alpha

Nine different scales, representing each construct, made up the measurement instrument, and Cronbach Alpha values were computed for each scale. When computing Cronbach Alpha, coefficient values range between 0 and 1, however according to Cronbach (1951), for the scale to be internally consistent, the coefficient value should not be less than 0.70. Values that are too high are also seen to be problematic, as they may indicate redundancy of items, scales that are too lengthy or parallel items (Panayides, 2013). Nunnally (1978) recommends values of not more than 0.95. The values of all constructs for this study were found to be within this range, all falling between 0.792 and 0.951. A summary of the Cronbach Alpha values for each construct can be found in Table 12.

6.5.2 Corrected Item to Total Value

Corrected Item to total values were calculated for each item in the study as a further test of reliability. Cristobal et al. (2007) postulate that items should not have a corrected item to total value of less than 0.30 as it indicates poor fit, and Nunnally (1978), suggests that items should not have a value of more than 0.85 as that may indicate multicollinearity. The results show that while none of the items had values above 0.95, three had values lower than 0.30, indicating that they could be a poor fit with the rest of the scale items. These items were subsequently deleted during measurement model analysis. A summary of the corrected item to total value values for each item can be found in Table 12.

6.5.3 Composite Reliability

Another test that was used to confirm internal consistency was computing of composite reliability values for the first order constructs (incorporating only items that were retained in the model). This was done by running a confirmatory factor analysis from SPSS AMOS 27, results of which are displayed in Table 14. Ab Hamid, Sami, and Sidek (2017) propose a threshold of 0.70 which further confirms the internal consistency of the scales used in the measurement instrument. All constructs in this study were above this threshold

Construct	Item	Factor Loading	CR	AVE	MaxR(H)
CD	CD3	0.822	0.833	0.434	0.888
	CD4	0.851			
	CD5	0.805			
	CD6	0.604			
	CD7	0.430			
	CD11	0.521			
	CD12	0.412			
SAT	SAT1	0.832	0.951	0.795	0.955
	SAT2	0.883			
	SAT3	0.898			
	SAT4	0.916			

	SAT5	0.927			
TRU	TRU1	0.890	0.938	0.753	0.941
	TRU2	0.855			
	TRU3	0.903			
	TRU4	0.839			
	TRU5	0.850			
AFF	AFF4	0.730	0.946	0.746	0.956
	AFF5	0.840			
	AFF6	0.868			
	AFF7	0.909			
	AFF8	0.931			
	AFF9	0.889			
CAL	CAL1	0.788	0.889	0.573	0.896
	CAL2	0.817			
	CAL3	0.658			
	CAL4	0.686			
	CAL5	0.799			
	CAL6	0.780			
BL	BL1	0.669	0.890	0.619	0.898
	BL2	0.504			
	BL3	0.814			
	BL4	0.788			
	BL5	0.813			
	BL6	0.841			
AL	AL1	0.898	0.948	0.787	0.951
	AL2	0.833			
	AL3	0.894			
	AL4	0.916			
	AL5	0.892			

Table 14: Item Factor Loading, Composite Reliability, Average Variance Extracted, Maximum Shared Value and MaxR(H) (Source: Author's Conceptualisation)

6.6 TESTING FOR VALIDITY

Validity is about how close the study was to measuring what it wanted to measure (Roberts & Priest, 2006; Saunders & Lewis, 2009). This can be done by checking the degree to which the constructs in a study are correlated, thus are in agreement (convergent validity) or the degree to which the constructs differ from each other, thus measure different things (discriminant validity) (Ab Hamid et al., 2017). The convergence and divergence of constructs for this study were tested by examining the correlation matrix for discriminant validity, and the factor loadings and average variance extracted for convergent validity.

6.6.1 Convergent Validity

Convergent validity looks not only at individual relationships, but also at the overall pattern of relationships among items and constructs. Accordingly, it cannot be assessed by one measure, but rather looks at a combination of different measures. One of the ways that convergent validity was assessed in this study using composite reliability, as per Table 14. Composite reliability measures the internal consistency of items within a construct, and scores of 0.70 and above are acceptable as they suggest that the indicators are reliable measures of the underlying constructs (Ab Hamid et al., 2017). All the constructs in this study were above this threshold and thus met this requirement, demonstrating convergent validity.

Additionally, in the context of the confirmatory factor analysis that was done on the data set, factor loadings were assessed. High factor loadings of items (above 0.50) suggest a strong relationship between them and the underlying construct, hence, indicating the presence of convergent validity (Fornell & Larcker, 1981). As per Table 12, all but two of the items met this threshold. They were however not deleted, as weaker indicators are sometimes retained on the basis of their contribution to content validity (Hair et al., 2011) and in this case, they seemed to work well with the overall scale.

6.6.2 Discriminant Validity

Discriminant validity is used to assess whether different constructs are distinct from each other, meaning that they are not measuring the same underlying construct (Farrell & Rudd, 2009). Confirmatory factor analysis (CFA) can be used to demonstrate the presence of discriminant validity among constructs (Brown & Moore, 2012). This is done by assessing the measurement model of the variables. Key to note is that in the measurement model, first order constructs were used in the analysis.

6.6.2.1 Inter-Construct Correlation Matrix

A correlation matrix, drawn from SPSS was used to assess the relationship between the constructs. The relationships are presented in Table 15 below. High correlations between constructs meant that those constructs were related, while low correlations meant that the constructs were theoretically different (Nunnally, 1978). In assessing this correlation matrix, except for cognitive dissonance, most of the constructs in the study show positive correlations with each other. This indicates that as one variable increases, the other one also increases. With negative correlations, as one variable increases, the other decreases. The strength of correlations is indicated by absolute value, thus higher values (closer to 1) indicate strong relationships while lower values (closer to 0) indicate weak relationships. Values above 0.850 may be an indicator of multicollinearity according to Schroeder, Lander, and Levine-Silverman (1990). This study recorded one instance where one value was slightly above the recommended threshold. These were two items from the same higher order construct (BL and AL) and were subsequently merged to create higher order construct.

	SAT	TRU	AFF	CAL	BL	AL	CO	CD
SAT	1							
TRU	.790**	1						
AFF	.639**	.710**	1					
CAL	.333**	.367**	.523**	1				
BL	.577**	.646**	.819**	.564**	1			
AL	.629**	.697**	.848**	.520**	.868**	1		
CO	.465**	.482**	.404**	.183**	.363**	.374**	1	
CD	-.203**	-.213**	-.153**	-0.029	-.139**	-.166**	-0.062	1

***. Correlation is significant at the 0.01 level (2-tailed).*

Table 15: Inter-Construct Correlation Matrix – First Order Constructs (Source: Author's Conceptualisation)

As per the conceptual model, first order constructs affective commitment (AFF) and calculative commitment (CAL) were combined to form the second order construct commitment (COM) and first order constructs behavioural loyalty (BL) and attitudinal loyalty (AL) were combined to form the second order construct loyalty (LOY). All first order constructs were assessed using a correlation matrix, presented in Table 16 below. All values were well below the recommended threshold of 0.850, demonstrating discriminant validity.

	SAT	TRU	CO	CD	LOY	COM
SAT	1					
TRU	.790**	1				
CO	.465**	.482**	1			
CD	-.203**	-.213**	-0.062	1		
LOY	.628**	.701**	.389**	-.153**	1	
COM	.550**	.594**	.352**	-.089*	.804**	1

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

Table 16: Inter-Construct Correlation Matrix – Second Order Constructs (Source: Author's Conceptualisation)

6.6.2.2 Average Variance Extracted (AVE)

Calculation of the AVE, as presented in Table 12, was also used to check for convergent validity. Values higher than 0.5 suggest the presence of convergent validity (Ab Hamid et al., 2017; Anderson & Gerbing, 1988). Only one construct (Cognitive Dissonance) did not meet this threshold, however it was still determined to have convergent validity as it had registered composite reliability values above the 0.70 recommended threshold. According to Fornell and Larcker (1981), if AVE is less than 0.5, but composite reliability is higher than 0.6, the convergent validity of the construct is still adequate. Convergent and discriminant validity for this study is also supported by other researchers such as Hair, Black, Babin, Anderson, and Tatham (1998), Mohan, Sivakumaran, and Sharma (2013) and Floyd and Widaman (1995) who have indicated that an AVE of 0.4 is acceptable.

Another way to confirm discriminant validity is to compute a correlation matrix with square root of AVE on the diagonal (Fornell & Larcker, 1981). This approach is often referred to as the Fornell-Larcker criterion. According to the Fornell-Larcker criterion, discriminant validity is supported if the squared root of AVE for each construct is higher than the correlations between that construct and other constructs. The calculations in Table 17 below show some instances where this criterion was not met for the first order constructs, which justified the subsequent step on creating second order constructs.

	AL	SAT	TRU	AFF	CAL	BL	CD
AL	**0.887**						
SAT	0.640	**0.892**					
TRU	0.723	0.831	**0.868**				
AFF	0.885	0.669	0.759	**0.864**			
CAL	0.530	0.351	0.382	0.547	**0.757**		
BL	0.975	0.667	0.753	0.916	0.573	**0.787**	
CD	-0.286	-0.348	-0.384	-0.285	-0.131	-0.287	**0.659**

Table 17: Correlations Table Results from CFA (Source: Author's Conceptualisation*)*

6.6.2.3 MaxR(H) (Maximum H Reliability)

According to Fornell and Larcker (1981), if the MaxR(H) value is higher than the CR value, the presence of discriminant validity is supported. For this study, MaxR(H) values were higher than CR for each construct as seen on Table 14, further supporting the discriminant validity for the study.

6.7 PATH MODELLING ANALYSIS OR STRUCTURAL MODEL ANALYSIS

The final step in the SEM analysis involved testing of the structural model. Path modelling analysis, a subset of SEM, was used to examine the magnitude and significance of relationships between the predictor, mediator and outcome variables. It was also used to test the hypotheses.

6.7.1 Model Fit

As per Lei and Wu (2007), ahead of testing the structural paths of the proposed model, the model fit was first reassessed. As post hoc modifications had been done to the model, these changes were adopted for path modelling, but they were not sufficient for model fit and thus some additional modification indices were adopted. Once model fit was established, the structural paths were then tested. The same process was used to calculate model fit as had been under section 7.6.2 on CFA analysis. Results presented in Table 18 below showed that that model was a good representation of the collected data. It was noted that the results were an improvement on the final measurement model fit from the CFA analysis.

Standards for Checking Model Fit	**Model Fit Index**	**Acceptable Threshold**	**Path Analysis**	**Outcome**
	Chi-Square	≤ 3	2.633	Acceptable
	CMIN/DF		*1903/723*	
Tests of Absolute Fit	GFI	≥ 0.800	0.827	Acceptable
	AGFI	≥ 0.800	0.804	Acceptable
	SRMR	≤ 0.080	0.076	Acceptable
	RMSEA	≤ 0.080	0.057	Acceptable
Tests of Incremental Fit	CFI	≥ 0.900	0.936	Acceptable
	TLI	≥ 0.900	0.931	Acceptable
	IFI	≥ 0.900	0.936	Acceptable

Table 18: Model Fit Results from Path Analysis (Source: Author's Conceptualisation)

Figure 18 below represents the structural model and it illustrates the refined latent constructs and their associated observed variables, along with the adjusted relationships.

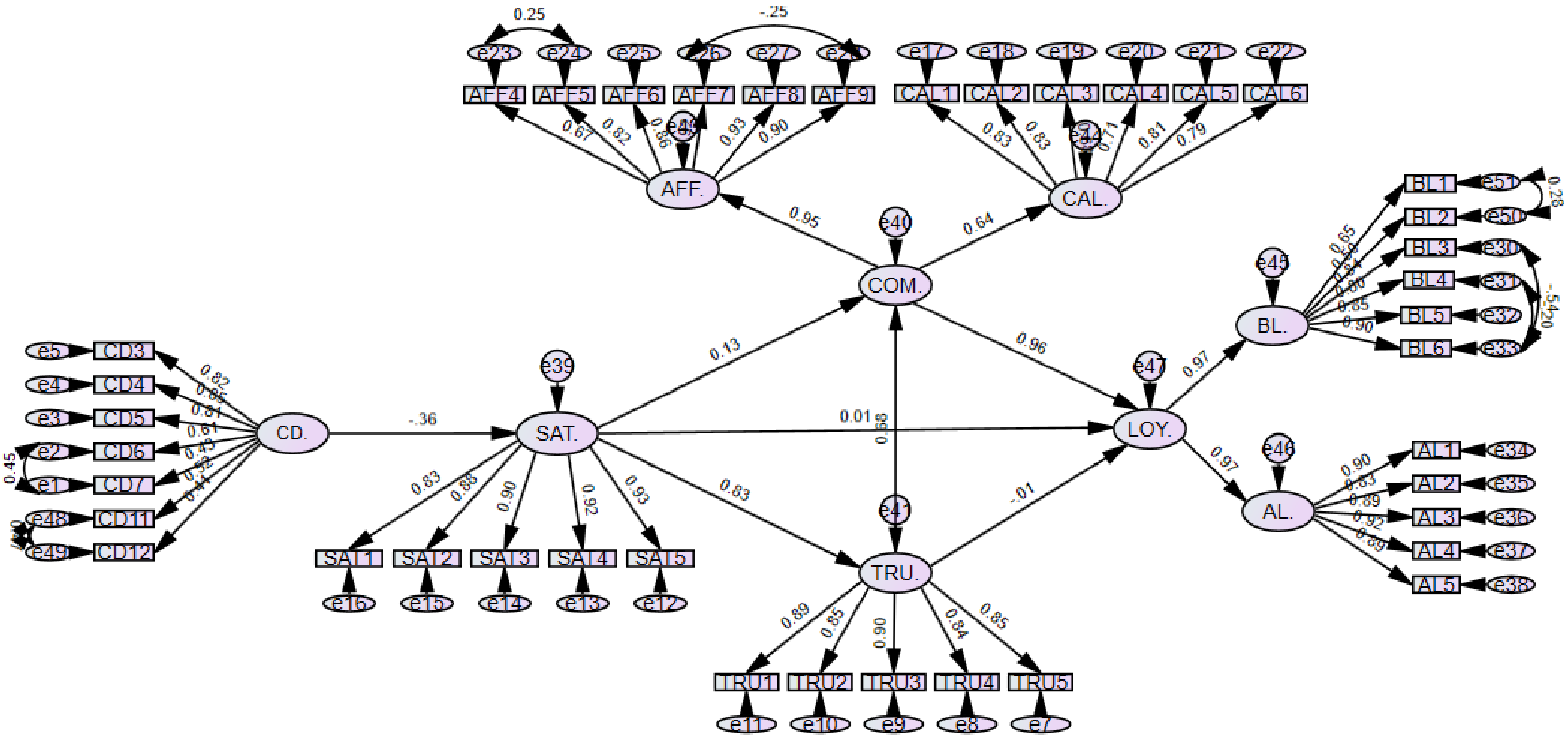

Figure 19: Structural Model (Source: Author's Conceptualisation)

The fit indices also allowed for an assessment of the predictive power of the proposed model. The results demonstrated that the model fits the data well and effectively predicts the outcomes of interest. Key fit indices such as the Chi-Square (CMIN/DF = 2.633), Goodness of Fit Index (GFI = 0.827), and Root Mean Square Error of Approximation (RMSEA = 0.057) indicated a strong alignment between the model and the observed data. Additionally, the high values of Comparative Fit Index (CFI = 0.936), Tucker-Lewis Index (TLI = 0.931), and Incremental Fit Index (IFI = 0.936) further confirmed that the model to have superior predictive capabilities compared to alternative models. These results suggested that the model not only met but exceeded acceptable standards, thereby strengthening its theoretical contribution and providing valuable insights into managing cognitive dissonance in the South African banking sector.

6.7.2 Hypothesis Testing / Significance Testing

After establishing structural model fit to the data and posting acceptable results, the next stage involved testing the structural paths of the hypothesised model. Hypotheses H2, H5, H6, H7, H8, H9 and H10 were tested through SEM on AMOS 27 by approximating the statistical significance of the path coefficients for the structural model.

To test the hypotheses, the variables were tested to see if there was a significant relationship between them. A significant p-value indicated that there was a relationship between the manifest and the latent variable. The summary of the results is presented below.

				Estimate	S.E.	P	Decision on hypothesis
H2	Satisfaction	<---	Cognitive Dissonance	-.357	.052	***	Supported
H5	Commitment	<---	Satisfaction	.135	.044	.048	Supported
H6	Trust	<---	Satisfaction	.833	.040	***	Supported
H7	Loyalty	<---	Satisfaction	.006	.047	.900	Rejected
H8	Commitment	<---	Trust	.679	.049	***	Supported
H9	Loyalty	<---	Commitment	.956	.137	***	Supported
H10	Loyalty	<---	Trust	-.009	.074	.909	Rejected

Table 19: Hypotheses Testing Regression Weights from the Structural Model (Source: Author's Conceptualisation)

The results showed support for five hypotheses, while two were rejected. As hypothesized, dissonance was found to be negatively and significantly associated with satisfaction (β=-0.357, P<0.05). Satisfaction and trust demonstrated a significant and positive relationship (β=0.833, P<0.05) as did satisfaction and commitment (β=0.135 P<0.05), trust and commitment (β=0.679, P<0.05) and commitment and loyalty (β=0.956, P<0.05). These hypotheses were accepted. On the other hand, satisfaction and loyalty as well as trust and loyalty did not demonstrate a significant relationship (P>0.05) and thus these hypotheses were rejected.

