International Journal of Applied Research

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2017; 3(1): 832-836
www.allresearchjournal.com
Received: 23-11-2016
Accepted: 24-12-2016

Pratap Chandra Mandal
Associate Professor
(Marketing), VIT Business
School, Room no. 620,
Silver Jubilee Tower, VIT
University, Vellore,
Tamil Nadu, PIN, India.

Correspondence
Pratap Chandra Mandal
Associate Professor
(Marketing), VIT Business
School, Room no. 620,
Silver Jubilee Tower, VIT
University, Vellore,
Tamil Nadu, PIN, India

Dimensions affecting customer switching in retail banking: A review

Pratap Chandra Mandal

Abstract
Customer retention is an important aspect in today's competitive business scenario. This is especially true more for the services sector. Banking constitutes an important aspect in the business scenario. Banks will not be able to serve their customers unless they are aware of the requirements of their customers. Ignorance of the requirements will result in customers switching to other banks. For this reason, it becomes important to understand the dimensions affecting customer switching in retail banking. This paper reviews the literature with respect to finding the dimensions affecting customer switching in retail banking and aims to establish the ways in which banks may improve upon those dimensions and retain their customers.

Keywords: Customer switching, retail banking, service quality, customer satisfaction

1. Introduction

The increasing use of technology along with liberalization and deregulation has brought a revolution in the way of serving customers for banks. Technology is unsettling the earlier business processes and customer behavior is undergoing change. Nevertheless, the fundamental aspects of banking, i.e. trust and confidence of the people on the institution remain the same. This scenario of banking environment has presented many opportunities and threats in front of the management. For any firm, it is a serious setback to lose a customer in terms of its present and future earnings (Mittal and Lassar, 1998) [40] and it can cost five times more to acquire a new customer than to retain an old one (Peters, 1987) [44]. Customer switching affects market share and profitability negatively (Rust and Zahorik, 1993) [40]. The reason behind this may be, first, advertising, promotion, sales and uncovering their needs expenses are high and second, new customers need a grace period until they become profitable (Athanassopoulos *et al*., 2001) [3]. Hence, understanding the drivers of switching banks is vital for banking people to stay competitive since service switching has become a serious issue in the marketing of services.

Switching behavior for goods has been studied by many researchers (Day *et al*., 1979; McAlister and Pessemier, 1982; Menon and Kahn, 1995; Heide and Weiss 1995) [18, 37, 38, 29]. However, switching behavior of consumers regarding services has got a scant attention of researchers mainly in the field of financial services (Friedman and Smith, 1993; Keaveney, 1995; Mittal and Lassar, 1998; Grace and O'Cass, 2003) [22, 32, 40, 27]. Switching behavior for services is different due to its distinguished characteristics, i.e. intangibility, inseparability, perishability, heterogeneity and ownership (Keaveney, 1995) [32]. Even within the service domain, each service differs significantly based on the extent of customer participation (Grace and O'Cass, 2003) [27]. There is a little research focusing on factors affecting the switching behavior of banking customers. This research seeks to understand banking behavior of customers by focusing on reasons attributed to switching service providers in retail banking industry. Justification of such an investigation is laid by tracking the changing consumers' behavior in banking industry based on an analysis of existing literature.

1.1 Concept of Customer Switching

Various authors have attempted to define switching behavior from time to time.

Customer switching is incurred by buyers for stopping transaction relationships and initiating a new relation with some other business. (Oyeniyi and Abiodun, 2010) [43].

Customer switching is defined as an act of being loyal to one service categories, but switch from one service provider to another, as a result of dissatisfaction or any other related problems. (Keaveney and Parthasarathy, 2001) [33].

Customer switching represents a dynamic process that develops over a particular period of time and results in relationship ending. (Bejou and Palmer, 1998) [8].

