

**IMPACT OF SWITCHING COST ON CUSTOMER SATISFACTION
AND CUSTOMER RETENTION FOR INTERNET BANKING
SERVICES:
A STUDY BASED ON SRI LANKAN COMMERCIAL BANKS.**

BY

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DECLARATION


I do hereby, certify that this Dissertation does not incorporate without acknowledgement any material previously submitted for the Degree or Diploma in any University, and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text

Date: 19/09/2011


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The undersigned, has supervised the dissertation entitled *'Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services: A study based on Sri Lankan Commercial Banks.'* Presented by N M Goonetilleke, a candidate for the degree of Masters in Information Systems Management, and I do hereby, certify that, in my opinion, it is worthy of submission for examination.

Date: 19/09/2011


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ABSTRACT

The emerging technology has made an exponential growth of the Internet which has changed the pattern of organizations performing their business with customers. The banking industry is no exception. In order to gain competitiveness, banks have been introducing more Internet Banking Services.

Managing effective Customer Retention strategies are increasingly important in the banking industry. Since the length in years of customer relationships are one of the most important factors that contribute to the profitability. As a result Customer Satisfaction may be one important driver of Customer Retention. The Switching Costs are also likely to influence Customer Retention independently. The presence of Switching Costs can mean that customers who are already retained are actually dissatisfied but do not defect because of high Switching Costs. Therefore the researcher has set up five objectives to achieve the key factors that affect the Switching Cost which has a reasonable effect on the relationship between Customer Satisfaction and Customer Retention.

Based on the previous literature, a conceptual framework was developed to determine the impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services. The conceptual framework has two main parts featuring the customer attributes and elements of Switching Cost, Customer Satisfaction and Customer Retention process. The part I examines demographic aspects of Customer Satisfaction and Customer Retention while part II examines the specific elements of Switching Cost, Customer Satisfaction and Customer Retention.

The research was mainly based on data, collected from Internet banking customers in Sri Lankan commercial banks. The results of the statistical analysis showed that there were specific factors that affect Switching Cost on Customer Satisfaction and Customer Retention, the significant behavioural patterns of customers on Switching Cost were identified and there were evidence on significant differences among the cluster of customers based on their contextual situation. Finally the five objectives setup by the researcher was successfully achieved. Therefore these findings will help the banks to establish a customer oriented strategy to retain their customers in future.

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LIST OF ABBREVIATIONS

SC – Switching Costs

CS – Customer Satisfaction

CR – Customer Retention

DI - Demographic Information

R– Readiness

S – Strategy

A – Approach

D – Desire

C - Confidence

UC - Unsatisfied Customer

DC - Delighted Customer

OC - Organized Customer

CC - Constructive Customer

AC - Apprehensive Customer

SPSS – Statistical Package for Social Science

ACT – Affect Control Theory

TABSS – Technology, Accessibility, Benefit, Service and Security

BIFT – Balance Inquiry\ Fund Transfers

UBP – Utility Bill Payments

FCT – Foreign Currency Transactions

CSR – Cheque\ Statement Requests

CHAPTER 1

INTRODUCTION

1.1 Overview

The overall objective of the study is to develop and apply a conceptual framework that could be used to determine the *'Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services: A study based on Sri Lankan Commercial Banks.'* as part of the final research of the Masters in Information Systems Management at the Faculty of Graduate Studies, University of Colombo.

The section 1.2 briefly describes the background of the study, how the advancement of Information Technology has revolutionized the financial service operations and the introduction of Internet Services which made the financial institutions provide their services online but also facilitated their customers with easy access and other value-added benefits. Section 1.3 shows the problem leading to the study based on the present globalized world how the customers are technically sound on Banking Services and demands to meet their expectations in the competitive Banking Context. Section 1.4 gives the objectives of the study to develop a model that incorporates the main impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services. Section 1.5 presents the significance of the study based on the importance of the Internet Banking Services for Banking Industry, their trends in global and local context. Section 1.6 shows the operational definitions on Switching Cost, Customer Satisfaction and Customer Retention along with Internet Banking in general. Section 1.7 describes the limitation of the study based on geographical, expectations, industry and on specific time frame. Section 1.8 briefly summarizes the *Chapter 1* by illustrating the background of the study and presents the blue print for finding solutions to the research problem along with outline and approaches used towards the enhancement of the reliability of the methods applied.

1.2 *Background of the study*

Over the past few years since 1990, advancement in communication technology has revolutionized the way financial services operate and conduct their business. Internet provided much of the force on this front, which changed the way companies manage their communication process. Internet not only made financial institutions provide their services online but also facilitated their customers with easy access and other value-added benefits.

The banking industry gained the opportunity to improve the quality of services offered to their customers with a mechanism that marked the way for the introduction of sophisticated services at a negligible cost. Providing Banking Services through internet proved fruitful to bankers in terms of establishing a single platform for providing a wide range of services and reducing the cost involved in such service offerings. This mechanism revived the service structure of the banking industry and provided customers with cost, convenience and comforts.

In most empirical Banking Systems it experiences some degree of inefficiency in their business operations and performance, especially with regard to managing the quality of bank-customer relationships and product and service marketing strategies. Many studies have gathered that these arise for the following major reasons: the service is very complex and competitive in present days where the transaction process is customized; the external environment is dynamic rather than static; and the banks as sellers are uncertain what type of service customers expect.

The customer movement from traditional branch banking to Internet Banking has meant that new strategies to attract customers and retain existing ones became more critical (Karjaluoto, 2002). Moreover, it was found that a five percent increase in customer loyalty produces an eighty-five percent increase in profitability in the Banking Industry. Viewing in this light, it is assumed that managing effective customer retention strategies can be regarded as a vitally important issue in the Banking Industry since the length in years of customer relationships is one of the most important factors that contribute to the bank's profitability (Reichheld, 1996). The bank as a service organization identifies the customer expectations and tries their best to fulfill their needs. In the Banking Industry basically there are two types of customers, retail

customers and corporate customers. Therefore banks have to identify their expectations and serve them accordingly to achieve their profitability targets by retaining the existing customer base. To gain the competitive advantage banks are moving towards the “*customer centric*” orientation which has the capability of serving the customers equally and uniquely. The following figure - 1 shows the direction of the business for the last 150 years.

