
Customer retention and cross-buying in the banking industry: An integration of service attributes, satisfaction and trust

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Abstract Most previous studies have focused on customer retention and have ignored the importance of customers' cross-buying behaviour. Customer retention seems to be the result of a kind of repetitive decision by the customers, but their decision to cross-buy involves a more complicated process. In this study, the authors examine the effects of locational convenience, one-stop shopping convenience, firm reputation, firm expertise, and direct mailings on both customer retention and cross-buying. The mediating roles of satisfaction and trust in the relationships between service attributes, customer retention, and cross-buying are also examined. The results indicate that banks can use different service attributes to influence customer retention and cross-buying. Trust and satisfaction play different mediating roles in the relationships between service attributes, customer retention, and cross-buying.

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INTRODUCTION

Traditionally, customer loyalty has been viewed as a multi-faceted behavioural construct that includes customer retention, positive word of mouth, and cross-buying.^{1,2} Most previous studies, however, have focused on customer retention and little research exists on cross-buying. The merger of Citicorp with Travelers in 1998 was intended

to provide the opportunity to cross-sell insurance and banking products to current customers.³ In Taiwan, the passage of the Financial Holding Company Act of 2001 also allows the establishment of financial holding companies to create operational synergy through economies of scale and scope. Thus, financial service providers are placing a growing emphasis on cross-buying.^{4–8}

Researchers have defined relationship length and breadth in terms of customer retention and cross-buying, respectively.⁹ Customer retention can be viewed as a measure of relationship continuation, and

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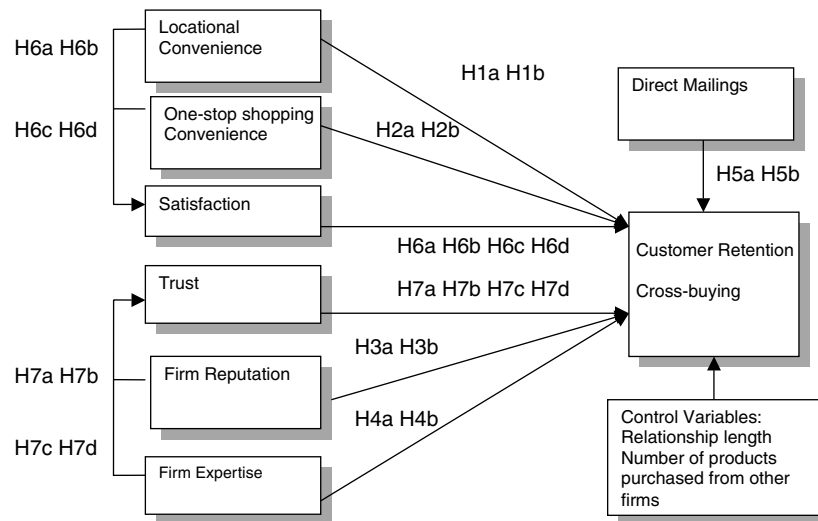


Figure 1 The conceptual model

cross-buying can be considered in terms of relationship development.¹⁰ Similarly, cross-buying focuses on the extension of the relationship with the customers,¹¹ whereas customer retention is concerned with minimising customer defection. As such, a decision targeting customer retention is of a different kind from that emphasising cross-buying. More specifically, customer retention seems to be the result of a kind of repetitive decision by the customers,¹² whereas their decision to cross-buy involves a more complicated process.⁷ Thus, customer retention entails a relatively lower level of perceived risk and uncertainty than cross-buying.¹²

Figure 1 offers a conceptual overview of our empirical study. In this study, we include service convenience (locational and one-stop shopping convenience) and the characteristics of the firm (firm reputation and expertise) because these service attributes are important criteria based on which customers select banks and that affect customer retention and cross-buying.^{13,14} We also include direct mailings because the successful customer relationship management largely depends on direct mailings.¹ Apparently, the service attributes that are essential to customer retention are different from those that

encourage cross-buying. Thus, we explicitly address and compare the differences implicit in the hypotheses. In addition, we include trust and satisfaction as mediating roles in the relationships between service attributes, customer retention, and cross-buying.