6.8 ANALYSING THE MODERATION EFFECT

This study considered two moderating variables, the dissonance reduction mechanism (DRM) and communication openness (CO). DRM was a categorical variable where respondents had to choose one option out of three, and CO was a continuous variable, data for which was collected via scales. An analysis was conducted to examine how these moderating variables influenced the relationship between cognitive dissonance (CD) and satisfaction (SAT). The below diagram demonstrates the hypothesized relationships.

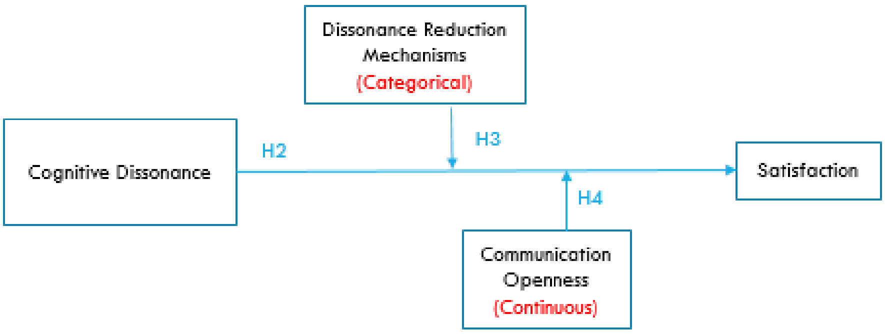

Figure 20: Summary of moderator relationships as per the conceptual model (Source: Author's Conceptualisation)

6.8.1 The Moderating Effect of DRM

Cognitive dissonance theory posits that human beings prefer cognitions that are in consonance over those that are not (George & Edward, 2009). When a human being encounters a situation where there is a discrepancy between what they believe, and information that contradicts this, it becomes psychologically uncomfortable. To reduce this discomfort, they can employ dissonance reduction mechanisms (Festinger, 1957). This study first presented respondents with a hypothetical scenario of their loan being declined, after which they were presented three with DRMs. From these three, they were required to select the one they thought was most logical. The results are presented below.

	Dissonance Reduction Mechanism	Frequency	%
1	Change their belief (to reflect the new condition) - Believing that Bank XYZ made the right decision in declining your loan, and moving on with your life, putting on hold your plans to buy a home until such a time that the bank was able to approve your home loan.	172	34.1%
2	Change action perception (downplay the cognition that was the source of the dissonance) - Believing that Bank XYZ made the wrong decision in declining your home loan which may lead you to either appeal the decision, or stay with Bank XYZ but believe that banks are inherently unfair.	114	22.6%
3	Change action (searching out information to support what the person believes) - Believing that you need to change your main bank to one that better understands and supports you.	219	43.4%
		N = 505	100%

Table 20: Dissonance Reduction Response Options (Source: Author's Conceptualisation)

The study tested the relationship between CD as the antecedent variable, SAT as the outcome variable, and the DRM (treated as a categorical variable) chosen by the respondent as the moderating variable. The below diagram demonstrates the hypothesized relationships that were tested using the Multigroup function in SPSS AMOS 27.

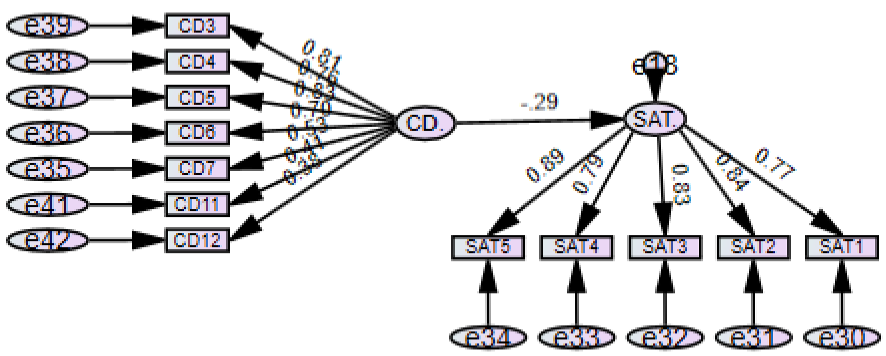

Figure 21: Model Used to Test the Moderating Effect of DRM (Categorical Variable) (Source: Author's Conceptualisation)

Using the Multigroup function in SPSS AMOS 27 allowed for assessment of whether the model fit differently for each group represented by DRM choices. The test that was ran helped to determine whether there were statistically significant differences in the model parameters (e.g., regression coefficients) between these groups. Below are the results for the three groups.

				Estimate	S.E.	C.R.	P	Decision
DRM1	SAT	<---	CD	-.101	.096	-1.179	.238	Rejected
DRM2	SAT	<---	CD	-.467	.222	-3.826	***	Supported
DRM3	SAT	<---	CD	-.240	.221	-2.867	.004	Supported

Table 21: Categorical Moderator Test Results (Source: Author's Conceptualisation)

To assess the results from the Multigroup analysis, first the model fit was checked. The model was found to have acceptable fit, with IFI of 0.905, TLI of 0.889, CFI of 0.904 and RMSEA of 0.064. The chi square statistic was used to check for statistical significance of the difference between the constrained model and the unconstrained model. A value of 2.111 indicated that the difference between the two models was statistically significant (P<0.05).

The p-value of >0.05 for DRM1 is not statistically significant, suggesting that DRM1 does not have a significant moderating effect on the SAT-DIS relationship. For DRM2, P<0.05 and the coefficient of -0.467 indicate the significance, strength and direction of the moderation effect. It is negative, suggesting that DRM2 has a moderating effect on the relationship between SAT and DIS. For DRM3, P<0.05 and the coefficient of -0.240 indicate the strength and direction of the moderation effect. Similar to DRM2, it is also negative, suggesting that DRM3 has a moderating effect on the relationship between SAT and DIS. These results imply that the strength or direction of the SAT-DIS relationship varies significantly depending on the DRM chosen for DRM2 and DRM3 but not for DRM1.

6.8.2 The Moderating Effect of CO

The study also tested the relationship between CD as an antecedent variable, SAT as the outcome variable, and CO as the moderating variable. An analysis was conducted to examine how these moderating variables influenced the relationship between CD and SAT. The below diagram demonstrates the hypothesized relationships that were tested using SPSS AMOS 27.

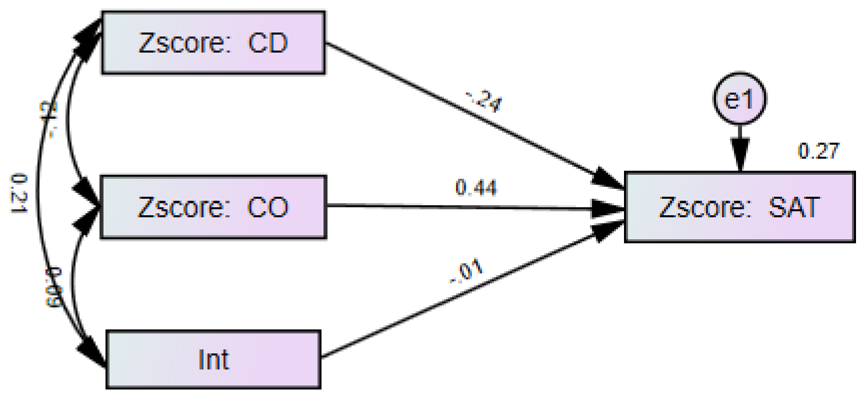

Figure 22: Model Used to Test the Moderating Effect of CO (Continuous Variable) (Source: Author's Conceptualisation)

The coefficient of the main effects and the interaction effect were interpreted to establish whether there was a moderation effect. Where the interaction term was significant, it indicated that a moderating effect was present. The results are presented below.

			Estimate	S.E.	C.R.	P	Decision
ZSAT	<---	ZCD	-.239	.039	-6.096	***	Supported
ZSAT	<---	ZCO	.437	.038	11.356	***	Supported
ZSAT	<---	Int	-.011	.037	-.288	.774	Rejected

Table 22: Continuous Moderator Test Results (Source: Author's Conceptualisation)

Consistent with the CFA results, this analysis showed that SAT has significant and negative relationship with CD, indicating that higher CD is associated with lower levels of SAT. The relationship between SAT and CO was also found to be positive and significant, suggesting that higher levels of CO lead to higher levels of SAT. However, no statistically significant relationship was found between SAT and the interaction variable (P>0.05), suggesting that CO does not significantly affect the relationship between CD and SAT. The moderating relationship was thus rejected.

6.9 ANALYSING THE MEDIATION EFFECT

This study considered two mediating variables, commitment and trust. An analysis was conducted to examine how these mediating variables influenced the relationship between satisfaction and loyalty. The below diagram demonstrates the hypothesized relationships that were tested using SPSS AMOS 27. The mediation analysis was carried out based on the classical approach by Baron and Kenny (1996) where the direct and indirect effects are tested and the coefficients compared. This approach proposes that for a mediation effect to exist, the relationship between the independent variable (in this case satisfaction) and the dependent variable (loyalty) should be stronger when considering both the independent variable and the mediating variable (trust and commitment) together compared to when the independent variable is considered by itself. Analysis was conducted based on bootstrap procedures (2000 samples) and bias corrected bootstrap confidence interval of 90%.

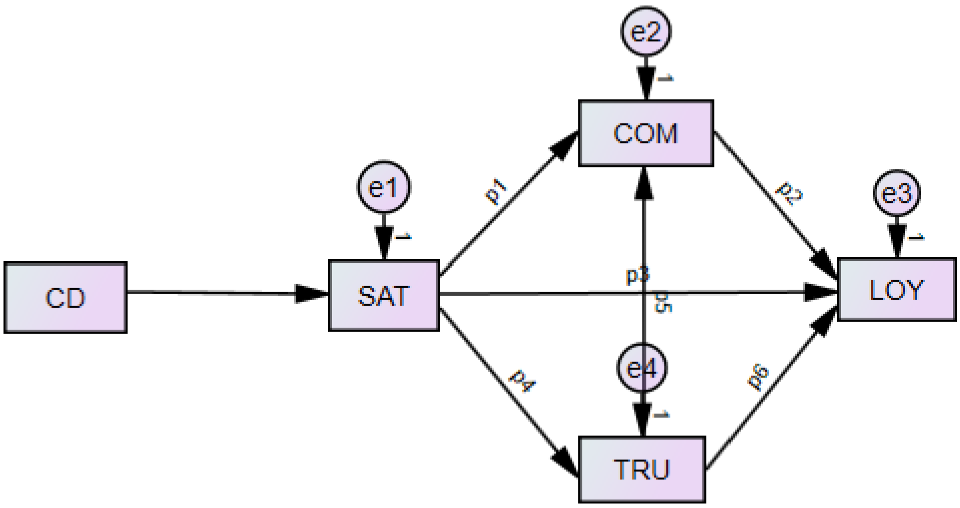

Table 23: Model Used to Test Mediating Relationships (Source: Author's Conceptualisation)

First, model fit was assessed. The model was found to be a good fit with chi-square value of 2.103, GFI of 0.995, AGFI of 0.975, CFI of 0.998, TLI of 0.992, IFI of 0.998, RMSEA of 0.047 and SRMR of 0.016. Then the strength and direction of the direct and indirect effects were considered. The results are presented below.

Relationship	**Path**	**Effect**
SAT>>COM>>LOY	p1*p2	0.104
SAT>>TRU>>LOY	p4*p6	0.175
SAT>>TRU>>COM>>LOY	p4*p5*p2	0.210
Total Indirect Effects	(p1*p2)+(p4*p6)+(p4*p5*p2)	0.488
Total Direct Effects	p3	0.075
Total Effects	(p1*p2)+(p4*p6)+(p4*p5*p2)+p3	0.563

Table 24: Summary of Mediation Analysis Results (Source: Author's Conceptualisation)

The results suggest that a significant portion of the relationship between SAT and LOY is mediated by COM and TRU. While the direct effect of SAT on LOY is 0.075, the total indirect effect is 0.488, which indicates that these mediating variables explain a substantial portion of the relationship between SAT and LOY. The direct effect of 0.075 suggests that there is also a direct influence of SAT on LOY that is not mediated by COM and TRU while the total effects of 0.563 provide a comprehensive view of how SAT influences LOY, considering both the direct and mediated effects. In summary, these results indicate that both COM and TRU mediate the relationship between SAT and LOY, collectively explaining a significant portion of the relationship. However, there is also a direct effect of SAT on LOY, indicating that SAT has both direct and indirect influences on LOY through these mediating variables.

6.10 CHAPTER SUMMARY

This chapter presented the outcomes of the data analysis process, as outlined in the preceding chapter. The presentation of results commenced with a comprehensive descriptive analysis, utilizing SPSS 27, and explored various aspects of the data, encompassing demographic data, measures of central tendency, the reliability of scales, and the establishment of convergent and discriminant validity. Additionally, a bivariate correlation matrix was showcased to examine the associations among key variables.

Subsequently, the inferential analysis was conducted using SPSS AMOS 27. Following the two-step model proposed by Anderson and Gerbing (1988), the measurement model was estimated through confirmatory factor analysis (CFA) and critical findings presented, which included composite reliability and average variance extracted, offering insight into the reliability and convergent validity of the measurement model. Model fit indices were also reported, allowing the assessment of the adequacy of our measurement model in reflecting the latent constructs under investigation. Next, the structural model was estimated through path analysis. This phase presented results on model fit and hypothesis testing, allowing for an evaluation of the relationships between the variables posited in the conceptual model. These findings are meant to provide a comprehensive understanding of how various constructs interact within the theoretical model. The final section of the chapter delved into moderation and mediation testing, which explored nuanced relationships within the research context. These analyses revealed the moderating and mediating effects that potentially influence the associations between the constructs.

The outcomes of the hypotheses that were presented in the conceptual model serve as the foundation upon which we can draw meaningful conclusions, make informed recommendations, and discuss the implications of our findings in the subsequent chapters. The next chapter will engage in a comprehensive discussion of these results, contextualize their significance within the broader literature, and offer practical insights that can inform decision-making processes, ultimately seeking to contribute to the advancement of knowledge as per the research objectives.

CHAPTER 7. DISCUSSION AND INTERPRETATION OF RESULTS

7.1 INTRODUCTION

The previous chapter presented the results of the data analysis. The objective of this chapter is to discuss the presented descriptive and inferential results in detail and interpret them in the context of the study objectives and hypotheses and the literature review previously presented. In analysing the results of the data analysis, new insights and findings that deviate from extant literature will be explored and explained in an attempt to fill current gaps in literature. In presenting this chapter, statistical significance will be considered although results that were found to be statistically insignificant will also be reported on. This will be done to establish the findings of this study in relation to work done by previous researchers. This chapter will include the descriptive statistics and the results from hypotheses testing and mediation testing, with an explanation of why they were supported or rejected.

7.2 REVIEW OF THE DEMOGRAPHIC DATA

In this section, the results from the demographic data collected including gender, age, main bank and previous home loan applications will be discussed.

7.2.1 Gender

Respondents in this study were asked to indicate their gender and were given four responses to choose from, male, female, other and prefer not to say. The percentage of respondents reported being female was 62.6% and 37.4% of the respondents reported being male. There were no responses to the other two options. As per the mid-year population estimates, Statistics SA (2022) reports that South Africa has a population of 55.6 million, with 51% being female and 49% being male. As the distribution of the study respondents was not in line with the general population demographics of South Africa, this notable gender imbalance warranted further enquiry to ensure that it did not affect the generalizability of the findings. An examination of literature on participation in surveys, particularly where panels were used, showed a trend where females tend to participate more actively. One such study carried out by Mortensen, Alcalá, French, and Hu (2018) consistently found women to have a higher participation rate across all research panels, with women comprising 65.8% of the MTurk sample for the study. Thus, it was concluded that the higher proportion of female respondents in the current study might not be an anomaly but a reflection of a broader trend.

Gender was not an integral part of the study, but it was important to consider whether this finding could potentially affect generalizability of the study results. To address this, the researcher examined previous studies that had tackled this particular issue. As presented in the literature review, a study conducted by Bolia et al. (2016) on how cognitive dissonance operates in a financial services context presented some confirmatory findings. The study examined the relationship between demographic factors (such as gender and age) and cognitive dissonance, with the aim of understanding whether these factors play a role in the experience of dissonance. The study found that demographic factors such as gender and age did not have a significant bearing on the experience of cognitive dissonance in the financial services context, meaning that men and women, as well as individuals of different ages, were equally likely to experience cognitive dissonance in response to contradictory information or situations. Similarly, studies by Reiger (2000) and Soutar and Sweeney (2003) found no difference in cognitive dissonance as experienced by different genders. This finding suggests that cognitive dissonance is a universal psychological phenomenon that operates in a similar way across different demographic groups. Thus, the skew of respondents in this study is unlikely to affect the generalizability of the study results, and responses are expected to be standard across males and females.

7.2.2 Age

The summary statistics showed that the highest number of respondents came from the 26–35-year-old age group, comprising 47.9% of the study, followed by 36–45-year-olds, who comprised 28.3% of the study, and 46–55-year-olds who made up 16.2%. The smallest representation in the study came from over 55-year-olds, who comprised 4.8% of the study, and 18–25-year-olds who comprised 2.8% of the study. As this is broadly in line with the results reported by Statistics SA in the 2022 mid-year population estimates (StatsSA, 2022), the sample was deemed to be representative of the general population and the results generalizable. This is in alignment with the UN world population report which puts South Africa’s median age at 28.2 (Ritchie & Roser, 2024).