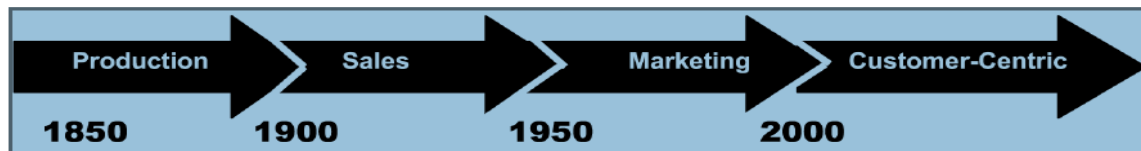


Figure - 1: Business Orientations of the Past 150 Years

Source: Bose (2002)

According to the above figure – 1 during the period of 1850 to 1900 the relationship marketing concept had mainly focused towards the *production* rather than focusing the customer segments. Similarly during the period of 1900 to 1950 its main focus has been the *sales*, from 1950 to year 2000 it has been the *marketing* strategy and from year 2000 onwards due to the increasing demand and the competitiveness it has focused towards the *customer centric* orientation which has the potential of serving the customers equally and uniquely to get the cutting edge.

The *customer centric* orientation develops and maintains long term relationship with customer’s life time values to retain them for their future business strategies.

The Banking industry is highly competitive between each other as well as between non Banking financial institutions. Most banks mainly provide identical services, but can distinguish themselves on the basis of price and quality. Therefore customer retention is potentially an effective tool that banks can use to gain strategic advantage and survive in the present banking environment.

In the banking industry the Customer Satisfaction and Customer Retention can be measured by the feedback of the customers. This can be the quality of the service provided, range of literature available through user guides, security on personal information, friendly service by the bank staff, customer familiarization on new technology, efficiency of the service etc.

It is apparent that influencing customers' selection of a bank is not the superior service alone, to satisfy their needs. The prices are more essential than the service and qualities of relationship. Furthermore service excellence, meeting their client needs and providing innovative products are more important to succeed in the Banking Industry. Most private banks have found that creating and maintaining customer relationships are important and they are aware of positive values of the outcome.

To survive in the highly competitive Internet Banking Industry, it is evident that the banks need to provide customers with high quality services (Mefford, 1993). The importance of customer retention is mostly due to the fact that "acquiring new customers is more expensive than retaining the existing customers". Long term customers buy more and if satisfied may generate positive word of mouth promotion for the organization. In addition such customers take less of the organizations time and are less sensitive on changes.

The nature of a bank's interaction with customers are transforming from traditional channels such as telephone and mail to electronic mail and web-based forms, from full-service to self-service, and from mass marketing to personalized marketing. Until banks have a clear understanding of these drivers and implement a corresponding action plan, customer relationship programs initiated by banks will only yield limited returns.

In the past, the key to understanding the power of a corporation to retain customers was thought to lie in the measurement of customer satisfaction. Ranaweera and Prabhu (2003) argued that ideally, firms should aim at a combined strategy that makes switching barriers act as a complement to satisfaction. While customer satisfaction may be one important drive of customer retention, Switching Costs are also likely to influence customer retention, For example, the presence of Switching Costs can mean that some seemingly satisfied customers that are retained are actually dissatisfied but do not defect because of high Switching Costs. Thus the level of Switching Costs may have a moderating effect on the relationship between Customer Satisfaction and Customer Retention.

1.3 *Statement of the problem*

In the emerging developments that are taking place in technology, the Internet services have become a key aspect in changing the traditional branch banking into more sophisticated transaction processors. This will lead to retain their customers in the competitive business context. In the present globalized world, when the customers are technically sound banks find it challenging to survive. When customer demands are not met, customers have an option to select those banks that are making a real effort of providing high quality, fast and efficient services. These services are provided through all the channels such as, call centers, ATMs, voice response systems, internet and physical branches etc.

According to the available statistics (IWS, 2006) the global internet access exceeded 1018 million people at the end of December 2005 offering a new trend for Internet Banking Services. This has become an explosive growth in many countries around the world and has transformed traditional Banking practices. Thus with the introduction of internet services, the banking industry seeks low operational cost, improved customer service, retaining the existing customers and to expand the customer share within the industry. Therefore it shows the Internet Banking strategy is more effective on profitable, loyal and committed customers than traditional customers.

Despite the considerable expansion on Internet Banking Services globally, it seems the current market growth is uncertain due to increased security concerns, rising identity frauds and online scams.

Though the technology has expanded in the Banking industry, without any further survey it doesn't seem to know *how* Internet Banking Services have affected the customer retention.

Past experience and the statistical data found certain difficulties to retain profitable customers in a competitive Banking context (IWS, 2006). But it is uncertain *how* to overcome those situations?

These situations could be identified by analyzing the relationship between Banking Systems and Customer Services.

Do the customers concerned about banks, for the effort that they are making to retain valuable customers?

Do banks willing to face the challengers to retain their technically sound, valuable customers?

Since 1990 *when* technology emerged the banking industry which was an important segment of the country's economy became a highly demanding service. *However* with the introduction of Internet it provided much force on the financial industry which had a complete change on traditional banking methods. Internet Banking Services not only made financial institutions provide their services online, but also facilitated their customers with easy access and other value-added benefits. This discouraged the customers visiting the bank branch and introduced the new concept of *door step banking* services for the first time in Sri Lankan Banking history.

Therefore this situation identifies the problem of the study. According to the literature and preliminary research it was understood that impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services was not discussed in Sri Lankan Banking context before.

Thus the impact of Switching Cost has become an important factor to have the Customer Satisfaction and Customer Retention in the banking sector. As a result it will have an impact on Internet Banking Services in Sri Lanka. Therefore, the research problem focusing on this study will be as follows:

Customer Retention in the Commercial Banking Industry is becoming increasingly difficult because of the emerging technology and the competitiveness in the industry. Therefore, the Switching Cost could be a key element in retaining the customers.

“What are the key factors that affect the Switching Cost and have banks clearly identified them to increase the Customer Satisfaction and Customer Retention in the Internet Banking Services?”

At present, there seems a lack of interest on identifying these problems in Sri Lankan banking context.

1.4 *Objectives of the study*

The new paradigm, which is the consumer shift from traditional branch banking to more electronic banking delivery channels, was the motivation for studying the customers and their behaviour. In spite of the rapid adoption of electronic commerce and the importance of customer retention to business, an empirical investigation on retention of Internet customers has been presented in the literature. This research intends to develop a more complete model that incorporates the main impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services.