After analyzing these definitions one can conclude that whether switching is a process or decision, it is certain that switching behavior includes ending relationship with one service provider by stopping purchasing products and services and establishing same relationship with another provider of same category. Garland (2002) [25] estimated customer defection in personal retail banking of New Zealand using Juster scale's probabilistic measurement method and found actual overall defection rate being 5 per cent. Trubik and Smith (2000) [50] developed a model of identifying customers at risk of leaving the bank in Australia by studying the responsible attributes. This model could not be generalized as findings were related to only one organization. Few studies have focused on complaining behavior as pre-switching behavior. Likewise, Colgate and Hedge (2001) [16] studied switching as a dynamic process that evolves overtime and culminates in exit through complaining. Their study resulted that factors considered important for defection have some influence over complaining behavior.

1.2 Customer Switching in Different Industries

Researchers have attempted to explore post-switching behavior in form of word-of-mouth and search for new services (Keaveney, 1995) [32]. Colgate and Lang (2001) [17] investigated switching barriers, a reverse phenomenon to switching drivers. Their study proved empirically that apathy and negativity were the most important switching barriers, respectively, in retail bank and insurance industry. Yanamandram and White (2006) [53] also studied switching barriers but in a different context of business-to-business services and by adopting a different methodology. Their study resulted in applying qualitative techniques that alternative service providers and switching cost was the most considerable switching barrier that prevented dissatisfied customers from switching. Valenzuela (2010) [51] investigated the factors determining switching barriers and the effect of type of bank, gender and education on customers' perception of switching barrier. Tesfom and Birch (2011) [48] examined linkages between age and switching barriers in retail banking industry. Switching behavior of consumers in other service industries has also been one of major thrust among researchers. While Grace and O'Cass (2003) [27] explored switching behavior in child-care services, Jayasimha *et al*. (2008) studied switching intentions in insurance industry. Edvardsson and Roos (2003) [21] examined switching behavior in telecommunication industry.

2. Dimensions affecting Customer Switching in Retail Banking

Switching bank is mostly an outcome of multiple incidents, not just a single one unlike other service industries because bank customers are locked into a relationship with their service provider (Gerrard and Cunningham, 2004) [26]. Keaveney (1995) [32] proposed the first model of switching behavior in service industries based on more than 800 critical incidents that cause customers to switch and categorized these incidents into eight main causal variables including price, inconvenience, core service failures, service encounter failures, failed employee responses to service failures, competitive issues, ethical problems and involuntary factors. This study was based on 45 diverse services including banking industry but Keaveney's model requires further testing of proposed switching factors on specific service industries (Andreasen, 1988; Keaveney, 1995; Mittal and Lassar, 1998) [1, 40, 32].

The existing literature focuses on the major factors influencing customers' bank switching behavior, such as price, reputation, service quality, effective advertising competition, involuntary switching, distance, and switching costs, reputation, service quality, effective advertising, involuntary switching, distance, and switching costs impact customers' bank switching behavior. The findings also reveal that the young and high-income groups are more likely to switch banks. When a consumer changes from one bank to another bank, it can be caused by single or multiple events. Six events which were considerably important in order to understand the factors of bank switching were labeled as inconvenience, services failures, pricing, unacceptable behavior, attitude or knowledge of staff, involuntary mentioned incidents and attraction by competitors (Gerrard & Cunningham, 2004) [26]. In banking industry, single incident or event of switching from bank to bank is far less than multiple incidents for switching. In case of other financial service providers, customers are known to switch institutions after they face multiple problems. Moreover in banks unlike other financial institutions, customers are not bonded to any contractual relationship biding the customers to stay in the same bank. Other preferences documented included obligation to open accounts with banks where the employer would want an employee to open in order to be able to transfer salaries. Other factors that may make it obligatory for the customers to have bank accounts with specified banks include usage of safe deposit vaults, credit card facilities or even nearness of the banks' vicinity.

Switching behavior in banking may be explored based on certain dimensions. Studies conducted based on some of those dimensions are discussed below.