7.2.3 Main Bank

Data collected from the respondents showed that the highest number of respondents were FNB (37.4%) and Capitec customers (29.1%). Next was Standard Bank with 11.7% of respondents, Absa with 10.5% of respondents and Nedbank with 9.5% of customers. Also, 1.8% of respondents reported banking with one of the other smaller banks. According to the

FSCA, 45.8 million customers are served by the big five banks, with Absa having 21% of this population, Standard Bank 20%, Capitec 25%, FNB 18% and Nedbank 17%. As can be seen from the results of the study, all five banks were represented in the study, though not proportionately to the number of customers they serve as there is a visible overrepresentation of Capitec and FNB customers and an underrepresentation of Standard Bank, Absa, and Nedbank customers. This discrepancy can possibly be explained by the study's methodology, which employed convenience sampling, tapping into respondents who were the most accessible and readily available to participate in the study. A recognized limitation of convenience sampling is that it could lead to a skewed or non-representative sample, as it does not ensure a random or evenly distributed selection of respondents. However, as the study was conducted on a hypothetical scenario linked to a fictitious bank, this was not deemed to influence the study adversely in any way.

7.2.4 Bank Tenure

Respondents were asked to indicate the duration of the relationship with their main bank, defined as the bank where they hold a current (cheque) account and process most of their transactions through including salary processing. The analysis of responses reveals that a significant majority of participants have maintained the relationship with their main bank for over four years. Specifically, 26.3% of respondents indicated a tenure of 4-6 years, 17.8% reported a tenure of 7-9 years, while 16.0% reported a tenure of 10-12 years. Notably, a considerable segment, comprising 24.6% of respondents, reported a significantly long relationship, having been with their bank for more than 12 years. On the other hand, only 2.4% represented a minority that had recently joined their banks, reporting a tenure of less than a year. These results can be interpreted within the framework of loyalty in the banking sector. Previous researchers on loyalty in the banking sector have identified the duration of a customer’s relationship with their bank as one of the measures of loyalty (Bapat, 2015; Lewis & Soureli, 2006). While the collection of actual purchase data poses challenges in the retail sector as customers are nameless and faceless (Reichheld & Sasser, 1990), the banking industry provides an advantageous setting as the length of time a customer maintains their account can serve as an insightful indicator of loyalty. According to Zeithaml, Parasuraman, Berry, and Berry (1990), customers who have spent five years or more with a service provider can be considered loyal. Thus, the customers in this study can be considered primarily loyal, especially in contrast to a study on the banking industry in neighbouring Zimbabwe that found 14.6% of customers to be new to their banks and 42.5% of customers who had been with their banks for less than three years (Makudza, 2020). The extended tenures observed among respondents in this study suggest a notable level of loyalty of customers in the South African banking sector that could possibly warrant investigation in future studies.

7.2.5 Previous Home Loan Applications

Respondents were asked to answer questions about their previous home loan applications. Results indicated that 50.7% had applied for a home loan at some point, while 49.3% had not. Further, 31.5% had experienced having a home loan declined, while 68.5% had not. In actual numbers, out of the 256 respondents who had ever applied for a home loan, 159 had faced loan declines, leaving 97 who had not. It is noted that the question about having a home loan declined should ideally have been directed only to those who had applied for a loan before, to ensure more accurate statistics. However, results can still be inferred from the data collected. One key observation that was unexpected is that out of 256 respondents who had applied for a loan before, a significant majority had faced declines, with only 37.9% of respondents getting a loan approval on their first attempt. These results however need to be interpreted in the context that many individuals apply for loans more than once, possibly to the same or different banks at the same or different times as highlighted by Jiménez, Ongena, Peydró, and Saurina Salas (2010). Customers could apply for a home loan, be declined, wait six months then apply again with the same bank and be approved. Customers could also apply their main bank, be declined, apply at another bank and be approved. Therefore, it is conceivable that some of those who had loans declined in the past might have subsequently been successful with their applications.

The responses to having their loans declined also present some interesting findings. Among the 159 respondents who had experienced a loan decline, 84.3% chose to remain with their main bank, while 15.7% decided to leave. This result presents some interesting implications for studying behavioural loyalty in the banking industry. A possible explanation could be high decline rates that normalize loan declines. According to the FSCA and Genesis Analytics (2022) more than half of all loan applications submitted to formal lenders in South Africa are declined. Their data shows that in 2019, 59% of applications were rejected and 41% accepted, and in 2020, taking into account the effects of the Covid pandemic, 63% were rejected, and only 37% were accepted. Thus bank customers may have rationalized that loan declines happen everywhere and that switching banks may not make any difference. Another explanation could be respondents evaluating the overall relationship as opposed to being transaction specific in their assessment of their bank (Beerli et al., 2004; Bodet, 2008; Jones

& Suh, 2000). In the banking sector, customers have ongoing interactions and transactions with their banks that span various services, including savings accounts, credit cards, investments, and loans. Customers may experience dissonance related to specific transactions (e.g., loan declines), but this dissonance might be weighed against their broader experience with the bank. Thus, they may look at these moments of dissonance as inconveniencing, but part of a larger relationship narrative. Their decision to stay may then reflect their ability to navigate and reconcile these moments within the broader context of their banking relationship.

Another interesting finding from the study is that while majority of these respondents (64.2%) disagreed with the bank's decision to decline their loan application, 35.8%, still a significant number, agreed. Further to this, following their bank's decision to decline their loan, 37.1% of respondents appealed this decision to the bank, whereas 62.9% did not. This finding may have implications for cognitive dissonance and loyalty research. One probable explanation could be that aligning with the bank's decision is a coping mechanism to reduce cognitive dissonance.

This study's focus is on understanding the interplay between cognitive dissonance, customer loyalty, and the moderating role of communication openness within the demarketed segments of the banking sector. Although the hypotheses were evaluated in a hypothetical context, the outcomes draw a parallel with the real lived experiences of a substantial portion of respondents who might have encountered cognitive dissonance following a loan decline. The analysis of how customers respond to home loan declines also provides insights into the effect of cognitive dissonance on customer loyalty, particularly from a behavioural perspective.

7.2.6 Cross Tabulation

7.2.6.1 Main Bank and Gender

Majority of the respondents in this study were female, which is the same across all banks in the study, but in looking at the male/ female split, FNB seems to have a higher ratio of men compared to the other banks. Again, this result can be explained in the context of the research's methodology, which utilized convenience sampling. As responses were collected from members of the population who were easiest to reach and were willing to participate, it could result in a skew towards one type of demographic group. However as per the study conducted by Bolia et al. (2016) demographic factors such as gender and age did not have a significant bearing on the experience of cognitive dissonance in the financial services context and thus this result is not considered to have any impact on the study findings.

7.2.6.2 Main Bank and Age

The majority of respondents in the study were between the ages of 26 and 45, however in looking at the age breakdown by bank, Capitec appears to serve a younger audience while Absa has a disproportionate number of over 55s. However as per the study conducted by Bolia et al. (2016) that found that demographic factors such as gender and age did not have a significant bearing on the experience of cognitive dissonance in the financial services context, it is interesting to consider why the two banks seem to serve very different audiences. The observation that Capitec and Absa seem to attract different age groups might be attributed to their targeted strategies. The age breakdown indicates that Capitec appears to attract a younger audience, while Absa seems to have a higher proportion of older customers. This age-related pattern might indicate different marketing strategies, product offerings, or customer engagement approaches employed by these banks that appeal to specific age groups. Capitec's appeal to a younger audience could be due to affordable, modern technology-driven services, while Absa's appeal to older customers might be based on their longstanding presence and reputation. It should be noted that Absa has history dating as far back as 1934 (Verhoef, 2009) while Capitec, as a financial institution, was founded much more recently, in 1999 (Coetzee, 2003).

7.2.6.3 Applied Home Loans and Gender

The study's gender distribution reveals a higher number of female respondents. Despite this, a higher percentage of male respondents reported applying for home loans. This finding highlights a gender-related trend in home loan application behaviour, where even with a smaller number of male respondents, they are more likely to seek home loans compared to their female counterparts. This aligns with findings in a study on financial inclusion and welfare conducted by Nanziri (2016) which found that that women predominantly utilize formal transactional products and informal financial mechanisms, whereas men primarily utilize formal credit, insurance, and savings products.

The FSCA and Genesis Analytics (2022) study also provides valuable context and insights into the observed gender differences in home loan applications and might shed light on whether similar gender trends are consistent with what is being observed in South Africa and whether the gender gap's implications extend beyond home loan applications. The report notes that the gender disparity becomes more pronounced when considering access to financial services more broadly. For instance, while a higher proportion of women might have bank accounts, men tend to use their accounts more frequently, suggesting potential differences in financial behaviours between genders. Cultural and socio-economic factors might contribute to these observed gender differences. Historical gender roles, societal expectations, and economic disparities can all influence how men and women engage with financial services and make financial decisions.

The World Economic Forum's Global Gender Gap Index 2023 rankings put South Africa at 20 out of 146 countries for gender equality overall, but 81 out of 146 for economic participation and opportunity (WEF, 2023). The report also noted that women have equal rights in access to financial services. Recognizing and addressing these gender disparities is crucial for achieving financial inclusion and equality. Policymakers and financial institutions should take into account these gender-specific trends to design more inclusive and effective financial services and products especially considering South Africa's constitutional mandate on gender equality.

7.2.6.4 Declined Home Loans and Gender

The percentage decline for men and women were almost similar, so there does not seem to be a significant influence in gender on home loans getting approved or declined. It appears that while there are differences in the proportion of men and women who apply for home loans, the outcome in terms of loan approval or decline seems to be similar for both genders. This suggests that, despite the variations in application rates, gender might not have a substantial influence on the approval or decline of home loans. This finding can be significant in terms of understanding the lending practices within the banking sector, as it suggests that gender might not be a decisive factor in the loan decision-making process. It could also point to the fact that other factors, such as creditworthiness, income, employment stability, and debt-to-income ratios, might have a more significant impact on loan approval or decline than gender itself. The absence of a significant gender-based difference in the percentage of loan declines could highlight the importance of fair lending practices and non-discrimination in the banking sector. It could also imply that efforts to ensure equal access to credit and address potential gender biases in lending decisions have been effective to a certain extent.

7.3 REVIEW OF THE CONCEPTUAL MODEL RELATIONSHIPS

In this section, the results from the hypothesis testing based on the study's conceptual model will be discussed. The findings will be compared with existing literature and discussed in relation to application in marketing practice.

7.3.1 Presence of Dissonance

H1: The inconsistency resulting from the belief (of getting a loan) and action (of the loan getting declined) will result in cognitive dissonance.

Result: Hypothesis *supported*

On a scale ranging from 1 (strongly disagree) to 5 (strongly agree) with 3 being neutral, the calculated mean for cognitive dissonance (CD) was found to be 3.328. This mean indicated overall agreement among respondents with the survey items, implying the presence of dissonance within the surveyed population. The proximity of the mean to the neutral point on the scale implies that respondents did experience some degree of dissonance, but it was not particularly strong or pervasive. As the expectation was that respondents would experience a high degree of dissonance, a number of explanations can be ventured for the results observed.

7.3.1.1 Measurement of Dissonance

First, as it is a complex psychological construct, the measurement of cognitive dissonance has been identified to be a complex undertaking (Metzger, Hartsell, & Flanagin, 2020; Telci et al., 2011; Vaidis & Bran, 2019). It has been documented in the literature that several instruments used to assess cognitive dissonance often capture its consequences rather than the dissonance itself, e.g. Salzberger and Koller (2010). This complexity in measurement can result in nuanced responses from participants and can in part explain the low levels of dissonance. As early as the 1970s, researchers such as Oshikawa (1972) identified problems related to dissonance measurement. The act of measuring dissonance, particularly a negative psychological state, can itself induce dissonance in respondents. This phenomenon, known as "measurement-induced dissonance," can influence how participants respond to survey items related to dissonance (Salzberger & Koller, 2010). Respondents may downplay their dissonance due to the discomfort of acknowledging it. Additionally, the challenges of measuring cognitive dissonance are compounded in the marketing context as marketing constructs can be inherently difficult to operationalize and quantify. As a result, researchers may face difficulties in accurately capturing and assessing cognitive dissonance in the context of marketing studies (Telci et al., 2011).

7.3.1.2 Conditions for Dissonance

Researchers have for a long time debated the issue of what determines the magnitude of dissonance. Pei (2013) argues that the magnitude of cognitive dissonance is dependent on how important the decision is, the desirability and number of alternate options available, and how similar the alternatives are while Sweeney et al. (2000) theorize that there are three conditions that could result in dissonance one of which is that the decision must be irrevocable, such that the outcome is permanent. The concept of irreversibility is key to the dissonance theory. If respondents believed that their banking decisions were reversible or easily changeable, they might not have perceived their choices as irrevocable, reducing the potential for dissonance. In South Africa, according to the FSCA and Genesis Analytics (2022) more than half of all loan applications submitted to formal lenders are declined. Their data shows that in 2019, 59% were rejected and 41% accepted, and in 2020, taking into account the effects of the Covid pandemic, 63% were rejected, and only 37% were accepted. However, a decline from a bank does not close the door on home ownership. Indeed, as they decline loan applications, most banks will advise on what the applicant needs to do to get an approval and offer a time frame within which the applicant can reapply. Therefore, while cognitive dissonance may be recorded, respondents are able to acknowledge that it is not an irrevocable decision on the part of the bank. Therefore, the relatively low levels of dissonance observed could be due to the specific characteristics of the banking interactions studied, where the conditions outlined by Sweeney et al. for dissonance might not have been fully met. This interpretation aligns with the theoretical framework of cognitive dissonance, which posits that the intensity of dissonance is influenced by the nature of the decision and its perceived consequences.

7.3.1.3 High Rates of Loan Declines in South Africa

In considering the demographic information that had been collected, the fact that although not a majority, a large number (35.8%) of respondents agreed with the bank's decision to decline their loan application is significant. This suggests that many respondents may have rationalized or accepted the decision as reasonable, reducing the potential for intense dissonance. According to the FSCA and Genesis Analytics (2022) more than half of all loan applications submitted to formal lenders are declined. Their data shows that in 2019, 59% were rejected and 41% accepted, and in 2020, taking into account the effects of the Covid pandemic, 63% were rejected, and only 37% were accepted. The situation is even more dire for home loan applications, with a reported 68% of home loan applications in South Africa being declined (Makinana, 2024). When individuals face a situation where a significant proportion of loan applications are declined (as indicated by the FSCA data), it can create a sense of normalcy in receiving a decline. In other words, it becomes the norm or expected outcome for a substantial number of people. When individuals perceive that many others are experiencing similar outcomes, they may be less likely to experience intense dissonance because the situation aligns with their expectations. Being aware of the high rejection rates in general, respondents may have adjusted their expectations accordingly. They might have anticipated the possibility of rejection and may have prepared themselves mentally for the outcome. This mental preparedness can reduce the cognitive dissonance experienced when the rejection occurs. While dissonance theory often focuses on the discomfort caused by conflicting cognitions, it also recognizes that dissonance can be a rational and realistic response to certain situations. In the context of loan declines, individuals may experience dissonance because they expected approval but received a rejection. However, if they were aware of the high rejection rates, experiencing only a mild level of dissonance may be viewed as a reasonable reaction to an unfortunate but common outcome.

Consumer indebtedness may also play a part in explaining the low levels of dissonance. Although the demand for credit is growing, more than 50% of the country's population who are credit active are over-indebted (FSCA & Genesis Analytics, 2022). Given the high prevalence of over-indebtedness, it is possible that many respondents in the study have experienced financial stress or challenges related to their debt situations. These financial challenges can shape their expectations regarding credit approvals. Customers who are already over-indebted may have lower expectations of loan approvals due to their financial circumstances. In South Africa, James (2014) conducted research that revealed that consumers, in their pursuit of upward mobility, frequently resort to debt, resulting in financially precarious situations.. Customers who are over-indebted may have a heightened sensitivity to the perceived fairness of the loan decision. If they believe that the bank's decision is reasonable and aligned with their financial situation, they may be more likely to accept the outcome and experience less dissonance.

7.3.1.4 Positive View of the Bank/ Viewing the Bank as Prudent

Again, the fact that a notable number (35.8%) of respondents agreed with the bank's decision to decline their loan application is significant. This suggests that many respondents may have rationalized or accepted the decision as reasonable, reducing the potential for intense dissonance. When individuals perceive a decision as justifiable or in line with their own assessment of their financial situation, they may experience less cognitive dissonance. If customers perceive the loan decline as a fair and well-justified decision by the bank, they may experience cognitive dissonance but also view the bank positively for acting responsibly. Customers who experience dissonance but perceive the bank's communication and decision-making process as fair and transparent may view the overall experience more positively. Even if the outcome is unfavourable (i.e., the loan decline), a sense of fairness in the process can mitigate negative emotions and contribute to satisfaction. Some individuals may have effective coping strategies that allow them to manage and even harness dissonance. They may be more resilient in the face of adverse outcomes and may use dissonance as a motivational tool to seek better financial solutions or opportunities.

