Customer engagement in retail banks: Scale development and validation

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ABSTRACT

The retail banking industry of South Africa is facing various challenges. Due to the direct influence that these banks have on the country's economic stability, retail banks need to remain sustainable. Progressively, more businesses are recognising the importance of customer engagement due to the various benefits of having engaged customers, including improved annual revenue. Consequently, the purpose of this paper is to develop a multi-item scale to measure customer engagement in the South African retail banking industry. The paper considered both the existing literature and a quantitative descriptive design.

The target population included customers of the main South African retail banks in the Johannesburg metropolitan area. Furthermore, non-probability, convenience and quota sampling techniques were used to draw the sample and reliability, and validity tests were implemented to refine the items statistically. The study contributed a valid and reliable 14-item customer engagement scale, which can guide retail banks to improve their customer engagement and gain a competitive advantage in this challenging industry. Correspondingly, this paper contributes to the theory and practice with specific reference to customer engagement in South African retail banks.

Keywords: customer engagement; retail banking; banking industry; scale development; South Africa

INTRODUCTION

The concept of customer engagement is receiving increasing attention from practitioners and academics alike (Bowden, 2009; Van Doorn, Lemon, Mittal, Nass, Pick, Pirner, and Verhoef, 2010; Brodie, Hollebeek, Juric, and Ilic, 2011; Hollebeek, 2011; Kumar, Pozza, and Ganesh, 2013; Hollebeek and Chen, 2014; Pansari and Kumar, 2017; Roy, Balaji, Soutar, Lassar, and Roy, 2018; Moliner, Monferrer, and Estrada-Guillen, 2018). This is, in part, due to the growth of the Internet and social media, which brings about high levels of interactivity between managers, practitioners and customers (Brodie, Hollebeek, Juric, and Ilic 2011, 252; So, King, and Sparks 2014, 304). In addition, customers are showing an enhanced desire to participate in the co-creation of products and services (Banyte and Dovaliene 2014, 484). These aspects enable businesses to develop and maintain connections with customers beyond the

service encounter – allowing the business to engage with customers, satisfy these customers better and ultimately build loyalty (Moliner, Monferrer, and Estrada-Guillen, 2018, 388; Parihar, Dawra, and Sahay, 2019, 67; So, King, and Sparks, 2014, 305). Evidently, the concept of customer engagement draws on relationship marketing theory and service-dominant logic (Vivek, Beatty, and Morgan 2012, 127), with the main purpose of improving valuable long-term relationships between businesses and customers (Banyte and Dovaliene 2014, 486; Pansari and Kumar, 2017).

Retail banks had to adapt to several significant changes in the last decade, including new technological innovations, changes in customer behaviour, e.g. increased knowledge in technology and, as a result, customers are demanding more transparency within the retail banking environment (Bravo, Martinez, and Pina, 2019, 1253; Csikósová, Čulková, and Janošková, 2016, 5029). Due to the nature of retail banks, having the ability to interact online or offline with their customers, accompanied by customers' desire to participate in the service delivery, South African retail banks should be prospering (Bravo, Martinez, and Pina, 2019, 1253). However, some of the major South African retail banks are experiencing a continuous decrease in market share (Businesstech 2016), which is mainly ascribed to the uncertain economic outlook in South Africa, the ease with which new entrants are entering the market, as well as rising regulatory costs (Fin24 2016; South African Reserve Bank 2016, 3). Since 2015, South African banks have been experiencing even more pressure, as the trust relationship between customers and their banks had been damaged during the financial crisis in 2008 when banks could not provide customised banking products and services to satisfy customer expectations (Springfield 2015). These changes are affecting the banking industry's growth and profitability negatively. The importance of the survival of the main retail banks (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) cannot be overemphasised, as South Africa's economic stability depends on the success of these banks (PricewaterhouseCoopers (PwC) 2016, 4). According to Pansari and Kumar (2017), fully engaged customers brought in 37% more annual revenue to their primary bank than actively disengaged customers.