2.1 Service Quality

Poor service quality is one of the determinants of poor loyalty and unfavorable behavioral intentions (Aydin and Özer, 2005; Zeithaml *et al*., 1996) [4]. In banking industry, switching behavioral responses has also been related to perceptions of quality (Rust and Zahorik, 1993; Yavas *et al*., 2004) [46, 56]. A high-level of service quality is essential in order to prevent banking customers from switching (Zeithaml *et al*., 1996) [56]. Likewise, Chakravarty *et al*. (2004) examined the role of relationship in customer switching behavior through various factors including service quality dimensions and relationship dimensions. Mavri and Ioannou (2008) [36] examined the switching behavior of Greek banking consumers and concluded that product and service quality in combination to bank's brand name had positive effect in decreasing churn behavior while demographic variable including gender and education level had little impact on switching. In contrast to previous researches Singh and Kaur (2011) [47] found no significant effect of service quality (measured through empathy and assurance) on customer switching in banking. Singh and Kaur (2011) [47] studied switching intentions through various relational factors in Indian banking industry and revealed that service quality, satisfaction and trust significantly affect switching barriers. Based on extensive literature review on the relationship between service quality and switching behavior, authors opted to use inconvenience, reliability and staff that deliver services as the three dimensions of service quality in this study.

2.2 Price

The pricing factor includes all critical switching behaviors that involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, and/or price promotions. From the consumer's perspective, price is what is given up or sacrificed to obtain a product or service (Zeithaml, 1988) [55]. Unfavorable price perceptions can cause customers to switch banks (Campbell, 1999) [11]. Gerrard and Cunningham (2004) [26] validated Keaveney's (1995) [32] proposed switching model in Singapore banking industry and found price as the most influential factor among all. The study conducted by Clemes *et al.* (2010) [15] explored switching costs, price, service quality as the important factors influencing switching behavior in Chinese banking industry. Their findings also revealed that young age and high-income group are more likely to switch banks.

2.3 Customer Commitment

Commitment is an indication that both parties are interested in maintaining and strengthening their relationships (Dwyer *et al*., 1987; Morgan and Hunt, 1994) [19, 41]. It is a desire that materializes in the realization of implicit and explicit promises (Singh and Kaur, 2011) [47]. It has been identified as an important factor for retaining a customer (Morgan and Hunt, 1994) [41]. Fullerton (2005) [23] investigated the impact of customer commitment on switching intentions and found that committed banking customers were less likely to switch in comparison to those who lacked commitment towards their bank. Bansal *et al*. (2004) [6] stated that commitment is a force that binds customers to continue to purchase services from existing service provider.

2.4 Reputation

Reputation has been defined as "an amalgamation of all expectations, perceptions and opinions of an organization developed over time by customers, employees, suppliers, investors and the public at large in relation to the organization's qualities, characteristics and behavior, based on personal experience, hearsay or organization's observes past actions" (Bennett and Kottasz, 2000) [9]. Reputation is a force that has potential to attract customers and to influence selling-buying processes (Trotta and Cavallaro, 2012) [49]. Reputation is a key asset to firms as it is valuable, distinctive, difficult to duplicate, non-substitutable and provides the firm with a sustainable competitive advantage (Wang *et al*., 2003; Hall, 1993) [52, 28]. Gerrard and Cunningham (2004) [26]. Identified bank reputation as one of the major factors that cause customers to switch banks in the Asian countries.

2.5 Effective Advertising Competition

There is a little research on the relationship between advertising and switching behavior in financial industry as many researchers have focused on marketing strategies rather than pure advertising (Zhang, 2009) [57]. Advertising refers to activities undertaken to increase sales or enhance the image of a service, firm or business and the primary purpose of advertising is to inform the potential customer of the characteristics of products or services (Cengiz *et al*., 2007) [12]. The role of advertising in financial service industry is controversial. For example, according to Hite and Fraser (1988) [30], professional services advertising including bank advertising can change customers' attitudes and perceptions towards the service provided, whereas, in another study conducted by Clemes *et al*. (2010) [15], advertising, as a means of marketing communication, was blamed for reinforcing the similarity of financial service providers, rather than differences. Clemes *et al*. (2010) [15] also found negative relationship between effective advertising competition and switching behavior in Chinese retail banking industry.

