UNDERSTANDING DRIVERS OF CONSUMER LOYALTY IN THE BANKING INDUSTRY: A COMPARATIVE STUDY OF GENERATION Z INDIVIDUALS EXHIBITING HIGH VS. LOW FINANCIAL LITERACY

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Abstract

The banking industry, which plays an essential role in any economy, is characterized by customers choosing a bank in early adulthood. For this reason, Generation Z is currently the emerging cohort of consumers in the banking industry, and understanding their behavior is paramount to a bank's success. In this paper, we (re)consider a model of the relationship between satisfaction and loyalty in the context of Generation Z, separately analyzing individuals with high financial literacy and those with low financial literacy. The results suggest that individuals with low financial literacy, as compared to individuals with high financial literacy, rely more heavily on subjective cues (such as customer feedback) when recommending to others and creating cognitive loyalty and that these customers tend to remain loyal primarily due to inertia. The findings have important implications for banks that need to segment their consumers according to their financial literacy (high vs. low), – as satisfaction, cognitive loyalty, willingness to recommend, and behavioral loyalty are driven by different mechanisms in the two segments.

Keywords: *satisfaction, cognitive loyalty, willingness to recommend, behavioral loyalty, banking, financial literacy, Generation Z*

1. INTRODUCTION

In the era of globalization and the continuous introduction of new technological innovations, the very essence of the banking industry has undergone significant changes worldwide. Although the banking business is still based on the fundamental relationship of trust between the bank and its customer, digital technology has affected this relationship. The banking industry has been increasingly facing innovation and digitalization, with traditional forms being increasingly challenged by FinTech and "platformication" (Pollari et al., 2019).

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In this context, the industry's retail sector is particularly challenged and needs to adapt to the digital age (Van Deventer et al., 2017). Given the growing importance of financial technology, banks underinvested in their core banking structure will be at a significant disadvantage.

As a result, global banks are expected to significantly expand their FinTech partnerships in the coming years (KPMG, 2021). Traditional customer acquisition and management models will become obsolete as digitalization facilitates the simplicity and availability of options (Arner et al., 2016), making it easier for consumers to switch between different providers, even if they only use their mobile devices (Oliveira et al., 2014). Such changes are more evident in the younger population (Leon, 2018) than in older generations, who tend to be more disconnected from using new technologies that allow them to use financial services efficiently (Carlin et al., 2017). Thus, in this paper, we focus on Generation Z and how the standard model of satisfaction, i.e., loyalty, influences (see, e.g., Oliver, 1999) changes in the new context in which consumers are digital natives.

In addition to the characteristics of Generation Z, we recognize that consumers are not equally well informed about either the banking industry or the options they have to maximize their well-being. For this reason, we focus on financial literacy as an essential aspect of Generation Z's decision-making and experience with the banking system. Financial literacy is defined as an individual's ability to engage in financial planning, build and preserve wealth, and make informed decisions about financial options (Lusardi and Mitchell, 2014). Individual attitudes and decision-making processes related to the financial system are generally influenced by their family background, such as family economic circumstances (Graves and Savage, 2015) and the stability of the economic environment during childhood (Moore et al., 2002). Generation Z generally has limited financial literacy (Šubić et al., 2019) despite recognizing the importance of personal finance (Beck and Garris, 2019). As an integral part of financial literacy, financial behavior is positively associated with better financial outcomes. Previous studies have shown that wealth accumulation, emergency funds, and retirement savings are associated with higher levels of prudent financial behavior (Chatterjee et al., 2017). A lack of basic financial knowledge among Generation Z has a significant impact on their financial behavior, whether selecting appropriate banking products for saving or considering borrowing costs (De Bassa Scheresberg, 2013). In general, financial behavior tends to have a substantial impact on students' overall well-being and ultimately affects the stability of the national economy.

1.1. Generation Z

Mannheim (1952) made a classification of generations based on factors that have a dominant influence on individuals and societies – such as wars, technology, politics, etc. Generation Z is a popular term that describes people born between 1995 and 2010 who follow Generation Y – Millennials – born between 1980 and 1994 (Schenarts, 2020). Generation Z is highly ambitious and self-confident, entrepreneurial, does not want to settle for a job but is looking for a dream job, is willing to change things they dislike, is motivated by opportunities to grow and advance, and expects a high income while doing meaningful work in a great team (Benítez-Márquez, 2021). Companies are eager to adapt to the unique characteristics of Generation Z by allowing for more significant salaries and benefits, establishing ambassador programs, internships, and CSR programs, and introducing technology into their operations (Bieleń and Kubiczek, 2020). This shift has required companies to make significant changes to satisfy Generation Z, as it is not expected that Generation Z would adjust to company values (Graczyk-Kucharska and Erickson, 2020). Therefore, Generation Z is an important target market for the financial industry as it represents the future of the workforce, a different type of workforce with higher expected disposable income.

Their uniqueness stems primarily from the fact that they are the first truly "digital native generation" (Lanier, 2017). Individuals who belong to Generation Z were born into a digital environment and have constantly interacted with digital technologies –the world is at their fingertips. For example, members of Generation Z enjoy playing games, getting information, being present, and sharing information online – they are not used to traditional businesses where one needs to be physically present (Magano et al., 2020). They do not want to conform, are impatient, and have a short attention span (Berkup, 2014).