For a retail bank to survive and prosper in these challenging conditions, the nurturing of customer engagement is seen as a viable solution, since customer engagement goes beyond awareness, purchase, satisfaction, and retention; it creates collaboration between the customer, the product, service or brand (Ashley, Noble, Donthu, and Lemon 2011, 749; Pansari and Kumar, 2017; Taylor 2011, 2; Vivek et al., 2012, 127). The South African banking industry could benefit from engaged customers, as these customers generally display positive behavioural intentions, such as advocating the bank and its services to others (Javornic and Mandelli 2012, 303). Consequently, a retail bank that can identify engaged and disengaged customers, and have the ability to measure the extent of its customers' engagement, can use this valuable information to its strategic advantage (Sashi 2012, 257).

Limited research has, however, been conducted concerning customer engagement in the retail banking industry (Monferrer, Miliner, and Estrada, 2019, 461). A suitable scale to measure this construct within a South African retail banking context has not yet been developed (Javornic and Mandelli 2012, 301). Such a scale could provide clarity around the concept of customer engagement and could assist South African retail banks in nurturing customer engagement in order to retain customers, attain a competitive advantage, as well as the benefit of customer loyalty and profitability in this challenging environment (Monferrer, Moliner, and Estrada, 2019, 477; Bijmolt, Leeflang, Block, Eisenbeiss, Hardie, Lemmens, and Saffert 2010, 341; Brodie, Hollebeek, Juric, and Ilic, 2011, 260; Javornic and Mandelli 2012, 304; Sashi 2012, 259; Van Doorn 2011, 281; Vivek et al., 2012, 127).

The aim of this study was, therefore, to develop a multi-item scale to measure the extent of customer engagement in the South African retail banking industry. The study contributes a valid and reliable multi-item scale that measures customer engagement in the retail banking industry. The study also contributes to the existing marketing literature and will benefit the South African banking industry by enabling retail banks to measure this construct (as conversed in the discussion section), and successfully implement the scale within their marketing practices by utilising Churchill's (1979) scale development process. The remainder of the article provides an overview of existing literature on the theoretical foundation, conceptualisation and importance of customer engagement, followed by the scale development process, and concludes with the limitations and future research suggestions.

LITERATURE REVIEW

Theoretical foundation of customer engagement

According to Ashley et al. (2011, 749) and Vivek et al. (2012, 127), the theoretical roots of customer engagement can be observed in the expanded domain of relationship marketing. Over the past decades, the focus of relationship marketing research was primarily on enhancing, retaining and maintaining relationships with customers (Vivek et al., 2012, 127). In this relationship marketing domain, the business is focused on current customers, potential customers, customer communities, customer value, co-creative networks as well as specific interactive experiences (Banyte and Dovaliene 2014, 486; Brodie, Ilic, Juric, and Hollebeek 2013, 106). According to Fierro, Polo, and Oliván (2014, 192), businesses traditionally also focused on the transactional behaviour of customers (i.e. repurchasing, level of use, and the length of the relationship), as these behaviours generally have an instant effect on sales. However, due to the increasingly competitive climate, a renewed approach to managing the business is required, one that focuses on customer relationships and that integrates non-transactional behaviour (i.e. word of mouth, blogging and co-creation) (Rosenbaum, Seger-Guttmann, and Giraldo, 2017, 310; Thakur, 2018, 49). Brodie, Ilic, Juric, and Hollebeek (2013, 106) further note that in relationship marketing theory, consumer behaviour is renowned for being the core of relationships, based on the relationships with all shareholders and their interactive experiences in co-creative situations. These interactive customer experiences form the heart of the customer engagement concept. According to Banyte and Dovaliene (2014, 486), Sashi, Brynildsen, and Bilgihan (2018, 1265), the key function of customer engagement is based on the extended perspective of relationship marketing theory, which reveals the improvement of valuable, long-term relationships with customers and values co-creation.