2.6 Responses to Service Failure

It includes the problems arising when dealing with service failures, conflict situations, responding to complaints (involved negative response, no response or forced response) (Zikiene and Bakanauskas, 2009) [58]. Due to the characteristic of inseparability, financial services are often provided at a service counter with direct contact between a bank's employees and the customer, or by telephone, or by having the customers interact with the bank's automatic teller machines (ATM). According to Michel (2004) [39], although banks try to provide error-free services, service failures are inevitable because the bank-customer interaction is influenced by many uncontrollable factors. Keaveney (1995) [32] found that over 17 per cent of all service switching incidents were caused in part by unsatisfactory employee responses to service failures.

2.7 Customer Satisfaction

Customer satisfaction is an output, resulting from the customer's pre-purchase comparison of expected performance with perceived actual performance and incurred cost (Churchill and Surprenant, 1982) [14] whereas cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experience with a product or service over time (Aydin *et al*., 2005) [5]. Moutinho and Smith (2000) [42], in their study of customer satisfaction with human and automated banking using modeling technique, revealed that bank customer attitudes towards the human provision of services and subsequent level of satisfaction will effect bank switching more than when the same service delivery made through the automation. Athanassopoulos *et al*. (2001) [3] examined the impact of customer satisfaction on switching intentions as one of behavioral responses and found negative relation between both constructs. Further findings suggested that there are numerous factors materializing the intention of a customer to defect to a different supplier of services and these may enable or disable the defections.

2.8 Involuntary Switching

Keaveney (1995) [32] described involuntary switching as the factors beyond the control of either customers or the service providers. East *et al*. (2008) [20] defined involuntary switching as an unwilling behavior by customers. Many researchers have proved that involuntary switching is one of the contributing factor encouraging customers to switch in service industry (Friedman and Smith, 1993; Ganesh *et al*., 2000; Khan *et al*., 2010) [22, 24, 34]. Anjum *et al*. (2012) [2] found distance being most important factor and involuntary switching being least important factor for switching among Indian private banking customers.

2.9 Service Products
Service products include a core service, plus additional specific features, service specifications and targets (Rust and Oliver, 1994) [45]. Although financial products and services are nearly identical in nature (Beckett *et al*., 2000) [7], many researchers have demonstrated that banking products influence customer's decision to switch (Kiser, 2002) [35]. In a technology-driven, fast-paced environment, delivering a wide range of products to customer is essential for businesses' success and survival. Service products associated with technologies can reduce transaction costs, switching rates and encourage customers to create services outcomes on their own (Bitner *et al*., 2002) [10]. The less innovated banks which cannot offer technology based quick, convenient and higher quality service delivery effectively may cause customers to switch banks (Zhang, 2009) [57].

3. Discussions and Conclusions
Customer switching results in loss of customers which in turn results in lower revenues and lower costs. The paper discussed the various concepts related to customer switching. The paper also discussed about customer switching across different industries. The paper focused on customer switching in retail banking. It performed a review of the different causes of customer switching in retail banking. It focused on the dimensions affecting customer switching in retail banking. The review will help both academicians and practitioners to understand the different dimensions affecting customer switching in retail banking. This understanding will help banks to improve their services better and retain their customers.