This study contributes to the literature in two ways. First, several studies have considered the effects of service attributes, satisfaction, and trust on either cross-buying⁸ or customer retention,¹⁵ but not on both. This study extends our knowledge about the distinction between customer retention and cross-buying and offers a new insight into the trade-offs that banks might face when using service attributes, satisfaction, and trust in customer retention and cross-buying. Secondly, few studies have simultaneously examined various variables within a single model. We develop and test a model that integrates service attributes and relationship quality in the development of a comprehensive model, in which satisfaction and trust are added as mediating roles between service attributes, customer retention, and cross-buying. Our findings are expected to shed light on different types of service attributes and how these may have a direct or an indirect effect on

customer retention and cross-buying via satisfaction and trust in the financial service context.

THEORETICAL BACKGROUND AND HYPOTHESES

Service convenience

Seiders *et al.*¹⁶ divided convenience according to four of its aspects: access, search, possession, and transaction. In the banking environment, banks intend to offer customers a variety of products that are capable of meeting one-stop shopping needs.^{6,14} Meanwhile, the criteria that customers use in selecting banks include locational convenience.¹⁷ Therefore, we will focus only on service convenience of location and one-stop shopping.

Locational convenience

Locational convenience refers to the degree of a customer's perception of the time and effort required to reach a service provider.¹⁶ Previous studies have concluded that locational convenience is the primary determinant in bank selection.^{17–19} Furthermore, customer switching behaviour may result from the inconvenience of a service provider's location.^{20,21} However, locational convenience is considered to be significant in providing simple banking products.²² When the range of traditional banking products is expanded to include insurance and investment products, customers may focus on the financial performance needed to satisfy their demands. In addition, locational convenience is not directly related to the core attributes of products.²³ Thus, differences in the core attributes of various products among competing service providers weaken the effectiveness of locational convenience.²³ Thus, we hypothesise the following:

H_{1a}: *Locational convenience will have a direct effect on customer retention.*

H_{1b}: *Locational convenience will not have a direct effect on cross-buying.*

One-stop shopping convenience

One-stop shopping convenience refers to the degree to which a customer perceives the time and effort necessary to obtain the desired products.¹⁶ One-stop shopping convenience is especially important because many customers want to obtain products more easily, quickly, and cheaply,⁶ and search economies can be had by obtaining all products from the same source.²⁴ As such, one-stop shopping convenience not only helps to retain customers but also creates opportunities for cross-buying.^{25–27} Thus, we hypothesise the following:

H_{2a}: *One-stop shopping convenience will have a direct effect on customer retention.*

H_{2b}: *One-stop shopping convenience will have a direct effect on cross-buying.*

Characteristics of the firm

Basically, service convenience does not provide any information to reduce the uncertainty of cross-buying. Therefore, besides service convenience, this study also emphasises the characteristics of the firm that are relevant to customer retention and cross-buying. Among the characteristics of the firm, firm expertise is a determinant of the effect of the communication, which in turn reduces uncertainty.¹² In addition, firm reputation serves to communicate to customers regarding the quality of its products.²⁸ Thus, in this study, we focus only on firm reputation and expertise.

Firm reputation

Firm reputation is defined as the extent to which a customer perceives a service provider to be honest and concerned with its customers.²⁹ In general, a good reputation helps to establish and maintain relationships with customers.²⁸ Furthermore, a good reputation can transfer guarantee information for other products offered by a firm. When customers cannot discern any differentiating features

among the products provided, a firm's reputation can facilitate purchasing-related decision-making.³⁰ Thus, we hypothesise the following:

H_{3a}: *Firm reputation will have a direct effect on customer retention.*

H_{3b}: *Firm reputation will have a direct effect on cross-buying.*

Firm expertise

Firm expertise is defined as the extent to which a customer perceives salespeople to have the requisite knowledge and skills to supply products.²⁹ Expertise has often been viewed as an important characteristic of salespeople in influencing a customer's perceptions of their credibility and trustworthiness.^{12,29,31} Darian *et al.*³² pointed out that the performance of salespeople can be a key factor in a customer's patronage decisions. Similarly, Lymberopoulos *et al.*¹⁴ also suggested that customers prefer that their banks have salespeople with expertise in insurance products. Therefore, we hypothesise the following:

H_{4a}: *Firm expertise will have a direct effect on customer retention.*

H_{4b}: *Firm expertise will have a direct effect on cross-buying.*

Direct mailings

Direct mailings are defined as a consumer's perception of the extent to which a service provider keeps its customers informed through direct mailings.¹ Direct mailings may increase the frequency of firm-to-customer communications that appeal to customers' specific needs.¹⁰ In addition, direct mailings provide sufficient financial information for customers to make a confident purchasing decision. It is generally recognised that frequent communication and contact with customers have been identified as key determinants of relationship enhancement.³³ Thus, we expect that direct mailings, as a way

of communicating with customers, have an effect on cross-buying. On the other hand, Bolton *et al.*⁹ argued that direct mailings have a larger effect on cross-buying than on customer retention. In addition, direct mailings only have a direct, positive effect on cross-buying, indirectly leading to customer retention.⁹ Similarly, as noted by Verhoef,¹⁰ direct mailings only focus on stimulating additional purchases. Therefore, we do not expect direct mailings to affect customer retention. We hypothesise the following:

H_{5a}: *Direct mailings will not have a direct effect on customer retention.*

H_{5b}: *Direct mailings will have a direct effect on cross-buying.*

As suggested by the preceding hypotheses regarding the direct effects of service convenience, characteristics of the firm, and direct mailings on both customer retention and cross-buying, we speculate that the direct effect model is incomplete. It would be beneficial to further understand the mediating roles that satisfaction and trust play in the relationships between these service attributes, customer retention, and cross-buying. As such, we will integrate service attributes, satisfaction, and trust in the development of a comprehensive model on the basis of the following hypotheses.

Satisfaction

Satisfaction is defined as an emotional state resulting from a customer's interactions with a service provider over time.³³ As noted previously, locational convenience is a critical factor affecting bank selection by customers.¹⁷⁻¹⁹ In addition, convenience is an important antecedent of satisfaction.³⁴⁻³⁷ Thus, we expect locational convenience to be an important determinant of satisfaction. One-stop shopping convenience has the advantages of offering a full range of products and reducing customers' search

effort. By saving customers' time and energy, their satisfaction level increases.³⁵

Satisfaction and customer retention are based on an overall assessment of past transactions. Given that customer retention does not entail any increase in purchases, it is always based on an assessment of satisfaction.¹² Previous studies have found that satisfaction has a positive effect on customer retention.^{15,38–41} In contrast, studies reporting a weak or an insignificant effect of satisfaction on cross-buying suggest that satisfied customers do not necessarily exhibit a high level of cross-buying behaviour.^{7,8} Satisfaction is not a major determinant of cross-buying because cross-buying might be affected more by the attractiveness of alternatives.¹⁰ For example, customers may be satisfied with their current bank, but they may be equally or more satisfied with products offered by competing service providers. Likewise, Gustafsson *et al.*⁴⁰ argued that when faced with a need to buy a different type of product, satisfaction may be less relevant to loyalty. In other words, if purchases are largely different from past experience, there is little to learn from past experience when making subsequent evaluations.⁴² Therefore, we hypothesise the following:

- H_{6a}:** *The positive effect of locational convenience on customer retention will be mediated by satisfaction.*
- H_{6b}:** *The positive effect of locational convenience on cross-buying will not be mediated by satisfaction.*
- H_{6c}:** *The positive effect of one-stop shopping convenience on customer retention will be mediated by satisfaction.*
- H_{6d}:** *The positive effect of one-stop shopping convenience on cross-buying will not be mediated by satisfaction.*

Trust

Based on Morgan and Hunt,⁴³ trust is defined as the level of integrity, honesty, and

competence that one party perceives in another. Trust is generally viewed as a critical element in the development of an enduring desire to maintain a long-term relationship.^{29,44} The positive effects of firm reputation and expertise on trust have been empirically examined in the literature.^{29,31,45} Salespeople with expertise are more persuasive because they are expected to be good at communication, which leads to more trust in the relationship.¹² In addition, a firm's reputation positively affects customers' assessment of the trustworthiness of a service provider because they believe that a service provider will maintain certain standards of quality to ensure its reputation.⁴⁵ Thus, firm reputation and firm expertise can nurture the trust of customers.

From the perspective of relationship marketing, previous studies have examined trust as a determinant of customer retention and the anticipation of future interaction.^{15,29,33,45} In general, the need for trust usually arises in any risky situation.³¹ Cross-buying may create perceptions of risk and entail new purchasing decisions of high uncertainty. As such, when customers evaluate a service provider as trustworthy, the perceived uncertainty associated with cross-buying may be reduced.⁴³ Similarly, Johnston and Madura⁴⁶ and Lymberopoulos *et al.*¹⁴ also supported the argument that banks are usually perceived by customers to have integrity and honesty, which would enhance their opportunities to cross-sell products. Therefore, we hypothesise the following:

- H_{7a}:** *The positive effect of firm reputation on customer retention will be mediated by trust.*
- H_{7b}:** *The positive effect of firm reputation on cross-buying will be mediated by trust.*
- H_{7c}:** *The positive effect of firm expertise on customer retention will be mediated by trust.*
- H_{7d}:** *The positive effect of firm expertise on cross-buying will be mediated by trust.*

Control variables

Typically, the customers of a particular bank maintain at least one other bank relationship.^{19,25} Consequently, the probability of cross-buying may decrease because customers' needs may already be filled by other financial firms.⁷ In addition, customers are likely to increase the number of products bought from a long-term provider.^{5,47} Thus, in this study, we control the total number of products purchased from other firms and relationship length to provide a stronger test of the models developed in this study.