Their choices are linked to interaction, transparency, and a socially accountable environment regarding their consumption behavior. Preference formation and decisions are primarily influenced by their hyperconnectivity, where their consumption is primarily characterized as conspicuous, an expression of their status and socioeconomic position, and hedonic (Smaliukiene et al., 2019). Even in functional products and services, they want personal relevance. They are significant online shoppers (Priporas et al., 2017) and do not value physical presence (Šimić and Pap, 2021). When making decisions, they are the ones who tend to inform themselves and find information, which is easy for them, while when choosing between alternatives, they compare prices online and tend to look for reviews (Dimitriou and AbouElgheit, 2019). Their preferences are specific, and members of Generation Z are *"notoriously fickle and hard to pin down*" (Armstrong and Kotler, 2017: 76).

To sum up, Generation Z is one of the neediest generations. Aside from their workplace aspirations, their consumption pattern requires a lot of attention and effort from companies, especially since Generation Z has several distinct subgroups (Leslie et al., 2021). Given that this generation is slowly but surely starting to work and earn their own money, traditional models need to be reconsidered, considering their specificities (Maloni et al., 2019), to better prepare companies for the new realities created by Generation Z.

1.2. The banking sector in Croatia

The focus of our research is on the banking sector in Croatia. The banking sector is a traditional, highly regulated sector that faces significant challenges in adapting to the unique characteristics of Generation Z. Banks in Croatia play a prominent role in the overall economy. The banking sector consists of 20 banks, primarily foreign-owned (over 90% of the total assets – Croatian National Bank). Significant shareholders of the two largest banks are Italian banks (UniCredit and Intesa Sanpaolo), while the following most considerable impact belongs to the Austrian Erste Group, Raiffeisenbank, and Addiko Bank. All of these European banks are also present in other CEE banking markets. In the environment of a bank-centric financial system, banks are the leading financial intermediaries. They have invested a lot of effort in increasing financial literacy in general.

As for consumers, in 2020, about 78% of all issued invoices in Croatia were paid in cash, and the rest with payment cards (CNB, 2021), with the pandemic strongly favoring cashless payments. A similar trend has been observed in the growing population using internet banking and mobile phone payments. The advantage of more accessible banking services simultaneously exposes customers to the potential risk of fraud.

The analysis among Generation Z members found that reliability factors are most important, including quality customer service, good brand image, reliable security arrangements, low bank fees, etc. (Rao and Sharma, 2010). Similar to this research, another survey found that the essential factors in choosing a bank are the friendliness of bank employees, low fees, a pleasant bank atmosphere, etc. (Čičić et al., (2004). However, for many members of Generation Z, the most important selection criteria are the quality of services (Lenka et al., 2010). Banks consider Generation Z a critical customer segment and have invested in developing tailored offerings to these customers. One of the banks offers a "Package for Youth, "another bank offers an" Index Plus Student Package," while most banks offer free accounts to attract new clients.

2. LITERATURE REVIEW

2.1. Loyalty

Since Generation Z is *"notoriously fickle and hard to pin down"* (Armstrong and Kotler, 2017: 76), we focus on their loyalty as a dependent variable, which is considered the most effective indicator of organizational success (Nyadzayo and Khajehzadeh, 2016). Oliver (1999: 34) defines it as *"a deeply held commitment to rebuy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior."* Aaker (1991) identifies loyalty as the customer's attachment to a brand, while Boohene and Agyapong (2011) see it as a concept applicable to brands, services, or activities.

The advantages of loyalty are numerous, such as the possibility of premium pricing, bargaining power with distribution channels, reduced costs and more substantial entry barriers in the category (Reichheld, 1996), highly predictable sales and profit streams (Aaker, 1996), lower price sensitivity, more time spent with the company, more referrals, lower customer costs (Kumar and Shah, 2004), savings in customer acquisition, guarantees of base profits, growth in per-customer revenue, free referrals of new customers (Ahmad and Buttle, 2001) and others. In addition to the benefits for the company, the customer also benefits from a loyal relationship with the brand, such as trust growth, risk reduction, economic benefits, and more efficient decision-making processes (Marzo-Navarro et al., 2004). One of the most apparent benefits is that companies that increase customer loyalty by 5% can increase profits by 25-90% (Reichheld, 1996).

Companies often implement diverse loyalty programs to encourage customer loyalty. Thus, one of the most popular loyalty program techniques is based on promoting customers to a new tier based on their spending (e.g., Wagner et al., 2009), with the drawback that not reaching the next tier is found to be more demotivating for the customer than not having a tier at all. Not considering profitability in loyalty management is highly risky (Kumar and Shah, 2004) as it can lead to undesirable effects. Loyalty programs are challenging to implement successfully because competition can erode any significant difference a brand makes with its program (Dowling and Uncles, 1997), particularly evident in some non-differentiated markets such as telecommunications. Researchers also disagree on the effectiveness of customer loyalty programs (McCall and Voorhees, 2010). Xie and Chen (2013) define that some disadvantages of managing loyalty programs are low consumer engagement, cost problems, customer frustration, and market erosion. In addition, loyalty is found to positively impact various performance metrics, including future sales, leading to long-term sales growth (Aksoy et al., 2008; Anderson et al., 1994).

