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Reflections of Digitalization on the Service Sector: The Effect of Customer Experience on Brand Perception in Digital Banking Applications

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Abstract

This study aims to investigate the effects of digitalization in banking sector, one of building blocks of service sector, on brand loyalty. For this purpose, a structural equation model is used to determine the impact of digital banking customer experience on brand trust, brand loyalty and perceived quality in the study. Data of 597 participant is collected by survey method and analyzed by PLS based structural equation model (PLS-SEM). Results show that customer experience has a positive and statistically significant effect on perceived quality, brand trust and brand loyalty and perceived quality and brand trust have statistically significant effect on brand loyalty.

Key words: Customer Experience, Brand Loyalty, Digital Banking

JEL Code: M19, M30, M31

1. Introduction

The rapid development of technology in recent years has affected companies in all sectors, including the financial sector and, consequently, banks, which are one of the main players in this sector. The digitalization of the services offered by banks has led to ATMs, Internet banking, telephone banking, mobile banking, electronic payment systems, and similar digital channels becoming increasingly important and widely used in the provision of services.

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In the banking sector, the use of technology, initially deployed to improve inward-looking operations, has subsequently expanded to redesign the products and services offered to customers, access to customers, and beyond to attract new customers (Aydın and Onaylı, 2020; 646). The main reason for the increasing use of digital technologies in the banking sector is that these services provide both customers and banks with more convenient, faster, and cheaper transactions than traditional banking services (Demirel, 2022; 1359). These benefits strengthen customer's bonds with the bank, ensure customer satisfaction, and create customer loyalty. In addition, the concept of digitalization has paved the way for the customer experience to become increasingly important to banks. Banks that offer their customers a positive digital experience also provide financial benefits (Chauhan, Akhtar and Gupta, 2022; 312).

This changing and digitized service environment has led to a rethinking of the concept of customer experience in the banking sector. In this process, banks, facing a highly competitive environment, have acted as digital solution partners in their customers' banking transactions, constantly striving to provide the best experience to their customers (Aydın and Onaylı, 2020; 646). The basis for these improvement efforts is that a comprehensive and successful customer experience is an important building block for customer loyalty.

In light of the above, this study examines the impact of customers' digital banking experiences in the banking sector on perceived quality, brand trust, and brand loyalty, which have a significant impact on banks' marketing success. In the first part of the study, the theoretical background is examined and the research hypotheses are justified in light of the relevant theories and previous studies. The second part explains the research method and model, and the third part presents the results of the analysis. In the last part of the study, the results obtained in accordance with the findings and the contributions of the study to the related field by these results are discussed and suggestions for further studies are developed.

2. Literature Review

Flow Theory

Flow theory, proposed by Csikzentmihalyi (1975) to show the reasons why people engage in self-directed activities (autotelic), is one of the most widely used theories to conceptualize customer experience in online environments (Van Noort et al., 2012; Trevinal and Stenger, 2014; Waqas et al., 2021). While autotelic behavior, which underlies this theory, refers to the individual focusing only on his or her own satisfaction without serving any other purpose, flow is the set of feelings related to behaviors that the individual performs without caring about anything else (Bilgihan et al., 2014).

Flow refers to a performance or experience that is positive and pleasurable, evokes a greater sense of pleasure and control in the individual, is distanced from temporal reality, and requires intense concentration (Pelet et al., 2017; Obada, 2019; Obada and Dabija, 2022). From a customer relationship and consumer behavior perspective, flow can be defined as the degree to which customers successfully navigate through the various touchpoints in a technology-mediated environment. In this context, a high degree of flow based on uninterrupted and integrated communication and interaction leads to a pleasant user experience (Novak et al., 2000; Mahfouz et al., 2020). Customer experience can be defined as the emotions and perceptions created by the interaction of companies or brands with their customers at all touchpoints (Jain et al., 2017). In parallel with today's technological developments, providing excellent experiences for online customers in a way that creates customer satisfaction and loyalty has become one of the critical elements for creating a competitive advantage.

Given the relevant literature, there are many studies that discuss the concept of customer experience in the context of flow theory (Hoffman and Novak, 1996; Lee and Chan, 2010; Kim et al., 2013; Bilgihan et al., 2014; Trevinal and Stenger, 2014; Ozkara et al., 2017; Hyun et al., 2022). Among these studies, Hoffman and Novak's (1996) study conceptualizing flow as a cognitive state that occurs in online environments is significant for the first application of flow theory in online consumer behavior research. In this study, the flow experience provided to customers in online environments was found to elicit positive attitudes in customers. In the study conducted by Bilgihan et al. (2014), which analyzed the literature on studies that address customer experience in online environments within the scope of flow theory, the antecedents and successors of flow experience were examined. Bilgihan et al. (2014: 59) defined the antecedents of the flow experience as perceived usefulness (Parboteeah et al., 2009), perceived ease (Zhou, 2013), clear goals (Pilke, 2004; Chen, 2006), interactivity (Skadberg and Kimmel, 2004), access speed (Zhou, 2013), media richness (Klein, 2003), challenge (Rose et al., 2012), and vividness (Fortin and Dholakia, 2005). The antecedents stated in this study are trust (Hampton-Sosa and Koufaris, 2005), addictive behavior (Hoffman and Novak, 2009), brand equity (Fortin and Dholakia, 2005; Park et al., 2008), customer satisfaction (Xin Ding et al., 2010), intention to use (Lu et al., 2009), intention to return (Koufaris, 2002), and intention to purchase (Siekpe, 2005).

Customer Experience

The customer experience, which emerged as an approach to improve the utilitarian consumption perspective of classical consumption theories, was first conceptualized in the marketing literature in Hirschman and Holbrook's (1982) studies of hedonic consumption (according to Lemon and Verhoef, 2016; Rather, 2020). Hedonism is a view that evolved from the philosophy that asserts that the meaning of life lies in pleasure and enjoyment. Accordingly, in contrast to classical theories of consumption, which focus on the rational resolution of the purchase problem as a utilitarian or cognitive process, the hedonic consumption pathway assumes that purchase behavior is emotionally driven for reasons of seeking fun and enjoyment (Li et al., 2022; Zhou et al., 2023). With the emphasis on disregarded emotional components of the consumption, the concept of customer experience, as a multidimensional structure that focuses on the customer's cognitive, emotional, behavioral, sensory and social responses to products and services throughout the entire purchasing journey, has become increasingly important (Lemon ve Verhoef, 2016). Particularly in today's world, where the number of channels between customers and companies is increasing in parallel with developments in information and communications technology, the customer experience provided at these numerous touchpoints is becoming an even more critical success factor (Folstad and Kvale, 2018).

Customer experience is the set of cognitive, emotional, social, and physical reactions that the customer may have to all the elements that businesses will offer them at all points of contact throughout the purchase journey, including pre-purchase, purchase, and post-purchase stages (Siqueira et al., 2020; Sindhu and Bharti, 2021). Customer experience, which refers to the customer's evaluation of the stimuli resulting from direct or indirect interaction with a brand's products and services, is unique to each customer (Hamzah et al., 2014). "Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer, while indirect contact usually involves unplanned encounters with the representation of a company's products, services, or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews, and so on" (Alawad et al., 2018; Dey, 2019). Customer experience, which includes the process of finding a product or service, purchasing it, consuming it, and the customer services they request, is influenced by the characteristics of the products and services, the atmosphere in which they are offered, and the customer's previous experience (Caru and Cova, 2003; Siqueira et al., 2020). In this context, customer experiences are the customer's subjective positive, negative, or neutral evaluations as a result of comparing expectations of the product and service and the cognitive, emotional, behavioral, sensory, and social stimuli resulting from interaction with the product and service (Meyer and Schwager, 2007; Kim and Kim, 2022).

A review of the relevant literature reveals that customer experience has a multidimensional structure and different classifications are made with respect to these dimensions (Gentile, 2007; Brakus et al., 2009; Zarantonello and Schmitt, 2013; Tafesse, 2016; Tyrväinen et al., 2020; Wibowo et al., 2021). The reason for these different classifications of the concept of experience lies in the differentiation of experience depending on the context of the customer's interaction with the product and service (Waqas et al., 2021; Alkaç Özdemir and Altıntaş, 2021). Among the dimensions associated with these different classifications, the sensory component aims to evoke pleasure and excstatementent by stimulating the five senses, while the emotional component involves establishing an emotional connection between customers and products and services. The cognitive component, as a dimension of the experience, focuses on the customer solving a problem using mental processes, the behavioral component focuses on the customer's actions, and the relationship component focuses on the customer's relationship with himself and with society (Schmitt, 2000; Nysveen et al., 2013; Lemon and Verhoef, 2016; Rajaobelina et al., 2018; Chauhan et al., 2022). All or

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some of these dimensions of the customer experience together create a holistic experience by stimulating the customer.

The fact that evolving technology allows customers to interact with companies across multiple channels and touchpoints has accelerated the digital transformation in customer experience. Research shows that customer experience has a positive impact on customer satisfaction (Xin Ding et al., 2010; Zhong et al., 2017; Ashrafpour et al., 2021), intention to purchase (Yang and He, 2011; Khatoon et al., 2020; Kidron and Kreis, 2020), intention to repurchase (Flavian et al., 2006; Rose et al., 2011; Lemon and Verhoef, 2016), brand trust (Parasuraman et al., 1988; Rajaobelina et al., 2018; Eriksson et al., 2020), word-of-mouth (Liébana-Cabanillas et al., 2013; Sampaio et al., 2017), and customer loyalty (Iglesias et al., 2011; Nysveen et al., 2013; Garzaro et al., 2020; Kidron and Kreis, 2020). In this context, it is critical for companies to deliver a successful experience to their customers at all touchpoints, especially in digital environments, to secure their existence by creating customer satisfaction and loyalty in today's intensely competitive environment.

Perceived Quality

In the relevant literature, there are various definitions such as fitness for use, “fitness for purpose” (Deming, 1986) for the concept of quality, which expresses the subjective evaluation of products and services by consumers, but from the perspective of customer needs, quality is the ability to meet customer expectations and needs for a product or service (Garvin, 1984). Perceived quality is defined as the attitude that consumers develop toward the quality of products and services by comparing the performance, they expect with the performance that results from their recent consumption experiences (Keller, 2013). As a major determinant of customer satisfaction, the perceived quality approach evaluates quality based on the consumer's judgment (Boonlertvanich, 2019, Ma et al., 2023). In forming perceived quality, consumers use direct (intrinsic) cues (Richardson et al., 1994), which consist of the content and performance of products and services, and indirect (extrinsic) cues (Acebron and Dopico, 2000), which consist of features that are not part of the physical product, such as price, packaging, and brand image (Delgado-Ballester et al., 2020).

Perceived quality is a basic standard for product and service evaluations (Dharamdasani and Sharma, 2017). The perception of quality, which results from the comparison between customers’ expectations before using products and services and the performance after using them, is a crucial success factor for companies in today’s highly competitive environment. In addition, due to some peculiarities of services, it is more difficult to define, measure and ensure the quality of services than for tangible products (Zeithaml et al., 1996; Koç et al., 2017). Since services are intangible, they are produced and consumed simultaneously by service providers and customers, unlike material goods, which are first produced, then purchased, and then consumed (Dong et al., 2015; Koç, 2018). The fact that the production and consumption of services take place at the same time means that the quality perceived by customers is shaped not only by the result of the service but also by all processes and contexts involved in the provision of the service (Manhas and Tukamushaba, 2015). In this context, the concept of customer experience as a multi-dimensional structure focusing on customers' cognitive, emotional, behavioral, sensory, and social responses to products gains importance as service quality is influenced by the service delivery process and many related processes and services in forming the perception of service quality (Bhat and Sharma, 2022).

According to El Naggar and Bendary (2017), experiencing services improves consumers' quality perceptions by expanding their knowledge of the service, while according to Chahal and Dutta (2015), the experience provided to customers in the service sector is an important antecedent of perceived quality. Shekhar Kumar et al. (2013), on the other hand, found that cognitive, emotional, and behavioral experiences positively influence perceptions of quality in the healthcare sector as a service subsector. In this context, the following hypothesis was made, since the customer experience has a positive impact on the perceived quality of digital banking applications:

H1: Customer experience has a positive and significant impact on the perceived quality of digital banking applications.

Brand Trust

The concept of trust, which relates to individuals' beliefs, attitudes, and behaviors about the honesty and predictability of individuals, groups, and institutions, forms the basis of all bilateral communications and interactions (Moorman et al., 1992; Garbarina and Johnson, 1999).

Trust, which is a common area of research across many disciplines including sociology, psychology, and organizational behavior, has become an increasingly important topic in consumer behavior research because it is a critical success factor for cooperative behavior that underlies relationship marketing (Morgan and Hunt, 1994; Reinita Andriyani and Yudhistira, 2023). Under the dynamic market conditions of the 21st century, companies can only achieve competitive advantages if they are able to build long-term and profitable customer relationships based on trust within the framework of relationship marketing (Amoako et al., 2019; Wongsansukcharoen, 2022). Although there are many definitions of trust in the literature, trust in relation to companies is the customers' belief in the quality and reliability of the products and services offered by companies (Garbarino and Johnson, 1999; Wijaya and Simamora, 2023). Trust, which forms the basis for a strong bond between the company and its customers, is the willingness of consumers to trust the brand in the face of risk (Lau and Lee, 1999:343). Brand trust, which today has become one of the most important elements in ensuring that brands have the desired characteristics and quality, is customers' perception and expectation-based belief that products and services have certain characteristics and qualities that are reliable, sufficient, and consistent (El Naggar and Bendary, 2017; Kim and Chao, 2019).

Brand trust depends on its ability to deliver products and services that meet consumer expectations and needs, and to deliver on promises (Chaudhuri and Holbrook, 2001; Syed Alwi et al., 2016; Reiersen, 2019). According to brand personality theory, which explains brand trust, brands, like people, have certain personal characteristics, and some brands can be trusted just as some people can be trusted (Aaker, 1997; Belaid and Temessek Behi, 2011). An examination of the relevant literature shows that brand trust is conceptualized as cognitive and emotional trust (Lewis and Weigert, 1985; Wu et al., 2018; Chen et al., 2021). While cognitive trust is based on knowledge about the brand and the brand's ability and performance to meet consumer needs, emotional trust refers to the sense of honesty that the brand evokes in the consumer in the context of the brand's loyalty to its promises to the consumer, depending on the level of attention and care given to the consumer (Belaid and Temessek Behi, 2011; Hsu, 2022; Acharya et al., 2023). An experience consumers have with a brand can have a positive impact on cognitive trust by increasing their knowledge of products and services and giving them an idea of performance, while careful communication and interaction with the consumer during the experience can positively influence emotional trust (Agustin and Singh, 2005; Sunyansanoa, 2013; Sarastiti et al., 2015; Huang, 2017; Kwon et al., 2021; Shukla et al., 2022; Reinita Andriyani and Arie Yudhistira, 2023). In this context, this research hypothesized that the customer experience in digital banking applications will have a positive impact on brand trust:

H2: Customer experience has a positive and significant impact on brand trust in digital banking applications.

Brand Loyalty

The concept of loyalty, which expresses a solid, strong, and sincere commitment, has become an indispensable success factor for brands today in order not to lose their market share and to secure their existence in an intensely competitive environment (Gupta et al., 2017; Jamshidi and Rousta, 2021). The concept of brand loyalty, highlighted in both brand and consumer behavior literature, refers to consumers' commitment to the brand and their repeating purchase behavior towards certain brands in terms of behavioral patterns (Oliver, 1999; Li et al., 2012; Nunan et al., 2020).

Brand loyalty as the force of consumers' brand preferences (Anselmsson et al., 2007; Yee and Sidek, 2008) brings great financial benefits to companies as it is an indicator of consumers' long-term commitment and reluctance to switch to a competing brand (Reinita Andriyani and Arie Yudhistira, 2023). Research shows that, on average, a brand loses half of its customers within five years, while brands with high brand loyalty lose only 20% of their customers in five years (Kotler, 2016). In today's dynamic market conditions, where the cost of acquiring new customers is about 5 times the cost of retaining existing customers, a 5% reduction in customer churn rate increases the profitability of the business by 25-85%. As a result, the duration of customer retention positively affects the rate of profit obtained from the customer (Kotler, 2016; Xevelonakis 2005; Rather and Hollebeek, 2019; Kim et al., 2023).

Brand loyalty, which has become the most fundamental element of creating a successful and sustainable brand, focuses on consistent repurchase behavior as well as not considering another brand option, willingness to pay more, and recommending the brand (Nunan et al., 2020). In brand loyalty, the customer's commitment to repurchase behavior refers to a strong emotional bond where the likelihood of switching to another brand is very, very low, even if the price, quality, quantity, and features of the brand's products and services change (Lien et al., 2015; Van der Westhuizen, 2018; Atulkar, 2020). The difference between customer loyalty and brand loyalty at this point is that customers are more willing to leave the company under this emotional bond if a better alternative is offered than under brand loyalty (Ong et al., 2018; Reinita Andriyani and Arie Yudhistira, 2023). Examination of the relevant literature reveals that brand loyalty, which is basically a relational phenomenon, is treated in four dimensions: cognitive, affective, conative, and attitudinal loyalty (Oliver, 1999; Nysveen et al., 2013; Soedarto et al., 2019). While cognitive loyalty depends on the quality and performance of the product and service, attitudinal loyalty arises when the customer repeats the purchase related to the brand (Boo et al., 2009; Saini and Singh, 2020). However, these repeating purchases that make up the attitudinal dimension are realized with the formation of the affective loyalty dimension, which expresses that the customer begins to like the brand over time by enjoying the experiences they have (Iglesias et al., 2011; Nysveen et al., 2013; Ding and Tseng, 2015; Jain et al., 2017; Garzaro et al., 2020). Research shows that emotions such as pleasure, excstatementent, and happiness that come from positive experiences offered to the customer, including online experiences, have a significant impact on the formation of brand loyalty (Zameer et al., 2019; Nuseir and Aljumah, 2020; Kim et al., 2023). In this context, the following hypothesis was put forward in the research, which assumes that customer experiences in digital banking applications have a positive impact on brand loyalty:

H3: Customer experience in digital banking applications positively and significantly affects brand loyalty.

As a result of the literature review conducted to determine the impact of perceived quality and brand trust on brand loyalty, it was found that both variables are important antecedents of brand loyalty. High perceived quality, i.e., the ability to meet customers' expectations and needs regarding a product or service, has a positive impact on consumer’s repurchase decisions regarding the brand and increases the level of brand loyalty (Biedenbach and Marell, 2010; acap et al., 2021; Tran et al., 2022). Similarly, a high level of trust, characterized by the consumer's feeling that the brand's products and services have certain characteristics and qualities that are reliable, appropriate, and consistent, is an important antecedent of the relationship at the level of loyalty to be built with the brand (Mabkhot et al., 2017; Kwon et al., 2021; Akoglu and Ozbek, 2022). In this context, the following

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hypotheses were put forward in this study, considering that perceived quality and brand trust in digital banking applications will positively affect brand loyalty:

H4: Perceived quality in digital banking applications positively and significantly affects brand loyalty.

H5: Brand trust in digital banking applications positively and significantly affects brand loyalty.

3. Methodology

The Purpose and Type of the Research

As developments in information and communication technologies have impacted the banking sector in recent years, banks, like all other businesses, have sought to differentiate themselves to stay ahead of the competition, and the sector's marketing tools have undergone a major digital transformation. The digital banking applications introduced in parallel with this transformation have reinforced the impact of digitalization on the concept of customer experience, which plays an important role in customers' purchasing preferences. The objective of this study is to determine the impact of digital service experiences of customers using the internet/digital/mobile and similar banking applications on brand trust, perceived quality, and brand loyalty. To test the hypotheses stated in the conceptual framework, the research was designed quantitatively based on a cause-and-effect relationship. The research model shown in Figure 1 was created by examining the theoretical and applied research and the relationships between the components of the model.

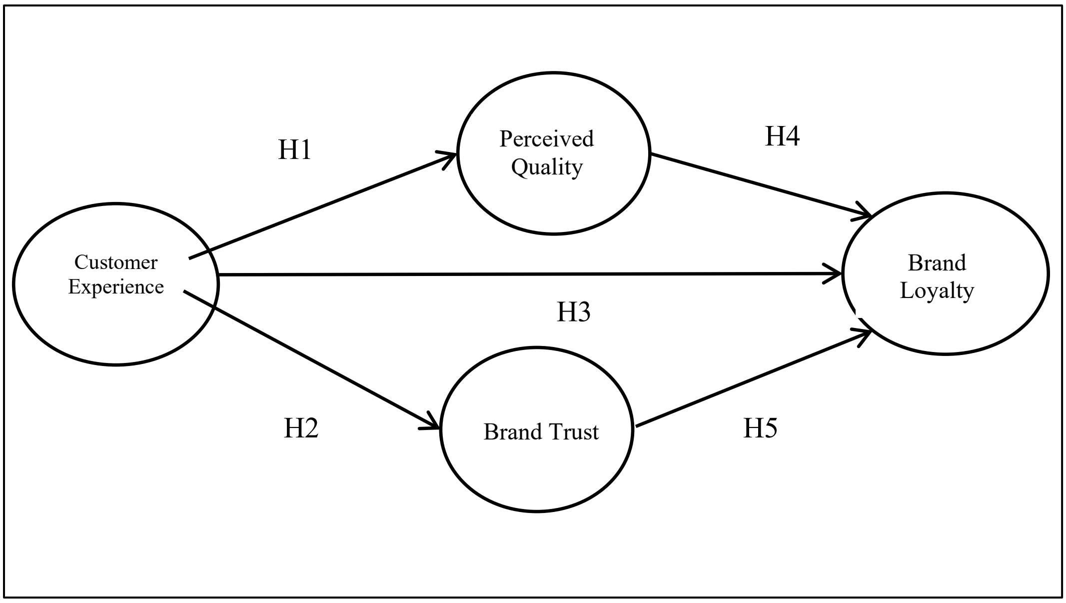

Figure 1. Research Model and Hypotheses

Population and Sample

The population of this research, which aims to examine the impact of digitalization on service companies in the banking sector, consists of all individuals who use digital banking applications in Turkey. In this context, "convenience sampling method", one of the non-random sampling methods was preferred as the data collection method because the size of the population could not be determined. Different approaches were evaluated to determine the appropriate sample size. Shirsavar, Gilaninia and Almani (2012) state that the appropriate sampling interval can be calculated via the formula (n): $5q \leq n \leq 15q$. According to this approach, the number of statements in the survey of the research is q=41; when the formula (5*41) = $205 \leq n \leq 615$= (15*41) is applied, the sample size to be reached in the research should be between 205 and 615. Similarly, Sekaran (1983) suggested that the sample size greater than 30 and less than 500 is suitable for most studies. Accordingly, in this study, using the convenience sampling method, data were collected from 627 consumers using digital banking applications by means of questionnaires, 35 questionnaires were excluded after the necessary examinations, and the research was continued through 592 questionnaires.

Data Collection Tools and Techniques

The questionnaire prepared in the study, using a survey as the data collection method, consists of 48 questions aimed at obtaining demographic information about the sample and scales previously developed by different researchers to measure the relevant variables in the research model. A 5-point Likert-type scale was used to measure the participants' level of agreement with each statement. To measure customer experience, the "Customer Experience Measurement Scale", which was developed by Onaylı (2020) using the statements in the scales of Lee (2009), Wang and Tang (2004), and Yoon (2010).

The 28-statement scale consists of six subscales: design (5 statements), ease of use (6 statements), Transaction speed (4 statements), information content (4 statements), customer support service (3 statements) and security (6 statements). To measure brand trust, another variable of the research, the "Brand Trust Scale" developed by Chaudhuri and Holbrook (2001) and adapted into Turkish by Sezgin and Borekci (2019) was used. The scale consists of 1 subscale and 5 statements. To measure the brand loyalty and perceived quality level of customers using digital banking applications, scales developed by Yoo and Donthu (2001) and adapted into Turkish by Koçoğlu and Aksoy (2017) were used. The Brand Loyalty scale consists of 1 subscale and 4 statements, while the Perceived Quality Scale consists of 1 subscale and 4 statements.

Preparation of Data for Structural Model and Selection of Estimation Method

It was decided to use Structural Equation Modeling (SEM), which allows the interdependence relationship between the dependent and independent variables of the model to be tested simultaneously while accounting for measurement errors, as one of the most prominent research methods in various disciplines to test the research model and hypotheses (Hair et al., 2017). Although there are several different approaches to SEM, one of the widely used approaches is Covariance-based SEM (CB-SEM). (CB-SEM) analyses test whether the theoretically proposed relationships overlap with the relationships observed in the data using the chi-square test (Doğan, 2019). Another approach is Variance-based Structural Equation Modeling (PLS-SEM), which is based on the estimation of the relationship coefficients that maximize the R^2 value of the dependent and dependent variable by using the Least Squares Method like regression as the estimation method (Hair et al., 2014). Before deciding which of the Structural Equation Modeling approaches to test the research model and hypotheses, missing values, outliers, and sample distribution that may affect the analysis results were examined.

At the stage of preparing the data for the structural model, missing data related to the data set were first identified since multivariate methods such as Structural Equation Modeling require complete data. As a result of the analysis, it was determined that 0.35% (89 data) of the 25.707 data to be collected from the 627 questionnaires that form the basis of the research model were missing data. The missing data in the data set were completed with the Expectation Maximization (EM) method. After completing the missing data, outliers were identified as the second stage in the preparation of the data for the structural model. The Mahalanobis Distance (MU) analysis was performed to identify multiple outliers that deviate from the other values in the data set and contradict the characteristics of the data set and because of the analysis, the Mahalanobis values of 35 participants were determined as “multivariate outliers” since they were above the critical value. Although excluding 35 participants' multivariate outliers from the data set caused a data loss of 5.5%, it was removed from the data set due to the increase in reliability because of the reliability analysis and the analysis continued 592 questionnaires. Finally, because of the normality analysis performed to determine the sample distribution for the data set consisting of 592 participants, it was determined that the data did not provide both unit-based and multiplicity normality.

Accordingly, due to the fact that the data does not provide both unit-based and multiple normality, that the model is a complex structural model in both secondary factorial structure, and that the research has an exploratory nature as a model that has not been studied before, it was decided to use the “Partial Least Squares Structural Equation Modeling (PLS-SEM)” method, which aims to maximize the explained variance of the dependent variable and minimize the error variances (Wong, 2013; Hair et al., 2014; Ringle et al., 2015).

4. Empirical Findings

Test Results of Measurement Model

The measurement model is the analysis step in which the relationships between variables and indicators are examined. Confirmatory factor analysis is performed by testing the measurement model. In this context, internal consistency reliability, convergent validity and discriminant validity were evaluated with the statements obtained regarding the measurement model subjected to confirmatory factor analysis to determine whether the theoretically proposed factors in the research overlap with the situation observed in the data. Table 1 presents the results of the internal consistency reliability and convergent validity of the constructs in the study.

Table 1. Measurement Model Results

Structure	***Statement***	***Coef.***	***AVE***	***Reliability Value***		
				CR	***A***	***rho_A***
Design	This bank's digital banking app has ease of transaction process. (D2)	0.838	0.703	0.904	0.859	0.862
	This bank's digital banking app has an easy search procedure. (D3)	0.856				
	This bank's digital banking app has an easy-to-use web design. (D4)	0.821				
	I find it easy to use this bank's digital banking app to perform my banking transactions. (D5)	0.837				
Ease of Use	I believe that this bank's digital banking app is useful. (EU2)	0.776	0.656	0.884	0.824	0.828
	I believe that using this bank's digital banking app can offer me a wider range of banking products, services and investment opportunities. (EU4)	0.851				
	I believe that using this bank's digital banking app can reduce transaction costs when performing banking transactions. (EU5)	0.758				
	In general, I believe that it is advantageous to use the digital banking app of this bank. (EU6)	0.849				
Transaction Speed	The connection time of this bank's digital banking app is fast. (TS1)	0.872	0.775	0.932	0.903	0.904
	The transaction process in this bank's digital banking app is fast. (TS2)	0.887				
	The page load time of this bank's digital banking app is fast. (TS3)	0.878				
	This bank's digital banking app offers very fast solutions to my transaction needs. (TS4)	0.870				
Information Content	The information content of this bank's digital banking app is useful. (IC1)	0.861	0.750	0.923	0.888	0.890
	This bank's digital banking app provides information content on the subject. (IC2)	0.823				
	This bank's digital banking app provides up-to-date information content. (IC3)	0.899				
	The information content of this bank's digital banking app is easily understood. (IC4)	0.878				
Customer Support	The digital banking app of this bank fully responds to the demands of the customer. (CSS1)	0.886	0.792	0.920	0.869	0.871
	This bank's digital banking app provides immediate feedback on the problem. (CSS2)	0.884				

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	This bank's digital banking app is ready to handle and solve customer's problems and dissatisfaction. (CSS3)	0.879				
Security	This bank's digital banking app will not disclose my personal information. (S1)	0.854	0.683	0.915	0.884	0.885
	I find this bank's digital banking app secure in performing banking transactions. (S2)	0.841				
	The servers of this bank's digital banking application perform well and make payments accurately. (S3)	0.794				
	I feel safe to provide privacy information through this bank's digital banking app. (S5)	0.826				
	I am not worried about using this bank's digital banking app because other people will not be able to access my account. (S6)	0.818				
Perceived Quality	The brand of this bank is reliable and durable. (PQ2)	0.891	0.788	0.918	0.865	0.866
	The brand of this bank is high quality. (PQ3)	0.898				
	The maintenance service of this bank is very good. (PQ4)	0.865				
Brand Trust	I find everything I'm looking for in this bank. (BT1)	0.875	0.708	0.924	0.897	0.902
	This bank fully meets my expectations. (BT2)	0.873				
	I feel safe with this bank. (BT3)	0.826				
	This bank never disappoints me. (BT4)	0.807				
	This bank tries to provide my satisfaction. (BT5)	0.825				
Brand Loyalty	I would recommend this bank's brand to other people. (BL1)	0.856	0.736	0.893	0.820	0.823
	I am a loyal customer of this bank's brand. (BL2)	0.891				
	The brand of this bank is my first choice. (BL3)	0.825				

In PLS-SEM-based analysis methods, factor loadings should be between 0.700 and 0.900 (Hair et al., 2014). In addition, Hair et al. (2014) suggests that indicators with factor loadings between 0.400 and 0.700 should be removed from the model only if there is an increase in AVE or CR values when they are removed from the model. In the measurement model analysis, all indicators with factor loadings below 0.700 were removed from the model and the steps related to confirmatory factor analysis were repeated. Accordingly, 1 statement (D1) from the “Design” subscale, 2 statements (EU1 and EU3) from the “Ease of use” subscale, and 1 statement (S4) from the "Security" dimension of the "Customer Experience” scale with factor loadings below 0.700, while 1 statement each (PQ1 and BL4) from the “Perceived Quality” and “Brand Loyalty” subscales were removed from the model and the steps related to confirmatory factor analysis were repeated.

The issues to be tested for reliability and validity at the measurement model stage are internal consistency reliability, convergent validity, and divergent validity. For internal consistency reliability, Cronbach Alpha (α), combined reliability coefficients (CR) and rho_A values are expected to be ≥ 0.70 (Hair et al., 2017). Given the relevant values presented in Table 1, it is seen that the structures provide internal consistency reliability. To ensure convergent validity, factor loadings are expected to be ≥ 0.70 and the average variance value (AVE) is expected to be ≥ 0.50 (Hair et al., 2014). When the relevant values presented in Table 1 are examined, it is seen that the structures also meet the convergent validity.

The criterion proposed by Fornell-Larcker (1981) and the HTMT (Heterotrait-Monotrait Ratio) criteria proposed by Henseler et al. (2015) was used to determine the discriminant validity. Table 2 presents the analysis results for the Fornell-Larckell Criterion. Given the values in the table, the square root of the AVE values of the relevant variable is greater than the correlation coefficients in the same column. Similarly, it is determined that the HTMT values are below the critical value of 0.90. In this context, it can be stated that the constructs satisfy the discriminant validity.

Table 2. Discriminant Validity Results (The Fornell-Larcker Criterion)

	Brand Loyalty	*Brand Trust*	*Customer Support*	*Design*	*Ease of Use*	*Perceived Quality*
Brand Loyalty	0.858					
Brand Trust	0.724	0.842				
Customer Support	0.669	0.703	0.890			
Design	0.575	0.582	0.686	0.838		
Ease of Use	0.576	0.607	0.679	0.768	0.810	
Perceived Quality	0.723	0.776	0.592	0.465	0.512	0.888

According to these results, since all variables met the reliability and validity criteria in the measurement model analysis, structural model analysis was started.

Structural Model Analysis

The research model was analyzed using the PLS-SEM algorithm. PLS algorithm was run to calculate linearity, path coefficients, R^2 and effect size (f^2) of the model. To assess the significance of PLS path coefficients, 5000 subsamples were resampled (bootstrapping) and t-values were calculated (Hair et al., 2014; Ringle et al., 2015). Blindfolding analysis was also run to calculate the predictive power (Q2) of the model. VIF, R^2, f^2 and Q^2 values of the research results are presented in Table 3.

Table 3. Research Model Coefficients (Total Effect)

Variables	VIF	R^2	f^2	Q^2
Customer Experience → Perceived Quality	1.000	0.413	0.703	0.322
Customer Experience → Brand Trust	1.000	0.527	1.115	0.367
Customer Experience → Brand Loyalty	2.187		0.083	
Perceived Quality → Brand Loyalty	2.603	0.621	0.126	0.450
Brand Trust → Brand Loyalty	3.233		0.055	

It is concluded that there is no linearity problem since the VIF values (Table 3) between the variables are below the threshold value of 5 (Hair et al., 2014; Henseler et al., 2015). When the model coefficients are analyzed in terms of R^2 values, it is seen that perceived quality, brand trust, and brand loyalty is explained at 41%, 53%, 62%, respectively. Accordingly, when model coefficients are analyzed for f^2 , it is seen that customer experience has a high effect on perceived quality and brand trust, while customer experience, perceived quality and brand trust have a low effect on brand loyalty. The fact that the Q^2 values in the table are greater than zero indicates that the research model has the power to predict the variables of perceived quality, brand trust, and brand loyalty (Hair et al., 2014). The direct effect coefficients of the research model are presented in Table 4.

Table 4. Research Model Coefficients (Total Effect)

Variables	Standardized β	Standard Error	t Value	p Value
Customer Experience → Perceived Quality	0.643	0.033	19.742	0.000
Customer Experience → Brand Trust	0.726	0.023	31.575	0.000
Customer Experience → Brand Loyalty	0.263	0.044	6.001	0.000
Perceived Quality → Brand Loyalty	0.353	0.054	6.574	0.000
Brand Trust → Brand Loyalty	0.260	0.062	4.177	0.000

Given the values in Table 4, it is determined that the effects of customer experience on perceived quality (β=0.643, $p<0.01$), brand trust (β=0.726, $p<0.01$) and brand loyalty (β=0.263, $p<0.01$) are positive and significant. The effects of perceived quality (β=0.353, $p<0.01$) and brand trust (β=0.260, $p<0.01$) on brand loyalty are also found to be positive and significant. In line with these findings, hypotheses H1, H2, H3, H4, and H5 put forward in the study were supported. Accordingly, a one-unit increase in customer experience leads to a 0.643; 0.726; and 0.263 unit increase in perceived quality, brand trust, and brand loyalty, respectively. Similarly, when the values presented in Table 4 are analyzed, it is seen that a one-unit increase in perceived quality causes a 0.353-unit increase in brand trust and a 0.260-unit increase in brand loyalty.

5. Conclusions

The purpose of this study is to investigate the impact of customer experience on perceived quality, brand loyalty, and brand trust in digital banking applications. Experience is the incentive-based evaluation that results from direct or indirect interaction with brands' products and services, and this study concludes that customer experience positively influences perceived quality in digital banking applications. This finding supports the research findings of Shekhar Kumar et al. (2013), Chahal and Dutta (2015), and El Naggar and Bendary (2017), who identified customer experience as an important determinant of perceived quality. In a sector such as banking, where competition is intense and digitalization is becoming more important every day, the concept of perceived quality, which is derived from comparing customers' expectations of products and services with the performance achieved, is an important competitive factor and a precursor to customer satisfaction. In this context, a successful experience offered to customers with digital banking applications in terms of successful design, ease of use and transaction, speed, rich information content, excellent customer support, and security has a positive impact on their perception of the quality of digital banking applications.

Similarly, the study examined whether customer experience has a significant and positive impact on brand trust in digital banking applications. As a result of the structural model analysis, it was found that customer experience positively influences brand trust. This result supports the research findings of

Dimitriadis et al. (2011), Jaervinen (2014), Yu et al. (2015), and Kidron and Kreis (2020), who found that customer experience in banking services has a significant impact on customers' perception of brand trust. Brand trust is a set of beliefs that form the cognitive and emotional confidence that companies will provide products and services that are consistent with customers' expectations and needs and have sufficient qualities. For companies that provide financial services such as banking services, the perception of trust that customers have in terms of financial stability, ensuring customer confidentiality and the correctness of financial transactions is one of the most important competitive factors that enable customers to build long-term relationships with the bank.

The study also found that customer experience positively influences brand loyalty in digital banking services. Customer experience ratings at touchpoints affect their perceptions of the quality, performance, and interaction of the product and service and influence their behavior, such as repurchase, recommendation, and higher payments. This result supports the findings of Ding and Tseng (2015), Jain et al. 2017), Nuseir (2020), and Kim et al. (2023), who found that customer experience is an important determinant of customer loyalty. Positive customer experiences with digital banking services increase cognitive, behavioral, and affective loyalty to the bank, such as continued use and regular visits to the website, long time spent on the website, and recommendations of the bank. This situation becomes a very important competitive advantage in the banking sector, where digitalization is advancing at great speed, due to the positive impact of loyal customers on the bank's profitability. The hypotheses in the study to determine the impact of perceived quality and brand trust on brand loyalty in digital banking were accepted, and these results support the research findings of Lacap et al. (2021), Kwon et al. (2021), Akoglu and Ozbek (2022), and Tran et al. (2022). In the banking sector, perceived quality and brand trust have a positive impact on brand loyalty. When customers build a relationship with a quality service and a trusted brand, they are more likely to choose it again and become more loyal to the brand.

6. Theoretical and Managerial Implications

Theoretically, this study examines the impact of customer experience on perceived quality, brand trust, and brand loyalty in digital banking applications within the framework of flow theory and the dominant logic theory of service. Flow theory, as one of the theories that explain the psychology of individuals during an experience, is a theory that examines the reasons why people participate in activities for their own purposes and their holistic feelings in these processes in which they act as if nothing else matters. The optimal experience that is central to the theory is the feeling that one's abilities are sufficient to meet the challenge at hand, a goal-directed, rule-governed system of action that provides information about one's performance. During flow, the individual becomes disinterested in things outside the experience due to the intense tightness they experience, and their sense of time is distorted. In a positive, pleasurable flow, which produces more pleasure and a sense of control, the individual's level of satisfaction is high and he is willing to perform these actions no matter how difficult or costly the experience. In the marketing literature, flow theory is addressed in online and experiential marketing research. However, while the impact of flow experience on user behavior is rarely studied, this study aims to demonstrate the impact of experience in digital banking applications on perceived quality, brand trust, and brand loyalty, which are the most important competitive factors in today's dynamic markets. It can be said that this research, therefore, creates a new perspective in the field of marketing, since it is conducted in the banking sector and deals with the flow experience created by digital applications offered to customers in the dimensions of design, usability, ease of transaction, speed, information content, customer support and security.

The results of this study reveal how important it is for bank managers to create a successful customer experience in order to achieve a sustainable competitive advantage by creating quality perception, brand trust, and brand loyalty in this sector. The customer experience consists of the totality of customers' cognitive, affective, behavioral, sensory, and social responses to products and services at all pre-, in-, and post-purchase touchpoints. The extent of direct and indirect interaction with the customer at all these contact points is the decisive success factor for creating a successful customer experience. For direct contact, which must be established specifically for each customer, it is necessary to offer products and services that meet the customer's expectations and needs, while for indirect contact companies must pursue an effective integrated marketing strategy with advertising, sponsorship, and alternative marketing methods.

Especially today, in parallel with developments in information and communication technology, successful customer experience practices have become more important as the number of channels between customers and companies has increased in all sectors and the number of touchpoints has increased. Today, banks in particular are rapidly adapting advanced digital technologies such as social media, mobile, Big Data, cloud computing, Internet of Things, artificial intelligence, virtual reality, and augmented reality to their processes and should also provide successful experiences for their customers through the use of these technologies. To this end, instead of focusing on monitoring customer satisfaction as they have in the past, bank executives should focus on measuring and monitoring the customer experience when using digital banking services and on strategies to positively improve the customer experience when purchasing or using products and/or services. In this context, special customer requirements should be considered in digital banking applications, and additional services that create added value should be added to the main services in service design. Again, in order to positively affect customers' experiences in applications, attention should be paid to the use of elements that attract the attention of the customer such as functions that attract navigation and use, aesthetics related to vision, and sound in the design of the website. Ease of transaction and use, speed, appropriate information content sharing, excellent customer support, and secure digital applications are all aspects that bank managers should emphasize in order to provide customers with a unique experience.

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