METHOD

Data collection and sample

Our sample included individual customers who had opened a saving account with a bank in Taiwan. A total of 528 questionnaires were collected. After discarding 58 incomplete questionnaires, the final sample size was 470. Respondents varied in gender (male, 46.8 per cent; female, 53.2 per cent), age (less than or equal to 30 years of age, 30.4 per cent; 31–40 years of age, 40.5 per cent; 41–50 years of age, 22.3 per cent; greater than or equal to 51 years of age, 6.8 per cent), marital status (single, 32.6 per cent; married without children, 18.5 per cent; married with children, 48.9 per cent), education level (less than or equal to a high school diploma, 16 per cent; college degree, 33.2 per cent; university degree, 40.6 per cent; graduate school, 10.2 per cent), annual income (less than or equal to US\$10,000, 17.2 per cent; US\$10,001–US\$17,000, 32.6 per cent; US\$17,001–US\$27,000, 28.9 per cent; greater than or equal to US \$27,001, 21.3 per cent), and relationship length with their banks (less than or equal to 5 years, 46.8 per cent; 6–10 years, 32.6 per cent; 11–20 years, 19.7 per cent; greater than or equal to 20 years, 0.9 per cent).

Measurement development

Measures for all constructs were taken from the existing literature. Customer retention items were based on Morgan and Hunt.⁴³ To measure satisfaction, we adapted items from Verhoef *et al.*⁷ For the measurement of trust, we adapted items from Doney and Cannon²⁹ and Morgan and Hunt.⁴³ The items that measured locational convenience were adapted from Berry *et al.*³⁵ One-stop shopping convenience items were adapted from Berry *et al.*³⁵ and Srinivasan *et al.*²⁶ Firm expertise and reputation were measured with items adapted from Doney and Cannon.²⁹ In this study, we selected the following seven financial products: checking accounts, CDs, mortgages, mutual funds, structured notes, life insurance, and annuity insurance. Based on Crosby *et al.*,³³ Johnson and Grayson,⁴⁵ and Verhoef *et al.*,⁷ cross-buying was measured by counting the number of these seven products purchased from a bank.

Three marketing practitioners from a bank, an insurance firm, and a stock broker reviewed the initial items and the definitions of the constructs. According to their suggestions, several items were modified and reworded to suit a banking environment. The questionnaire was pretested by 103 EMBA students. Three items (satisfaction, trust, locational convenience) were dropped due to low values of interterm correlations, item-to-total correlations, Cronbach's alpha, and the loading of exploratory factor analysis.

RESULTS

Assessing construct validity

We tested the measurement model using confirmatory factor analysis (CFA). The CFA revealed a relatively good fit to the data (chi-square (271) = 439.99, $p = 0.00$, GFI = 0.93, AGFI = 0.91, CFI = 0.99, PNFI = 0.83, RMR = 0.02), thus confirming the efficacy of our measurement model. Cronbach's

alphas were greater than 0.8, supporting measurement reliability. In addition, all measures of composite reliability were greater than 0.80 and all average variance-extracted (AVE) estimates were greater than 0.50.⁴⁸ As evidence of convergent validity, all the items had significant loadings on their respective constructs.⁴⁹ Evidences of discriminant validity were supported by the fact that none of the confidence intervals of the phi estimates between the pairs of constructs included a value of 1.0 in this study.⁴⁹ Appendix A summarises the results of the item descriptions, factor loading, AVE, and the reliability test.