One of the aspects of loyalty is that the decision-making process is shortened because the consumer, by definition, does not seek an alternative to a brand, which is confirmed by the research of Newman and Werbel (1973). Since the consumer is not looking for other alternatives, it can be assumed that they are loyal to the brand about which they have the information. Shortening and simplification are the critical ideas of the loyalty loop, which states that in predictable customer journeys, customers build up loyalty each time their expectations are met (Siebert et al., 2020). The authors suggest a smooth journey for services such as insurance and banking where everything is predictable. In contrast, they suggest including some unpredictable steps in the journey for leisure services such as gambling and cinema.

Loyalty has been explored in many contexts, such as brands, vendors, services, stores (Akbar, 2013), and many different industries. Bhat et al. (2018) found that loyalty in the banking sector can be improved by profoundly understanding customer behavior and regularly updating their information. Customer satisfaction, which was considered a prerequisite for loyalty, was not so relevant because not every satisfied customer is also always loyal. Ndubisi (2007) analyzed commitment, trust, conflict resolution, and communication and their impact on customer loyalty in the banking sector and found that they positively influence, while Vuuren et al. (2012) studied trust and satisfaction and commitment as the determinants of loyalty. Karunaratna and Kumara (2018) defined seven key determinants of loyalty - customer satisfaction, perceived value, trust, corporate image, service quality, loyalty programs, and switching costs. Trust has also been found to be one of the critical factors in the customer-bank relationship (Hoq et al., 2010), as has been widely researched (e.g., Steenkamp and Kumar, 1998; Pelau, 2008), whether as an antecedent of satisfaction or as a determinant of trust (Bhat et al., 2018). Monferrer et al. (2019) found that customer engagement leads to stronger customer loyalty in the banking sector.

It is essential to consider inertia-based loyalty (i.e., passive repurchases behavior) and loyalty characterized by a conscious decision to repurchase (Huang and Yu, 1999). Gounaris and Stathakopoulos (2004) categorize loyalty into four types: no loyalty (no purchase and low emotional attachment to the brand), covetous loyalty (no purchase but low emotional attachment to the brand), inertia loyalty (purchase but low emotional attachment to the brand) and premium loyalty (purchase and high emotional attachment to the brand). Aaker (1996) divided customers by loyalty into non-customers, price changers (price-sensitive), passively loyal (out of habit), fence-sitters (indifferent between brands), and committed (truly loyal). Therefore, it is important to consider its different dimensions when considering loyalty. This paper focuses on two critical dimensions of loyalty – behavioral and attitudinal (Akin, 2012, Joshi & Garg, 2021, Belaid & Behi, 2011). Behavioral loyalty is defined as consumers' actual staying vs. switching behavior, while cognitive loyalty is their intention to stay loyal versus their intention to switch.

2.2. Willingness to recommend

In many studies, customer satisfaction and recommendation play a central role in examining their determinants and effects. Customer satisfaction is a prerequisite r for a customer to make a recommendation (Otani et al., 2010). Sometimes there is confusion between recommendation and willingness to recommend. A recommendation can be classified as a behavior, while willingness to recommend is more predictive as an attitude/perception (Schmitt et al., 2012). However, in their study, they found that the intention to recommend has no significant influence on the Customer Lifetime Value (CLV) and that there is no non-linearity, so its value in terms of the future value of customers to the company remains to be proven (it is predictive of a contribution margin but not loyalty). Bayón (2007) states that customer behavior should be analyzed, not intentions, as these are a weak prediction measure of actual behavior. Even though customer satisfaction is far more popular, willingness to recommend is a more accurate predictor of company performance than customer satisfaction (Pongitore et al., 2007). Nevertheless, Kamakura et al. (2002) proved that the intention to recommend has a positive, non-linear influence on customer behavior, consistent with the authors who describe it as a prediction measure. It can be concluded that the intention to recommend has some predictive value but is limited to a specific context.

The Internet dramatically enhances the availability and value of word-of-mouth (WOM) referrals (Finn et al., 2009). One of the essential innovations in recommendation systems is that it recommends something on its own. Since technology has enabled it, companies can recommend some options to their customers. Customers have choices, but sometimes they are willing to outsource them to a system that can analyze the information more rationally. Chu and Kim have classified e-WOM (recommendations) into three actions – opinion seeking, giving, and passing (Chu and Kim, 2011). According to them, a recommendation should be seen as an activity of recommending a brand or product to a specific person or group and as an activity of either just expressing an opinion or seeking an opinion. In some markets, such as tourism, customers are primarily influenced by and seek information that is not provided by the company (Klenosky and Gitelson, 1998). Not surprisingly, intention to return and recommendation are among the most significant indicators of loyalty, even though the intention to return is not the best measure of loyalty in the tourism market because customers usually seek variety (Kozak and Rimmington, 2001). Some companies even devote much of their marketing activities to getting customers to share the information about (and recommend) some products, called Referral Marketing (Ghosh et al., 2020). Social media has provided the framework for this, as there are people who can instantly share information with thousands or even millions of followers.

One of the most popular measures of willingness to recommend is the Net Promoter Score (NPS) (Reichheld, 2003).