7.3.2 Dissonance and Satisfaction

H2: There is a significant negative relationship between cognitive dissonance and satisfaction

Result: Hypothesis <u>supported</u>

The study results indicated a significant and negative relationship between dissonance and satisfaction as hypothesized (β=-0.357, $P<0.05$). This finding aligns with previous research and has important implications for understanding customer behaviour, especially in the context of demarketed segments in the banking industry. According to Salzberger and Koller (2010), cognitive dissonance and satisfaction are complementary constructs that explain different aspects of the customer's mental state. They propose that cognitive dissonance can influence satisfaction directly or indirectly, and it may also affect customer loyalty. Wilkins et al. (2016) posit that post-purchase dissonance, if not addressed, can damage relationships with the firm. They argue that feelings of regret and dissatisfaction resulting from dissonance can lead to a negative perception of the firm and therefore firms need to take steps to minimize dissonance and ensure customer satisfaction. Wilkins et al. (2018) argue that reducing cognitive dissonance is crucial to minimizing dissatisfaction and maximizing satisfaction in situations where customers make significant, irreversible decisions. Mousavi et al. (2022) argue that strategies to reduce cognitive dissonance have a positive effect on satisfaction and that actively managing cognitive dissonance enhances customer satisfaction. Interestingly, Sabokro et al. (2019) argue that cognitive dissonance is negatively impacted by anticipated satisfaction and positively affects predicted satisfaction. This interplay highlights the complex relationship between cognitive dissonance and satisfaction.

The negative relationship between cognitive dissonance and satisfaction underscores the psychological intricacies involved in customer experiences, particularly in situations like demarketing in the banking industry. When customers face dissonance due to unmet expectations or conflicting beliefs, it can lead to dissatisfaction and potential damage to their relationship with the bank. Understanding these complexities is vital for banks, as it highlights the importance of managing customer expectations, providing clear communication, and addressing concerns effectively to minimize cognitive dissonance. By proactively addressing dissonance, banks can enhance customer satisfaction, maintain positive relationships, and foster long-term loyalty in challenging situations such following a demarketing effort. More generally, organizations need to invest in understanding customer perceptions, anticipate potential dissonance, and implement tailored strategies to mitigate dissonance effectively. This understanding enables them to maintain positive customer relationships, especially in situations where customers make significant decisions.

7.3.3 Satisfaction and Commitment

H5: There is a significant positive relationship between satisfaction and commitment

Result: Hypothesis <u>supported</u>

The hypothesis proposed that as satisfaction levels increase, respondents who have been demarketed in the South African banking sector are more likely to exhibit higher levels of commitment. The study results supported the hypothesis. The correlation analysis found that the relationship between satisfaction and commitment among the demarketed customers was statistically significant ($\beta=0.087$, $P<0.048$) (see Table 19). The study found that as satisfaction increases, there is a positive effect on commitment. This finding aligns with previous researchers such as Verhoef (2003) Keiningham et al. (2017), Rather et al. (2019) and Roy et al. (2022) who all found that there is significant and positive relationship between satisfaction and commitment.

A key observation is that the relationship between satisfaction and commitment, although statistically significant, is notably weak, as indicated by the p-value just below the conventional threshold of 0.05 and the low regression coefficient. This suggests that while a positive association exists between satisfaction and commitment, its impact may be marginal and influenced by various other factors. One prominent factor contributing to the weak correlation could be the remarkably low baseline levels of satisfaction and commitment among respondents. The survey revealed that participants generally expressed minimal satisfaction, with a mean satisfaction score of 3.153 on a 1 to 5 scale, with 3 being a neutral response. Additionally, commitment levels were also notably low, with the mean for affective commitment (measuring emotional attachment) at 3.476 and calculative commitment (assessing commitment based on costs and benefits) at 2.807, signalling disagreement and a perceived lack of benefits to maintaining the relationship. Attempting to establish a robust positive correlation between satisfaction and commitment becomes challenging when dealing with customers who exhibit only minimal satisfaction and commitment. The study's findings underscore the urgent need for banking institutions to address the fundamental issues contributing to these low levels among demarketed customers.

To address this challenge, banking institutions should focus on enhancing overall customer satisfaction. By addressing these fundamental concerns, a more favourable environment for the development of commitment could potentially be created. Without tackling the underlying issues causing low satisfaction, efforts to foster a strong relationship between satisfaction and commitment may remain elusive among demarketed customers.

7.3.4 Satisfaction and Trust

H6: There is a significant positive relationship between satisfaction and trust

Result: Hypothesis <u>supported</u>

In alignment with previous research in the field, the results for the study showed support for the hypotheses as proposed, with satisfaction and trust demonstrating a significant and positive relationship ($\beta=0.833$, $P<0.05$). This finding implies that when customers are satisfied with their banking experiences, they are more likely to trust the institution. The consistency of this study's findings with previous research indicates the stability and consistency of the relationship between satisfaction and trust. Chu et al. (2012) for example found a direct relationship between customer satisfaction and customer trust in the Taiwanese banking sector. The results of their study indicated that higher levels of customer satisfaction directly contribute to increased levels of customer trust in the bank. Leninkumar (2017) identified customer satisfaction as an antecedent of customer trust and argued that higher levels of satisfaction lead to higher levels of trust, suggesting that meeting customer expectations and delivering on promises enhances trust in the bank. The same researcher also subsequently conducted further studies that found a significant positive relationship between customer trust and customer satisfaction and proposed that trust is an antecedent of satisfaction, indicating that when trust is higher, customers tend to be more satisfied with the bank's services (Leninkumar, 2019).

This consistency across studies strengthens the theoretical foundation and practical understanding of satisfaction and trust, establishing their interconnection as a reliable and enduring phenomenon in customer behaviour. The positive relationship observed suggests that when customers are satisfied, they are more likely to develop trust in the institution. This emphasizes the critical role of customer satisfaction in initiating the process of building trust. For banks dealing with demarketed segments, focusing on enhancing customer satisfaction can be a strategic approach to fostering trust. Improving service quality, addressing customer concerns promptly, and ensuring a seamless banking experience can enhance customer satisfaction, subsequently leading to increased trust in the bank.

7.3.5 Satisfaction and Loyalty

H7: There is a significant positive relationship between satisfaction and loyalty

Result: Hypothesis <u>*rejected*</u>

The study results rejected the hypothesis that there is a significant positive relationship between satisfaction and loyalty. The correlation analysis found that the relationship between the two constructs was not strong enough to be considered statistically significant ($P>0.05$) (see Table 19). This is in contrast to numerous studies that have established a link between the two concepts. Researchers such as Tiwari (2022), Lewis and Soureli (2006), Beerli et al. (2004) and Paulose and Shakeel (2022) have identified satisfaction as one of the antecedents of loyalty in various contexts. Despite wide agreement however, there are studies that have presented a contrary view of this relationship. Researchers such as Rahim et al. (2012) and Oliver (1999) contend that satisfaction on its' own cannot guarantee loyalty, arguing that while satisfaction is an important component of loyalty, other factors such as personal fortitude and social bonding may play a greater role in influencing loyalty, leading to satisfaction losing some of its' significance.

Additionally, researchers Bowen and Chen (2001) argue that while a relationship between satisfaction and loyalty exists, it is not linear and the link between the two may not be straightforward in that a small increase in satisfaction has a big effect on loyalty. Thus to increase their levels of loyalty, customers need to be very satisfied. Their argument is supported by this study's results where respondents generally exhibited very low levels of satisfaction. On a scale of 1 to 5, the mean for the satisfaction was 3.153, with 3 being a neutral position, where they neither agreed nor disagreed, values lower than 3 indicating disagreement, and values above 3 indicating agreement. The results can be interpreted to mean that customers did not exhibit strong positive sentiments toward the bank, potentially contributing to the absence of a significant correlation between satisfaction and loyalty. Given the argument put forth by Bowen and Chen (2001), which suggests that very high levels of satisfaction are required to significantly affect loyalty, it is possible that the low satisfaction scores observed in this study might not have a substantial influence on customer loyalty.

Another explanation for the lack of a relationship between satisfaction and loyalty in the demarketing context could be the role of financial wellbeing. Hoang et al. (2022) suggest that financial well-being moderates the relationship between customer satisfaction and loyalty. This implies that in situations where customers are experiencing financial stress due to demarketing decisions like loan declines, the link between satisfaction and loyalty may be weakened.

Given these insights, in the unique context of demarketing within the banking sector, the traditional positive relationship between satisfaction and loyalty may not hold as strongly as expected. The rejection of this hypothesis suggests that factors specific to demarketing scenarios, customer segmentation, and the interplay between satisfaction and other emotional and practical considerations may influence the loyalty dynamics differently. Further research and exploration of these nuanced relationships may be necessary to uncover the true nature of the satisfaction-loyalty link in demarketing contexts within the banking sector. Additionally, qualitative research methods, such as interviews or focus groups, may provide insights into the nuanced reasons behind customer responses in the demarketing context.

7.3.6 Trust and Commitment

H8: There is a significant positive relationship between trust and commitment

Result: Hypothesis <u>supported</u>

The results showed support for the hypotheses as proposed, with trust and commitment demonstrating a significant and positive relationship ($\beta=0.679$, $P<0.05$), a finding that is consistent with established research. Studies carried out by Morgan and Hunt (1994), identified trust as a determinant of commitment arguing that it plays a crucial role in fostering commitment within a relationship. This was echoed by Ennew et al. (2011) who posited that trust is a prerequisite for commitment and a fundamental concept in developing customer loyalty as well as by Yuan et al. (2019) who argued that trust positively correlates with both affective (emotional) commitment and calculative (rational) commitment. Mukherjee and Nath

(2007) also provided support for this argument, proposing that trust influences relationship commitment positively and as trust increases, so does commitment between customers and the firm.

In the context of this study, the positive relationship observed implies that when customers trust a bank, they are more likely to develop a commitment to it. This finding holds significant implications for both theory and practice within the banking sector in view of the demarketing context of the study. It confirms the understanding that trust serves as a foundation upon which commitment is built and suggests that trust acts as a catalyst, fostering a sense of loyalty and dedication among customers, even in the face of challenges like demarketing efforts. The alignment of this study's findings with previous research signifies the robustness and stability of the relationship between trust and commitment and this consistency across studies strengthens the theoretical understanding of these constructs and their interconnections.

For banks dealing with demarketed segments, understanding the trust-commitment relationship is critical. While this study affirms the relationship between trust and commitment, there is room for further research to explore the nuanced factors influencing this relationship within the specific context of demarketed segments. Trust is an important ingredient in the relationship between financial services institutions and their customers (Ennew & Sekhon, 2007) and thus understanding the intricacies of trust-building in challenging situations can provide valuable insights for tailored marketing and relationship management strategies. It may also be of value for banks to understand which trust-building initiatives can significantly impact customer commitment. These could include strategies such as transparent communication, reliable services, and ethical practices, which according to researchers such as Markovic et al. (2018) and Sekhon et al. (2013), are likely to foster trust. This can then lead to committed customer relationships. Committed customers, in turn, are vital for long-term customer retention and sustained business growth.

7.3.7 Commitment and Loyalty

H9: There is a significant positive relationship between commitment and loyalty

Result: Hypothesis <u>supported</u>

In alignment with previous research, the results of this study showed support for the hypotheses as proposed, with commitment and loyalty demonstrating a significant, positive and very strong relationship ($\beta=0.956$, $P<0.05$). This finding indicates that demarketed customers who exhibit commitment are highly likely to also demonstrate strong loyalty to the bank. This finding is aligned with previous research, suggesting consistency in the understanding that commitment plays a pivotal role in fostering customer loyalty. Gustafsson et al. (2005) for example proposed that both affective and calculative commitment positively impact customer loyalty, Rather et al. (2019) proposed that affective commitment positively influences loyalty in the hospitality industry, and Morgan and Hunt (1994) emphasized that commitment is crucial for establishing and maintaining long-term business relationships, indicating that it is a foundational element for loyalty in business settings. The results of this study provide proof that the relationship between loyalty and commitment also holds true in challenging situations such as demarketing within the banking sector.

While it was expected, key to note is the strong relationship between the two constructs. Previous researchers have pointed out the challenge in distinguishing between commitment and loyalty, as they are closely linked concepts. Indeed, in carrying out the analysis for this study, the second order constructs of affective commitment, attitudinal loyalty and behavioural loyalty demonstrated very high correlations, presenting potential discriminant validity issues. However, studies such as those conducted by Oliver (1999) and Mowday et al. (1979) argue that they are distinct concepts that should be kept separate.

The study's findings that commitment and loyalty have such a strong relationship not only validate previous research but also highlight the critical role commitment plays in cultivating unwavering loyalty among demarketed customers in the banking industry. This understanding can guide strategic initiatives aimed at enhancing customer relationships and promoting customer loyalty, even in complex business environments such as following a demarketing effort. Organizations fostering genuine commitment through active relationship nurturing are more likely to cultivate loyal customer relationships, contributing significantly to customer retention. Understanding and leveraging this relationship can inform strategic initiatives aimed at enhancing customer loyalty in the competitive landscape of the banking sector.

7.3.8 Trust and Loyalty

H10: There is a significant positive relationship between trust and loyalty

Result: Hypothesis rejected

The study results rejected the hypothesis that there is a significant positive relationship between trust and loyalty. The correlation analysis conducted in this study, as detailed in Table

19, revealed that the relationship between trust and loyalty was not statistically significant ($P>0.05$), indicating that trust did not strongly influence loyalty among the study respondents. This outcome contradicts established research in the field as prior studies by scholars such as Chiao et al. (2008), Aldaihani and Ali (2019), Huang (2017) and Stathopoulou and Balabanis (2016) who consistently supported the notion that an increase in trust leads to an increase in loyalty. These studies provided the basis for expecting a positive correlation between trust and loyalty, making the current study's results unexpected and worthy of further investigation.

The concept of mediator relationships could provide a valuable explanation for the unexpected rejection of this hypothesis. Mediator relationships, for example, as described in studies by Hoang (2019), Huang (2017) and Zhang et al. (2020), suggest that certain variables, like dialogue, effective communication and brand love can act as intermediaries between trust, satisfaction, and loyalty. In the case of the study on the Vietnamese banking industry by Hoang (2019), the study found that dialogue partially mediates the effect of customer trust on loyalty. This means that the impact of trust on loyalty is channelled through the quality of dialogue and communication between the bank and its customers. In another study, Zhang et al. (2020) found that brand love mediated the relationship between brand trust and attitudinal and behavioural loyalty. This means that the trust customers have in the brand influences their emotional and behavioural loyalty indirectly through the emotion of love. When customers trust a brand and love it, this emotional connection enhances their loyalty in terms of positive attitudes and actual behaviours. Applying this concept to the rejection of the hypothesis in this study, it is possible that the relationship between trust and loyalty is indeed present, but it might be mediated by other variables. The specific context of demarketed customers in the banking industry might introduce unique dynamics that differ from those in previous research that may influence the trust-loyalty relationship differently.

Considering possible mediators might provide a more nuanced understanding of the trust-loyalty dynamics among demarketed customers. Exploring these mediating variables in future research could offer insights into the underlying mechanisms influencing the relationship between trust and loyalty in this specific banking scenario.

7.4 REVIEW OF MODERATOR RELATIONSHIPS

This study considered two moderating variables - dissonance reduction mechanisms (categorical) and communication openness (continuous).

7.4.1 The Moderating Effect of the Dissonance Reduction Mechanisms

H3: Dissonance Reduction Mechanisms moderate the relationship between cognitive dissonance and satisfaction

Result: Hypothesis <u>supported</u>

According to Harmon-Jones and Mills (2019), dissonance is psychologically uncomfortable, and it consequently results in the person being motivated to take actions to reduce the dissonance and thus return to a state of consonance. In the hypothetical scenario presented in the study, respondents were first declined a loan, then presented with three options to deal with their dissonance. 34.1% of respondents (Group 1) agreed with the bank's decision and opted to move forward with their lives, shelving their home ownership plans, 22.6% (Group 2) were unhappy with the bank's decision and either appealed, or did not appeal, but also opted to move forward with their lives and also shelve their home ownership plans, while 43.4% (Group 3) believed the bank was wrong and actively sought out alternative options to fulfil their home loan ambitions.

Results showed that there was a statistically significant difference in the relationship between cognitive dissonance and satisfaction for the three groups. Those in Group 2 exhibited the highest levels of dissonance, showing the strongest negative relationship between satisfaction and dissonance (β=-0.467, $P<0.05$). This group was unhappy with the bank's decision but chose to move forward without actively seeking alternatives. They might have experienced the highest levels of dissonance since they were dissatisfied but still accepted the situation, leading to a stronger negative relationship between their satisfaction and dissonance. Changing of one's beliefs has been documented as one of the approaches to deal with dissonance both in theory and practice (Cooper & Hogg, 2007; Kotler & Levy, 1971) and this finding confirms the application of this in a demarketing context. Those in Group 3 exhibited a moderate level of dissonance. These individuals believed that the bank was wrong and actively sought out alternative options. The proactive behaviour of seeking alternative options indicates that these individuals were motivated to reduce their dissonance actively. This could involve exploring other banks, financial products, or other ways to secure a home loan, reflecting a determined effort to align their desires with their actions and resolve the discomfort caused by the bank's decision. For this group, the relationship between cognitive dissonance was negative and statistically significant (β=-0.2407, $P<0.05$). It should be noted that this was the largest group.

Those in Group 1 exhibited the lowest levels of dissonance. These individuals agreed with the bank's decision and accepted it, choosing to move on with their lives despite the disappointment of not getting the loan. Their cognitive dissonance might have been lower due to their acceptance of the situation, resulting in a more satisfactory mental state. For this group, the relationship between cognitive dissonance and satisfaction was not statistically significant ($\beta=-0.101$, $P>0.05$).