Structural equation models and hypothesis testing

The proposed model was tested on the basis of a structural equation model using LISREL 8.52. The results of the structural model are reported in Table 1. In Model 1, locational convenience, one-stop shopping convenience, firm reputation, firm expertise, and direct mailings were entered along with the two control variables. The fit of the Model 1 was acceptable (chi-square (120) = 268.69, $p=0.00$, GFI = 0.94, CFI = 0.99, RMSEA = 0.05, RMR = 0.04). The number of products purchased from other firms had

Table 1 Structural model results

<i>Construct</i>	<i>Model 1</i>	<i>Model 2</i>
<i>Customer retention</i>		
Relationship length	0.01 (2.46)	0.01 (2.46)
Total no. of products	-0.01 (-0.81)	-0.01 (-0.55)
Locational convenience (γ_{11})	0.22 (5.62)	0.19 (4.53)
One-stop shopping convenience (γ_{21})	0.12 (2.48)	0.07 (1.54)
Firm reputation (γ_{31})	0.38 (4.79)	0.27 (2.42)
Firm expertise (γ_{41})	0.16 (3.52)	0.11 (2.38)
Direct mailings (γ_{51})	0.08 (1.83)	0.03 (0.82)
Satisfaction (β_{11})		0.15 (3.01)
Trust (β_{21})		0.12 (2.07)
<i>Cross-buying</i>		
Relationship length	0.01 (1.46)	0.01 (1.33)
Total no. of products	-0.24 (-10.00)	-0.24 (-9.93)
Locational convenience (γ_{12})	0.04 (0.75)	0.01 (0.11)
One-stop shopping convenience (γ_{22})	0.22 (3.09)	0.19 (2.15)
Firm reputation (γ_{32})	0.35 (3.01)	0.20 (1.22)
Firm expertise (γ_{42})	0.18 (2.61)	0.12 (1.73)
Direct mailings (γ_{52})	0.17 (2.64)	0.13 (2.05)
Satisfaction (β_{12})		0.08 (1.04)
Trust (β_{22})		0.23 (2.51)
<i>Satisfaction</i>		
Locational convenience (γ_{13})		0.24 (5.64)
One-stop shopping convenience (γ_{23})		0.47 (11.78)
<i>Trust</i>		
Firm reputation (γ_{34})		0.78 (10.10)
Firm expertise (γ_{44})		0.21 (4.17)
<i>Fit indices</i>		
Chi-square (degree of freedom)	268.69(120), $p<0.05$	731.11 (337), $p<0.05$
GFI	0.94	0.91
AGFI	0.91	0.88
CFI	0.99	0.99
RMSEA	0.05	0.04
RMR	0.04	0.07

Note: The numbers in parentheses are *t* values

a significant negative effect on cross-buying. On the other hand, relationship length had a significant positive effect on customer retention.

Hypotheses H_{1a} and H_{1b} were strongly supported by the standardised coefficients that showed that locational convenience would have an effect on customer retention ($\gamma_{11} = 0.22$, $t = 5.62$) but would not have an effect on cross-buying ($\gamma_{12} = 0.04$, $t = 0.75$). Hypotheses H_{2a} and H_{2b} stated that one-stop shopping convenience would have effects on both customer retention and cross-buying. These two hypotheses were supported as the standardised coefficients of the path from one-stop shopping convenience to customer retention ($\gamma_{12} = 0.12$, $t = 2.48$) and cross-buying ($\gamma_{22} = 0.22$, $t = 3.09$) were significant. Hypotheses H_{3a} and H_{3b} were supported by the standardised coefficients that showed that the effects of firm reputation on customer retention ($\gamma_{31} = 0.38$, $t = 4.79$) and cross-buying ($\gamma_{32} = 0.35$, $t = 3.01$) were significantly positive. Furthermore, our results found that firm expertise would have effects on both customer retention ($\gamma_{41} = 0.16$, $t = 3.52$) and cross-buying ($\gamma_{42} = 0.18$, $t = 2.61$). Hence, our results lend support to Hypotheses H_{4a} and H_{4b}. Finally, Hypotheses H_{5a} and H_{5b} were supported because direct mailings would have a positive effect on cross-buying ($\gamma_{52} = 0.17$, $t = 2.64$), but would not have an effect on customer retention ($\gamma_{51} = 0.08$, $t = 1.83$).

With the direct effects of selected service attributes supported, we now turn to the analysis of the mediating effects of satisfaction and trust. The analysis of mediating effects requires the testing of three equations devised by Baron and Kenny⁵⁰ on the basis of the following: (1) the effects of service attributes on customer retention and cross-buying, (2) the effects of service attributes on satisfaction and trust, (3) the combined effects of satisfaction, trust, and service attributes on customer retention and cross-buying. In order for there to be a mediating effect, each of the three aforementioned effects must be significant, but the significance of the

relationships between service attributes, customer retention, and cross-buying must be reduced by adding satisfaction and trust to the model. The fit of the Model 2 was also good (chi-square (337) = 731.11, $p = 0.00$, GFI = 0.91, CFI = 0.99, RMSEA = 0.04, RMR = 0.07). The two control variables had the same effects on customer retention and cross-buying in both Model 1 and Model 2. That is, the number of products purchased from other firms had a significant negative effect on cross-buying. Furthermore, relationship length had a significant positive effect on customer retention.