It was introduced as a simple question: *"How likely is it that you would recommend (a particular company) to a friend or colleague?"* accompanied by a 0-10 scale that categorizes customers into Promoters, Passives, or Detractors. Before its introduction, the intention to recommend was never considered a measure of success (Schmitt et al., 2012). In academia, the NPS is primarily perceived as highly questionable (Bendle et al., 2019). Some of the reasons for this are that it only measures one point in time and only analyses past sales, which is in line with studies showing limited predictive power of referral intent. Even though the message from academia about the value of NPS is clear (negative), some of the world's most valuable companies, such as Apple, GE, and Best Buy, and more than 2/3 of Fortune 1000 companies still use it (Baehre et al., 2022).

2.3. Customer satisfaction

Customer satisfaction is considered one of the most important goals of marketing and has positive effects on company performance (Keinigham et al., 2003), such as increasing cash flow growth and reducing its volatility (Gruca and Rego, 2005), increasing customer loyalty and repurchase intentions (Mittal and Kakamura, 2001), increasing willingness to pay premium prices (Homburg et al., 2005), reducing the future cost of selling (Lim et al., 2020), increasing ROI (Anderson et al., 1994), increasing word-of-mouth advertising (Oh, 1999), increasing stock value (Ikeshoji and Enkawa, 2004), and many others. Customer satisfaction is influenced by many factors of organizational performance, such as the use of customer relationship management software (Mithas et al., 2005), product quality, brand image, e-commerce platform, and logistics distribution (Liu and Kao, 2022), product features, service fees and communication methods (Pareek, 2014), psychological factors such as disappointment, expectations, and performance (Bagozzi and Churchill, 1982), perceived quality, performance and reliability (Jakpar et al., 2012), and economic factors such as economic growth and lagged economic expectations (Frank and Enkawa, 2009) and stock index (Ikeshoji and Enkawa, 2004).

Customer satisfaction is often used to measure customer experience (e.g., Yoon, 2010; Martin et al., 2015). Just as with customer experience (Gentile et al., 2007), customer satisfaction can also be viewed as a comparison between reality and expectations, or as Anderson and Sullivan (1993) describe it, as perceived quality and *"disconfirmation."* Both concepts are subjective and result from subjective interpretation of (at least) interaction with a company. Therefore, it is not surprising that an element perceived as excellent and necessary today may be perceived as bad in the future (Kaur, Sharma and Kapoor, 2012).

Today, to survive and succeed in the market, financial services companies should continuously improve the quality of their services (Singh and Arora, 2011). In addition to the high competitive pressure in the banking sector (Bențe, 2018), the fact that customers are increasingly rational and aware (Kaur et al., 2012) and that there are innovative financial startups are other challenges for the management of customer experience in the banking sector. According to an analysis by Bugdol and Jemczura (2019), research on customer satisfaction in the banking sector can be classified in the following directions: analysis of factors influencing the level of satisfaction, use of various quality concepts and systems to improve customer satisfaction, identification of gender differences in quality assessment. The authors claim that, among other customer differences, gender is a crucial factor in explaining perceived service quality, so we use gender as a control variable.

2.4. Independent variables

In this study, we focus on independent variables related to the fit between value and customer needs (supply quality), the fit between the bank and the customer (customer resonance), and a bank's focus on understanding the customer (customer-centricity). Such links between supply and demand are likely to drive satisfaction, cognitive loyalty, willingness to recommend, and behavioral loyalty of bank customers.

Customer centricity is the extent to which an organization focuses on understanding customers and delivering solutions that are deeply rooted in customer expectations (Frankenberger et al., 2013). The concept of customer centricity has been gaining prominence as an integral component of successful business models (e.g., Teece, 2010; Amit and Zott, 2001) and primarily stems from research on market orientation (Kohli & Jaworski, 1990; Narver & Slater, 1990). It "reflects management's hypothesis about what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit" (Teece, 2010: 172). Customer centricity leads to satisfaction (Oliver, 1999) and loyalty (Kumar and Shah, 2004). A customer-centric approach generally implies a fundamental shift toward a deeper understanding of customers and their underlying cognitive, affective, and behavioral processes to develop customer-centric strategies (Rust et al., 2010).

Offer quality can generally be viewed as superiority or excellence (Zeithaml, 1988), primarily from the consumer's perspective – it reflects the customer's perception that the product/service is superior to the customer's expectations (Aaker, 1994; Ehsani, 2015). Kotler and Armstrong (2012) refer to offer quality as the ability of a product/service to meet stated or implied customer needs. Similarly, Heizer and Render (2009: 301) state that *"quality is the totality of features and characteristics of a product or service that bears on its ability to satisfy stated or implied need."* Following these insights, we define offer quality as the extent to which an offer meets the needs and expectations of customers. Therefore, the offer quality depends on consumer expectations and how they are met. This affects satisfaction and subsequent loyalty (Bei and Chiao, 2001). It has been found to focus on quality increasingly (IBM Institute for Business Value, 2017). In the banking sector, the offer quality is often recognized as a determining factor when choosing a bank (Lenka et al., 2010). As each individual has different needs and expectations, the offer quality reflects the fit between the customer's needs and the bank's offer, which means that the notion of quality is perceived subjectively rather than evaluated objectively.