4. References

1. Andreasen AR. Consumer complaints and redress: What we know and what we don't know. The frontier of research in the consumer interest. 1988; 675:722.
2. Anjum A, More VS, Ghouri AM. Social media marketing: a paradigm shift in business. 2012.
3. Athanassopoulos A, Gounaris S, Stathakopoulos V. Behavioural responses to customer satisfaction: an empirical study. European Journal of Marketing. 2001; 35(5/6):687-707.
4. Aydin S, Özer G. The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication market. European Journal of marketing. 2005; 39(7/8):910-925.
5. Aydin S, Özer G, Arasil Ö. Customer loyalty and the effect of switching costs as a moderator variable: A case in the Turkish mobile phone market. Marketing Intelligence & Planning. 2005; 23(1):89-103.
6. Bansal HS, Irving PG, Taylor SF. A three-component model of customer to service providers. Journal of the Academy of Marketing Science. 2004; 32(3):234-250.
7. Beckett A, Hewer P, Howcroft B. An exposition of consumer behaviour in the financial services industry. International Journal of Bank Marketing. 2000; 18(1):15-26.
8. Bejou D, Palmer A. Service failure and loyalty: an exploratory empirical study of airline customers. Journal of Services Marketing. 1998; 12(1):7-22.
9. Bennett R, Kottasz R. Practitioner perceptions of corporate reputation: an empirical investigation. Corporate Communications: An International Journal. 2000; 5(4):224-235.
10. Bitner MJ, Ostrom AL, Meuter ML. Implementing successful self-service technologies. Academy of Management Executive. 2002; 16(4):96-108.
11. Campbell JY. Asset prices, consumption, and the business cycle. Handbook of Macroeconomics. 1999; 1:1231-1303.
12. Cengiz E, Ayyildiz H, Er B. Effects of image and advertising efficiency on customer loyalty and antecedents of loyalty: Turkish banks sample. Banks and Bank Systems. 2007; 2(1):56.
13. Chakravarty S, Gulen H, Mayhew S. Informed trading in stock and option markets. Journal of Finance. 2004; 59(3):1235-1257.
14. Churchill Jr GA, Surprenant C. An investigation into the determinants of customer satisfaction. Journal of Marketing Research. 1982; 1:491-504.
15. Clemes MD, Gan C, Zhang D. Customer switching behaviour in the Chinese retail banking industry. International Journal of Bank Marketing. 2010; 28(7):519-546.
16. Colgate M, Hedge R. An investigation into the switching process in retail banking services. International Journal of Bank Marketing. 2001; 19(5):201-212.
17. Colgate M, Lang B. Switching barriers in consumer markets: an investigation of the financial services industry. Journal of Consumer Marketing. 2001; 18(4):332-347.
18. Day GS, Shocker AD, Srivastava RK. Customer-oriented approaches to identifying product-markets. Journal of Marketing. 1979; 1:8-19.
19. Dwyer FR, Schurr PH, Oh S. Developing buyer-seller relationships. Journal of Marketing. 1987; 1:11-27.
20. East R, Hammond K, Lomax W. Measuring the impact of positive and negative word of mouth on brand purchase probability. International Journal of Research in Marketing. 2008; 25(3):215-224.
21. Edvardsson B, Roos I. Customer complaints and switching behavior—a study of relationship dynamics in a telecommunication company. Journal of Relationship Marketing. 2003; 2(1-2):43-68.
22. Friedman ML, Smith LJ. Consumer evaluation processes in a service letting. Journal of Services Marketing. 1993; 7(2):47-61.
23. Fullerton G. The service quality–loyalty relationship in retail services: does commitment matter?. Journal of Retailing and Consumer Services. 2005; 12(2):99-111.
24. Ganesh J, Arnold MJ, Reynolds KE. Understanding the customer base of service providers: an examination of the differences between switchers and stayers. Journal of Marketing. 2000; 64(3):65-87.
25. Garland-Thomson R. Integrating disability, transforming feminist theory. NWSA Journal. 2002; 14(3):1-32.
26. Gerrard P, Barton Cunningham J. Consumer switching behavior in the Asian banking market. Journal of Services Marketing. 2004; 18(3):215-223.