With the arrival of the Internet and especially social media, which has a high level of interactivity, managers and practitioners in both consumer and business markets are captivated and interested in the concept of customer engagement as a potentially new or different approach to serve and satisfy their customers better (Monferrer, Moliner, and Estrada, 2019, 479; Sashi 2012, 257). Consequently, the customer engagement concept expands the domain of relationship marketing by focusing on greater interactivity and perceived experiential value (Brodie, Hollebeek, Juric, and Ilic, 2011, 253).

Conceptualisation of customer engagement

Although numerous scholars in various disciplines specify the significance of customer engagement, a satisfactory definition of what the concept involves does not yet formally exist in marketing literature (Cheung, Shen, Lee, and Chan 2015, 1). As shown in Appendix A, an array of definitions emerged from the marketing literature since 2006.

From the existing customer engagement definitions, it is evident that customer engagement is a multidimensional construct, as various universal elements can be identified within customer engagement theory. The main elements are illustrated in Table 1.

TABLE 1
ELEMENTS OF CUSTOMER ENGAGEMENT

Author(s)	Universal elements of customer engagement
Brodie et al. (2011, 260; 2013, 107), Hollebeek (2011a, 790), Patterson et al. (2006, 1), So et al. (2014, 311)	Customer engagement is characterised by a level of cognitive, emotional and behavioural activity.
Dwivedi (2015, 301), Palmatier et al., 2018, 235), Greve (2014, 203)	Customer engagement is characterised by a degree of vigour, dedication, absorption and interaction.

It can be therefore be derived that customer engagement is a multidimensional construct that goes beyond awareness, purchase, satisfaction and retention, which leads to the creation of loyalty, and is characterised by a level of cognitive, emotional and behavioural activity that is interactive and co-creative in the relationship with a business, which either the customer or the business instigates and can result in positive word of mouth as well as customer loyalty.

Importance of customer engagement

With businesses aiming to survive in a highly competitive, commoditised and over-communicated world with greater media dilution, customer cynicism and customer control than ever before, the importance of engaged customers is significant (Ahn and Back, 2018, 144; Hollebeek, Conduit, and Brodie. 2016, 394; Roberts and Alpert 2010, 198). Firstly, customer engagement provides a platform for businesses to keep customers engaged and involved during the marketing communication process, thereby enabling businesses to mutually beneficial shared control over marketing communications (Tripathi 2014, 126). Secondly, online platforms are providing a setting where customers can discuss, debate, share opinions, criticise and investigate products and services with other customers and peers. These communications are often regarded as more valuable than the communication attempts from the business itself (Fierro, Polo, and Oliván, 2014, 96; Tripathi 2014, 126). Fortunately, with the evolution of the Internet, and social media, in particular, businesses have the opportunity to facilitate interaction and sustained conversations between the customer and the business, which may shape customers and businesses' perceptions and experiences (Sashi, Brynildsen, and Bilgihan, 2019, 1247; Sashi 2012, 255).

Thirdly, amidst the proliferation of goods, customers are getting more overwhelmed, as brands, products and/or services are getting increasingly similar, complicating the differentiation process. The successful application of customer engagement could, however, serve as a possible differentiator between goods and services (Cheung, Shen, Lee, and Chan, 2015, 10). Finally, the importance of customer engagement is also appreciated in the influence that it has on the future of the business, as customer engagement encourages the establishment of customer loyalty, which generates sales and revenue and also strengthens the reputation of the business over the long term (Monferrer, Moliner, and Estrada, 2019, 467; Sashi, Brynildsen, and Bilgihan, 2018, 1265; Fierro, Polo, and Oliván, 2014, 197).

According to Tripathi (2009, 138), most successful businesses are known to build deeply emotional relationships that go beyond rational boundaries with their customers, which motivates customers to stay faithful, trusting and caring towards these brands. Therefore, since customer engagement is conducive to the attainment of superior business outcomes (including sales growth, product quality advances, referrals, co-creative experiences, a rise in customer satisfaction and loyalty, and increased profitability), it is regarded as the key to establishing and sustaining a competitive advantage (Kumar and Pansari 2017; Sashi, Brynildsen, and Bilgihan, 2018, 1265; Banyte and Dovaliene 2014, 484; Brodie, Ilic, Juric, and Hollebeek, 2013, 105).