Customer resonance is an essential element of the consumer-brand relationship and implies how a brand reflects consumers' self-concept (Fournier, 1998). In this regard, brands are considered essential parts of consumers' lives regarding goals they aspire to, identities they build, and emotions they experience (Park & MacInnis, 2018). Generation Z is less interested in developing brand loyalty, but they are still interested in engaging with genuine brand connections (IBM Institute for Business Value, 2017). As a result, brands increasingly focus on their authenticity, which helps them build relevance for customers and integrate the brand into customers' lives. Generation Z members are rapid to recognize ”fake” brands. Therefore, ensuring authenticity consistent with consumer self-image has been paramount to building relationships with Generation Z. Strong relationships with brands lead to greater repurchase intentions and loyal relationships (Huber et al., 2010). Keller (2001, 2003) places resonance at the highest level of the brand equity pyramid. It is the most difficult one to achieve, but at the same time – the most desirable, meaning that customers feel a deep, psychological attachment to the brand.

3. HYPOTHESIZED MODEL

In structuring the model (Figure 1), we draw on the marketing literature, which assumes that investments in offerings (offer quality) and relationships with customers (customer centricity and customer resonance) generally lead to satisfaction, willingness to recommend, and loyalty (see Oliver, 1999; Kumar and Shah, 2004; Armstrong and Kotler, 2017). However, the focus of our research is to understand how this model works for Generation Z (Figure 2), as well as for individuals with high financial literacy (Figure 3) and low financial literacy (Figure 4), in the context of banking services, as Generation Z uses more alternative options for financial services, and therefore generally perceives banks differently than other consumers.

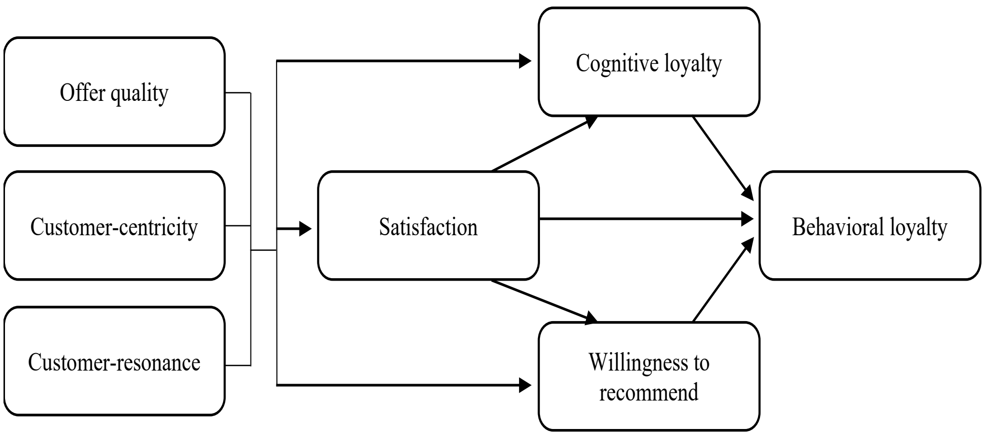

Figure 1. Hypothesized model

4. RESULTS

The research was conducted among members of Generation Z in Croatia. For this purpose, an online questionnaire (n=424) was distributed through universities in Croatia, and targeted Facebook ads were placed. A total of 500 responses were collected, of which 76 were removed for incompleteness – leaving the total sample size of 424. We used Partial Least Squares Structural Equation Modelling to analyze using SmartPLS software. We used measures from the literature and refined them. The validity and reliability of the scales were assessed (see Tables 1 and 2) and tested for common method bias and multicollinearity (using VIF<3 according to Hair et al., 2010). Gender was used as a control variable in the model to control for possible differences between male and female members of Generation Z.

Table 1. Discriminant validity

	Satisfaction	Customer centricity	Cognitive loyalty	Offer quality	Willingness to recommend	Customer resonancve	Gender	Beh. loyalty
Satisfaction	0.926							
Customer centricity	0.680	0.906						
Cognitive loyalty	0.909	0.677	0.973					
Offer quality	0.638	0.560	0.597	0.832				
Willingness to recommend	0.857	0.712	0.905	0.576	1.000			
Customer resonance	0.716	0.749	0.735	0.501	0.755	0.944		
Gender	0.040	0.123	0.055	0.069	0.080	0.112	1.000	
Behavioral loyalty	0.517	0.330	0.559	0.416	0.551	0.364	0.095	1.000

Note: The diagonal displays the square root of AVE with the correlation coefficients (off-diagonal) for each construct in the corresponding rows and columns

Table 2. Reliability and convergent validity

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Satisfaction	0.917	0.948	0.858
Customer centricity	0.891	0.932	0.820
Cognitive loyalty	0.943	0.972	0.946
Offer quality	0.889	0.918	0.692
Customer-resonance	0.878	0.942	0.891

The explanatory power of independent variables is presented in Table 3. At the same time, Figures 2-4 show the tested structural models for the entire sample and the subsamples of individuals with low and high financial literacy.