27. Grace D, O'Cass A. Child care services: An exploratory study of choice, switching and search behaviour. European Journal of Marketing. 2003; 37(1/2):107-132.
28. Hall R. A framework linking intangible resources and capabiliites to sustainable competitive advantage. Strategic Management Journal. 1993; 14(8):607-618.
29. Heide JB, Weiss AM. Vendor consideration and switching behavior for buyers in high-technology markets. Journal of Marketing. 1995, 30-43.
30. Hite RE, Fraser C. Meta-analyses of attitudes toward advertising by professionals. Journal of Marketing. 1988, 95-103.
31. Jayasimha KR, Nargundkar R, Murugaiah V. New service development (NSD): role of customer contact executives. Vision: The Journal of Business Perspective. 2007; 11(2):1-6.
32. Keaveney SM. Customer switching behavior in service industries: An exploratory study. Journal of Marketing. 1995, 71-82.
33. Keaveney SM, Parthasarathy M. Customer switching behavior in online services: An exploratory study of the role of selected attitudinal, behavioral, and demographic factors. Journal of the Academy of Marketing Science. 2001; 29(4):374-390.
34. Khan NR, Ghouri AM, Siddqui UA, Shaikh A, Alam I. Determinants analysis of customer switching behavior in private banking sector of Pakistan. 2010.
35. Kiser EK. Predicting household switching behavior and switching costs at depository institutions. Review of Industrial Organization. 2002; 20(4):349-365.
36. Mavri M, Ioannou G. Customer switching behaviour in Greek banking services using survival analysis. Managerial Finance. 2008; 34(3):186-197.
37. McAlister L, Pessemier E. Variety seeking behavior: An interdisciplinary review. Journal of Consumer Research. 1982; 9(3):311-322.
38. Menon S, Kahn BE. The impact of context on variety seeking in product choices. Journal of Consumer Research. 1995; 22(3):285-295.
39. Michel S. Consequences of perceived acceptability of a bank's service failures. Journal of Financial Services Marketing. 2004; 8(4):367-377.
40. Mittal B, Lassar WM. Why do customers switch? The dynamics of satisfaction versus loyalty. Journal of Services Marketing. 1998; 12(3):177-194.
41. Morgan RM, Hunt SD. The commitment-trust theory of relationship marketing. Journal of Marketing. 1994, 20-38.
42. Moutinho L, Smith A. Modelling bank customer satisfaction through mediation of attitudes towards human and automated banking. International Journal of Bank Marketing. 2000; 18(3):124-134.
43. Oyeniyi O, Abiodun AJ. Switching cost and customers loyalty in the mobile phone market: The Nigerian experience. Business Intelligence Journal. 2010; 3(1):111-121.
44. Peters TJ. Thriving on chaos. Harper and Row, 1987.
45. Rust RT, Oliver RW. The death of advertising. Journal of Advertising. 1994; 23(4):71-77.
46. Rust RT, Zahorik AJ. Customer satisfaction, customer retention, and market share. Journal of Retailing. 1993; 69(2):193-215.
47. Singh J, Kaur G. Customer satisfaction and universal banks: an empirical study. International Journal of Commerce and Management. 2011; 21(4):327-348.
48. Tesfom G, Birch NJ. Do switching barriers in the retail banking industry influence bank customers in different age groups differently?. Journal of Services Marketing. 2011; 25(5):371-380.
49. Trotta A, Cavallaro G. Measuring corporate reputation: A framework for Italian banks. International Journal of Economics and Finance Studies. 2012; 4(2):21-30.
50. Trubik E, Smith M. Developing a model of customer defection in the Australian banking industry. Managerial Auditing Journal. 2000; 15(5):199-208.
51. Valenzuela A. Subtractive schooling: US-Mexican youth and the politics of caring. Suny Press, 2010.
52. Wang Y, Lo HP, Hui YV. The antecedents of service quality and product quality and their influences on bank reputation: evidence from the banking industry in China. Managing Service Quality: An International Journal. 2003; 13(1):72-83.
53. Yanamandram VK, White L. Exploratory and confirmatory factor analysis of the perceived switching costs model in the business services sector. 2006.
54. Yavas U, Karatepe OM, Babakus E, Avci T. Customer complaints and organizational responses: a study of hotel guests in Northern Cyprus. Journal of Hospitality & Leisure Marketing. 2004; 11(2-3):31-46.
55. Zeithaml VA. Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence. Journal of Marketing. 1988, 2-22.
56. Zeithaml VA, Berry LL, Parasuraman A. The behavioral consequences of service quality. the Journal of Marketing. 1996, 31-46.
57. Zhang X. Retailers' multichannel and price advertising strategies. Marketing Science. 2009; 28(6):1080-1094.
58. Zikiene K, Bakanauskas AP. Research of factors influencing loyal customer switching behaviour. Organizacijø Vadyba: Sisteminiai Tyrimai. 2009 (52):153.