Moreover, this research also attempts to identify customer segments and examine the heterogeneity of the moderating effect of Switching Costs in the Customer Satisfaction and Customer Retention link on different customer segments, such an approach uncovers until now neglected effect on customer retention. Specifically, the main objectives of this research are:

1. To identify the **impact** of Switching Cost on Customer Satisfaction and Customer Retention.
2. To identify the **factors** that affect Switching Cost of Customer Satisfaction and Customer Retention.
3. To identify the **behavioural patterns** of customers on Switching Cost.
4. To identify the **significant differences** among the cluster of customers based on their contextual situation (Demographic Aspects).
5. To **reduce the gap between** customers Switching Cost and their Satisfaction and Retention.

Null Hypothesis:

H1: There are no specific factors that affect Switching Cost, Customer Satisfaction and Customer Retention.

H2: There are identical customers on Switching Cost based on their behavioural patterns.

H3: There are no significant differences among the cluster of customers based on their contextual situation.

Table - 1: Summary of Objectives

| Objective | Research Problem | Method of Research/ Analysis |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Objective 1 - Impact | What is the impact of Switching Cost on Customer Satisfaction and Customer Retention? | <i>Survey by questionnaire.</i> Descriptive Analysis. Compare Mean Value. |
| Objective 2 - Factors | What are the factors that affect Switching Cost of Customer Satisfaction and Customer Retention? | <i>Survey by questionnaire.</i> Factor Analysis. |
| Objective 3 – Behavioural Patterns | What are the behavioural patterns of customers on Switching Cost? | Cluster Analysis. |
| Objective 4 - Significant Differences | What are the significant differences among the cluster of customers based on their contextual situation? | <i>Survey by questionnaire.</i> Chi- square |
| Objective 5 – Reduce the gap | How to reduce the gap between customer Switching Cost and their satisfaction and retention? | <i>By the final outcome</i> |

This empirical research is to be conducted within the context of the Internet Banking customers in Sri Lanka. The Internet Banking process is regarded as being in a continuous

transaction and purchasing process which is particularly suited to the objectives of this research since all two main effects of customer satisfaction and Switching Costs are likely to have a strong impact on customer retention in this context (Ranaweera and Prabhu, 2003). Such a process is qualitatively distinct from discrete transaction and purchasing patterns.

First, relationships between banks and Internet Banking users are generally of a long-term nature, which is a suitable context to study the effects of overall customer satisfaction and Switching Costs on customer retention. Second, in a continuous transaction and purchasing process, switching main Internet Bank is not as simple as walking to another bank. Due to the presence of Switching Costs, switching to another main Internet Bank requires considerable time and effort (Ranaweera and Prabhu, 2003). As a result, the switching decision is made subsequent to considerable thought.

1.5 *Significance of the study*

The importance of Internet Banking Services for banking industry has become a booming factor for the economy of Sri Lanka. Since the financial sector is one of the largest income generators of the country's economy, improving their profitability and services becomes a paramount of importance for the development of the nation. Today banks play a vital role of the country's economy by giving much needed competitive advantage for the industry.

As a matter of fact, Internet Banking Services in banking industry is a very fast growing trend in developed countries, which they have been already implemented in most of the banks in USA, UK and in many parts of Europe. Since the global access through Internet Banking Services are fast growing and expanding, the low usage rate on Internet Banking Services still exist in the Sri Lankan banking industry. Thus should find appropriate remedies to overcome it.

Even though Internet Banking Services are a common research theme around the world, most of those researches are based on the advantages, or the B2B applications on Customer Satisfaction and Customer Retention in the organizational context. Since there have been

several studies emphasizing the significance of Customer Satisfaction and Customer Retention in Banking industry there has been very few empirical researches that could lead to customer retention. Authoritative web databases such as Emerald Insight and Ebscohost contains hundreds of research articles which are primarily based on these foundations.

To the best of knowledge of the author of this document, the impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services was not performed by any local researcher. So the proposed research becomes an important addition to the existing knowledge base on impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services in Sri Lankan Banking context.

From a practical point of view, the identification of impeding factors associated with Internet Banking Services becomes extremely constructive for the initiators of Sri Lankan Banking industry. The existing knowledge base does not contain any local insights which might be considerably different from the findings of foreign organizations. So the factors identified from this research would be highly useful in formulating the Internet Banking Services in banking industry to retain their valuable customers.

1.6 *Operational Definitions*

1.6.1. Switching Cost

The Switching Cost is a onetime cost that customers associate with the process of switching from one service provider to another (Porter, 1980). This must associate with a switching process and need not be incurred immediately when switching. Further the Switching Cost need not be limited to objectives.

This arises when customers have to spend time, effort or money in order to change the service provider. A good example for Switching Cost is the Banking industry. The higher the Switching Cost it may completely discourage the customers from switching and retain them with their current service provider. Therefore the customers may not change the service provider even though the competitor offers new products and low prices.

A Switching Cost includes tangible and intangible costs. *The search cost, transaction cost, learning cost, loyal customer discounts* can be categorized under *tangible cost*. The *emotional cost and cognitive effort, coupled with financial, social and physiological risk* on the part of the customers are considered as *intangible cost*. These costs are seldom explicit by assessed, but they become silent and evident when customers are faced with a reason to consider switching.

1.6.2. Customer

Customer is a person, company, or other entity which purchase goods and services produced by another person, company, or other entity. The customers can be categorized as *retail customers and wholesale customers* according to their purchasing patterns. However, in certain contexts, the term *customer* also includes by extension any entity that uses or experiences the services of another. Also the customer is a person who comes with high expectations and value oriented in their consumption of services as they have alternative choices (Slater, 1997).

1.6.3. Satisfaction

In the banking environment, quality of service depends heavily on the quality of its personnel. In Leeds (1992) study, it is clearly documented, that approximately 40 percent of customers switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the Banking customers mentioned teller courtesy as a prime consideration for switching a bank.

Indeed, customer satisfaction has for many years been perceived as a key in determining why customers leave or stay with an organization. Organizations need to know how to keep their customers, even if they appear to be satisfied. Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere.

Therefore the satisfaction measures how products, services, support and engagement supplied by a company are able to meet or surpass customer expectations. Customer satisfaction generally means customer reaction to the state of fulfillment, and customer judgment of the fulfilled state (Oliver, 1997). The quality of after-sales service can also be a crucial factor in influencing any purchasing decision.