Although research has identified several different ways in which consumers deal with dissonance, it is still not clear on how consumers choose a particular mode of dissonance reduction. Lindsey-Mullikin (2003) suggests that it may be attributable to individual differences between consumers. Recognizing the different ways individuals respond to cognitive dissonance is essential for understanding their thought processes, emotions, and subsequent actions. This insight can be valuable for psychologists, marketers, and policymakers dealing with similar situations. For businesses or organizations facing situations where cognitive dissonance may occur (such as in this case loan declines), understanding these response patterns can inform the design of tailored interventions. For instance, Group 2, experiencing high dissonance, might benefit from targeted relationship marketing support or to cope with their dissatisfaction and move forward positively. Further research could delve deeper into the psychological mechanisms at play within each group. Exploring the factors that influence individuals' responses, such as their personality traits, coping mechanisms, or prior experiences, could provide a more nuanced understanding of dissonance resolution strategies.

Overall, these findings suggest that the relationship between dissonance and satisfaction is influenced by how individuals respond to dissonance-inducing situations, such as in this case, a declined loan application. Cognitive dissonance can serve as a catalyst for increased customer engagement with the bank. When customers experience cognitive dissonance after a loan decline, they might take active steps to resolve this dissonance. This could involve seeking more information, re-evaluating their financial situation, or exploring alternative solutions potentially engaging more proactively with the bank's customer service, financial advisors, or educational resources. This heightened engagement could result in a more positive overall experience and greater satisfaction. These efforts to resolve dissonance may lead to a deeper understanding of their financial needs and options, potentially increasing overall satisfaction as they make more informed decisions.

7.4.2 The Moderating Effect of CO

H4: Communication openness moderates the relationship between cognitive dissonance and satisfaction

Result: Hypothesis rejected

The analysis showed that satisfaction has significant and negative relationship with cognitive dissonance ($\beta=-0.239$, $P<0.05$), indicating that higher levels of cognitive dissonance are associated with lower levels of satisfaction. The relationship between satisfaction and communication openness was also found to be positive and significant ($\beta=0.437$, $P<0.05$), suggesting that higher levels of communication openness do lead to higher levels of satisfaction. However, no statistically significant relationship was found between satisfaction and the interaction variable ($P>0.05$), suggesting that communication openness does not significantly affect the relationship between cognitive dissonance and satisfaction. The moderating relationship was thus rejected.

The above findings can be interpreted to mean that while communication openness and satisfaction are positively related, communication openness does not significantly moderate the negative impact of cognitive dissonance on satisfaction. This means that even if communication is open and transparent, the dissatisfaction resulting from cognitive dissonance in having a loan application declined remains significant and is not mitigated by the level of communication openness. This finding contradicts previous research. Festinger (1957) and Hunt (1970) both suggested that detailed communication about products pre and post-purchase can help reduce cognitive dissonance. However, a study conducted by Sharifi and Esfidani (2014) presented different results, arguing that communication might not always mitigate cognitive dissonance effectively.

In this specific context, open communication does not seem to have nullified the negative impact of cognitive dissonance on satisfaction. It shows that banks might need to focus on other strategies beyond open communication to address the dissatisfaction stemming from cognitive dissonance. This could involve personalized follow-up, additional support, or additional guidance to help customers maintain a positive perception of the bank. Banks may need to explore these additional tailored approaches to manage customer expectations and experiences effectively in such challenging scenarios. Understanding this can help banks manage post-rejection customer expectations realistically.

7.5 REVIEW OF MEDIATOR RELATIONSHIPS

This study considered two mediating variables, commitment and trust. An analysis was conducted to examine how these mediating variables influenced the relationship between satisfaction and loyalty. Although the relationship was found to be very weak (β=0.075), satisfaction in this mediation analysis can be seen to independently influence loyalty without the involvement of other factors. However, commitment and trust together mediate the relationship between satisfaction and loyalty, indicating an indirect effect of β=0.488. This suggests that a substantial portion of the relationship between satisfaction and loyalty is explained by the mediating variables of commitment and trust. This mediating relationship implies that the positive effect of satisfaction on loyalty is partly channelled through the commitment of customers. When customers are satisfied, their commitment to the brand enhances their loyalty. Similarly, trust acts as a mediator between satisfaction and loyalty. This indicates that satisfaction leads to trust, and this trust, in turn, influences customer loyalty. When customers trust a business due to their satisfaction, they are more likely to remain loyal.

According to Ennew et al. (2011), both trust and commitment play crucial roles as mediating variables. In the context of relationship marketing, they mediate between the factors that influence customer relationships (antecedents) and the desired outcomes (loyalty). This mediation highlights that trust and commitment are not just endpoints but are active forces that shape the entire customer relationship process. Ennew et al. (2011) also argued that if trust is lacking, it is highly improbable that customers will develop commitment towards the firm. This finding emphasizes the foundational nature of trust in the customer-business relationship. Without trust, the subsequent stages of commitment and loyalty are jeopardized, making it essential for businesses to establish and maintain trust to foster customer commitment and loyalty effectively. This highlights the intricate relationship between customer satisfaction, commitment, trust, and loyalty in the context of the provided variables.

The results indicate that both commitment and trust play vital mediating roles in the relationship between satisfaction and loyalty. Customers’ loyalty is influenced by both their direct satisfaction (weakly) and the satisfaction that translates into commitment and trust (strongly), further enhancing loyalty. Understanding these dynamics is essential for businesses to cultivate committed, trusting, and loyal customer relationships.

7.6 CHAPTER SUMMARY

In this chapter, a detailed analysis of the research findings was presented. The findings from the demographic data were presented as well as their implications. The results of the proposed hypotheses, as obtained from the data analysis, were also thoroughly examined. Additionally, these findings were contrasted with existing literature. Practical implications of the results in the context of marketing practice were also considered. The subsequent and concluding chapter will cover the overall conclusion drawn from the study, its contributions to the field, acknowledged limitations, and suggestions for future research.

CHAPTER 8. MANAGERIAL IMPLICATIONS, RECOMMENDATIONS, CONTRIBUTIONS, LIMITATIONS & FUTURE RESEARCH DIRECTIONS

8.1 INTRODUCTION

This chapter delves into the key outcomes of the study, exploring their implications for theory, practice, and the possibilities for future research. Looking at the study's contributions, managerial insights, and recommendations, this chapter will also address the inherent limitations that are identified in the study. In summary, this chapter aims to uncover the valuable insights gained from the study, guiding both the academic realm and practical applications while illuminating the path forward in research.

8.2 DEMOGRAPHICAL DATA FINDINGS

Recognizing the demographic profiles of the study participants as a key factor in the study's success, this demographic overview aims to provide a comprehensive understanding of the study's participants, shedding light on their individually aggregated characteristics, banking behaviours, challenges faced, and their responses to financial circumstances they find themselves in. This section will also highlight the managerial implications for the study's results. It is expected that these population-specific findings will enhance the overall rigor and applicability of the study's outcomes.

8.2.1 Summary of Demographic Data Findings

- **Gender**: A notably higher number of women compared to men participated in the study (62.6% vs. 37.4%), aligning with similar research patterns. Notably, cognitive dissonance levels were consistent across both genders, pointing to cognitive dissonance as a gender-neutral experience.
- **Age**: Although a very high number of responses were received from the 26–35-year-old age group (47.9%), overall, the survey respondents were broadly representative of South Africa's population age distribution, providing a well-rounded demographic perspective.
- **Main Bank**: Although responses were received from customers of all the major South African banks, the representation did not mirror the banks' market share. This discrepancy was attributed to the study's convenience sampling methodology. However, this deviation

did not impact the study's outcomes as a hypothetical scenario was employed to collect the study’s data.

- **Bank Tenure**: Most respondents displayed extended tenures with their respective banks, indicating a prevailing sense of customer loyalty in the South African banking industry, with the majority having relationships lasting four years or more.
- **Previous Home Loan Declines**: A significant portion of participants had faced the actual lived experience of having a home loan declined, with only 37.9% reporting successfully obtaining approval for their first application, emphasizing the commonality of such experiences.
- **Retention after a Home Loan Decline**: Despite having a home loan declined, a substantial 84.3% of respondents opted to remain with their banks after the experience, underscoring the resilience of customer loyalty even after challenging financial situations.
- **Agreement with a Home Loan Decline**: A significant percentage of respondents (35.8%) agreed with their bank's decision to decline their loan application, while 64.2% disagreed.
- **Appeals Process**: Following a loan decline, 37.1% of respondents appealed the bank's decision. Although these respondents are in the minority, they still form a significantly large group that highlights this as a commonly used avenue. In contrast, 62.9% accepted the bank’s decision without contesting.
- **Age Distribution across Banks**: Capitec's customer base appeared skewed towards a younger demographic, while Absa showed a disproportionate representation of individuals aged 55 and above, suggesting distinct target audiences for each bank.
- **Loan Applications by Gender**: Men were observed to apply for home loans at a higher rate compared to women, indicating potential gender disparities in financial decision-making and different approaches to how they view financial services and how they utilize them.
- **Outcome of Declined Home Loans by Gender**: Although application proportions varied between genders, the approval or decline rates for home loans seemed similar for both men and women, suggesting a consistent approach in loan assessment regardless of gender.

8.2.2 Managerial Implications of the Findings for Banks

8.2.2.1 Age Disparities across Banks

The observed age differences in customer bases between Capitec and Absa present strategic opportunities for targeted marketing efforts. Capitec, with its appeal to a younger demographic, could further entrench its' hold in this demographic by accentuating its innovative, technology-driven services. Emphasizing user-friendly apps, online banking conveniences, and digital solutions tailored for the tech-savvy youth could further amplify its appeal among younger customers. In contrast, Absa, benefiting from its long-standing legacy, could further leverage its historical reputation to attract older individuals. Focusing on stability, reliability, and an ability to weather changing circumstances, Absa seems to resonate with the mature audience, as it possibly instils a sense of trust and security in their financial endeavours. This can be a strategic source of competitive advantage. By aligning marketing strategies with the preferences and expectations of their respective age groups, both banks can optimize their customer outreach and foster lasting relationships within their target demographics.

8.2.2.2 Gender Disparity in Home Loan Applications

The noticeable gender gap in home loan applications raises pertinent questions about underlying societal dynamics. Factors like financial literacy, prevailing employment opportunities, or traditional gender roles might be influencing men to predominantly take the lead in financial matters, including home loan applications. In light of these observations, banks could play a transformative role by initiating targeted financial education campaigns. By empowering women with comprehensive financial knowledge, these campaigns can level the playing field, enabling them to make well-informed decisions regarding loans and investments. Beyond addressing immediate disparities, such initiatives have the potential to reshape societal norms, fostering greater financial equality and inclusivity. Banks, as influencers and educators, can catalyse positive change, promoting financial independence and confidence among women in the realm of personal finance.

8.2.2.3 Bank Tenure and Customer Loyalty

The extended tenures observed among customers within the banking sector point to a noteworthy level of behavioural loyalty. Despite encountering challenges like loan declines, customers still demonstrate a preference for maintaining long-term relationships with their respective banks. This loyalty highlights a significant opportunity for banks. In response to this loyalty behaviour, whatever the reasons may be, banks can proactively offer personalized services and incentives. Tailored financial solutions, exclusive benefits, or loyalty programs could enhance customer satisfaction and reinforce the bond between the bank and its clients. By understanding and valuing the longevity of these relationships, banks can strengthen customer trust, encouraging sustained loyalty, and fostering a positive environment where clients feel valued and understood. This proactive approach would not only ensure customer retention but could also lay the foundation for continuing partnerships built on mutual respect and trust.

8.2.2.4 Acceptance of Loan Declines

The revelation finding that emerged from the study, where a significant number of respondents (35.8%) displayed agreement with their bank's decision to decline their loan application highlights the resilience and understanding of customers, showcasing their ability to cope with financial setbacks and unexpected challenges. This finding suggests that a substantial portion of customers may possess a pragmatic understanding of the loan approval process and acknowledge that there are certain decision-making parameters employed by banks. Their acceptance of the outcome, despite its disappointing nature, indicates a level of financial literacy and emotional maturity among the surveyed individuals. This resilience can serve as a valuable insight for banks, emphasizing the importance of respectful communication and empathetic handling of such situations. Recognizing this resilience can guide banks in their interactions with customers. Empathy, clarity, and support during these moments become pivotal. Banks can acknowledge customers' understanding while offering assistance, guidance, and potentially alternative solutions, reinforcing a positive customer experience. This proactive approach not only preserves customer trust but also contributes to the overall reputation of the bank, fostering continuing relationships built on mutual respect and understanding.

This finding also underscores the opportunity for the use of effective communication in the loan application process. Despite not having a moderating effect on the relationship between cognitive dissonance and satisfaction, transparent communication regarding loan application criteria and clear explanations for application rejections can still significantly enhance customer understanding and mitigate cognitive dissonance. Banks, recognizing the impact of communication, should prioritize clarity in their interactions with customers. Providing detailed and easy to understand information about the loan application process, eligibility criteria, and the reasons behind any declined applications can empower customers with knowledge. Hence, informed customers are better customers. By investing in communication strategies that prioritize clarity and transparency, banks can not only enhance customer comprehension but also contribute to a more positive banking experience. In turn, this can lead to higher customer satisfaction, reduced dissonance, and a strengthened foundation for long-term customer relationships.

8.2.2.5 Opportunities in the Appeals Process

A significant percentage of respondents (37.1%) chose to appeal their loan declines highlights a crucial touch point in the customer journey that banks can leverage to enhance customer satisfaction and retention. This appeal process presents an opportunity for banks to refine their strategies, making them more transparent, straightforward, and empathetic. By prioritizing transparency, banks can take steps to ensure that customers fully comprehend the reasons behind their loan rejections. Providing clear and detailed explanations can alleviate confusion and reduce cognitive dissonance, fostering a sense of fairness in the decision-making process. Simplicity in the appeal procedures is also important. Therefore, streamlined, user-friendly processes can encourage more customers to engage with the appeals system, making it accessible to a broader demographic. Empathy could also play a crucial role in this context. Banks should approach the appeals process with understanding and compassion, acknowledging the emotional impact such decisions can have on customers. More importantly, empathetic communication, active listening, and personalized support can make customers feel valued and heard, potentially turning a challenging situation into a positive customer experience. By enhancing their appeals process with these principles in mind, banks can not only retain customers who may consider leaving but also demonstrate their commitment to customer satisfaction. Creating an appeals process that is transparent, simple, and empathetic aligns with the values of customer-centric banking, fostering trust and loyalty among clients.

8.2.3 Opportunities for Further Studies

The findings and managerial implications outlined above offer numerous opportunities to enrich the existing body of knowledge. Identifying gaps in existing research, the study opens avenues for further exploration, encouraging scholars to delve deeper into specific areas highlighted by the findings from the demographic results. The findings also highlight key issues and themes that industry needs to address in practice.

- **Extended tenures of bank customers**: The extended tenures observed among respondents in this study suggest a notable level of loyalty of customers in the South African banking sector that could possibly warrant investigation in future studies both from a theoretical as well as a practical perspective. In the banking industry, customers traditionally have had high levels of loyal engagement, only changing banks after facing serious issues (Beena & Khosla, 2015). However in the present day, customers have much more freedom to choose and are much more likely to migrate to other banks that may serve them better due to increasing competition between banks and the advent of new forms of financial institutions (Mainardes et al., 2020). From this and the current body of knowledge, it is thus not clear why customers still choose to stay despite having options in the form of other banks providing the same services. Exploring the reasons for this behaviour through qualitative research methods, such as in-depth interviews and focus groups, could provide deeper insights into the reasons behind customer loyalty in the South African banking sector, guiding future theoretical and practical investigations.

- **In-Depth Analysis of Gender Disparities**: Further research could also explore the underlying reasons behind the gender disparities in home loan applications. Qualitative studies or surveys could delve into societal and cultural factors influencing these patterns, providing a comprehensive understanding of the issue.

- **Impact of Loan Declines on the Customer Relationship**: Investigating the long-term impact of loan declines on customer satisfaction and loyalty could provide valuable insights. Longitudinal studies tracking customers' experiences over time could reveal trends, enabling banks to proactively address challenges and improve customer relationships. This is because the impact of a loan decline on satisfaction and loyalty may not be immediate. Customers might need time to process the situation, explore alternative options, or re-evaluate their relationship with the bank. Longitudinal studies that track satisfaction and loyalty over time may reveal evolving patterns that may not be evident in a cross-sectional study.

- **Exploring the Appeals Process Dynamic**: A detailed exploration of the loan appeals process could uncover customer sentiments, challenges faced, and areas for improvement. Qualitative interviews or focus group discussions with customers who appealed loan decisions could yield qualitative data, offering a deeper understanding of their experiences.

- **Comparative Studies on Demarketing across Banks**: Conducting comparative studies across multiple banks could provide a broader perspective on customer experiences. Analysing how different banks handle similar situations could highlight best practices and areas needing improvement, which could be of benefit to the entire banking industry.

- **Exploring Cultural and Socio-Economic Factors:** Investigating how cultural norms and socio-economic factors influence loan applications, approvals, and declines could offer valuable insights. Comparative studies across diverse cultural and economic backgrounds could reveal unique challenges faced by different demographic groups, aiding in the development of inclusive banking practices.

8.3 CONCEPTUAL FINDINGS

The findings from the conceptual model analysis provide valuable insights into the theoretical relationships and dynamics explored within the framework, identifying gaps and unexplored aspects within the conceptual model, indicating areas for future research. The findings also offer practical implications for businesses, suggesting specific areas where interventions or strategic adjustments can enhance desired outcomes.

8.3.1 Summary of Conceptual Model Findings

The findings from the study will now be linked back to the research objectives, research questions and research hypotheses. For each objective, the findings will be recapped and the managerial implications highlighted.