Table 3. The explanatory power of independent variables

	R Square
Satisfaction	0.634
Cognitive loyalty	0.841
Willingness to recommend	0.783
Behavioral loyalty	0.327

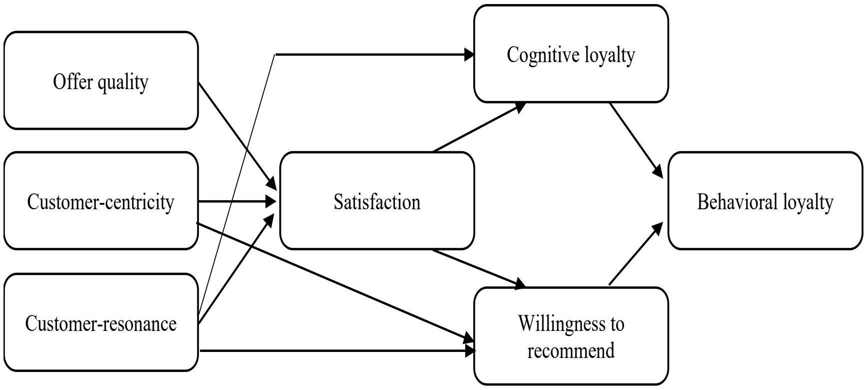

Figure 2. Tested model for the entire sample (direct effects)

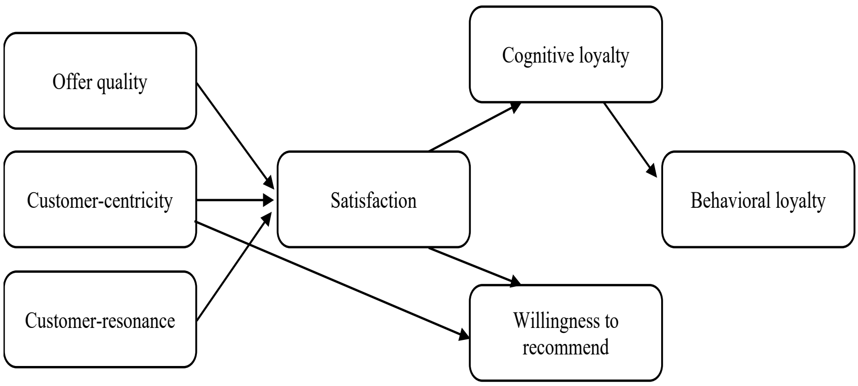

Figure 3. Tested model for individuals with high financial literacy (direct effects)

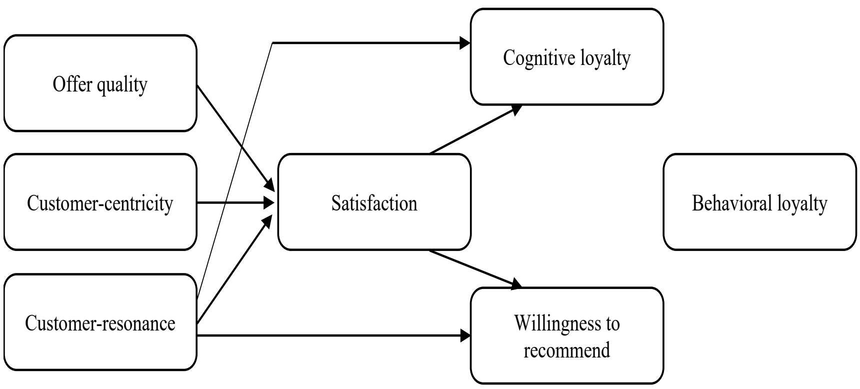

Figure 4. Tested model for individuals with low financial literacy (direct effects)

Path coefficients and total effects are presented in Tables 4-5.

Table 4. Path coefficients (Beta coefficients)

	FULL SAMPLE				HIGH FINANCIAL LITERACY				LOW FINANCIAL LITERACY			
	SATISFACTION	COGNITIVE LOYALTY	RECOMMENDATION	BEHAVIORAL LOYALTY	SATISFACTION	COGNITIVE LOYALTY	RECOMMENDATION	BEHAVIORAL LOYALTY	SATISFACTION	COGNITIVE LOYALTY	RECOMMENDATION	BEHAVIORAL LOYALTY
Offer quality	0.325***	0.011	0.005		0.369***	0.008	0.001		0.369***	0.005	0.031	
Client-centricity	0.196***	0.032	0.129**		0.196*	0.081	0.173*		0.220**	- 0.026	0.076	
Customer-resonance	0.412***	0.153***	0.217***		0.355***	0.057	0.118		0.356***	0.215***	0.328***	
Satisfaction		0.770***	0.611***	0.003		0.815***	0.661***	0.034		0.765***	0.544***	0.026
Cognitive loyalty				0.337**				0.415*				0.248
Recommendation				0.238*				0.159				0.295
Gender (M)	-0.053*	0.003	0.016	0.057	-0.119**	- 0.020	0.019	0.004	-0.003	0.053	0.047	0.198**