1.6.4. Retention

This is the measure of how well the customer stays engaged with the organization or with specific products and services. Customer retention occurs when a customer is loyal to a company, a brand, or a specific product or service, expressing long-term commitment and refusing to purchase from competitors (Reichheld, 1996). A company can adopt a number of strategies to retain its customers. Critical importance to such strategies is the wider concepts of customer service, customer relations, and relationship marketing. Companies can build loyalty and retention through the use of a number of techniques, including database marketing, the issue of loyalty cards redeemable against a variety of goods or services, preferential discounts, free gifts, special promotions, newsletters or magazines, members' clubs, or customized products in limited editions. It has been argued that customer retention is linked to employee loyalty, since loyal employees build up long-term relationships with customers. (At personalized customer centers.)

1.6.5. Internet Banking

Internet Banking allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union or building society. This is usually conducted through a Personal Computer (PC) that connects to a Banking Web site via the Internet. Internet Banking can also be conducted via wireless technology through both Personal Digital Assistants (PDAs) and cellular phones. Ability to transfer money between accounts, pays bills, view statements and perform other financial transactions over the Internet.

Banks use the Internet to deliver information about financial services, replace transactions done in branch offices, which eliminates the need to build new branches, and to give service

to customers more efficiently. Internet Banking sites offer the prospect of more convenient ways to manage personal finances, and such services as paying bills on-line, finding mortgage or auto loans, applying for credit cards, and locating the nearest ATM or branch office. Some Internet banks also offer 24-hour telephone support, so customers can discuss their needs with bank service representatives directly.

1.7 Limitations of the study

The following limitations were observed during the research on finding the impact of Switching Cost towards the Customer Satisfaction and Customer Retention process.

1. ***Geographical:***

The study was limited to Sri Lankan private commercial banks and state banks with local exposure. Therefore it may not be possible to generalize the findings to other countries and foreign banks.

2. The information gathering was carried out through specific persons mainly at head office branches of the selected banks. Hence it did not permit to carry out a wide study by covering substantial persons and geographical locations in the country of the selected banks in Sri Lanka.

3. ***Expectation:***

The study was limited to financial customers and further restricted towards Internet Banking users where to identify whether their expectations mainly based on Internet Banking Services in Sri Lankan Banking context

4. ***Industry:***

The study was limited to the Banking industry of Sri Lanka. Therefore the findings cannot be generalized to other industries such as manufacturing, service sectors, operations etc.

5. ***Time Frame:***

The internet users who have deviated from Internet Banking Services for the last one year were considered for the survey.

1.8 Chapter Summary

Having illustrated the background of the study it presents the blueprint for finding answers to the research problem. It also outlines the approaches used and the steps taken, as well as the enhancement of the reliability of the methods applied.

The statement of the problem illustrates the importance of the Switching Cost and the key factors of Internet Banking Services to retain the customer base in the competitive environment.

The objective of the study basically focuses under five key areas on *impact, factors, behavioural aspects, relationship and reducing gap* between Switching Cost, Customer Satisfaction and Customer Retention. Also it considers three null hypotheses regarding the objectives.

The significance of the study elaborates the importance of the Internet Banking Services for Sri Lankan Banking industry and the high usefulness of formulating Internet Banking Services in the banking industry to retain their valuable customers.

This illustrates the operational definitions of Switching Cost, Customer Satisfaction, Customer Retention and Internet Banking.

The limitations of the study are mainly focused on areas such as geographical, expectation, industry and time duration.

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CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The *chapter 1* established the context of the research as well as the action plan to develop a framework to provide the answers to the research problem. This chapter reviews comprehensive understanding about the impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services, by referring to various literature and discussions of previous studies, which were published by authoritative sources around the world.

The bank with its satisfied customers would probably develop a positive attitude towards them. As a result their intention to stay (retain) with the bank in the future will more likely be high (Methlie and Nysveen, 1999). Several studies found support for the positive relationship between Customer Satisfaction and Customer Retention. Customer satisfaction has long been recognized in marketing thought and practice as a central concept as well as an important goal of all business activities (Anderson, et al., 1994). As indicated in the study, in order to fully understand the behaviours of the bank, we must also examine other aspects such as loyalty, Switching Costs, convenience (location) and prestige (Gerrard and Cunningham, 1999) and as stated by (Denton and Chan, 1991).

In the competitive environment most banks seem to be customer oriented. Since the Internet Banking market becomes more competitive, banks are more likely to attempt to maintain their market share by focusing on retaining existing customers. The powerful impact on the customer retention improves the performance of the banking sector and is considered by many banks as an important source of competitive advantage.

The present customer segment does not focus towards core quality products and services. This forces the banks to adopt market oriented approach that identifies the customer needs and designs new value added products and redesign the existing ones. This forces the banks

to target the customer segments by integrating service quality, brand loyalty and customer retention strategies. However, Internet users are now having a range of options in the competitive market to switch among a wider range of service providers on the Internet. This has caused a lower level of customer retention in most of the banking sector organizations (Kalakota and Winston, 1996).

According to research findings cost of customer retention activities are less than the costs of acquiring new customers. Attracting new customers are five times more costly than keeping existing customers. However, maintaining high levels of satisfaction will not, by itself, ensure customer loyalty. Banks lose satisfied customers who have moved, retired, or no longer need certain services. As a consequence, retaining customers becomes a priority. Previous researches show, however, that durability does not automatically lead to profitability.

Since technology has expanded rapidly it seems that the Switching Costs on Customer Satisfaction and Customer Retention in an Internet Banking Services are not elaborated broadly in Sri Lankan Banking Industry.

The section 2.2 shows the theoretical approach of the other researches regarding the Switching Cost, Customer Satisfaction and Customer Retention on various competitive business fields using Conceptual Frameworks. The section 2.3 illustrates the current research findings and comments of the writer on areas not considered, improvements and for further researchers. The section 2.4 follows the new approaches on Customer Satisfaction and Customer Retention by focusing the *professional experience* of the researcher and the *practical outcome* of the customers. It also focuses the reasons to find the impact of Switching Cost, its shortcomings and customer complaints etc. The section 2.5 briefly summarizes the *Chapter 2* by illustrating impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services, by referring to various literature and discussions of previous studies, which were published by various researchers globally.