As presented in Model 2, locational convenience and one-stop shopping convenience had effects on satisfaction ($\gamma_{13} = 0.24$, $t = 5.64$; $\gamma_{23} = 0.47$, $t = 11.78$). In addition, firm reputation and firm expertise had effects on trust ($\gamma_{34} = 0.78$, $t = 10.10$; $\gamma_{44} = 0.21$, $t = 4.17$). Meanwhile, satisfaction had an effect on customer retention ($\beta_{11} = 0.15$, $t = 3.01$), but had no effect on cross-buying ($\beta_{12} = 0.08$, $t = 1.04$). Obviously, satisfaction would not mediate relationships between locational convenience, one-stop shopping convenience, and cross-buying. Therefore, Hypotheses H_{6b} and H_{6d} were supported. In contrast, trust had effects on both customer retention ($\beta_{21} = 0.12$, $t = 2.07$) and cross-buying ($\beta_{22} = 0.23$, $t = 2.51$).

When satisfaction and trust were added to Model 2, the effects of locational convenience, one-stop shopping convenience, firm reputation, and firm expertise on customer retention and cross-buying were weaker in Model 2 than in Model 1. However, based on Baron and Kenny,⁵⁰ perfect mediation holds only if the direct effects of service attributes on customer retention and cross-buying are not significant in Model 2. In this study, the coefficient from one-stop shopping to customer retention (γ_{21}) declined from 0.12 ($t = 2.48$) in Model 1 to 0.07 ($t = 1.54$) in Model 2. Hypothesis H_{6c} was thus supported. Although the coefficient from locational convenience to customer retention (γ_{11}) declined from 0.22

($t=5.62$) in Model 1 to 0.19 ($t=4.53$) in Model 2, the coefficient (γ_{11}) in Model 2 was still significant. As such, the chi-square difference test was performed to ascertain whether the coefficient was significantly lower in Model 2 than in Model 1. Because the results of this test proved not to be significant ($p>0.05$), hypothesis H_{6a} was not supported.

Similarly, the coefficient from firm reputation to cross-buying (γ_{32}) declined from 0.35 ($t=3.01$) in Model 1 to 0.20 ($t=1.22$) in Model 2, and the coefficient from firm expertise to cross-buying (γ_{42}) declined from 0.18 ($t=2.61$) in Model 1 to 0.12 ($t=1.73$) in Model 2. Both coefficients were not significant for Model 2; consequently, hypotheses H_{7c} and H_{7d} were supported. In addition, the coefficient from firm reputation to customer retention (γ_{31}) declined from 0.38 ($t=4.79$) in Model 1 to 0.27 ($t=2.42$) in Model 2, and the coefficient from firm expertise to cross-buying (γ_{41}) declined from 0.16 ($t=3.52$) in Model 1 to 0.11 ($t=2.38$) in Model 2. These coefficients were still significant in Model 2. Again, the chi-square difference tests were performed to determine whether the two coefficients were significantly lower in Model 2 than in Model 1. Because the results of this tests proved not to be significant ($p>0.05$), hypotheses H_{7a} and H_{7b} were not supported.

DISCUSSION

It is worth noting that there is a clear distinction between cross-buying and customer retention; however, this has not been empirically investigated. Thus, one of our contributions is to compare whether service attributes influence customer retention and cross-buying differently. Another contribution of this study is to offer a new insight into the trade-offs that banks might face when using satisfaction and trust to increase customer retention and cross-buying. We discuss each of the contributions in greater detail.