Note: * p<0,1; ** p<0,05; *** p<0,01

Table 5. Total effects

	FULL SAMPLE				HIGH FINANCIAL LITERACY				LOW FINANCIAL LITERACY			
	SATISFACTION	**COGNITIVE LOYALTY**	**RECOMMENDATION**	**BEHAVIORAL LOYALTY**	**SATISFACTION**	**COGNITIVE LOYALTY**	**RECOMMENDATION**	**BEHAVIORAL LOYALTY**	**SATISFACTION**	**COGNITIVE LOYALTY**	**RECOMMENDATION**	**BEHAVIORAL LOYALTY**
Offer quality	0.325***	0.261***	0.203***	0.138***	0.369***	0.309***	0.245***	0.180***	0.369***	0.288***	0.231**	0.149**
Client-centricity	0.196***	0.183***	0.249***	0.122***	0.196*	0.240**	0.302***	0.154**	0.220**	0.142	0.196**	0.099*
Customer-resonance	0.412***	0.471***	0.468***	0.272***	0.355***	0.346***	0.352***	0.212***	0.356***	0.488***	0.522***	0.284***
Satisfaction		0.770***	0.611***	0.409***		0.815***	0.661***	0.477***		0.765***	0.544***	0.376***
Cognitive loyalty				0.337**				0.415*				0.248
Recommendation				0.238*				0.159				0.295
Gender (M)	-0.053	-0.038	-0.017	0.040	-0.119**	-0.117**	-0.060	-0.058	-0.003	0.051	0.045	0.224**

Note: * p<0,1; ** p<0,05; *** p<0,01

Results show that *cognitive loyalty* directly influences behavioral loyalty (β=0.337, sig=0.035). However, when looking at subsamples, individuals with high financial literacy show a significant influence of cognitive loyalty on behavioral loyalty (β=0.415, sig=0.068). At the same time, this is not the case for individuals with low financial literacy (β=0.248, sig=0.346).

Willingness to recommend to family/friends has a positive effect when the whole sample is considered (β=0.238, sig=0.070). Still, when each sample is considered separately, one's willingness to recommend to others does not affect behavioral loyalty neither for individuals with high financial literacy (β=0.159, sig=0.318) or individuals with low financial literacy (β=0.295, sig=0.273).

Satisfaction with the bank has no direct influence on behavioral loyalty, neither when all individuals are considered (β=0.003, sig=0.978), nor when individuals with high financial literacy are considered (β=0.034, sig=0.873), nor when individuals with low financial literacy are considered (β=0.026, sig=0.907). On the other hand, satisfaction has a direct influence on cognitive loyalty (β=0.770, sig=0.000) and willingness to recommend to family/friends (β=0.611, sig=0.000), regardless of financial literacy. Consequently, the effect of satisfaction on behavioral loyalty is fully mediated by both factors – cognitive loyalty and willingness to recommend to family/friends – with the overall effect (direct and indirect) on behavioral loyalty being positive and significant (β=0.409, sig=0.000).

Customer resonance has a positive effect on satisfaction for individuals with high financial literacy (β=0.355, sig=0.000), as well as for individuals with low financial literacy (β=0.356, sig=0.001) and the total sample (β=0.412, sig=0.000). However, concerning the influence on cognitive loyalty and willingness to recommend, customer resonance with the bank brand is essential only for individuals with low financial literacy. Thus, for individuals with low financial literacy, there is a direct positive influence of customer resonance on cognitive loyalty (β=0.215, sig=0.006) and on willingness to recommend (β=0.328, sig=0.000). For individuals with high financial literacy, customer response does not affect either cognitive loyalty (β=0.057, sig=0.319) or their willingness to recommend (β=0.119, sig=0.194). For an individual with high financial literacy, there is complete mediation of the influence of customer resonance on cognitive loyalty (β=0.346, sig=0.000), willingness to recommend (β=0.352, sig=0.000), and behavioral loyalty (β=0.212, sig=0.000). For individuals with low financial literacy, there is both a direct effect and a substantial indirect effect leading to significant overall effects of customer resonance on cognitive loyalty (β=0.488, sig=0.000), willingness to recommend (β=0.522, sig=0.000), and behavioral loyalty (β=0.284, sig=0.000).

Customer centricity has a significant positive impact on customer satisfaction (β=0.196, sig=0.002), and this impact has greater significance for individuals with low financial literacy (β=0.220, sig=0.033) than for those with high financial literacy (β=0.196, sig=0.070). Customer centricity has no significant effect on cognitive loyalty (β=0.032, sig=0.512 for full sample; β=0.081, sig=0.303 for high financial literacy and β=-0.026, sig=0.665 for low-financial-literacy). Looking at the overall effects (indirect and direct), customer centricity shows a significant positive effect on cognitive loyalty (β=0.183, sig=0.007), willingness to recommend (β=0.249, sig=0.000), and behavioral loyalty (β=0.122, sig=0.001). However, when examined separately, customer-centricity significantly affects cognitive loyalty only for individuals with high financial literacy (β=0.240, sig=0.028). In contrast, there is no significant effect for individuals with low financial literacy (β=0.142, sig=0.143). Customer centricity shows a positive significant overall effect on willingness to recommend both individuals with high financial literacy (β=0.302, sig=0.002) and individuals with low financial literacy (β=0.196, sig=0.028). In terms of behavioral loyalty, customer centricity shows a positive significant overall effect on willingness to recommend for individuals with high financial literacy (β=0.154, sig=0.023) and a marginally significant effect for those with low financial literacy (β=0.099, sig=0.056). In general, customer-centricity plays a more important role in satisfaction, cognitive loyalty, willingness to recommend, and behavioral loyalty among individuals with high financial literacy than individuals with low financial literacy.