8.3.1.1 Research Objective 1

Research Objective	To determine whether the inconsistency resulting from the belief (of getting a home loan) and action (of the home loan getting declined) results in cognitive dissonance among demarketed customers in the South African banking industry.
Research Hypothesis	The inconsistency resulting from the belief (of getting a home loan) and action (of the home loan getting declined) will result in cognitive dissonance.
Research Finding	Hypothesis supported
Conclusion	The presence of dissonance was recorded, although levels were noted to be low, which can be explained by:- 1. Dissonance has been acknowledged in research as a complex construct to measure, and the act of measuring

	dissonance may in itself induce dissonance, or result in efforts by respondents to downplay the dissonance 2. Conditions for dissonance may not have been fully met, as the decision was not irrevocable (applicants knew that they could apply again) 3. Loan decline rates in South Africa are very high, with more than half of all loan applications being declined, thus applicants might have anticipated the possibility of rejection and may have prepared themselves mentally for the outcome 4. A significant number of the respondents agreed with the bank’s decision to decline their loan. Customers who experience dissonance but perceive the bank's communication and decision-making process as fair and transparent may view the overall experience more positively.
Managerial Implication	Understanding that cognitive dissonance exists, albeit at low levels, among demarketed customers points to the need for banks to have specific interventions, such as investing in clear, empathetic communication with their customers, equipping staff to deal with disappointed customers, offering guidance on how customers can improve their applications for future submissions, and opening up channels for customers to provide feedback and feel heard.

8.3.1.2 Research Objective 2

Research Objective	To investigate the impact of cognitive dissonance on customer satisfaction following a demarketing effort in the South African banking industry.
Research Hypothesis	There is a significant negative relationship between cognitive dissonance and satisfaction
Research Finding	Hypothesis supported
Conclusion	In a demarketing situation, as dissonance increases, customer satisfaction decreases.

Managerial Implication	By proactively addressing dissonance, banks can enhance customer satisfaction, maintain positive relationships, and foster long-term loyalty in challenging situations such following a demarketing effort.

8.3.1.3 Research Objective 3

Research Objective	To determine whether dissonance reduction mechanisms impact the relationship between satisfaction and loyalty in demarketed customers in the South African banking industry.
Research Hypothesis	Dissonance Reduction Mechanisms moderate the relationship between cognitive dissonance and satisfaction
Research Finding	Hypothesis supported
Conclusion	Study results showed that there was a statistically significant difference in the relationship between cognitive dissonance and satisfaction for the three groups (dependent on dissonance reduction mechanism selected).
Managerial Implication	Understanding these response patterns can inform the design of tailored interventions for customers depending on their preferred dissonance reduction mechanism. For instance, customers experiencing high dissonance (e.g. those who just accepted the situation) might benefit from targeted relationship marketing support or to cope with their dissatisfaction and move forward positively.

8.3.1.4 Research Objective 4

Research Objective	To examine the existence and extent of the moderating effect of communication openness on the satisfaction levels of demarketed customers in the South African banking industry.
Research Hypothesis	Communication openness moderates the relationship between cognitive dissonance and satisfaction.
Research Finding	Hypothesis rejected

Conclusion	The results suggest that even if communication is open and transparent, the dissatisfaction resulting from cognitive dissonance in having a loan application declined remains significant and is not mitigated by the level of communication openness.
Managerial Implication	Although open communication is positively correlated with customer satisfaction, it is likely that other factors play a more important role in reducing levels of dissonance. Thus banks might need to focus on other strategies beyond open communication to address the dissatisfaction stemming from cognitive dissonance.

8.3.1.5 Research Objective 5

Research Objective	To investigate the relationship between satisfaction and commitment in a demarketing context in the South African banking industry.
Research Hypothesis	There is a significant positive relationship between satisfaction and commitment
Research Finding	Hypothesis supported
Conclusion	The relationship between satisfaction and commitment, although statistically significant, was found to be notably weak. This suggests that while a positive association exists between satisfaction and commitment, its impact may be marginal and influenced by various other factors.
Managerial Implication	This study’s results how that banks should actively drive customer satisfaction in order to drive commitment. The study's results also underscore the critical need for banks to address the fundamental issues causing low levels of satisfaction and commitment among demarketed customers. Without addressing the underlying low levels of satisfaction, attempts to foster a robust relationship between satisfaction and commitment among demarketed customers may remain elusive.

8.3.1.6 Research Objective 6

Research Objective	To investigate the relationship between satisfaction and trust in a demarketing context in the South African banking industry.
Research Hypothesis	There is a significant positive relationship between satisfaction and trust
Research Finding	Hypothesis supported
Conclusion	Satisfaction and trust demonstrated a significant and positive relationship. This was in alignment with previous studies and implies that when customers are satisfied with their banking experiences, they are more likely to trust the institution.
Managerial Implication	For banks dealing with demarketed segments, focusing on enhancing customer satisfaction can be a strategic approach to fostering trust. Improving service quality, addressing customer concerns promptly, and ensuring a seamless banking experience can enhance customer satisfaction, subsequently leading to increased trust in the bank.

8.3.1.7 Research Objective 7

Research Objective	To investigate the impact of satisfaction on customer loyalty in a demarketing context in the South African banking industry.
Research Hypothesis	There is a significant positive relationship between satisfaction and loyalty
Research Finding	Hypothesis rejected
Conclusion	The study found that the relationship between the two constructs was not strong enough to be considered statistically significant. Previous research suggests that very high levels of satisfaction are required to significantly affect loyalty, thus it is possible that the low satisfaction scores observed in this study might not have been enough to have a substantial influence on customer loyalty. Another explanation could be the role of financial well-being in that where customers are experiencing financial stress due to

	demarketing decisions like loan declines, the link between satisfaction and loyalty may be weakened.
Managerial Implication	In the unique context of demarketing within the banking sector, the traditional positive relationship between satisfaction and loyalty may not hold as strongly as expected. Thus banks need to work much harder to achieve higher levels of customer satisfaction that result in higher levels of customer loyalty.

8.3.1.8 Research Objective 8

Research Objective	To investigate the relationship between trust and commitment among demarketed customers in the South African banking industry.
Research Hypothesis	There is a significant positive relationship between trust and commitment
Research Finding	Hypothesis supported
Conclusion	The positive relationship observed between trust and commitment implies that when customers trust a bank, they are more likely to develop a commitment to it.
Managerial Implication	For banks dealing with demarketed segments, understanding the trust-commitment relationship is critical. Trust serves as a foundation upon which commitment is built and suggests that trust acts as a catalyst, fostering a sense of loyalty and dedication among customers, even in the face of challenges like demarketing efforts. Thus, by focusing on building and maintaining trust, banks can foster a committed customer base even among those who have experienced setbacks.

8.3.1.9 Research Objective 9

Research Objective	To investigate the relationship between customer commitment and loyalty following a demarketing effort in the South African banking industry.

Research Hypothesis	There is a significant positive relationship between commitment and loyalty
Research Finding	Hypothesis supported
Conclusion	This finding indicates that demarketed customers who exhibit commitment are also highly likely to demonstrate strong loyalty to their bank.
Managerial Implication	This finding highlights the critical role commitment plays in cultivating unwavering loyalty among demarketed customers in the banking industry. This understanding can guide strategic initiatives aimed at enhancing customer relationships and promoting customer loyalty, even in complex business environments such as following a demarketing effort.

8.3.1.10 Research Objective 10

Research Objective	To investigate the relationship between trust and customer loyalty following a demarketing effort in the South African banking industry.
Research Hypothesis	There is a significant positive relationship between trust and loyalty
Research Finding	Hypothesis rejected
Conclusion	The study results revealed that the relationship between trust and loyalty was not statistically significant, indicating that trust did not strongly influence loyalty among the study respondents. The concept of mediator relationships could provide a valuable explanation for this result. It is possible that the relationship between trust and loyalty is indeed present, but it might be mediated by other variables.
Managerial Implication	Considering possible mediators might provide a more nuanced understanding of the trust-loyalty dynamics among demarketed customers. Customers might not be loyal solely based on trust; rather, it could be the combination of trust and other mediating factors such as communication that drive loyalty. With such

	knowledge, banks can focus on specific areas, improving customer experience and, consequently, customer loyalty.

8.3.2 Opportunities for Further Studies

Further studies could delve deeper into these potential explanations and conduct further analysis to better understand why levels of cognitive dissonance are low in the context of home loan declines within the banking sector. To better understand this phenomenon, it may be valuable to conduct follow-up qualitative research, such as interviews or focus groups, to explore how customers perceive and experience dissonance in the context of a declined home loan application and how it relates to their overall satisfaction.

8.4 CONTRIBUTION OF THE STUDY

Although this study is empirical, the primary contribution it seeks to make lies in the realm of theory. Building upon the argument of Park et al. (2020), this research speculates that theoretical frameworks can be enhanced and refined through empirical conclusions. By emphasizing the theoretical underpinnings, this study aims to strengthen the existing knowledge base, providing valuable foundations for future empirical explorations. Additionally, this study seeks to make multifaceted contributions, spanning practical and industry applications, methodological advancements, and population-focused insights. By addressing these diverse dimensions, the research aims to not only enrich academic knowledge but also provide tangible, real-world implications for industry practice.

8.4.1 Theoretical

Firstly, this study introduces a novel theoretical framework by integrating the cognitive dissonance model (Festinger, 1957) and the commitment-trust theory of relationship marketing model (Morgan & Hunt, 1994). Although based on well-known and researched theories, this new model is designed to systematically examine the relationships between cognitive dissonance and customer loyalty. By merging these established theories, this study aims to provide a robust foundation for theoretical testing, offering insights into the intricate dynamics between cognitive dissonance and customer loyalty within the specific context of the banking industry. Calls have been made for studies to provide empirical evidence of cognitive dissonance (Zhang, Xia, Liu & Han, 2018). Specifically in the study of consumer behaviour, it has been used to understand how consumers react to specific situations. Wilkins et al. (2018) found that in the higher education space, minimizing cognitive dissonance is a prerequisite for maximizing student satisfaction. They propose that more research be conducted into how cognitive dissonance and satisfaction, or dissatisfaction influences individual consumer behaviour. There are also other calls in literature for more research into strategies of reduction of cognitive dissonance (McGrath, 2017) and to explore cognitive dissonance in communication (Carpenter, 2019).

This study presents an opportunity to contribute to the literary discourse on cognitive dissonance, specifically in the banking sector, which is a unique context with its specific challenges and customer interactions. Although many studies have already addressed cognitive dissonance in the banking sector, the unique contribution of this study is in providing a nuanced understanding of how cognitive dissonance operates within demarketed segments in the sector. This context-specific understanding can inform broader theories of cognitive dissonance in diverse industries. This research can contribute to the development of customer behaviour models within a demarketing context, offering insights into how cognitive dissonance impacts loyalty and other important outcomes such as satisfaction, trust and commitment. The demarketing context is an especially important one as it offers a fertile ground for exploring the complexities of customer decision-making and psychological processes in a less-than-ideal situation. Further, this study presents an opportunity to contribute to the debate on measurement of cognitive dissonance. The complexity of measuring cognitive dissonance and the challenges of assessing the effectiveness of dissonance reduction mechanisms are well documented in current literature. By highlighting the challenges of measurement and potential explanation for levels of dissonance observed, this study presents an opportunity to contribute to the development and refinement of measurement models for cognitive dissonance in practical contexts, thus guiding future studies in this area.

Within the context of demarketing in the banking sector, there is a lack of research on its effects on customer loyalty. Although demarketing studies are resurfacing after a long interval, current literature does not tackle the impact of demarketing initiatives on customer relationships and, consequently, their behaviour. Thus this study also aims to add to the body of demarketing and its effects, which remain underexplored in the existing research landscape, leading to an incomplete understanding of the concept (Lepthien et al., 2017).

Furthermore, scholars like Xiao and Tao (2020) have highlighted the necessity for expanded research in consumer finance beyond the current focus on investing behaviour. Their call extends to theoretical inquiries into facets like consumers' borrowing behaviour and its implications for their well-being. They advocate for interdisciplinary explorations linking consumer finance with areas such as human development, demographic shifts, and cultural affiliations. This study is poised to respond to this imperative, aspiring to delve into these dimensions and contribute to the broader discourse on consumer finance.

8.4.2 Empirical

This study empirically tests the integration of the cognitive dissonance and the commitment-trust theories within the banking context, proposing a new conceptual model. The empirical validation of this theoretical framework enhances its credibility and applicability, thus providing a contribution to the existing theoretical landscape. Understanding these patterns enables the identification of trends and preferences, providing actionable insights for banks to tailor their strategies accordingly. The empirical contributions of this study lie in its ability to provide concrete, quantifiable data regarding cognitive dissonance, communication openness, satisfaction and customer behaviour, encompassing, commitment, trust and loyalty as well as demographic variances within demarketed segments of the banking sector in South Africa. Empirical data on these metrics provide concrete evidence of the challenges faced by customers, offering a quantitative perspective on the issues within the banking sector. These empirical insights not only contribute to the existing theoretical body of knowledge, but also offer practical implications for banks aiming to improve their demarketing strategies and customer relationships.

Lepthien et al. (2017) argue that there is a scarcity of empirical research regarding the outcomes of dismissing customers. Furthermore, existing literature does not address the notion of partially exiting a customer relationship—specifically, when a supplier declines to provide a single service from a variety of offerings. The impact of such selective demarketing on customer behaviour, particularly loyalty, remains largely unknown (Lepthien et al., 2017). Consequently, there is a lack of clear guidelines for companies on how to minimize the adverse effects of demarketing. Customers applying for credit facilities anticipate getting them, and when declined, cognitive dissonance results. Managing customers before and after is likely to minimize this. Research findings indicate that the customers a firm chooses to retain are pivotal for its survival (Farquhar & Robson, 2017). From a practical standpoint, this study can assist firms in comprehending how to achieve this goal without jeopardizing long-term relationships with their customers.

8.4.3 Practical/ Industry Contribution

In the South African financial services landscape, where consumers have a multitude of borrowing options from various banks, credit and store card providers, as well as informal lenders, establishing a robust regulatory framework has been paramount. The Financial Sector Conduct Authority's initiatives, such as the Conduct Standard for Banks (No 3 of 2020) and the second draft of the Conduct of Financial Institutions (CoFI) Bill (September 2020), signify a concerted effort to ensure ethical conduct, customer-centric services, and integrity within the financial sector. However, a comprehensive survey conducted on the general population in 2020 by the Human Sciences Research Council, commissioned by the Financial Sector Conduct Authority (Roberts et al., 2021) revealed substantial gaps between regulatory aspirations and customer experiences. A significant portion of respondents expressed dissatisfaction with the industry, highlighting deficiencies in information provision, respectful treatment, prompt issue resolution, follow-up mechanisms, honesty and customer consultation. The study revealed that: -

- Only 47% of respondents agreed that financial institutions provide sufficient information about their services
- 45% agreed that financial institutions treat people with respect
- 42% agreed that financial institutions respond quickly to complaints about problematic services
- 42% agreed that following a problem, financial institutions do a good job of following up and fixing things
- 40% agreed that financial institutions are honest
- Only 18% agreed that financial institutions consult people enough

The above findings underscore the urgent need for the financial services sector, particularly banks, to enhance their customer relationships and service quality. Given the prevailing erosion of trust and the frustration felt by customers, this study assumes pivotal relevance within the demarketing context. Banks, striving to shape customer demand while ensuring shareholder value, face a critical challenge: redefining their approach to customer engagement. Traditional strategies, including open communication, trust-building, transparency, and mutual respect, need to be revitalized to bridge the gap between regulatory standards and actual customer experiences. Some of the measures that can be considered include: -

- **Enhancing information provision**: The findings from the study as well as the HSRC finding that only 47% of respondents believe that banks provide enough information highlights a gap for banks to implement comprehensive information dissemination strategies through user-friendly interfaces, educational campaigns, and personalized communication channels. A review of the major banks' websites reveals that some of the banks e.g. Absa and Nedbank provide information on what to expect when applying for products such as home loans. However the information is not easy to find and first time buyers may not know that this information exists unless specifically directed to it. There may exist an opportunity for banks to further enhance information provision to make the process friendlier and information easier to find for applicants.