2.2 Theoretical Approach on Conceptual Framework

According to the empirical investigations on the existing literature, there was not enough theoretical approach to retain Internet Banking customers. But it was found that the researcher had to adopt following theoretical concepts to illustrate the facts through pictorial models as well. These theoretical concepts and models reveals the physical, cognitive and emotional aspect of the Switching Cost, Customer Satisfaction and Customer Retention in Internet Banking process and were used to design the conceptual approach for this study.

As per pointed by Ben-Amor, K., (2002) the customer dissatisfaction makes them unhappy and generates emotions which was predicted by *Affect Control Theory* (ACT). Kim, M. K., Park, J. H. and Cheol M., (2004) pointed out that the Switching Cost, *interpersonal relationship*, the *attractiveness of the alternatives* and the *recovery of services*, among the Customer Satisfaction and the Customer Retention process. Wong, C. H. and Mula, J. M., (2009) pointed the prior studies on combination of Customer Satisfaction and Switching Cost on Customer Retention in *non-Internet settings* which could be applied to Customer Retention within Internet Banking settings. Mean while Yang, Z. and Peterson, R. T., (2004) elaborated the gap between *moderating effect* of Switching Costs on Customer Satisfaction and *loyalty relationship* by investigating the *Interrelationships* among the four constructs in the setting of business to customer electronic commerce. Also Peighambari, K., (2007) found that the importance of the Customer Retention in the environment dynamism which is considered as market *competitiveness* for new entrance to the industry. David, C. S. Y., (2007) illustrated the *socio-economic characteristics* and the relationship between Switching Cost, Customer Satisfaction and Customer Retention on Internet Banking behaviour. Lin, F., Lo, Y. and Sung, Y., (2006) discussed the influence of Switching Cost on greatest *information sharing* and facilitates the *efficiency* of the supply chain.

The total objectives of the above theories are to reveal certain aspects of Switching Cost within the area of retention of customers in the context of Internet Banking services globally in different service channels. Therefore the researcher has managed to build a theoretical approach from the previous theories and the conceptual models which are elaborated as follows.

The research paper I **Source: Switching Costs' emotional efforts on dissatisfied customers' behaviour.**

As per pointed by Ben-Amor, K., (2002) "People act in such a way that the impressions generated by events confirm their emotions which was predicted by Affect Control Theory (ACT). Contrary to the disconfirmation theory, customers react to expected and real service. Individuals are assumed by ACT to behave in such a way that they create events that confirm the emotions about themselves and others in the current situation. For instance, customers, who have not been offered a satisfactory service, may quit the company in order to gain better service in the competitive environment. As long as the self identity of the customer is not affected by the service provider, customers stay loyal to them. ACT first stipulates that emotions guide behaviours, in the context of service failure. For instance, if customers have to face an unsatisfactory service, they may express emotions, such as frustration, which would change their future behaviour. Most of the dissatisfied customers feel and even express emotion that eventually lead them to quit the existing service provider. This will lead to introduction of Switching Cost." (114)

As per pointed by Ben-Amor, K., (2002) "Switching to a competitor involves effort, time, and money, which constrains the customers to remain loyal. Switching Costs (SCs) may be perceived or real. They constitute barriers which prevent customers from moving from one competitor to another. Switching Costs are regarded as a powerful marketing tool to constrain customers' behaviour, in the sense that they induce repeat purchase. Since Switching Costs enhance a price, they have been considered as a tool to generate profits. These effects have made them a popular strategy among themselves. It expects Switching Cost to play a key role between satisfaction and retention. Firstly, if Switching Costs are so high that customers cannot quit, customers' emotions may guide their behaviour in the following way: they may try to lower their dissatisfaction in order not to lower their self-image (H1). Secondly, the effects of negative feelings on exit can be reduced or even canceled if the Switching Costs are high enough (H2). Negative feelings that would lead them to exit the corporation, in such a way that dissatisfied customers would stay, in the presence of high switching barriers. Thirdly, they expect Switching Costs to moderate the dissatisfaction-exit relationship (H3): dissatisfied consumers stay with the service provider if

the Switching Costs are high enough, which reflects the basic concept of Switching Costs. The integrative model includes the moderating effects of Switching Costs on the three relationships between satisfaction, emotions, and exit\ loyalty. It is shown in the following model.” (115)

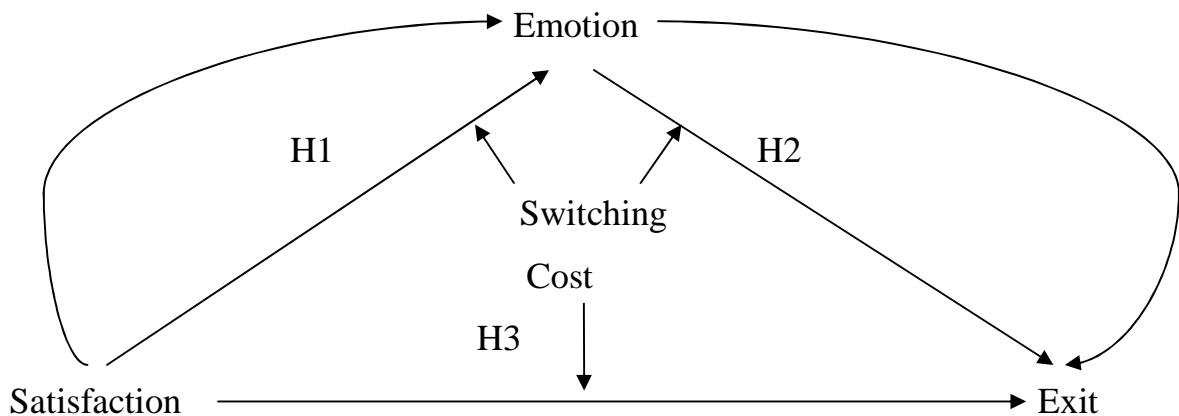


Figure 2: Switching Cost Emotional Effects on Dissatisfied Customer’s Behaviour. (2002)

The research paper II **Source: The Effect of Switching Barriers on Customer Retention in Korean Mobile Telecommunication Services.**

As per pointed by Kim, M. K., Park, J. H. and Cheol M., (2004) “ To analyze the conceptual relationship among customer satisfaction, retention and the switching barrier this model was established in the domestic mobile industry to study on customer retention process. The model is developed with the focus on the main and adjustment effect of the switching barrier influencing the customer retention. This paper focuses on the analysis the mutual reaction and the level of the mutual effects of components of the switching barrier, such as Switching Cost, interpersonal relationship, the attractiveness of the alternatives and the recovery of service, among the customer satisfaction and the customer retention.” (3-4)

This is clearly indicated in the following model.