Direct effects of service attributes on customer retention and cross-buying

In Model 1, our results show that one-stop shopping convenience, firm reputation, and firm expertise are service attributes that significantly impact both customer retention and cross-buying. It is interesting, however, that the importance of locational convenience and direct mailings when related to customer retention is evaluated differently from when such attributes are related to cross-buying. The findings suggest that when decisions move from customer retention to cross-buying, the relative importance of locational convenience is likely to decline, whereas the relative importance of direct mailings is likely to increase. More specifically, there is no relationship between locational convenience and cross-buying. Given the increasing diversity of products offered by competing financial service providers, customers will not view locational convenience as a priority for cross-buying. For example, financial service providers with less convenient locations may offer better prices, promotions, and products to attract customers, thus reducing the effect of locational convenience on cross-buying. In particular, the importance of direct mailings is clear in cross-buying because direct mailings increase communications, consequently leading to reduction of information asymmetry and uncertainty.⁵¹ Also, as noted by Lymberopoulos *et al.*,¹⁴ banks could improve their chances of cross-selling insurance products by making customers aware of their products. Direct mailings are effective in enhancing cross-buying because it can be used to raise the awareness of desirable customers.

Mediating effect of satisfaction

Customer retention is the result of a decision that customers make on the basis of their previous experiences with a bank. Satisfaction and customer retention are significantly based on accumulated past experiences.⁵² Thus,

customer retention is more easily based on a previous satisfactory experience. On the other hand, given customers' lack of experience and the weaker expectations about purchasing different product categories, customers are less capable of evaluating comparisons of expectation and actual experience. The effect of satisfaction on cross-buying will be reduced. Consequently, satisfaction has a significantly larger effect on customer retention than on cross-buying. Meanwhile, satisfaction fully absorbs the possible effect of one-stop shopping convenience on customer retention. Thus, satisfaction plays a critical mediating role only between one-stop shopping convenience and customer retention.

Mediating effect of trust

Cross-buying reflects current and anticipated future experiences. Each instance of cross-buying entails new uncertainty. As such, banks should reduce the uncertainty related to the fit between their various products and customers' needs. This is the principal reason why trust, as a means of reducing uncertainty,⁴³ is associated more closely with cross-buying than with customer retention. As a result, trust becomes more important and totally replaces the direct effects of firm reputation and firm expertise on cross-buying. This explains why the mediating effects of trust on relationships between firm expertise and firm reputation and cross-buying are significantly stronger than those on relationships between firm expertise and firm reputation and customer retention. Indeed, customers often sequentially cross-buy products from various categories, and this sequential cross-buying is continuously fraught with different levels of uncertainty. Given that the role of trust is especially important in such highly uncertain situations, trust plays a critical mediating role only between firm reputation and expertise and cross-buying.

MANAGERIAL IMPLICATIONS

Each phase of the lifecycle of a relationship has different characteristics and different requirements for customer retention and cross-buying. For example, locational convenience appears to be the most influential factor in the selection of a new bank by customers. More importantly, locational convenience is a prerequisite for one-stop shopping convenience and other aspects of service convenience.¹⁶ In addition, in the initial stages of cross-buying, customers have less confidence in their evaluation of the products offered by their banks. Hence, customers generally rely on a bank's reputation at this point. In the relationship development phase, customers may sequentially cross-buy a variety of products, from traditional to non-traditional categories and from simple to complex categories, in their banks.^{5,53} One-stop shopping convenience, firm expertise and firm reputation, can allow a bank to develop economies of scope by expanding their traditional categories to include extension categories. Next, we look at the managerial implications of these variables in greater detail.

Although locational convenience does not appear to be a service attribute critical to cross-buying, it does prevent customers from switching to competing providers. It is very reasonable to assume that only retained customers will cross-buy. As such, locational convenience might function as a switching barrier, thus helping retain customers, and in turn it could be combined with other service attributes to further explore cross-selling opportunities. In addition, we suggest that banks must use customer database information to deliver highly personalised and customised products to meet customers' specific demands. For example, many banks in Taiwan have leveraged credit card holder usage data to cross-sell products by including customised promotions with credit card bills. This is an extremely cost-effective method of reaching the untapped market of credit card

customers who meet the qualifications for certain products.

Furthermore, banks should develop new products or develop alliances with other service providers to meet customers' one-stop shopping needs. To make one-stop shopping convenience more efficient, developments in the layout design have been made at bank branches. For instance, one of the financial holding company-based banks in Taiwan has combined over-the-counter services from stock-brokers and insurers at its large branches. As such, there are agents, brokers, and insurance salespeople working together with bank salespeople in one branch. This multi-functional layout can increase customers' awareness of the bank's one-stop shopping convenience. This is in line with Harrison's⁵⁴ notion that restructuring in a branch can create a greater capacity to cross-sell. Furthermore, by putting much effort into integration, this bank has removed obstacles according to which certain products were formerly sold exclusively by an insurer, a stock broker, or a bank. Thus, bundled products, such as a mortgage and property insurance connected to a checking account or credit card, are developed to satisfy customers' complementary needs.