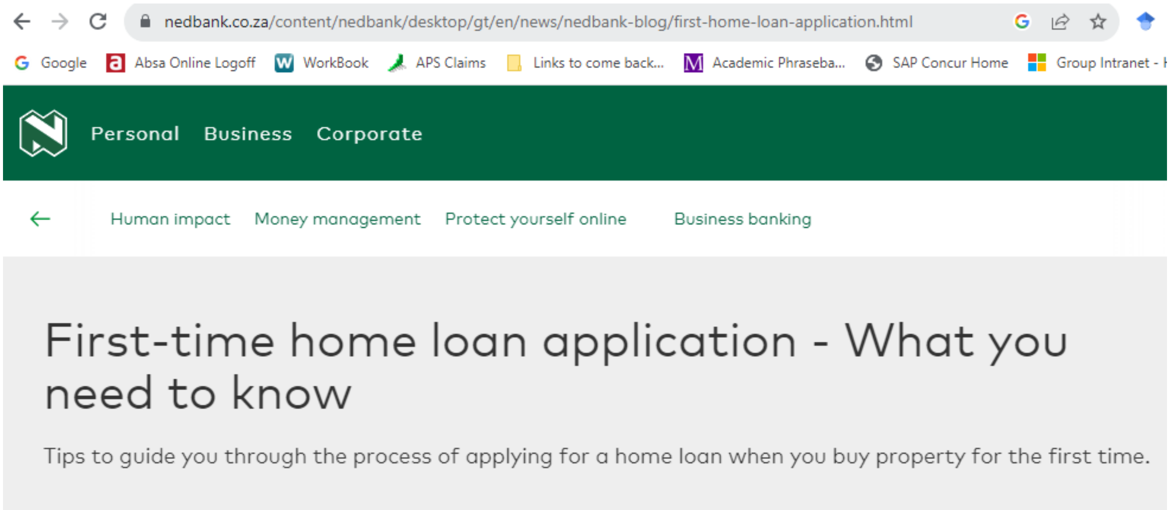

Figure 23: First time home buyers guide (Nedbank, 2023)

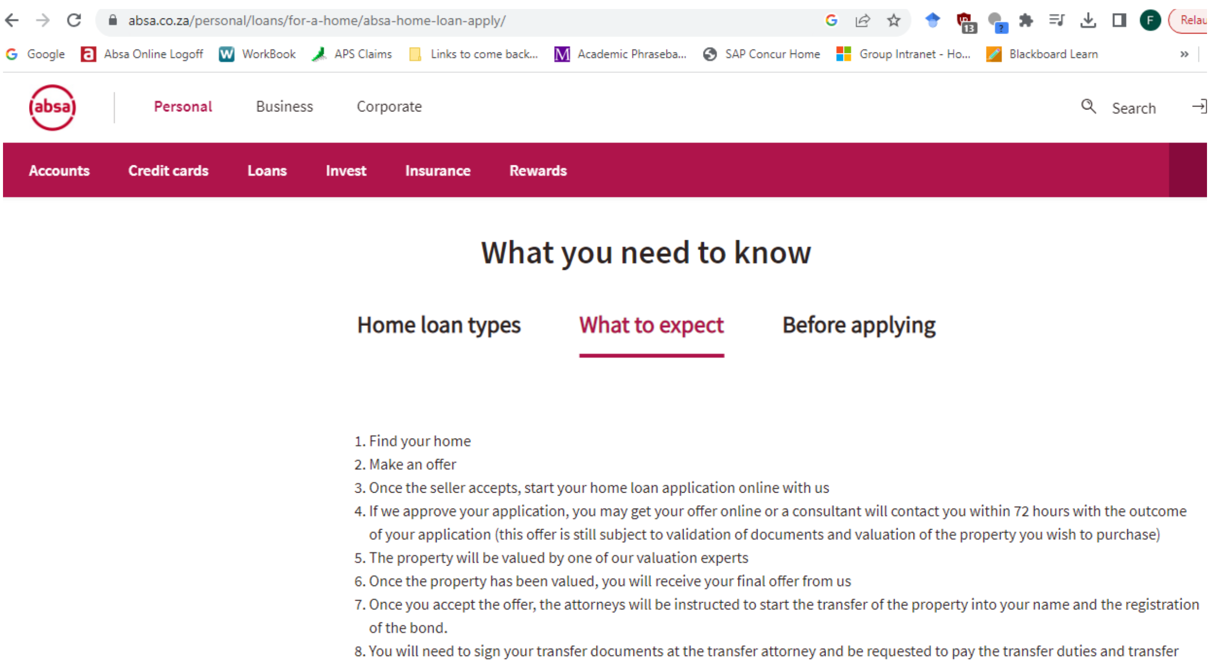

Figure 24: First time home buyers guide (Absa, 2023a)

- **Improving customer treatment**: The low levels of satisfaction and the feedback that only 45% of respondents believe that banks treat customers with respect shows that banks can step up in fostering respectful customer relationships by investing in staff training programs, ensuring empathetic interactions, and incorporating customer feedback into their service model. By prioritizing these initiatives, banks not only align with customer expectations but also contribute to the development of a positive and respectful organizational culture, ultimately enhancing the overall customer experience.

- **Addressing complaint resolution**: Innovative banks can streamline their complaint resolution processes by leveraging advanced technology, ensuring swift responses, and implementing proactive measures to prevent recurring issues. Banks can also establish effective post-resolution follow-up systems and refine their processes for addressing and rectifying customer concerns. A review of the major banks' websites shows a lack of consistency in the approach to customer complaint resolution. Absa for example, encourages customers to give feedback both positive and negative, while FNB goes a step further and provides the full process for complaints resolution, going as far as to highlight external avenues for customers to complain should they be dissatisfied. This level of information provision and transparency should be encouraged by all the banks.

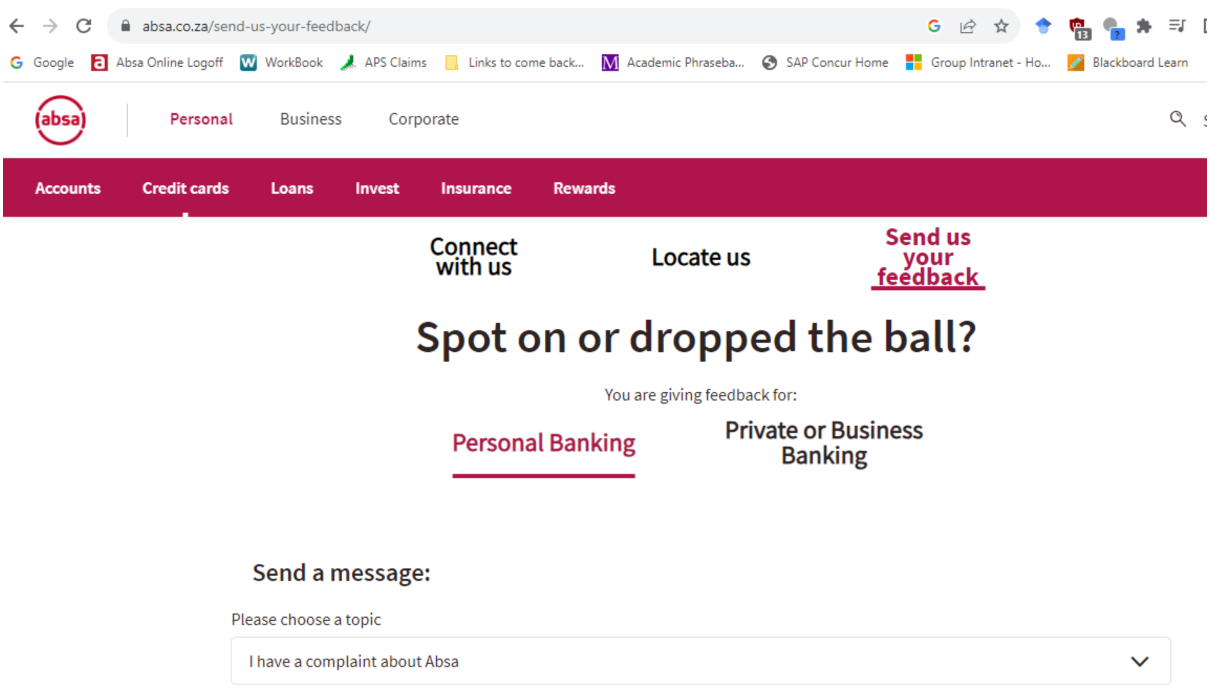

Figure 25: Online feedback form (Absa, 2023b)

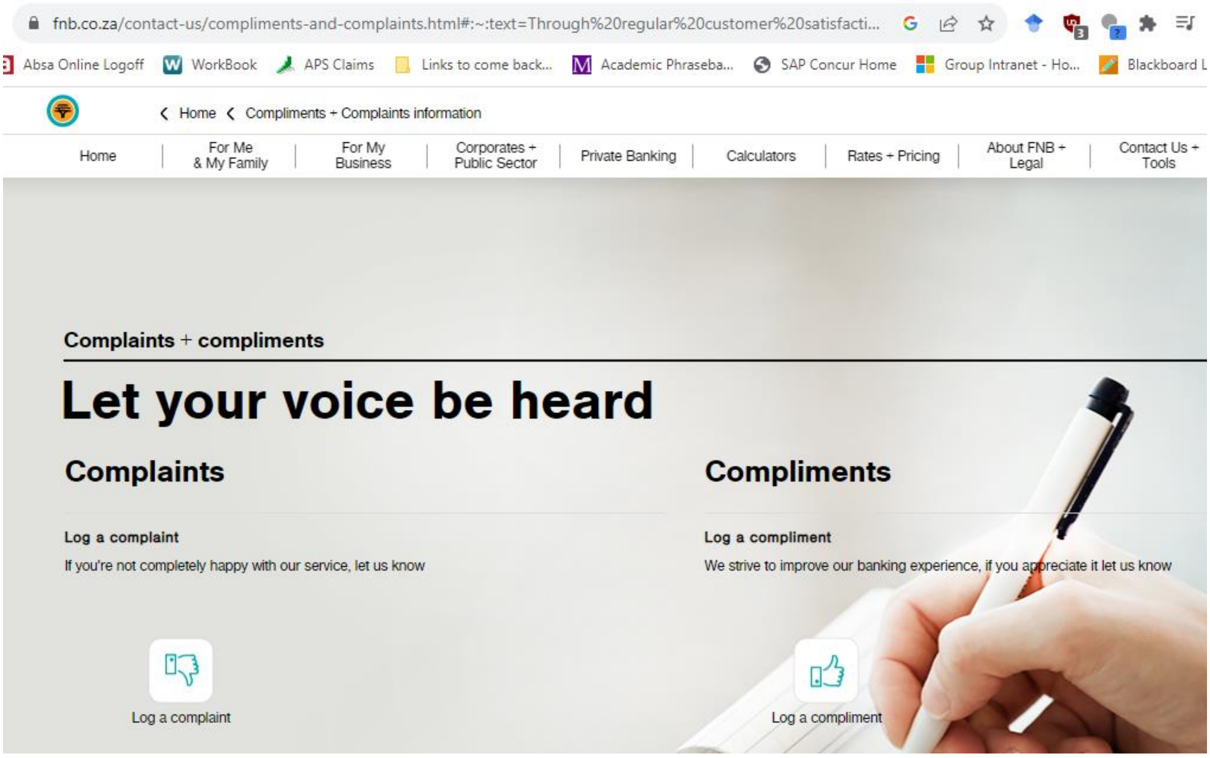

Figure 26: Online feedback form (FNB, 2023)

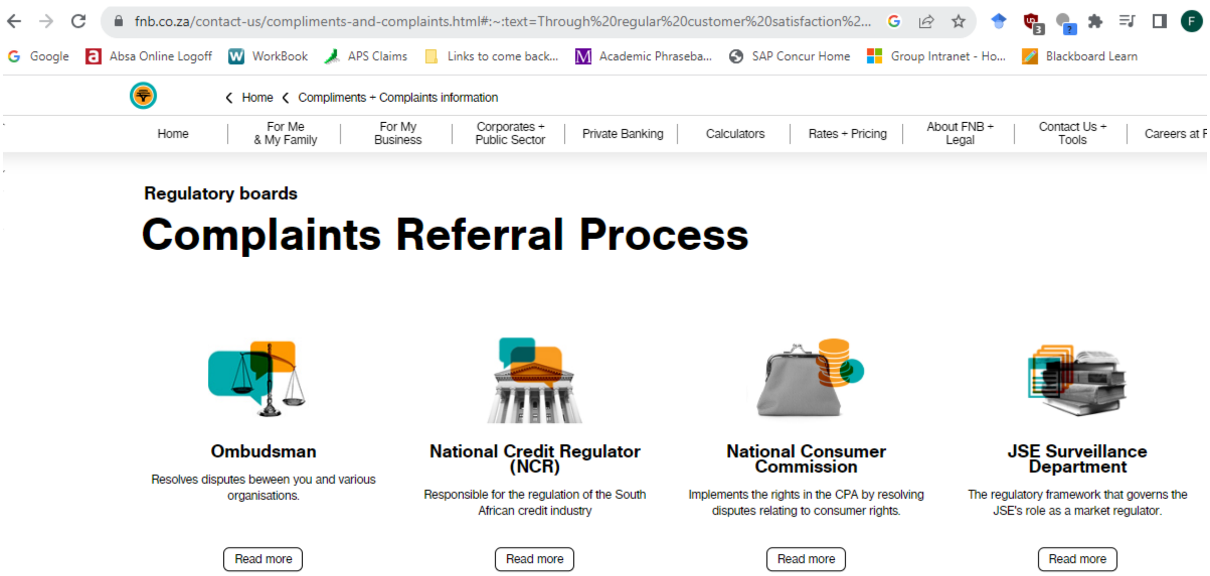

Figure 27: Complaints resolution guide (FNB, 2023)

- **Promoting honesty and transparency**: Forward-thinking institutions can integrate transparency initiatives into their operations, fostering a culture of honesty that resonates with customers and enhances overall trust. In communicating decisions on loan applications, banks can aim to give as much information as possible, as clearly as possible. For example in the letter below sent to a customer of one of the major banks whose home loan has been declined, the reason for the decline is not immediately clear. On one hand, the letter states that the credit score and account management were considered in coming to a decision and consequently the loan was declined, however further down, affordability is given as the reason for the home loan being declined. In addition to this, the information on who to contact for more information is confusing. In one section, a phone number is given, but in closing and individual's name and email is given as the contact person for more information. Further, the lack of flow in the letter, formatting errors and absence of a signatory to the letter suggest that this is a system generated response and thus comes across as very impersonal.

Your Absa Home Loan Application no: [redacted]

Dear [redacted] MRS [redacted] & MR [redacted]

Unfortunately, your Absa Home Loan application has been unsuccessful.

We have assessed your home loan application and we have considered your current credit profile with the Credit Bureau and account management with Absa.
After taking these into consideration, we regret to inform you that your application was unsuccessful.

We truly value your future business. For further details about your application, please contact 0860 111 007 for a discussion on how you can improve the chances of an approval in the next 6 to 12 months.

Your total monthly expenses plus the monthly repayment of the home loan you applied for, is more than your available monthly income and therefore we cannot offer you this home loan.

Remember, you can always apply again once you have reduced your monthly expenses.

If you have any other questions regarding this application, please don't hesitate to contact Brandon Crichton on Brandon.Crichton@absa.africa .

Kind regards,
Absa Home Loans

Figure 28: Home loan declined letter (Source: South African bank customer)

In contrast, a letter from the same bank (see Figure 28 below) communicating that a home loan has been approved contains much more information, has a logical flow, and appears well thought through. The bank could benefit from putting as much, if not more effort in communicating to customers whose loans have been declined. For customers whose loans have been declined, improving the clarity of communication, ensuring consistency in information provided, and presenting it in a logical flow can mitigate customer confusion. Moreover, banks should address formatting errors and impersonal tones in rejection letters, ensuring that they convey empathy and a genuine commitment to customer understanding. Investing similar effort in communicating declined loans as in approved ones can contribute significantly to maintaining positive customer relationships.

Your Absa Home Loan Application no: [redacted]

Dear [redacted] MRS [redacted] & MR [redacted]

20 May 2021

Congratulations, your home loan has been conditionally approved! We are happy to make you the following offer:

- Loan amount **R 2,250,000.00**
- Deposit Required **R 250,000.00**
- Term of loan **240 months**
- Interest Rate: 6.75 %
- Your estimated monthly repayment would be R 17208.53 (this amount excludes the initiation fee, monthly administration fee and Home Owners' Cover / life insurance).

Subject to the following conditions
- Debit order compulsory

We have, for your benefit, provided you with a table of further options (if applicable) reflecting the financial benefits of having a deposit / higher deposit, on your purchase price. The positive impact this would have on your repayments and interest over the term of your loan is displayed below:

Current Offer	Alternative A	Alternative B
Loan Amount: R 2250000.00	Loan Amount:R 2125000.00	Loan Amount R 2000000.00
Deposit Required: R 250,000.00	Deposit Required: R 375,000.00	Deposit Required: R 500,000.00
Interest Rate: 6.75 %	Interest Rate: 6.55 %	Interest Rate: 6.35 %
Period: 240	Period: 240	Period: 240
Instalment: R 17,108.19	Instalment: R 15,906.04	Instalment: R 14,735.37
	Estimated Interest Benefit to Current Offer: R 163,515.21	Estimated Interest Benefit to Current Offer: R 319,476.64

How is my interest rate calculated?
Your interest rates above are based on the current Mortgage lending rate linked to prime. Please note this interest rate may change.

How are my monthly repayments calculated?
Your monthly repayment options above are based on the deposit amount. They do not include the initiation fee, monthly administration fee and Home Owners' Comprehensive Insurance / Life insurance.

What does 'conditionally granted' mean?
We still need to value the property you wish to buy, and should the valuation be successful, then this conditionally granted home loan will be the loan that we give you.

If you have any questions, please contact your home loan advisor Brandon Crichton on Brandon.Crichton@absa.africa.

Kind regards,
Absa Home Loans

Figure 29: Home loan approved letter (Source: South African bank customer)

- **Increasing customer consultation**: The HRSC study revealed that only 18% of respondents think that banks consult people enough. Recognizing the importance of customer input, banks can pioneer initiatives such as continuous advisory panels and customer feedback forums, demonstrating a commitment to actively involving customers in decision-making processes. Through such initiatives, banks can understand customer pain points and how relationships can be improved.

This study's practical contribution lies in its emphasis on proactive customer engagement. By delving into the complexities of cognitive dissonance within demarketed segments, this research offers insights crucial for reshaping customer-bank interactions. Banks can leverage these insights to develop targeted strategies that prioritize customer needs and preferences, thereby fostering stronger, enduring relationships that drive the right customer behaviours.