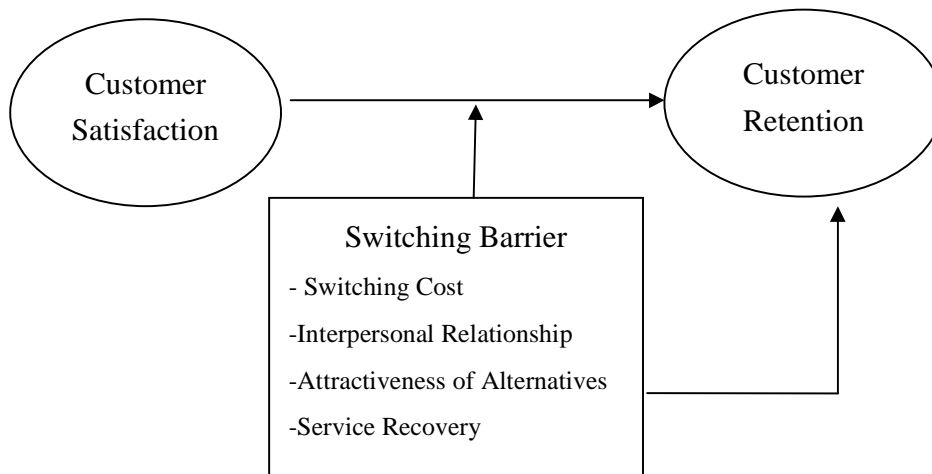


Figure 3: Effect of Switching Barriers on Customer Retention in Korean Mobile Services. (2004)

The research paper III **Source: The Moderating Effect of Switching Costs on the customer Satisfaction-retention Link: Retail Internet Banking Service in Hong Kong.**

According to previous researches influence of Switching Cost on Customer Satisfaction and Customer Retention varies with different customer characteristics. Therefore, customer characteristics could have a significant impact on the adoption and use of the Internet as a medium for commercial transactions by Internet users.

As per pointed by Wong, C. H. and Mula, J. M., (2009) “Research on factors associated with customer retention of Internet Banking Services has been relatively low. Therefore past research on the direct effects of customer satisfaction and Switching Costs on customer retention as well as the moderating effect of Switching Costs on the relationship between the Customer Satisfaction and Customer Retention in non-Internet settings was used to derive the model (Ranaweera and Prabhu, 2003). In other words, it is assumed that prior studies on the effects of customer satisfaction and Switching Costs on customer retention in non-Internet settings can perhaps be applied to customer retention within Internet Banking setting.” (21)

Based on a review of the literature a model which links customer satisfaction and Switching Costs on customer retention was developed as the following model.

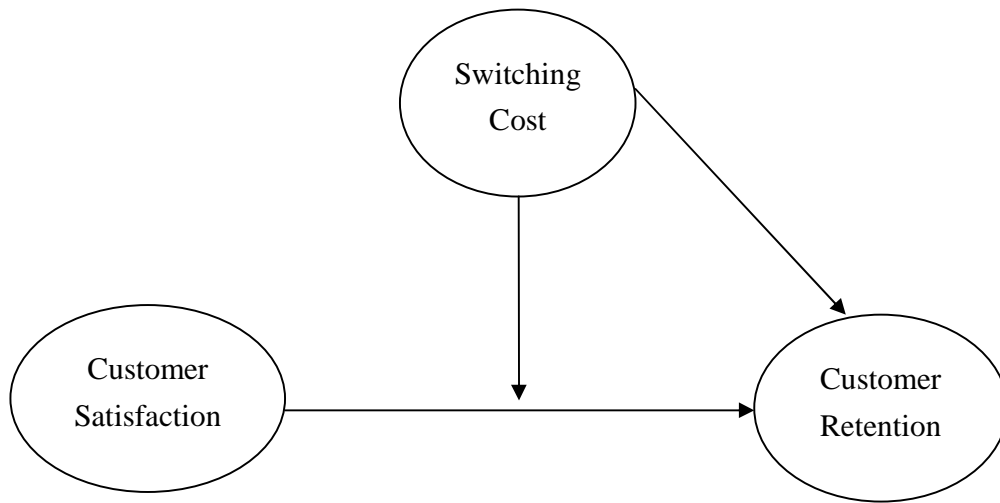


Figure 4: Moderating Effect on Switching Cost on Customer Satisfaction and Customer Retention Link: Retail Banking Services in Hong Kong. (2009)

The research paper IV **Source: Customer Perceived Value, Satisfaction, and Loyalty: The Role of Switching Costs.**

As per pointed by Yang, Z. and Peterson, R. T., (2004) “Researchers argue that the moderating effect of Switching Costs on customer satisfaction is contingent on situational variables such as the types of businesses, customers, and products, and may not always be significant. Moreover, although the moderating effect of Switching Costs on the satisfaction and loyalty relationship has been researched, its impact on the relationship between perceived value and loyalty has been essentially been ignored. The present study attempts to reduce this gap by investigating the Interrelationships among the four constructs in the setting of business to customer electronic commerce. The approach employed by the authors involves a consideration of customer satisfaction and perceived value as they interact with Switching Costs.” (800)

As per pointed by Yang, Z. and Peterson, R. T., (2004) “This study may contribute to the relationship of marketing knowledge in several ways. First, it assesses the influence of perceived value on customer loyalty and the mediating role of satisfaction in the value–loyalty relationship. Second, it addresses the issue of the uncertain effect of Switching Costs on loyalty suggested by previous work but also examines the moderating effect of Switching

Costs on the satisfaction–loyalty and value–loyalty relationships. The overall moderating effects of Switching Costs upon customer loyalty have found to be insignificant. However, the results reveal that significant moderating effects do exist when the level of customer satisfaction or perceived value is above average. Third, the study establishes a measure of online customer satisfaction. The scale consists of five salient dimensions such as customer services, order fulfillment, ease of use, product portfolio, and privacy. The study involves an application to a rapidly developed industry, online services, to test the propositions. Therefore researchers have recently called for devoting more effort to understanding customer behaviour on online services.” (800-801)

Based on the literature review, the authors have generated four hypotheses associated with the model. These hypotheses focus on the interrelationships among customer satisfaction, perceived value, and customer loyalty. In addition, the moderating effects of Switching Costs on the association of customer loyalty with customer satisfaction and perceived value have been proposed. The conceptual framework guiding this study is presented in the following model.

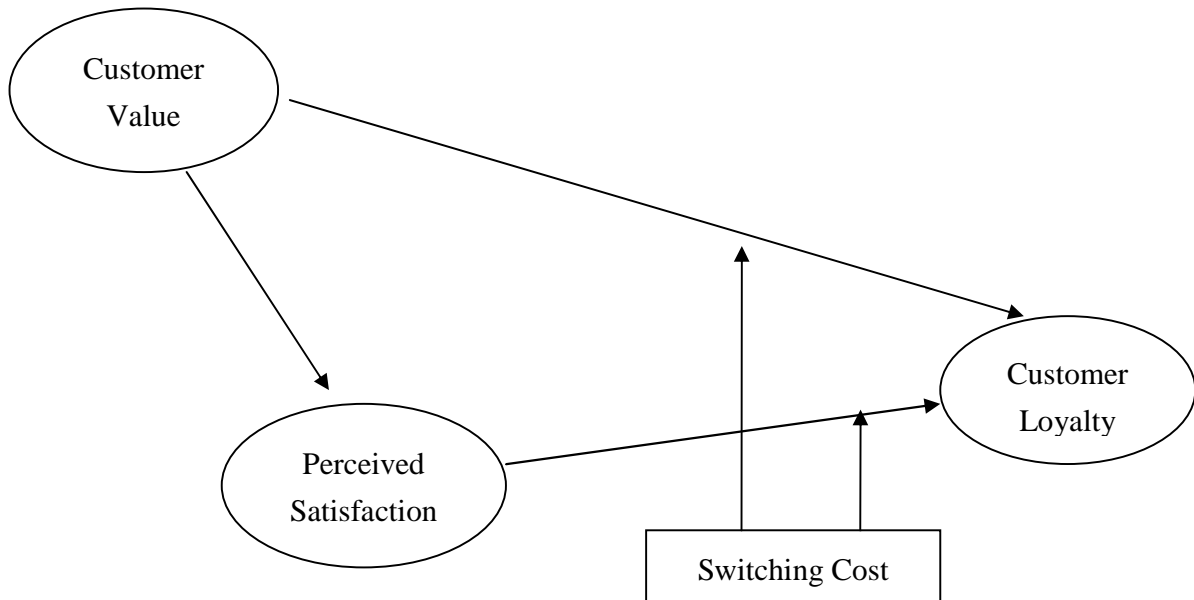


Figure 5: Customer Perceived Value, Satisfaction and Loyalty: The Role of Switching Cost. (2004)

The research paper V Source: **Developing and testing a model for explaining customer retention formation for Iranian Communication Services.**

As per pointed by Peighambari, K., (2007) “When reviewing literature, it figured out more than customer satisfaction and switching barriers, the importance of customer retention is the environment dynamism which is considered as market competitiveness for new entrance to the industry. It must maximize the customer satisfaction and the switching barrier in order to enhance customer retention. Also it must focus on service quality and offer customer oriented services to heighten customer satisfaction. The efforts to raise the switching barrier it must build a long term relationship. The higher the environment dynamisms are, the harder the customer retention. Therefore customer satisfaction and switching barrier have a direct effect on customer retention but the environment dynamism is vice versa. According to this study customer retention is critical in the mobile phone industry, where operators lose about 30 percent or more of their subscribers each year and have large customer acquisition expenditure.” (23)

Hence there should be a Switching Cost management for early detection and prevention of switching behaviour and include environment dynamism as a third factor of the influences in customer retention which is illustrated in the following model:

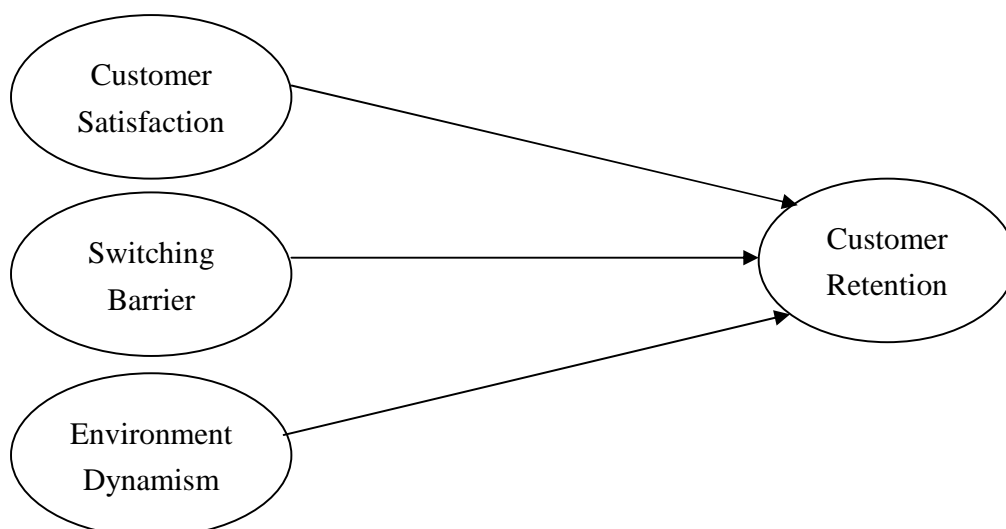


Figure 6: Case Study on Customer Retention for Iranian Mobile Telecom Services. (2007)

The research paper VI **Source: Impact of Customer Satisfaction, Loyalty, Switching Costs and Socio-Economic Characteristics on Split Consumer Behaviour: An Analysis of Customer Switching Banks in Hong Kong.**

Based on the literature review, a research model was developed to explain the relationship between Customer Satisfaction, Customer Retention, Switching Costs and split Internet Banking behaviour. Also the research model was used to examine the moderating role of the socio-economic characteristics in the Switching Costs, Customer Satisfaction and Customer Retention on Internet bank behaviour relationship in Hong Kong Banking industry.