A lack of product knowledge on the part of salespeople is frequently identified as a barrier to the effectiveness of cross-selling. The underlying rationale is that customers have no confidence in a bank's salespeople's knowledge of and expertise in insurance or investment products. Indeed, firm expertise plays a particularly important role in reducing uncertainty and in increasing the level of confidence. As such, increasing the salespeople's knowledge of the different products offered by the bank is essential because expert salespeople are perceived as trustworthy, thus increasing customer retention and the number of cross-selling opportunities. For example, to further increase the expertise of salespeople in all aspects of wealth management products, the salespeople from successful financial holding

companies in Taiwan have been encouraged to team up with a bank, a stock-broker, and an insurer to serve high-net-worth customers. Also, firm reputation plays an important role in a bank. Apparently, a favourable reputation contributes to customers' perceptions of the trustworthiness of a bank, increasing customer retention and the number of cross-selling opportunities. Therefore, it is crucial for a bank to manage its reputation.

Indeed, bank branches are increasingly focusing on life insurance, pensions, and mutual funds. However, the conventional operational barriers existing between banks, insurers, and stock brokers need to break. Thus, the key element in cross-selling initiatives will be the integration of the various components. We suggest that banks use a wealth management platform and a CRM system integrating various products and service supports, a bank branch, ATMs, call centres, and direct mailings to retain customers and to cross-sell more investment or insurance products. Most importantly, a bank branch exists not only to serve as an agent for insurance and investment products but also to deliver locational convenience, satisfactory convenience for one-stop shopping, and firm expertise and reputation that are worthy of trust to their customers.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

A major limitation of this study is the cross-sectional data. Future research should collect data from longitudinal observations. In addition, the sale of life insurance from bank branches has had a positive result in Europe. It is possible that European customers perceive insurance and banking products as more complementary or similar than do Taiwanese customers. The inconsistent perceptions of customers in different countries may have influenced the results

of this study. In addition, future research needs to be conducted regarding traditional insurance companies that have established banks to implement a cross-selling strategy by exploiting their customer database.

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Appendix A

Table A1 Measurement item description and confirmatory factor analysis

<i>Item</i>	<i>Factor loading</i>	<i>t value</i>	<i>Cronbach's alpha</i>	<i>Composite reliability</i>	<i>Average variance extracted</i>
<i>Customer retention</i>			0.90	0.92	0.80
What do you think are the chances of you totally maintaining this relationship:					
Within the next six months?	0.91	—			
Within the next one year?	0.91	31.26			
Within the next two years?	0.86	27.37			
<i>Satisfaction</i>			0.94	0.93	0.74
The bank is a good firm to do business with.	0.85	—			
I am satisfied with the competence of employees of the bank.	0.87	25.21			
I am satisfied with the service quality of the bank.	0.87	25.36			
I am satisfied with my relationship with the bank.	0.87	25.37			
In general, I am satisfied with the service offered by the bank.	0.85	24.14			
<i>Trust</i>			0.94	0.93	0.74
The bank has high integrity.	0.87	—			
The bank keeps promises it makes to me.	0.87	25.71			
The bank can be trusted at times.	0.87	25.55			
The bank is trustworthy.	0.88	26.23			
The bank is genuinely concerned with my needs.	0.82	22.90			
<i>Locational convenience</i>			0.84	0.85	0.74
It does not take much time to reach the bank.	0.91	—			
The location of the bank is near my home or working place.	0.81	14.30			
<i>One-stop shopping convenience</i>			0.92	0.91	0.77
The bank can satisfy the majority of my needs.	0.88	—			
The bank can provide one-stop shopping to fulfill my needs.	0.88	25.91			
The bank can provide a wide selection of financial products to choose from.	0.87	25.38			
<i>Firm expertise</i>			0.95	0.95	0.92
The bank salespeople are very knowledgeable.	0.95	—			
The bank salespeople know their product lines very well.	0.97	42.76			
<i>Firm reputation</i>			0.83	0.84	0.63
The bank is highly regarded in the financial industry.	0.75	—			
The bank is known to be concerned about customers.	0.83	17.74			
The bank is one of the most capable firms in the financial industry.	0.82	17.53			
<i>Direct mailings</i>			0.90	0.90	0.75
The bank often sends mailings to promote financial products and services.	0.90	—			
The bank often informs me through brochures.	0.88	25.75			
The bank regularly keeps me informed of new financial products and services.	0.83	23.49			

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