RESEARCH METHOD AND DESIGN

An exploratory research design was followed, as the study focused on the development of a multi-item scale using Churchill's paradigm (1979) in order to measure the extent of customer engagement in the South African retail banking industry. Various other scale development procedures exist, including the C-OAR-SE scale development procedure developed by Rossiter (2002, 306) as well as the updated paradigm for scale development from Gerbing and Anderson (1988, 191). However, since Churchill's procedure for scale development is widely accepted and respected in marketing, and due to the contribution this procedure has made over the years to developing reliable and valid measurement scales in studies conducted in the field of marketing, such as those by Mimouni-Chaabane and Volle (2010), Seiders et al. (2007) and Taljaard (2013), this procedure was chosen for this particular study.

The target population under consideration for this study comprised adults (20 or older), living in the Johannesburg metropolitan area who had been making use of the retail banking services of one of the main retail banks that dominate the South African retail banking industry (Absa, Capitec Bank, FNB, Nedbank and Standard Bank). As this study aimed to develop a multi-item scale to measure customer engagement, it was deemed appropriate to define the study population in such a way as to ensure that prospective respondents had been customers of one of the major South African retail banks for at least two years, as they already had a relationship with the bank for some time and may already have engaged with the bank on one of the five levels of customer engagement. Since a sampling frame was not readily available for this research, a non-probability convenience sampling method was used. In addition, quota sampling (based on gender, age and race) was implemented. The quota sizes were calculated based on the population size of Johannesburg to ensure that the composition of the sample matches that of the Johannesburg population in terms of gender, age and race.

When developing a multi-item scale, the sample size depends on the number of scale items involved, and as explained by Hair, Black, Babin, Anderson, and Tatham (2006), the general rule is that five respondents are needed per item. Therefore, for the first purification step (Study 1), the multi-item scale consisted of 32 items, requiring a minimum sample size of 160 respondents. However, to ensure the collection of sufficient usable questionnaires, as well as to comply with the quotas set for the study, the researchers aimed to collect 240 questionnaires, of which a total of 231 viable questionnaires were collected. With Study 2, the multi-item scale comprised 15 items, therefore requiring a minimum sample size of 75 respondents. Again, to comply with the sample quotas, the aim was to attain 168 questionnaires, of which a total of 152 were collected.

Scale development and purification

Consistent with previous marketing studies (such as Mimouni-Chaabane and Volle 2010; Seiders, Voss, Godfrey, and Grewal 2007; Taljaard 2013) in developing reliable and valid multi-item measures, this study adopted the scale development process of Churchill (1979). The process commenced with the generation of the initial item pool and content validity assessment. This was followed by Study 1, which aimed to refine the scale. In Study 2, the scale was further refined, followed by reliability and validity assessment of the final version of the scale.

Item generation and content validity assessment

From the extensive literature searches, several conceptual definitions regarding customer engagement (listed in Table 1) were considered, from which an initial pool of 85 items was generated. To assess the content validity of the initial item pool, a qualitative experience survey was conducted among 15 respondents with experience in retail banking services. These respondents were, as per the guidelines of Churchill (1979, 67), selected based on personal judgement, and included persons (5x academics, 5x professionals, and 5x consumers) who could offer ideas and insights into the phenomenon of customer engagement within the retail banking context.

During the experience survey, interviewees had to answer three questions relative to their own views: "In your opinion, what is 'customer engagement'?", "How would you then define 'customer engagement'?", and "From a bank's perspective, at which point do you think that customers engage with their bank?" The experts were also asked to review the items generated to measure the extent of customer engagement within the context of the study and to determine the representativeness of items of customer engagement. Based on the outcomes of the experience survey, a total of 53 items were removed from the initial item pool (85 items) as the interviews provided a deeper understanding of customer engagement from a customer's perspective and each item was thoroughly debated and assessed, resulting in a 32-item customer engagement measure.

Study 1: Item purification

Study 1 involved testing the 32 items among a sample of 231 respondents. The items were incorporated into a structured, self-administered questionnaire, and measured on a seven-point Likert-type scale (1 = strongly disagree and 7 = strongly agree). As a result of quota sampling, the sample was reasonably balanced in terms of race (black 23.8%, coloured 24.7%, Indian 25.5% and white 26.0%), age (Generation X 32%, Generation Y 30.7%, Baby Boomers 36.8%) and gender (male 49.6% and female 50.4%). Furthermore, the majority of the respondents were customers of ABSA (29.1%), followed by FNB (25.7%), Standard Bank (18.7%), Nedbank (16.1%), and Capitec Bank (10.4%). Within the sample, 42.2 per cent of the respondents spoke English as their home language, 75.9 per cent were full-time employed, and the majority (43.7%) had completed matric/grade 12 as their highest level of education, followed by 29.3 per cent who had completed a diploma, and 18.8 per cent who had completed a university degree.

The 32-item scale was subjected to reliability analysis and exploratory factor analysis. According to Churchill (1979, 70), the recommended method to measure the internal consistency of a set of items is to calculate the coefficient alphas. The Cronbach alpha coefficient was, therefore, determined to ensure that the items measuring customer engagement were reliable and the scale had an acceptable Cronbach alpha value of 0.70 or higher (Hair,

Celsi, Ortinau, and Bush 2013, 166). The Cronbach alpha value was 0.97, thereby indicating that the 32-item scale correlated well with the scores.

An exploratory factor analysis (EFA) was conducted to determine whether there were underlying dimensions among the 32 items used to measure customer engagement. The EFA was performed by means of SPSS version 23, using the principal component analysis (as data was normally distributed), and the direct oblimin rotation technique (as factors were likely to correlate with each other). Prior to performing the analysis, the suitability of the data for factor analysis was determined by inspecting the correlation matrix and the Kaiser-Meyer-Olkin (KMO) value. The correlation matrix revealed the presence of several coefficients of 0.40 and larger, and the KMO value was 0.96, which exceeded the recommended cut-off value of 0.60 (Kaiser, 1970; 1974), and Bartlett's test of sphericity (Bartlett 1954) reached statistical significance, supporting the factorability of the correlation matrix.

Based on the results of the reliability test, as well as the results of the EFA, the initial set of items was reduced by eliminating those items with low inter-item correlations as well as those items that cross-loaded or did not load at or above the generally accepted cut-off of 0.40. As indicated in Table 3, the resulting 13 items were analysed, from which only one component emerged, explaining 75.58 per cent of the variance. The items under this component were reviewed to see how they related with existing literature on the concept of customer engagement, after which two additional items (CE14 and CE15) were added to the list in an attempt to have at least 15 items for the next phase of the scale development process (i.e. Study 2).

TABLE 2
15-ITEM CUSTOMER ENGAGEMENT SCALE (EFA RESULTS)

Label	Item	Factor loadings
CE1	My bank makes me feel like I belong.	0.82
CE2	The employees at my bank make me feel welcome.	0.77
CE3	I am proud to be a customer of my bank.	0.87
CE4	My bank's employees inspire me.	0.80
CE5	I care about my bank's product and service offerings.	0.82
CE6[†]	Interacting with my bank is time-consuming.	0.80
CE7	I mostly have positive service interactions with my bank.	0.79
CE8	My bank keeps its promises.	0.88
CE9	My bank is reliable.	0.86
CE10	My bank has integrity (acts fairly, ethically and openly in everything it does).	0.86
CE11	I feel energised when interacting with my bank.	0.87
CE12	I am completely involved when interacting with my bank.	0.87
CE13	I am willing to put effort into interacting with my bank.	0.82
CE14[‡]	I frequently make use of my bank's products and services.	
CE15[‡]	I frequently participate in the activities of my bank (such as fundraisers, competitions, etc.)	

[†] reversed items [‡] added items

Study 2: Reliability and validity assessment

The aim of Study 2 was to further refine (if necessary) and confirm the 15-item scale, and involved testing the scale among a sample of 152 respondents. As a result of quota sampling, the sample was fairly balanced in terms of race (black 25.7%, coloured 22.4%, Indian 25.0% and white 27.0%), age (Generation X 34.9%, Generation Y 37.5%, Baby Boomers 27.6%) and gender (male 49.6% and female 50.4%). Furthermore, the majority of the respondents were customers of ABSA (28.3%), followed by FNB (27.6%), Standard Bank (20.4%), Capitec Bank (13.2%), and Nedbank (10.5%). Within the sample of the second study, the majority of the respondents who took part in the second study spoke English as their home language (47.0%), 65.1 per cent were full-time employed, and the majority (39.2%) had completed matric/grade 12 as their highest level of education, followed by 33.1 percent who had completed a diploma, and 16.9 per cent who had completed a university degree.

The reliability of the 15-item scale was determined by means of Cronbach alpha coefficient, and one low inter-item correlation item (CE6) was removed to refine the scale. A final Cronbach alpha value of 0.96 was attained (well above the 0.70 cut-off value), which indicated that the 14-item scale was reliable.

To determine the validity of the final 14-item customer engagement scale, a confirmatory factor analysis (CFA) was conducted using AMOS version 24. The results of the CFA indicated that the measurement model fits the data satisfactorily (see Table 3). In addition, as indicated in Table 4, the standardised factor loadings for all 14 items achieved the suggested threshold of 0.60 (Hair et al., 2006), with an AVE of 0.70 (exceeding the 0.60 cut-off value To determine criterion validity, customer engagement was correlated with three marketing-related variables, namely loyalty, trust and satisfaction (included in Study 2).

TABLE 3
MODEL FIT INDICES

	x^2/df	CFI	NFI	RMSEA
Suggested cut-off points	≤ 5.00	≥ 0.90	≥ 0.90	≤ 0.10
Measurement model	2.25	0.95	0.92	0.07 [0.02 3–0.045]

TABLE 4
14-ITEM CUSTOMER ENGAGEMENT SCALE (CFA RESULTS)

Label	Item	Factor loadings
CE1	My bank makes me feel like I belong.	0.87
CE2	The employees at my bank make me feel welcome.	0.85
CE3	I am proud to be a customer of my bank.	0.88
CE4	My bank's employees inspire me.	0.89
CE5	I care about my bank's product and service offerings.	0.85
CE7	I mostly have positive service interactions with my bank.	0.89
CE8	My bank keeps its promises.	0.84
CE9	My bank is reliable.	0.85
CE10	My bank has integrity (acts fairly, ethically and openly in everything it does).	0.87
CE11	I feel energised when interacting with my bank.	0.90
CE12	I am completely involved when interacting with my bank.	0.80
CE13	I am willing to put effort into interacting with my bank.	0.83
CE14	I frequently make use of my bank's products and services.	0.73
CE15	I frequently participate in the activities of my bank (such as fund-raisers, competitions, etc.)	0.61

As theorised from the literature review, customer engagement was expected to have a positive relationship with loyalty, trust and satisfaction. The scales used to measure these variables were adopted or adapted from existing measures (indicated in Table 9 in the Appendix). The results, in Table 5, indicated significant and strong positive correlations (at the 0.0001 confidence level) between customer engagement and all three dependent variables, thereby confirming criterion validity.

TABLE 5:
CORRELATION SCORES

	Customer engagement	Loyalty	Trust	Satisfaction
Customer engagement	1.000	0.896	0.882	0.786
Loyalty	0.896	1.000	0.902	0.828
Trust	0.882	0.902	1.000	0.843
Satisfaction	0.786	0.828	0.843	1.000

In conclusion, the nomological validity of the 14-item customer engagement scale was established by examining the relationships between customer engagement, loyalty, trust, and satisfaction by means of structural equation modelling (SEM). Before proceeding to the SEM assessment, a CFA was conducted to ensure adequate fit to the data for the model constructs (i.e. loyalty, trust and satisfaction). The CFA results for the three constructs are summarised in Table 6, indicating that all three constructs were valid and reliable for use in measuring satisfaction, trust and loyalty, respectively, in the South African retail banking industry.

TABLE 6
**CFA RESULTS OF NOMOLOGICAL CONSTRUCTS**

Construct/ Items	AVE, CR and Factor loadings	
Customer satisfaction	AVE = 0.88	CR = 0.96
I am satisfied with my decision to become a customer of my bank.	0.92	
If I had to do it all over again, I would choose a different bank.	0.87	
My choice to become a customer my bank was a wise one.	0.97	
I think I did the right thing when I decided to become a customer of my bank.	0.83	
Trust	AVE = 0.61	CR = 0.93
My bank treats me in an honest way in every transaction.	0.88	
I feel safe in my transactions with my bank.	0.89	
The services of my bank are trustworthy.	0.87	
The staff at my bank is trustworthy.	0.81	
The services of my bank are reliable.	0.90	
Loyalty	AVE = 0.68	CR = 0.92
I would definitely recommend my bank to someone who seeks my advice.	0.91	
I would encourage relatives and friends to use the services offered by my bank.	0.89	
I intend to use more services offered by my bank in the next few years.	0.83	
I say positive things about my bank to others.	0.87	
I would continue using my bank's services, even if the rates increase somewhat.	0.75	

AVE: Average variance explained
CR: Composite reliability

Following the CFA, a SEM was conducted to test the nomological validity of the 14-item customer engagement scale. The results indicated that the model (Figure 1) provided an acceptable fit to the data, and all standard regression weights were statistically significant. Table 7 summarises the fit indices realised for the nomological model.

FIGURE 1
TEST OF THE NOMOLOGICAL VALIDITY OF THE CUSTOMER ENGAGEMENT SCALE
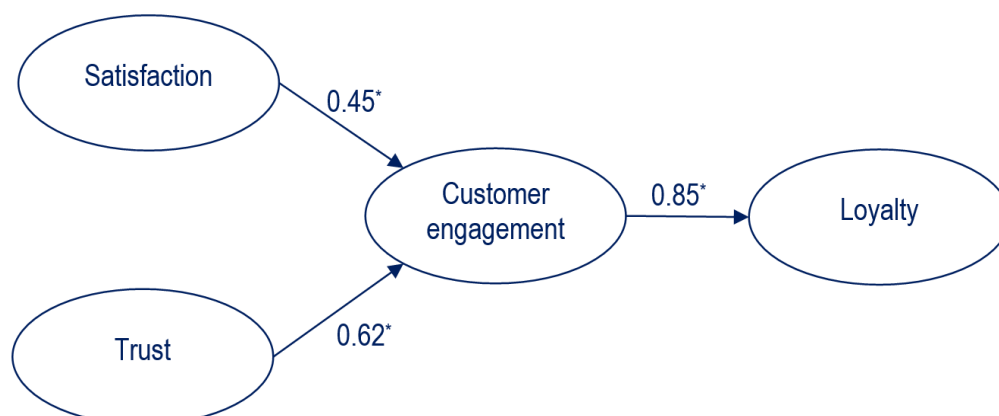
TABLE 7
FIT INDICES FOR THE NOMOLOGICAL MODEL

	x²/df	CFI	NFI	RMSEA
Suggested cut-off points	≤ 5.00	≥ 0.90	≥ 0.90	≤ 0.10
Structural model	5.066	0.92	0.92	0.035 [0.023–0.045]

DISCUSSION

Based on the extensive literature review, the study contributed to the existing marketing literature. As a result, customer engagement can, therefore, be described as a multidimensional construct that goes beyond awareness, purchase, satisfaction and retention, which leads to the creation of loyalty, and is characterised by a level of cognitive, emotional and behavioural activity that is interactive and co-creative in the relationship with a business, which either the customer or the business instigates and can result in positive word of mouth as well as customer loyalty. This paper considered both the existing literature and its qualitative and quantitative assessments in developing an understanding of the concept of customer engagement. Using Churchill's scale development process, the initial item pool of 85 items was refined by means of experience surveys, and two quantitative studies (with structured surveys). Reliability and validity (EFA and CFA) tests were implemented to statistically refine the items, which subsequently resulted in a valid and reliable 14-item customer engagement scale. The 14-item scale was nomologically tested – in relation with three other marketing constructs – by means of a SEM, which deemed the scale useful to measure customer engagement within the retail banking context. The study, therefore, contributes to the South African banking industry by enabling retail banks to measure the concept of customer engagement and to establish customer loyalty in the retail banking industry. Moreover, the multi-item scale guides retail banks to improve customer engagement so that they might enjoy the benefits of engaged customers and attain a competitive advantage in this changing industry.

Since customer engagement is conducive to the attainment of superior business outcomes (such as positive word-of-mouth and loyalty), it is regarded as the key to establishing and sustaining a competitive advantage. It is, therefore, critical that businesses can successfully manage customer engagement as part of their marketing processes. South African retail banks can subsequently implement this 14-item scale (presented in Table 3) to measure and improve customer engagement to enjoy the benefits of these engaged customers.

Lastly, the multi-item scale aids marketing scholars who want to continue to build on this scale in order to improve the awareness of the extent of customer engagement.

LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS

In this study, customer engagement was described as an interactive and participative relationship between the customer and business, which signifies a continuous interaction between the parties involved. Subsequently, this merits a longitudinal investigation into the concept of customer engagement, as compared to this study's cross-sectional nature.

Because of the lack of a suitable sampling frame, this study utilised non-probability sampling, which implies that the sample may not be representative of the study's target population. Furthermore, even though the Johannesburg metropolitan area (from which the samples were drawn) represents the economic hub of South Africa (Official website of the city of Johannesburg, 2013), it is not an accurate reflection of the entire South African population. Correspondingly, this research could also be repeated in other provinces of South Africa, and the results could then be compared to determine whether customer engagement differs in different provinces.

Finally, the scale to measure customer engagement was developed specifically for South African retail banks. It would be interesting, however, to determine whether the scale could also be used in other service industries in South Africa. Therefore, the scale could be adapted for future research and tested in different service sectors.

CONCLUSION

This study implemented Churchill's (1979) scale development process and subsequently developed a reliable and valid 14-item scale that measures customer engagement in the South African retail banking industry. This customer engagement scale could guide retail banks to improve their customer engagement so that they might enjoy the benefits of engaged customers and gain a competitive advantage in this changing industry. Future researchers could attempt to involve retail banks in future studies in order to attain a sampling frame for probability sampling, and subsequently, test the customer engagement scale under a representative sample. In addition, the usability of this customer engagement scale – which was specifically developed for South African retail banks – could be tested among other service sectors, to establish a generalised customer service engagement measure potentially.

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APPENDIX

TABLE 8:
NOMOLOGICAL CONSTRUCTS – SOURCES AND DESCRIPTIVES

Construct/ Items	Source	Mean	SD
Customer satisfaction	Oliver (1997)		
I am satisfied with my decision to become a customer of my bank.		5.67	1.54
If I had to do it all over again, I would choose a different bank.		2.83	1.14
My choice to become a customer of my bank was a wise one.		5.60	1.56
I think I did the right thing when I decided to become a customer of my bank.		5.62	1.52
Trust	Lee and Moghavvemi		
My bank treats me in an honest way in every transaction.	(2015);	5.40	1.60
I feel safe in my transactions with my bank.	Zeyad et al. (2015)	5.49	1.52
The services of my bank are trustworthy.		5.60	1.55
The staff at my bank is trustworthy.		5.47	1.51
The services of my bank are reliable.		5.64	1.34
Loyalty	Dimitriades (2006)		
I would definitely recommend my bank to someone who seeks my advice.		5.53	1.59
I would encourage relatives and friends to use the services offered by my bank.		5.34	1.74
I intend to use more services offered by my bank in the next few years.		5.24	1.67
I say positive things about my bank to others.		5.42	1.63
I would continue using my bank's services, even if the rates increase somewhat.		4.90	1.63

n = 152

All items were measured on 7-point Likert scales (where 1 = Strongly disagree, and 7 = Strongly agree).