8.4.4 Methodological

Methodologically, this research contributes to the expansion of quantitative methods within the demarketing domain, a field predominantly explored through qualitative approaches. While case studies traditionally encompass both successful and unsuccessful applications, as evidenced by studies from authors like Medway et al. (2010), Lawther et al. (1997), Grinstein and Nisan (2009), this study diverges by employing experimental design. By embracing quantitative methods, particularly experimental designs, this research aims to provide a unique perspective, offering valuable insights into the nuanced dynamics of demarketing.

8.4.5 Population

This research will seek to make a contribution to demarketing literature within the specific banking context of South Africa—an emerging economy that is frequently overlooked by global researchers. The meticulous analysis of demographic data is intended to provide valuable insights into the unique socio-economic landscape of South Africa. By focusing on this underexplored territory, the study aims to bridge gaps in existing literature, offering nuanced perspectives that are reflective of the distinctive challenges and opportunities within the South African context. Through this exploration, the research aspires to enrich the broader understanding of demarketing strategies in diverse economic environments.

8.4.6 Policy

This study may also assist with contribution to policy development. The National Development Plan was formulated as a plan for South Africa to eradicate poverty and reduce inequality by the year 2030 by solving some of society's most complex problems (Commission, 2012). Key to the plan is fixing housing market gaps by reshaping the country's urban and rural areas (Commission, 2012). The Sustainable Development Goals also speak to making cities and human settlements sustainable by building effective, accountable and inclusive institutions to support their development (Cf, 2015). The financial services sector is critical in positive sustainable development of any society (Weber, Diaz, & Schwegler, 2014), including housing. Despite the importance of home loans, there is only limited research on it from the household perspective (Xiao & Tao, 2020). This study may help to shape policy in the areas of housing and financial inclusion (home loans). Housing is an essential need to human survival, and is also an indicator of the extent of poverty eradication in a country (Habitat, 2009). Governments cannot be able to resolve all social issues without the assistance of other stakeholders such as investors and the private sector (Manomano, Tanga, & Tanyi, 2016). Bah, Faye, and Geh (2018) posit that the continent’s housing crisis cannot be left to governments alone to solve, but will require cooperation and coordination between all stakeholders, including the private sector, of which banks are part. They further argue that housing finance is a crucial cog in the housing delivery value chain.

8.5 LIMITATIONS OF THIS STUDY

While acknowledging the valuable theoretical and practical contributions of this study, it's crucial to exercise caution when applying or generalizing the results due to a few limitations. These limitations were inherent in the methodology, research design, and other research aspects. Consequently, these factors may have influenced the study's findings, suggesting that specific constraints in the procedures used might have impacted the final outcomes. The following section outlines these limitations and their possible effects on the conclusions drawn in this study.

Firstly, the success of this study relied on the construction of the vignettes. A common challenge with experimental vignettes is that manipulation may fail to reflect the conceptualization, leading to a gap between the construct being examined and the variables being manipulated (Chang, 2017). To mitigate this, appropriate manipulation checks need to be done to check whether the participants perceived the independent variables as they were designed to be, e.g. Bornemann and Homburg (2011). A manipulation check was done, which was instrumental in ensuring that the participants’ interpretations aligned closely with the intended experimental manipulations, thereby enhancing the internal validity of the research findings. Results from the manipulation check revealed that a small number of respondents did not resonate with the scenario as intended and thus this should be viewed as a potential limitation of the vignette’s effectiveness and a possible challenge to the internal validity of the study. Another limitation noted is that although the use of the vignette enhanced the novelty of the study, it had the unintended effect of defocusing the study from the specific demarketed segments.

A second limitation is that the variables in this study were adapted from previous scholars' instruments and were modified before operationalization. In some cases, some items were dropped and others added. A significant limitation associated with adapting instruments from earlier studies, even if they were statistically valid and reliable, is their potential inability to accurately measure the current phenomenon under investigation. This situation might lead to invalid and unreliable outcomes that may give a false sense of precision and accuracy meaning that the connection between the measures developed by social scientists and the concepts they are intended to reveal might be assumed rather than real (Bell, Bryman, & Harley, 2022). Nevertheless, due to time constraints and the need for efficiency, the researcher chose to utilize established scales and adjust them to fit to the study.

Third, it is evident that measurement challenges still exist in the study of cognitive dissonance as reported in the findings section. In light of these measurement challenges, it is not entirely surprising that that respondents in the study reported moderate levels of dissonance. Previous researchers have highlighted the complexities surrounding the measurement of cognitive dissonance, particularly in the context of marketing and customer behaviour studies. This could be a potential limitation as cognitive dissonance was a key construct in this study.

Fourth, in this study, a non-probability convenience sampling method was employed, utilizing a research panel for online data collection. Non-probability convenience sampling was found to be the most efficient method to collect data for this study, however, its' use raised concerns about the representativeness of the sample. Consequently, this study's ability to generalize its findings to other contexts became questionable, in line with concerns raised by Bell et al. (2022).

Finally, the last concern in the context of this study's cross-sectional design was the use of data collected at a specific point in time. This aspect poses a challenge to external validity because conclusions derived from causal analyses in cross-sectional research might not be applicable to other research contexts. Conclusions made from one-time exploration may lack the depth and insight provided by longitudinal studies, especially when studying complex behaviours such as loyalty. However, a longitudinal approach was not feasible due to time constraints, as the researcher could not commit an extended period of time, possibly years, to studying a single topic.

8.6 CHAPTER SUMMARY

In this chapter, the primary findings of the study were examined, accompanied by best practices and recommendations derived from the research. The section also delved into the study's contributions and limitations, offering insights into potential avenues for future research endeavours.

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CHAPTER 10. APPENDICES

10.1 APPENDIX A – QUESTIONNAIRE

Participant Information Sheet

Q1 Dear Sir / Madam,

Thank you for taking time to participate in my survey.

My name is Fiona Kigen and I am a PhD student in Business Studies at the University of the Witwatersrand, Johannesburg. My supervisor is Dr. Marike Venter de Villiers. I am conducting a research study on the effects of demarketing efforts on loyalty in the banking industry. The study title is ''*The Effect of Cognitive Dissonance on Customer Loyalty among Demarketed Segments in the Banking Sector with Communication Openness as a Moderator*''.

I am inviting you to take part in this study by filling in an online once-off questionnaire. The interview may take 10 to 15 minutes of your time. The survey will be confidential and anonymous, and you will not be required to provide any personal information. Completion of the questionnaire implies consent to take part in the study.

The risks for this research study are no more than what happens in everyday life. If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part and can stop being in the study at any time. You do not have to answer any questions if you do not want to. Taking part in the research study will not cost you anything. Submitting and completing the questionnaire will be taken as consent to participate. An incentive of up to R 21.87 in airtime, points, cash rewards or vouchers will be offered for successful completion of this questionnaire.

This research study will be written up as a research report. The report will be available on the university library website. If you would like to receive a summary of this report, I will be happy to send it to you. If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,
Fiona Kigen

Researcher: Fiona Kigen (Email: fiona.kigen@gmail.com)
Supervisor: Dr. Marike Venter De Villiers (Email: marike.venterdevilliers@wits.ac.za)

Section A - Screening and demographic questions

Q2. Are you 18 years or older?	Yes	No
Q3. Are you a citizen of or legal resident in the Republic of South Africa?	Yes	No

If you answered "Yes" to both these questions, please complete the survey.

If you answered 'No" to either of these questions, you do not need to complete the survey.

Q4. Please indicate your gender	Male	Female	Other	Prefer not to say

Q5. Please confirm your age

18-25	46-55
26-35	Over 55
36-45	

Q6. Name of your main bank (defined as the bank where you hold a current account and process most of your transactions through e.g. salary)

Absa	Standard Bank
Capitec	Nedbank
FNB	Other

Q7. Please confirm how long you have been with your current main bank

Less than 1 year	7-9 years
1-3 years	10-12 years
4-6 years	Over 12 years

Confirmation of home loan status

Q8. Please confirm if you have ever applied for a home loan with your main bank (regardless of whether it was approved or not)	Yes	No
Q9. Please confirm if you have ever had a home loan application declined by your main bank (current or previous)	Yes	No

If no, skip next three questions

If yes, after receiving the letter of decline,

Q10 After receiving the letter of decline, did you change your main bank?	Yes	No
Q11 After receiving the letter of decline, did you think the bank was wrong to decline your loan?	Yes	No
Q12 After receiving the letter of decline, did you appeal the bank's decision?	Yes	No

Section B – Presentation of the vignette

Q13 **Applying for a home loan...**

Imagine that you are a professional who is making good progress in your career and also in your personal life. You have a good job with which you are happy, you have been saving for a few years and you have finally decided to take the first step towards becoming a home owner. You have identified the area in which you want to live in, have worked out your budget and have obtained a list of requirements to apply for a bond (home loan) from your primary bank, Bank XYZ. With Bank XYZ, you hold a cheque account where your salary goes, a savings account and a credit card.

You have been with Bank XYZ for a while and for the most part you have been financially responsible.

You approach your branch to put in an application and you are assigned a Home Loans Specialist, Brandon, to assist you with the application process. After a bit of back and forth about the documentation required, you finally complete your application and submit it for consideration.

72 hours after you have put in your application in, you get the below message from the bank.

Dear Customer,

We regret to inform you that your home loan application was unsuccessful. We have assessed your application and have considered your current credit profile with the Credit Bureau and account management with Bank XYZ. After taking these into consideration, we regret to inform you that your application was unsuccessful. We truly value your future business. For further details about your application, please contact 0860 1213 for a discussion on how you can improve the chances of an approval in the next 6 to 12 months.

If you have any further questions, please do not hesitate to contact your Home Loans Specialist.

Regards,
Bank XYZ Home Loans Department

Q14 It is reasonable to assume that you expected the bank to approve your loan?	Yes	No

Section C – Cognitive Dissonance survey

Q15 After you received communication from the bank that your home loan had been declined, how do you think you would be feeling?

Please indicate your disagreement/ agreement with the following statements.

Strongly disagree = 1 Somewhat disagree = 2 Neither agree nor disagree = 3 Somewhat agree = 4 Strongly agree = 5.

After you received communication from the bank that your home loan had been declined, how do you think you would be feeling?					
○ Resent your decision to apply	1	2	3	4	5
○ Disappointed with yourself	1	2	3	4	5
○ Angry	1	2	3	4	5
○ Annoyed	1	2	3	4	5
○ Frustrated	1	2	3	4	5
○ Depressed	1	2	3	4	5
○ Furious with yourself	1	2	3	4	5
Wondered if you really needed the home loan	1	2	3	4	5
Wondered whether you should have applied at all	1	2	3	4	5
Wondered if you had done the right thing in applying	1	2	3	4	5
Wondered if the bank had not been completely honest	1	2	3	4	5

Wondered if there was a problem with the response you had received	1	2	3	4	5

Section D – Communication Openness

Q16. During the loan application process, you had been allocated a Home Loans Specialist, Brandon, who assisted you with completing your application. He guided you through the features of the different home loan products and helped you to narrow down on the right product for you. This was a relief as you had never done this before and did not know where to start. The whole process between approaching the bank for the loan and receiving the letter of decline was ten days and during that time, you and Brandon communicated at least once a day either on email or on phone. The nature of the emails/ phone calls ranged from requests for additional documentation and updates on the loan application status, to notifications that he would be away from the office. Brandon was available to answer your questions, though a few times he had to get back to you to clarify something after speaking to the credit department. You were not allowed to speak to the Credit Department directly so all your communication was with Brandon.

Bearing in mind the information above, how do you think you would feel you feel about the openness of the communication between you and the bank during the loan application process?

Strongly disagree = 1 Somewhat disagree = 2 Neither agree nor disagree = 3 Somewhat agree = 4 Strongly agree = 5

The bank kept me very well informed about what was going on with my home loan	1	2	3	4	5
The bank explained the home loan application process in a meaningful way	1	2	3	4	5
The bank offered me as much information as I needed	1	2	3	4	5
The bank explained to me the pros and cons of the home loan product recommended to me	1	2	3	4	5
The bank clearly explained their final decision to me	1	2	3	4	5

Section E – Options to deal with the Dissonance

Q17 You had been excited to put in your home loan application and start the journey of becoming a home owner, and the decline from the back was a setback for you. A lot of thoughts ran through your mind. Below are possible responses to the current situation. Please indicate what you believe would your most logical response.

- Believing that Bank XYZ made the right decision in declining your loan, and moving on with your life, putting on hold your plans to buy a home until such a time that the bank was able to approve your home loan
- Believing that Bank XYZ made the wrong decision in declining your home loan which may lead you to either appeal the decision, or stay with Bank XYZ but believe that banks are inherently unfair
- Believing that you need to change your main bank to one that better understands and supports you

Note: Presentation of responses was randomized to minimize potential bias that could arise due to the order in which the answer choices are presented

Section F – Satisfaction Survey

Q18 Based on the decision you selected in the previous section on how to move forward in relation to the declined home loan, how do you think you would feel about the below now?

Strongly disagree = 1 Somewhat disagree = 2 Neither agree nor disagree = 3 Somewhat agree = 4 Strongly agree = 5

Your relationship with Bank XYZ has been productive	1	2	3	4	5
The time and effort that you have spent with Bank XYZ has been worthwhile	1	2	3	4	5
Your relationship with Bank XYZ has been satisfactory	1	2	3	4	5
Your relationship with Bank XYZ has been fruitful	1	2	3	4	5
The time and effort that you have spent with Bank XYZ has been meaningful	1	2	3	4	5

Section G – Trust, Commitment and Loyalty Surveys

Trust

Q19 It was unfortunate that your home loan was declined, but you have decided that life has to continue. How do you think you would feel about the below now?

Strongly disagree = 1 Somewhat disagree = 2 Neither agree nor disagree = 3 Somewhat agree = 4 Strongly agree = 5

You trust Bank XYZ	1	2	3	4	5
You rely on Bank XYZ	1	2	3	4	5
You think Bank XYZ is an honest bank	1	2	3	4	5
You think Bank XYZ is safe	1	2	3	4	5
You think Bank XYZ says what it means	1	2	3	4	5

Commitment

Q20 Having decided that life continues regardless of the declined home loan, how do you think you would feel about the below now?

If another bank would offer me better banking services, I would move my account to that bank	1	2	3	4	5
If Bank XYZ made troublesome mistakes, I would not immediately stop my account with them	1	2	3	4	5
I am interested in offers of competing banks	1	2	3	4	5
I am a loyal customer of Bank XYZ	1	2	3	4	5
Because I feel a strong attachment to Bank XYZ, I remain a customer there	1	2	3	4	5
I think Bank XYZ is a good bank and I therefore keep my account with them	1	2	3	4	5

Because I feel a strong sense of belonging with Bank XYZ, I want to remain a customer there	1	2	3	4	5
I have positive feelings about Bank XYZ and therefore plan to remain a customer there	1	2	3	4	5
I like being a customer at Bank XYZ	1	2	3	4	5
Because it is too costly to move my account to another bank, I keep my account with Bank XYZ	1	2	3	4	5
Because it is difficult to stop my account at Bank XYZ bank, I remain a customer there	1	2	3	4	5
Because no other good banks are available, I remain a customer at Bank XYZ	1	2	3	4	5
I remain a customer of Bank XYZ because I find it easy to do so	1	2	3	4	5
I remain a customer of Bank XYZ because it is difficult to take my account to another bank	1	2	3	4	5
I remain a customer of Bank XYZ because it will take too much time and energy to switch my account to another bank	1	2	3	4	5

Loyalty

Q21 Almost there! This is the last section!!!

Please indicate your disagreement/ agreement with the following statements based on your feelings towards Bank XYZ.

Strongly disagree = 1 Somewhat disagree = 2 Neither agree nor disagree = 3 Somewhat agree = 4 Strongly agree = 5

I will use Bank XYZ in the future	1	2	3	4	5
I feel like I will stay with Bank XYZ forever	1	2	3	4	5
I wish to continue getting services from Bank XYZ	1	2	3	4	5
I would consider Bank XYZ as my first choice	1	2	3	4	5
I would do more business with Bank XYZ in the next few years	1	2	3	4	5
I would do less business with Bank XYZ in the next few years	1	2	3	4	5
I will not switch to another bank even though there are lots of other bank options	1	2	3	4	5
I am willing to pay more than any other bank to stay at Bank XYZ	1	2	3	4	5
I will always use Bank XYZ	1	2	3	4	5
I consider myself to be a loyal patron of Bank XYZ	1	2	3	4	5
I would say positive things about Bank XYZ to other people	1	2	3	4	5
I would recommend Bank XYZ to someone who seeks my advice	1	2	3	4	5

End of the survey – Thank you and close

We thank you for your time spent taking this survey. Your response has been recorded.

10.2 APPENDIX B – UNIVERSITY ETHICS APPROVAL

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Kigen

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H22/07/15**
PROJECT TITLE	The Effect of Cognitive Dissonance on Customer Loyalty among Demarketed Segments in the Banking Sector with Communication Openness as a Moderator
INVESTIGATOR(S)	Miss F Kigen
SCHOOL/DEPARTMENT	School of Business Sciences/
DATE CONSIDERED	22 July 2022
DECISION OF THE COMMITTEE	Approved Risk Level: Minimal
EXPIRY DATE	29 September 2025

DATE 30 September 2022 **CHAIRPERSON** (Professor J Watermeyer)

cc: Supervisor : Dr M Venter De Villiers

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10004, 10th Floor, Senate House, University. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. **I agree to completion of a regular progress report. For Minimal and Low studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.**

_____________________ Signature

____/____/____ Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES