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STIMULATING LOYALTY THROUGH CUSTOMER EXPERIENCE VIA MARKETING OUTCOMES IN THE BANKING SECTOR

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Abstract: *Literature positions customer experience as a strategic driver of competitive advantage in the banking sector. However, gaps remain in emerging-market research, where contextual factors can shape experiential perceptions in different ways. Addressing these gaps through empirical research provides both theoretical advancement and practical guidance for banks navigating competitive and transitional environments. This study investigates the relationships among customer experience, customer satisfaction, word-of-mouth, and behavioural loyalty intentions in the Serbian banking sector. The primary objective is to examine whether customer satisfaction and word-of-mouth mediate the effect of customer experience on behavioural loyalty intentions. Empirical data were collected from bank customers in Serbia, comprising 616 valid responses, and analysed using structural equation modelling. The findings indicate that customer experience exerts a statistically significant positive effect on behavioural loyalty intentions, both directly and indirectly. Customer satisfaction was found to partially mediate the relationships between customer experience and behavioural loyalty intentions, as well as between customer experience and word-of-mouth. In addition, customer satisfaction and word-of-mouth jointly demonstrate a partial serial mediating effect on the relationship between customer experience and behavioural loyalty intentions. These results suggest that customer experience should be conceptualised as a strategic antecedent of customer loyalty, operating through both affective and communicative mechanisms. The study contributes to the existing literature by extending the understanding of loyalty formation in banking and by providing context-specific evidence from Serbia. The findings also offer managerial implications, indicating that more effective management of customer experience, satisfaction, and customer advocacy may contribute to stronger customer retention and positive recommendation behaviour.*

Keywords*: *customer experience; customer satisfaction; word-of-mouth; behavioural loyalty intentions; customer loyalty; banking sector; Serbia.

JEL Classification: *G41; D12; M31; C38*

INTRODUCTION

In an increasingly competitive, digitally mediated marketplace, an in-depth understanding of the customer experience and the customer journey has become essential for organisations seeking to sustain competitive advantage. Contemporary consumers engage with firms through a multiplicity of touchpoints spanning both physical and digital channels, rendering the overall service experience an intrinsically complex and socially constituted phenomenon (Lemon & Verhoef, 2016; Siebert et al., 2020). Scholarly consensus increasingly recognises that the quality of these cumulative interactions constitutes the primary determinant of perceived value and long-term relational outcomes. This paradigm shift inspired both researchers and practitioners to reconceptualise the customer journey, not simply as a sequence of discrete contacts, but as an integrated, dynamic system of value co-creation. Empirical evidence demonstrates that leading service organisations which invest in the systematic optimisation of customer journeys realise significantly higher levels of customer satisfaction and sustained corporate growth (Edelman & Singer, 2015; Rawson et al., 2013). Achieving such optimisation necessitates that firms develop institutional capabilities for the structured collection of behavioural insights, the purposeful design and governance of touchpoints, and the persistent monitoring and evaluative assessment of experiential quality across the full customer lifecycle (Halvorsrud et al., 2016). Within this context, customer experience quality has appeared as a theoretically salient and practically consequential construct, representing the phenomenological distinction between objective service delivery and the subjectively perceived experience of that delivery.

Building on this conceptual foundation, prior research in the Serbian banking sector empirically delineated the constituent dimensions of the Customer Experience (CE) construct, identifying brand experience, service provider experience, and post-purchase experience as its principal factorial components (Džinić et al., 2026). These outcomes offer a considerable empirical contribution to the contextualisation of customer experience theory inside emerging-economy service markets, where institutional, cultural, and rivalry dynamics may differ substantially from those prevalent in more widely studied Western contexts. Nevertheless, the mechanisms by which customer experience influences downstream marketing outcomes remain insufficiently theorised and empirically tested, particularly the mediating pathways linking experiential antecedents to behavioural responses. Specifically, linking customer experience to key marketing outcomes, this research analyses the directional and mediating relationships among customer experience and its marketing outcomes: customer satisfaction, word-of-mouth, and behavioural loyalty intentions. By explaining the sequential pathway through which customer experience influences marketing outcomes, this study makes a dual contribution: it develops the theoretical modelling of customer experience within the service marketing literature. The study provides useful guidance for practitioners designing and managing customer-focused strategies in the competitive and evolving banking sector of an emerging economy.

LITERATURE REVIEW

Customer experience has become one of the most discussed concepts in marketing and service research over the past two decades, and for good reason. It captures something that purely functional or transactional models of service often miss: the fact that customers do not simply evaluate what they receive, but how they feel, think, and make sense of every interaction they have with a firm. At its core, customer experience refers to the cognitive, affective, sensory, social, and behavioural responses that emerge from customers' direct and indirect encounters with an organisation across multiple touchpoints, channels, and stages of the customer journey (Lemon & Verhoef, 2016; Verhoef et al., 2009).

This understanding shows a broader change in how both scholars and practitioners think about competition. Organisations are no longer competing solely on product features or price; increasingly, they compete on the quality of the experiences they create. This transition, from transaction-focused to experience-focused competition, places the management of perceptions, emotions, and meaning-making at the heart of the customer–provider relationship. Customers bring their own histories, expectations, and interpretive frameworks to interaction, which means that experience is always, to some degree, personal and subjective, even when it unfolds within a standardised service environment. Within service-oriented logic and relationship marketing frameworks, customer experience is understood not as a single moment but as a cumulative, evolving phenomenon that develops across the full lifecycle of the customer–firm relationship (Verhoef et al., 2009). In practice, the value is not something firms simply deliver it is something customers actively co-create through ongoing interaction and interpretation. A particularly useful framework distinguishes among pre-purchase, purchase, and post-purchase experience stages, each shaped by a mix of firm-controlled, partner-mediated, and customer-initiated touchpoints (Lemon & Verhoef, 2016). This tripartite structure illustrates the non-linear and changing nature of the customer journey, reminding us that a single poor interaction can reshape the memory of an otherwise positive relationship, while consistently meaningful experiences tend to build loyalty and advocacy over time (Klaus & Maklan, 2013).

To operationalise customer experience in a manner aligned with this holistic logic, the present study defines customer experience (CE) in terms of three interlinked dimensions: Brand Experience (BRE), Service/Product Experience (SPE), and Post-Purchase Experience (PPE). First, BRE captures the experiential responses evoked by brand-related stimuli (e.g., brand identity, communications, symbols, and associations) that shape meaning, emotional attachment, and recognition of interactions. This dimension reflects the idea that brands function as experiential platforms that guide interpretation and expectations (Brakus et al., 2009). Second, SPE represents the customer's experience of core service and/or product performance during usage and interaction, including perceived quality, usability, and the relational/interface aspects of service delivery that are central to value creation at the point of encounter (Parasuraman et al., 1988; Verhoef et al., 2009). Third, PPE extends CE beyond the moment of consumption to encompass evaluations and experiences after purchase, such as confirmation/disconfirmation of expectations, recovery and complaint handling, support, and ongoing relationship management, which are critical in forming cumulative impressions and future-oriented responses (Oliver, 1997; Tax et al., 1998).

MARKETING OUTCOMES

Building on services marketing, relationship marketing, and customer experience management literature, the marketing outcomes of customer experience can be conceptualised as a multidimensional domain comprising interrelated customer response constructs. From this perspective, customer experience generates marketing value not only through immediate transactional evaluations but also through attitudinal, intentional, and communicative responses that shape the continuity and quality of the customer–firm relationship. Accordingly, customer satisfaction, behavioural loyalty intentions, and word-of-mouth represent key outcome dimensions using which customer experience is translated into assessable marketing effects (Džinić et al., 2026; Klaus & Maklan, 2013).

The marketing implications of customer experience may therefore be understood as customer-level response variables that link perceived experience quality with wider market performance. In this study, three interconnected outcomes: Customer Satisfaction (SAT), Behavioural Loyalty Intentions (BLI), and Word-of-Mouth (WOM), are used to capture the principal processes through which customer experience produces marketing value. This approach is consistent with the view that customer experience develops across multiple touchpoints and accumulates over time, consequently influencing post-consumption evaluations, future behavioural intentions, and relational advocacy.

Customer satisfaction refers to an overall evaluative judgment derived from customers' cumulative interactions with a product, service, or organisation. It reflects the extent to which perceived performance meets, exceeds, or falls short of prior expectations and therefore represents a proximal outcome of customer experience. In service contexts, satisfaction condenses multiple experiential cues, including reliability, responsiveness, emotional impressions, and perceived value, into an overall assessment of the relationship with the provider (Anderson et al., 1994; Oliver, 1997).

Behavioural loyalty intentions denote customers' stated propensity to continue, strengthen, or expand their relationship with a firm. This includes intentions related to repurchase, continued usage, provider preference, increased engagement, and resistance to switching. Unlike satisfaction, which primarily reflects evaluations of past and current experiences, BLI is future-oriented and indicates the likelihood that favourable experience evaluations will be translated into relationship continuity and customer retention (Kumar et al., 2013; Troiville, 2024; Xue & Tian, 2025).

Word-of-mouth captures customers' willingness to share experiences, recommend the firm, and influence other customers' perceptions or choices. As a communicative and relational outcome, word-of-mouth extends the value of customer experience beyond the individual customer through interpersonal communication, online reviews, social media, and other channels of experiential information exchange (Brown et al., 2005; East et al., 2007; Harrison-Walker, 2001).

Drawing on customer experience theory, services marketing, and relationship marketing, this study adopts an overarching process-based framework in which cumulative customer experience across multiple touchpoints generates an overall evaluative response in the form of customer satisfaction, which subsequently translates experiential evaluations into downstream relational outcomes, word-of-mouth as a communicative response and behavioural loyalty intentions as a future-oriented response, thereby providing the theoretical rationale for the proposed causal sequence from experience to evaluation and, ultimately, to advocacy and relationship continuity.

An integrated outcome architecture comprising SAT, BLI, and WOM is best suited to explain how customer experience generates marketing value through evaluative, relational, and advocacy-based mechanisms. This is why the architecture is used as a conceptual model for this study, as presented in Figure 1.

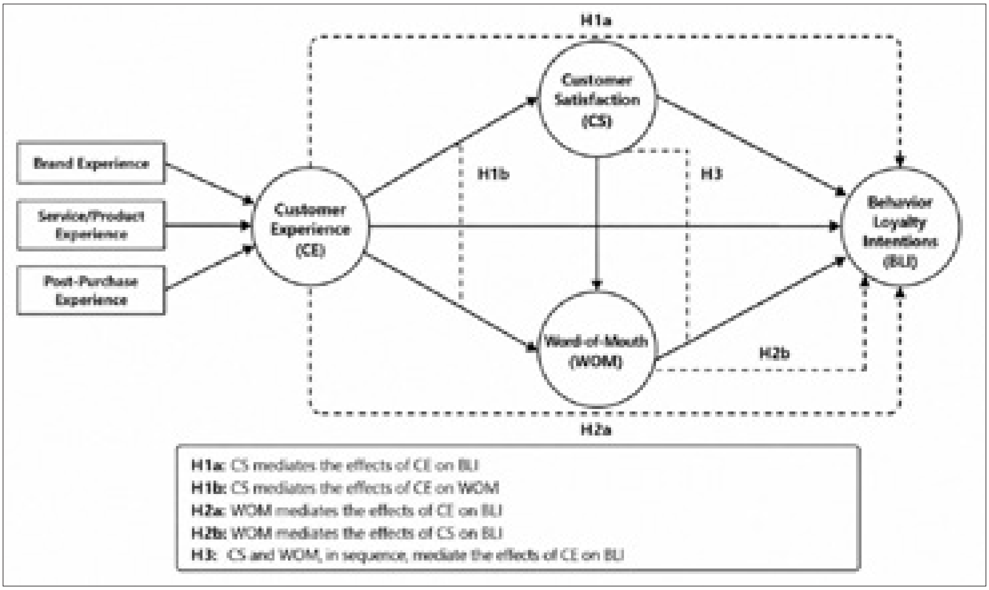

Figure 1: The conceptual model

Source: Authors

MEDIATING EFFECTS

Based on a process-oriented perspective, the outcomes of marketing concerning customer experience are theoretically interconnected and can be systematically modelled as a sequential process. In this model, perceptions of the customer experience initially influence customer satisfaction (SAT), which subsequently facilitates the development of brand loyalty intentions (BLI) and word-of-mouth (WOM) communication. These relationships are mediated through both attitudinal and relational mechanisms, reflecting the complex interplay between perceptual evaluations and behavioural expressions within the customer engagement framework. Positive WOM intentions are strengthened when satisfaction fosters psychological attachment, such as identification and commitment, suggesting that satisfied customers are more inclined to recommend because they perceive relational alignment with the provider (Brown et al., 2005). Furthermore, loyalty intentions suggest that customers internalise the experience as sufficiently valuable to support future exchanges, a concept fundamental to the relationship between experience and performance established in satisfaction research (Anderson et al., 1994). Word of mouth acts as an essential informational and social cue, helping to reduce uncertainty for potential buyers and encouraging quicker adoption of products or services. This effect is especially pronounced in scenarios where direct experiential evidence is scarce or unavailable. (East et al., 2007). Taken together, BLI, SAT, and WOM provide a strong measure of marketing results stemming from customer experience. They reflect (i) the likelihood of maintaining relationships (BLI), (ii) evaluative judgments (SAT), and (iii) advocacy-based word-of-mouth spread (WOM). This integrated framework facilitates a comprehensive examination of the impact of customer experience on both retention and acquisition metrics, offering a detailed analysis of their interrelation (Brown et al., 2005; Oliver, 1997).

Customer satisfaction is believed to mediate the link between customer experience and behavioural loyalty intentions. It is based on the idea that customer experience involves a comprehensive assessment of all interactions and touchpoints with the organisation, whereas satisfaction refers to the post-interaction judgment formed. Therefore, satisfaction acts as the mechanism that translates customer experiences into future actions, such as repeat visits and loyalty. Empirical research has consistently supported this sequence, strengthening the theory that satisfaction is a key intermediary in the development of long-term customer loyalty. Klaus and Maklan show that customer experience quality is a strong predictor of satisfaction and that satisfaction serves as an important pathway through which experience affects loyalty-related outcomes (Klaus & Maklan, 2013). Likewise, experience quality exerts its effect on behavioural intentions primarily via indirect mechanisms involving satisfaction, reinforcing the perspective that positive experiences require a preceding satisfactory evaluation to translate into loyalty intentions (Chen & Chen, 2010). Research in the tourism and service sectors further confirms that customer satisfaction is a strong predictor of important behaviours such as revisits, recommendations, and post-experience actions. This emphasises satisfaction's mediating role in the overall experience–loyalty process, underscoring its importance as a key intermediary for building long-term loyalty and ongoing behavioural commitment (Žabkar et al., 2010). Therefore, it is reasonable to formulate:

Hypothesis H1a: *CS mediates the effects of CE on BLI.*

Customer satisfaction could be hypothesised to mediate the relationship between customer experience and word-of-mouth. Grounded in the view that customer experience shapes customers' overall cognitive and emotional evaluation of a firm, but that this evaluation translates into advocacy behaviour only when it yields satisfaction. In essence, positive experiences across various service encounters, touchpoints, and interactions significantly increase the likelihood that customers perceive their overall satisfaction. Elevated satisfaction levels subsequently increase customers' propensity to recommend the firm, share favourable impressions, and participate in word-of-mouth communication. This conceptual framework aligns with established findings in customer experience research, which demonstrate that the quality of experiences directly influences downstream relational outcomes through the mediating variable of satisfaction. Additionally, empirical investigations have consistently shown that superior customer experiences positively impact satisfaction levels, which in turn serve as a driving force behind word-of-mouth behaviours, thereby reinforcing the vital role of experience quality in shaping long-term customer-firm relationships (Klaus & Maklan, 2013). Therefore, it is theoretically and empirically justified to formulate:

Hypothesis H1b: *CS mediates the effects of CE on WOM.*

Word-of-mouth could be hypothesised to mediate the effects of customer experience on behavioural loyalty intentions. This is grounded in the argument that customer experience influences loyalty-oriented behaviour both directly and indirectly, by stimulating customers' willingness to share positive recommendations and engage in advocacy. A favourable customer experience creates memorable cognitive and emotional evaluations of the service encounter (Xue & Tian, 2025), and these evaluations increase the likelihood that customers will engage in positive word-of-mouth, which, in turn, strengthens downstream behavioural loyalty intentions such as repurchase, continued use, and recommendation. This logic is consistent with studies showing that customer experience has a significant positive effect on both loyalty and word-of-mouth intentions (Klaus & Maklan, 2013), while customer experience and word-of-mouth intention each positively affect customer loyalty in banking (Manyanga et al., 2022), supporting the view that word-of-mouth is a plausible intermediate mechanism through which experience translates into loyalty behaviour. More broadly, recent mediation research in services confirms that experience-related evaluations can influence loyalty through advocacy pathways, reinforcing the theoretical basis for positioning word-of-mouth as a mediator between customer experience and behavioural loyalty intentions (Wichitsathian & Suvittawat, 2025). Therefore, it is reasonable to formulate:

Hypothesis H2a: *WOM mediates the effects of CE on BLI*.

Word-of-mouth could be hypothesised to mediate the effects of customer satisfaction on behavioural loyalty intentions. Based on the argument that satisfied customers do not translate their favourable evaluations into loyalty-oriented behaviour only directly, but also indirectly through advocacy and recommendation behaviour. When customers are satisfied, they are more likely to speak positively about the firm, recommend it to others, and share favourable experiences; this positive word-of-mouth can reinforce their behavioural loyalty intentions, such as repurchase, continued usage, and recommendation. Empirical studies support both parts of this logic: research in banking shows that customer satisfaction and word-of-mouth intention are each significant positive predictors of customer loyalty, indicating that advocacy is closely tied to downstream loyalty behaviour (Manyanga et al., 2022), while other studies report that satisfaction is positively associated with word-of-mouth and that satisfied customers are more likely to engage in positive word-of-mouth (Nasir et al., 2021). Collectively, the existing literature provides a strong theoretical basis for suggesting that customer satisfaction shapes behavioural loyalty intentions indirectly, with word-of-mouth serving as an intermediate pathway. Therefore, it is reasonable to formulate:

Hypothesis H2b: *WOM mediates the effects of CS on BLI*.

It could be hypothesised that customer satisfaction and word-of-mouth mediate the effects of customer experience on behavioural loyalty intentions. This is grounded in a sequential logic in which customer experience first shapes customers' evaluative response to the firm, then encourages advocacy, and ultimately strengthens future loyalty-oriented behaviour. Prior research consistently shows that a favourable customer experience improves customer satisfaction, which is closely linked to positive behavioural outcomes and customers' willingness to engage in word-of-mouth. Experience quality was found to affect behavioural intentions primarily through indirect rather than direct paths, highlighting the importance of intervening attitudinal mechanisms between experience and loyalty-related outcomes (Chen & Chen, 2010). More directly, CE, CS, and WOM intention each have significant positive effects on customer loyalty in banking (Manyanga et al., 2022), supporting the view that satisfaction and advocacy are both meaningful transmission channels between experience and loyalty. Therefore, it is theoretically and empirically justified to formulate:

Hypothesis H3: *CS and WOM, in sequence, mediate the effects of CE on BLI.*

RESEARCH METHODOLOGY

The measurement instrument employed for evaluating customer experience and its associated marketing outcomes in this study has been carefully selected, adapted, and validated to ensure its suitability and reliability within the specific cultural and economic context of Serbia (Džinić et al., 2026).

A structured online questionnaire was used to collect data from customers of banking services in Serbia, with the sample formed using a convenience sampling procedure. Participation was entirely voluntary, with assurances of anonymity provided to all respondents. Informed consent was implicitly obtained upon completion of the survey. The data collection period spanned from March to June 2024. A total of 702 responses were recorded; after data cleaning and validation, 616 responses (87.75%) were accepted as valid and included in the subsequent analysis.

The sample consisted of 372 females (60.4%) and 244 males (39.6%). Age-wise, it mainly included individuals in the economically active group, with the largest proportions in the 25–34 years (43.0%) and 35–44 years (31.2%) ranges. Other age groups were less represented: 45–54 years (10.7%), 18–24 years (7.6%), 55–64 years (6.0%), and those under 18 years (1.5%). The educational structure of the sample suggests a relatively high level of formal education. Specifically, 49.7% of respondents had completed undergraduate studies, while 21.3% held a Master's or PhD degree. In addition, 16.6% reported a high school education, 12.3% had completed college education, and only 0.2% indicated primary school education as their highest attained level. Regionally, the sample mainly consisted of participants from Vojvodina (82.6%), with Belgrade accounting for 14.8%, and other regions making up 2.6%. In terms of customer segments, retail clients formed the majority (76.5%), with commercial clients comprising 23.5%.

To empirically validate theoretical constructs and explain the variance in endogenous variables, Partial Least Squares Structural Equation Modelling (PLS-SEM) is the most appropriate technique. Results are often shown with path diagrams, which visually illustrate the proposed relationships among variables, helping to clarify the structural model and its hypotheses.

RESULTS

Hypotheses were tested at the 95% significance level ($p < 0.05$), where lower *p*-values indicate a lower probability that the observed relationships occurred by chance, thereby supporting the presence of statistically meaningful effects of the independent variables; prior to hypothesis testing, construct reliability and validity were also assessed (Hayes, 2009; Ojeme & Robson, 2020).

In this study, Customer Experience (CE) is conceptualised and operationalised as a higher-order multidimensional construct (Hair et al., 2022) comprising Brand Experience (BRE), Service/Product Experience (SPE), and Post-Purchase Experience (PPE), reflecting the cumulative nature of customer interactions across the customer journey and providing the theoretical basis for its subsequent effects on satisfaction, WOM, and behavioural loyalty intentions. The latent variable Customer Experience (CE) was obtained by a stepwise approach (Becker et al., 2012; Ojeme & Robson, 2020), reducing each independent variable construct to a single standardised item: Brand Experience, Service/Provider Experience, and Post-Purchase Experience, which serve as proxies for the variables' overall influence on CE (see Figure 2).

The results indicate that the measurement model achieved an adequate level of reliability and validity. Internal consistency was supported across all constructs, with Cronbach's alpha values ranging from 0.916 to 0.939 and therefore exceeding the recommended minimum value of 0.70 (see Appendix Table 2). The criteria for convergent validity were also satisfied, as all indicator loadings were high, ranging from 0.840 to 0.938, while composite reliability (CR = 0.919–0.941) and average variance extracted (AVE = 0.761–0.856) remained above the recommended thresholds (Hair, J. F. et al., 2023). Discriminant validity was confirmed through Heterotrait–Monotrait ratio of correlations (HTMT) values below the conservative threshold of 0.90 (see Appendix Table 3). Furthermore, the full collinearity assessment showed that all VIF values were below the threshold of 5 (see Appendix Table 2), indicating that the model was not affected by problematic multicollinearity or common method bias (Hair, J. F. et al., 2023).

Data were analysed using SmartPLS 4, and the hypothesised relationships were tested by bootstrapping. The model's explanatory and predictive performance was assessed using path coefficients, R^2, and Q^2 predict. The R^2 values indicate substantial explanatory power (see Figure 2): the variance in CS is explained by CE by 82.4%; the variance in WOM is explained by 42% by CE and CS and the variance in BLI is explained by 74.2% by CE, CS and WOM (see Figure 2). Predictive relevance was further confirmed by Q^2 predict values (see Appendix: Table 4), where positive values indicate superior predictive performance relative to a naïve benchmark (Shmueli et al., 2019). Most indicators demonstrated strong predictive relevance, whereas the Word-of-Mouth indicators showed comparatively lower Q^2 predict values (0.259 to 0.347), indicating moderate predictive power. Overall, the results support the conclusion that the model has satisfactory predictive performance, although Word-of-Mouth represents the most difficult construct to predict.

Figure 2 presents the results of the bootstrapping procedure, including the estimated path coefficients and their statistical significance.

The structural model reveals positive and statistically significant relationships across all analysed constructs. Customer Experience has a very strong positive effect on Customer Satisfaction ($\beta = 0.908$, $p < 0.001$), indicating that a more favourable customer experience across brand, service, and post-purchase dimensions is associated with higher satisfaction. It also shows positive direct effects on Behavioural Loyalty Intentions ($\beta = 0.113$, $p < 0.05$) and Word-of-Mouth ($\beta = 0.239$, $p < 0.05$), suggesting that customer experience contributes directly to both loyalty intentions and positive customer advocacy. In addition, Customer Satisfaction is positively related to Behavioural Loyalty Intentions ($\beta = 0.450$, $p < 0.001$) and Word-of-Mouth ($\beta = 0.423$, $p < 0.001$), confirming its important role in shaping retention-related and advocacy-related outcomes. Finally, Word-of-Mouth shows a positive and highly significant relationship with Behavioural Loyalty Intentions ($\beta = 0.391$, $p < 0.001$), indicating that customers who are more inclined to recommend the company are also more likely to express loyal behavioural intentions.

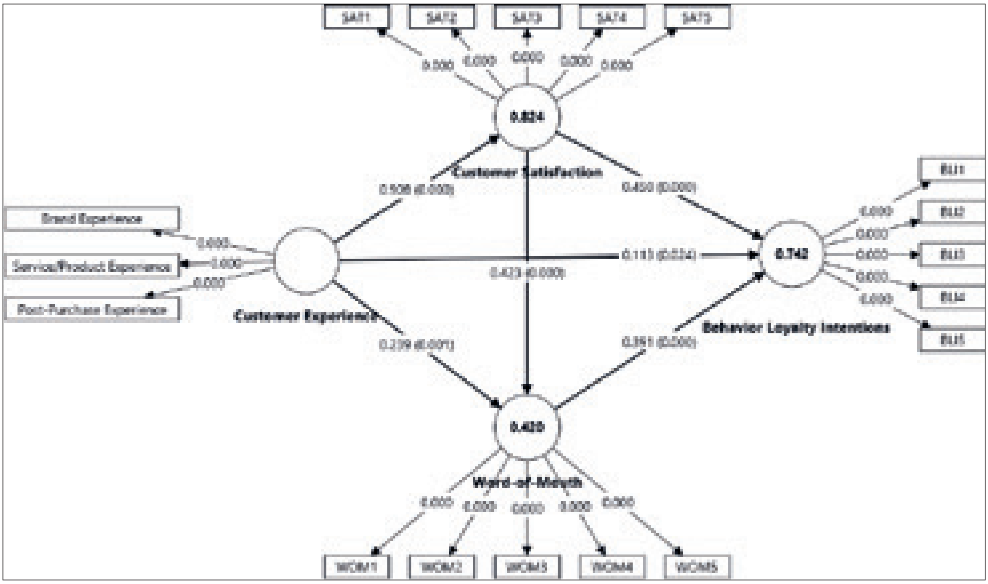

Figure 2: The analysis of the model

Source: Authors

MEDIATION ANALYSIS

The mediation analysis was conducted by simultaneously estimating the direct and indirect effects among the study variables using a bootstrapping procedure based on 5000 subsamples. This procedure provided a rigorous basis for assessing the significance of the proposed mediating effects, with the results presented in the following table (Table 1).

Table 1: Analysing the causal relationships

	Total effects		Direct effects		Indirect effects		Percentile bootstrap 97.5% interval		VAF	Supported
Hypothesis	β	p value	β	p value	β	p value	lower	upper		
CE – CS - BLI	0.766	0.000	0.113	0.024	0.409	0.000	0.318	0.496	0.78	YES
CE – CS - WOM	0.623	0.000	0.239	0.001	0.384	0.000	0.258	0.503	0.62	YES
CE – WOM - BLI	0.766	0.000	0.113	0.024	0.165	0.000	0.109	0.237	0.59	YES
CS - WOM - BLI	0.616	0.000	0.45	0.000	0.165	0.000	0.109	0.237	0.27	YES
CE - CS – WOM - BLI	0.766	0.000	0.113	0.024	0.150	0.000	0.099	0.215	0.57	YES

Note: VAF values were calculated separately for each specific indirect path and should therefore be interpreted as path-specific indicators of mediation strength

Source: Authors

The results indicate that CE has a statistically significant direct effect on BLI (β = 0.113, t = 2.263, p = 0.024), and the indirect effect via CS is also significant (β = 0.409, t = 9.093, p < 0.001), with the bootstrap confidence interval not including zero. Since both the direct and indirect effects remain significant, the findings support partial mediation. The corresponding Variance Accounted For (VAF) index is 78%, suggesting substantial path-specific mediation, as VAF values above 80% indicate full mediation, between 20% and 80% indicate partial mediation, and below 20% indicate no mediation. (Henseler, 2020).

Therefore, **H1a**: *CS mediates the effects of CE on BLI* is supported.

The results indicate that CE exerts a significant total effect on WOM (β = 0.623, t = 23.343, p < 0.001). The direct effect remained significant after including CS (β = 0.239, t = 3.463, p = 0.001), and the indirect effect via CS was also significant (β = 0.384, t = 6.147, p < 0.001), with a bootstrap confidence interval that excluded zero. These findings provide evidence of partial mediation, further supported by a VAF of 62%, indicating that CS is a substantial mediator in the relationship between CE and WOM.

Therefore, **H1b**: *CS mediates the effects of CE on WOM* is supported.

The analysis further shows that the indirect effect of CE on BLI via WOM is statistically significant (β = 0.165, t = 5.134, p < 0.001), with the corresponding bootstrap confidence interval not including zero. Given that the direct effect of CE on BLI remains significant, this result also indicates partial mediation rather than full mediation. The obtained VAF value of 59% suggests that WOM represents a meaningful path-specific partial mediator through which CE influences BLI.

Therefore, **H2a:** *WOM mediates the effects of CE on BLI* is supported.

The results show that CS exerts a significant total effect on BLI (β = 0.616, t = 12.210, p < 0.001). The direct effect remained significant after the inclusion of WOM (β = 0.450, t = 9.105, p < 0.001), while the indirect effect via WOM was also significant (β = 0.165, t = 5.134, p < 0.001), with a bootstrap confidence interval excluding zero. These findings indicate partial mediation, further supported by the VAF value of 27%, suggesting that WOM serves as a meaningful, though not dominant, mediating mechanism in the relationship between CS and BLI.

Therefore, **H2b**: *WOM mediates the effects of CS on BLI* is supported.

In addition to the individual mediating effects, the serial indirect path from CE, through CS and WOM, to BLI was also statistically significant (β = 0.150, t = 5.117, p < 0.001), with a bootstrap confidence interval excluding zero. The significance of both the serial indirect effect and the remaining direct effect indicates that the relationship between CE and BLI is also partially mediated through this sequential mechanism. The VAF value of 57% confirms that the serial path represents a substantial path-specific partial mediation effect, suggesting that CE enhances CS, which in turn strengthens WOM, ultimately contributing to BLI.

Therefore, **H3**: *CS and WOM, in sequence, mediate the effects of CE on BLI,* is supported.

DISCUSSION AND CONCLUSION

The Serbian banking market provides a theoretically relevant context for examining the relationships among customer experience (CE), customer satisfaction, word-of-mouth (WOM), and behavioural loyalty intentions because it combines several structural and technological characteristics that may shape how customers evaluate and respond to banking experiences. The market is characterised by a dominant presence of foreign-owned banks and relatively strong competitive pressures, with foreign-owned institutions accounting for 77.5% of total banking-sector assets at the end of 2024 (The National Bank of Serbia, 2025). At the same time, the sector is undergoing rapid digital transformation: the number of mobile banking users increased by 13.9% in 2024, accompanied by substantial growth in mobile banking transactions (The National Bank of Serbia, 2025). Nevertheless, the expansion of digital banking has not eliminated traditional service encounters, as Serbian customers continue to use physical branches for specific banking activities (Lukić, 2025). This coexistence of digital and human touchpoints creates a heterogeneous customer journey in which evaluations may depend simultaneously on digital attributes such as security, usefulness and ease of use (Rejman Petrović et al., 2022) and interpersonal service characteristics such as empathy and responsiveness (Savić & Veselinović, 2019). Importantly, prior evidence from Serbia indicates that satisfaction generated through digital banking experiences strongly influences WOM and subsequent behavioural intentions (Rejman Petrović et al., 2022). Thus, the Serbian setting is theoretically relevant not simply because it is geographically under-researched, but because the interaction of intensive digitalisation, continuing reliance on interpersonal banking encounters, and competitive market conditions provides a distinctive environment in which the mechanisms linking CE to satisfaction, WOM and loyalty can be examined.

The present study offers further evidence that customer experience functions as a crucial strategic antecedent of behavioural loyalty intentions within the banking industry (Gentile et al., 2007; Manyanga et al., 2022). Specifically, the findings substantiate that customer satisfaction and word-of-mouth communication are significant mediating variables that elucidate how customer experience translates into positive post-purchase behavioural responses. In this context, customer experience should be conceptualised not merely as an appraisal of individual service encounters but as a comprehensive relational mechanism through which banking institutions influence customer perceptions, facilitate advocacy behaviours, and shape future behavioural intentions.

A central contribution of the study lies in confirming the mediating role of CS. The findings indicate that CS partially mediates the relationships between CE and BLI, and between CE and WOM. This suggests that positive CE strengthens loyalty intentions both directly and indirectly via increased satisfaction, consistent with prior service and relationship marketing research (Cronin et al., 2000). In parallel, the identified serial mediation effect further confirms the importance of WOM as both an outcome of CE and CS and as a relevant mechanism in loyalty formation.

In the banking context, where perceived risk, information asymmetry, and trust are particularly salient, positive recommendations may serve as an important external signal of service quality and institutional credibility (Ladhari et al., 2011). The present findings suggest that customers who have favourable banking experiences and are satisfied with those experiences are more likely to engage in positive communication about the bank, which, in turn, contributes to stronger behavioural loyalty intentions (Yankiv et al., 2026).

At the same time, the results indicate partial rather than full mediation, which is theoretically important because it shows that customer experience retains an independent, direct effect on behavioural loyalty intentions even after accounting for the indirect effects mediated by CS and WOM. This implies that loyalty formation cannot be reduced solely to satisfaction or recommendation behaviour, but instead reflects a more complex process driven by intertwined experiential, affective, and communicative mechanisms. Such an interpretation aligns with prior literature suggesting that loyalty-related behaviours emerge through multiple, overlapping pathways (Cronin et al., 2000; Kumar et al., 2013). More specifically, some studies conceptualise word-of-mouth as a mediator between positive experience and loyalty (Ngoma & Ntale, 2019; Troiville, 2024), while others treat it as a parallel outcome of satisfaction and service quality (Roy et al., 2017). The present study supports the view that a serial pathway is both plausible and empirically meaningful.

These findings are particularly relevant to the Serbian banking sector, which operates in a transitional, increasingly competitive environment characterised by digitalisation and rising customer expectations (Petrov et al., 2020). In such conditions, effective customer experience management may generate value not only through direct loyalty-enhancing effects, but also indirectly through improved customer satisfaction and advocacy. Accordingly, banks should treat customer experience as a strategic priority and systematically manage key touchpoints across branch interactions, digital channels, complaint handling, call centre communication, and relationship management support. Since customer satisfaction emerged as a central mediating mechanism, managers should complement operational performance indicators with structured feedback systems and continuous service improvement practices. Moreover, because word-of-mouth plays an important mediating role, banks should actively foster customer advocacy by improving service recovery, relationship quality, and the consistency of positive service experiences.

This study makes a significant contribution to the existing literature by empirically demonstrating that customer experience is a pivotal determinant of behavioural loyalty intentions in the banking sector in an emerging economy. The findings confirm that the influence of customer experience on behavioural loyalty intentions operates through both direct pathways and indirect mechanisms. The indirect influence of customer experience is mediated through two primary mechanisms: customer satisfaction and word-of-mouth. These mechanisms operate both independently and sequentially, with customer satisfaction serving as a precursor to positive word-of-mouth, thereby amplifying the overall impact. This comprehensive analysis broadens the existing conceptual framework of loyalty development by incorporating specific insights from the Serbian banking sector. It underscores the paramount importance of effective customer experience management as a critical determinant of higher customer satisfaction. This, in turn, increases customer retention and fosters positive word-of-mouth advocacy.

Nevertheless, it is important to recognise a notable limitation of this study. The research exclusively examines the banking sector in Serbia, which may limit the extent to which the findings can be generalised to other banking contexts, particularly in different emerging-market environments. The principal limitation is the extent to which findings from the Serbian banking context can be generalised to other emerging economies; however, the concentration of respondents in Vojvodina does not necessarily preclude generalisation within Serbia, particularly given the absence of empirical evidence indicating systematic regional differences in how customers perceive and evaluate comparable banking services. Future research should consider extending these findings to other service industries, such as financial advisory services and healthcare providers, to facilitate comparative analyses with findings in developed economies, which are predominantly represented in the literature. Additionally, subsequent research efforts should incorporate moderating variables, such as customer demographics, to better understand the complex mechanisms underlying customer loyalty formation and retention.

APPENDIX

Table 2: Indicator Reliability, Internal Consistency, and Convergent Validity

Construct	Item	Standardized loading	t-value	VIF	AVE	CR	Cα
Customer Experience	3				0.856	0.919	0.916
	BRE	0.909***	93.826	2.889			
	SPE	0.938***	180.700	3.672			
	PPE	0.929***	154.489	3.320			
Customer Satisfaction	5				0.761	0.922	0.921
	SAT1	0.876***	73.107	2.986			
	SAT2	0.854***	58.577	2.519			
	SAT3	0.854***	57.675	2.534			
	SAT4	0.892***	98.812	3.223			
	SAT5	0.885***	61.963	3.289			
Behavioural Loyalty Intentions	5				0.804	0.941	0.939
	BLI1	0.899***	71.108	3.559			
	BLI2	0.930***	128.951	4.761			
	BLI3	0.903***	80.744	3.870			
	BLI4	0.909***	96.792	3.964			
	BLI5	0.840***	45.629	2.487			
Word-of-Mouth	5				0.789	0.936	0.933
	WOM1	0.862***	64.666	2.775			
	WOM2	0.871***	71.188	2.894			
	WOM3	0.885***	69.297	3.131			
	WOM4	0.896***	85.076	3.409			
	WOM5	0.926***	123.51	4.413			

Note: asterisks were used to visually denote the statistical significance of a result *** for p < 0.001 (highly significant), ** for p < 0.01 (moderately significant), and * for p < 0.05 (weakly significant)
Source: Authors

Table 3 Discriminant validity of the model: Heterotrait-Monotrait (HTMT) ratio of correlations

	CE	CS	BLI	WOM
CE				
CS	0.876			
BLI	0.824	0.862		
WOM	0.672	0.687	0.798	

Source: Authors

Table 4: Indicator Descriptive Statistics and Predictive Performance

Name	Mean	Standard deviation	Q^2predict
SAT 1	4.494	1.454	0.596
SAT 2	4.503	1.499	0.627
SAT 3	5.088	1.318	0.626
SAT 4	4.446	1.431	0.686
SAT 5	4.471	1.383	0.592
BLI 1	4.570	1.385	0.472
BLI 2	4.568	1.389	0.536
BLI 3	4.252	1.45	0.450
BLI 4	4.779	1.303	0.476
BLI 5	4.600	1.296	0.408
WOM 1	3.707	1.513	0.259
WOM 2	3.205	1.719	0.262
WOM 3	3.608	1.695	0.313
WOM 4	3.602	1.807	0.331
WOM 5	3.747	1.620	0.347

Source: Authors

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