Offer quality does not directly affect cognitive loyalty (β=0.011, sig=0.759) or recommendation of a bank to friends/family (β=0.005, sig=0.910), with the results being the same for both high financial literacy and low financial literacy individuals. However, it directly affects satisfaction (β=0.325, sig=0.000), with the effect being significant for both high financial literacy and low financial literacy individuals. However, looking at the overall effect (direct and indirect), it is clear that the role of perceived offer quality is fully mediated in the model. In this sense, perceived offer quality affects the following variables via satisfaction as a mediator variable: cognitive loyalty (β=0.261, sig=0.000), willingness to recommend (β=0.203, sig=0.000), and behavioral loyalty (β=0.138, sig=0.000).

5. CONCLUDING REMARKS

Although this research has its limitations, primarily due to the sample being collected in a single country (Croatia), the results are indicative and point to several significant findings suggesting that Generation Z individuals with high financial literacy and those with low financial literacy are characterized by different models of their behavior towards banks. While satisfaction has no direct effect on behavioral loyalty, it has an apparent indirect effect on individuals with high financial literacy through cognitive loyalty – meaning that financially-literate Generation Z customers are loyal because they perceive value and intend to remain loyal. On the other hand, financially less literate Generation Z customers tend to be behaviorally loyal primarily due to inertia (because choosing another option would be too ambiguous and uncertain).

Moreover, in the case of financially literate Generation Z customers, the impact of offer quality, customer-centricity, and customer-resonance on their cognitive loyalty (which could be interpreted as a *"willingness to recommend to himself/herself"*) and willingness to recommend to friends/family are strongly mediated by their satisfaction with the bank. The influence on cognitive loyalty is fully mediated, meaning that the intention to stay with a bank is highly dependent on their satisfaction with that bank. When recommending the bank to others and their satisfaction with the bank, they are more likely to recommend banks that have a more customer-centric approach (which implies a higher relationship quality of the bank). For the less financially literate Generation Z customers, the effects of offer quality, customer-centricity, and customer resonance on cognitive loyalty and willingness to recommend are mediated not only by satisfaction but also by customer resonance, i.e., the very personal experience of how the bank aligns with their self-image. Since these customers do not have sufficient financial knowledge to rely solely on logical reasoning, they rely highly on their subjective feelings about the extent to which the bank *"feels right"* to them.

Therefore, when building their market presence, banks should segment their market based on the customer financial literacy by creating sub-segments within each target group (e.g., Generation Z is divided into two sub-segments: high financial literacy vs. low financial literacy). The loyalty behavior of Generation Z consumers who are financially literate is primarily determined by their evaluation of expected vs. delivered value, which is reflected in their satisfaction with the bank. On the other hand, the behavioral loyalty of the financially less literate Generation Z consumers is driven primarily by inertia. Consumers cannot evaluate the value of the bank's offering, so they rely more on the bank's resonance with their self-image. More specifically, the results show that customer resonance is key to Generation Z's satisfaction, loyalty, and willingness to recommend. It is even more critical for consumers who do not know much about the industry (respondents with low financial literacy). Thus, when consumers feel they do not have the necessary expertise, Generation Z members rely on how the brand resonates with them. Moreover, the cognitive loyalty of the respondents with low financial literacy does not necessarily drive their behavioral loyalty. Therefore, although the general model for driving offers quality and customer relationships (through centricity and resonance) holds in general, there are certain differences resulting from the specifics of Generation Z and consumers' different levels of knowledge about the industry (low vs. high financial literacy).

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RAZUMIJEVANJE POKRETAČA LOJALNOSTI POTROŠAČA U BANKARSKOJ DJELATNOSTI: KOMPARATIVNO ISTRAŽIVANJE POJEDINACA IZ GENERACIJE Z S VISOKOM I NISKOM FINANCIJSKOM PISMENOŠĆU

Sažetak

Bankarsku djelatnost, koja ima značajnu ulogu u svakom gospodarstvu, karakterističan je izbor banke od strane potrošača već u ranoj zrelosti. Stoga se generacija Z može smatrati nadolazećom skupinom potrošača, dok je razumijevanje njihovog ponašanja ključno za uspjeh banaka. U ovom se radu analizira model odnosa između zadovoljstva i lojalnosti potrošača, u kontekstu generacije Z, pri čemu se posebno analiziraju pojedinci s visokom i niskom financijskom pismenošću. Rezultati ukazuju da se pojedinci s niskom financijskom pismenošću više oslanjaju na subjektivne prosudbe (kao što su povratne informacije od drugih potrošača), prilikom preporučivanja banke te stvaranja kognitivne lojalnosti. Ova skupina potrošača teži lojalnosti primarno zbog inercije. Rezultati istraživanja imaju značajne implikacije za banke, koje trebaju segmentirati svoje potrošače prema njihovoj visokoj, nasuprot niskoj financijskoj pismenosti, s obzirom da se njihovo zadovoljstvo, kognitivna lojalnost, spremnost za preporuku i bihevioralna lojalnost zasnivaju na različitim mehanizmima.

Ključne riječi: *zadovoljstvo, kognitivna lojalnost, spremnost za preporuku, bihevioralna lojalnost, bankarstvo, financijska pismenost, generacija Z*