As per pointed by David, C. S. Y., (2007) “The research model has two main features. First, it examines each of the three independent factors (Customer Satisfaction, Customer Retention and Switching Costs) on the dependent factor. Second, the model examines the moderating effect of socio-economic characteristics namely, income, education and positions in the customer satisfaction, retention and Switching Costs on Internet bank behaviour relationship. In short, a research model provides a working strategy, a scheme containing general and major concepts and their interrelations. It aims towards specific sets of research questions. It could only be assessed in terms of its instrumental value. Clearly, the research models should present reality, guide research and systematize knowledge, by integration and by proposing systems of hypotheses. The user groups of Internet Banking usually have a more diversified education and socio-economic background than those of other information systems. Therefore, it is imperative to examine the acceptance of new technologies with different user population in different contexts.” (62)

The conceptual framework guiding this study is presented in the following model.

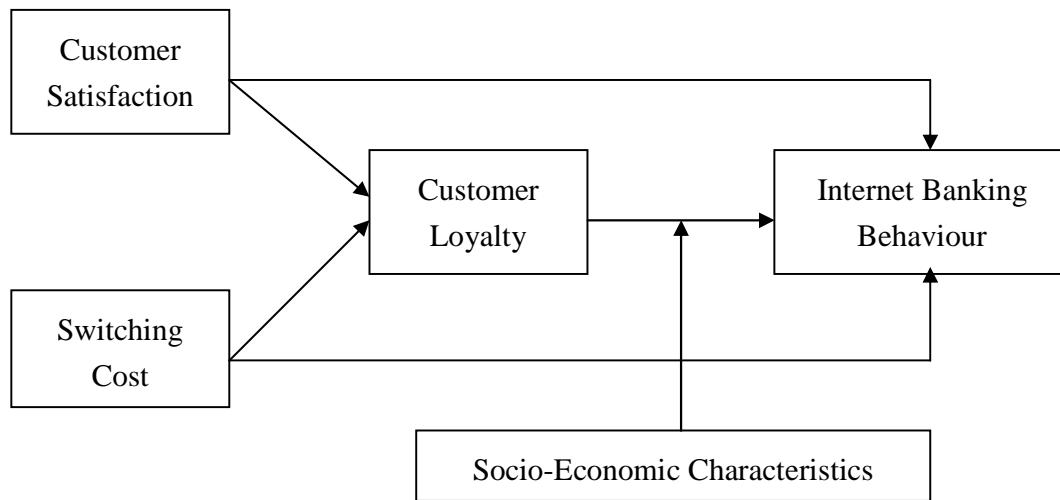


Figure 7: Case Study on Impact of Customer Satisfaction, Loyalty, Switching Costs and Socio-Economic Characteristics on Split Consumer Behaviour in Hong Kong banks (2007)

The research paper VII **Source: Effects of Switching Cost, Trust, and Information Sharing on Supply Chain Performance for B2B e-Commerce: A Multi-agent Simulation Study**

According to literature review Switching Cost is a factor that makes customers more costly and difficult to change the service providers. Therefore new systems are adopted in order to maintain long term relationships. Using new technology it improves the efficiency of the communication and leads to the greatest information sharing. Thus the Switching Cost influences the information sharing and facilitates the efficiency of the supply chain.

Having long-term relationships it builds trust among each other. As far as the trust is increased it improves the efficiency of the transaction. It becomes more demand on information sharing. Hence trust plays a firm role to improve the performance.

Base on the above this study designs a conceptual model to specify the relationships among Switching Cost, trust and supply chain performance as shown in figure -8.

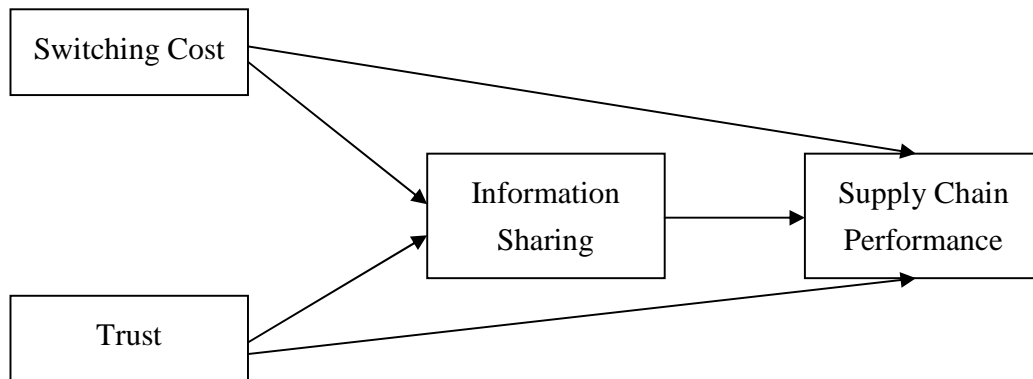


Figure 8: Effects of Switching Cost, Trust, and Information Sharing on Supply Chain Performance for B2B e-Commerce.

2.3 *Current Research Findings*

The above section focused on the theoretical approach of the previous researchers and this section will elaborate the current research findings from the above literature.

The research paper I: As per pointed by Ben-Amor, K., (2002) “Focused towards the customers who were dissatisfied with the regular service and with the service recovery, would remain loyal to the service provider. It drew from ACT the hypothesis that the relationship between satisfaction with service recovery and exit\ loyalty was mediated by emotions.

The moderating effects of Switching Costs on the three relationships between dissatisfaction, emotions, and exit\ loyalty, were considered. Firstly, the Switching Costs do not moderate the relationship between dissatisfaction and emotions. Customers within the switching barriers and those outside share the same feelings toward the corporation: anger may run high on both sides of the barrier.

Secondly, the effects of emotions on exit\ loyalty are moderated by Switching Costs. Anger is the only emotion which has a significant impact on exit\ loyalty and it is also the only

emotion whose effects on exit\ loyalty are moderated by Switching Costs. This means that Switching Costs maintain angry customer's loyalty.

However, these customers are very likely to air their feelings outside the regular channels of communication with the services corporation, mostly through word of mouth. ACT explains why the negative word of mouth is a likely behaviour for in particular, anger is a powerful driver of exit behaviour. Another ACT basic theory is that individuals create events that confirm their emotions. Then, customers who quit the company wish to maintain their emotions.

If anger cannot turn into exit behaviour, because of too high Switching Costs, ACT predicts that customers would act in such a way that would not affect their identity: customers forced to stay within the switching barriers feel that their self-image was negatively impacted by their undesired loyalty. It is then very likely that customers who are unable to behave according to their negative sentiments may try other behaviours that would be in conformity with the protection of their self-identity, through negative word of mouth. This would damage the corporation's credibility all the more since the negative word of mouth would come from actual customers who are credible sources for potential customers searching for credibility information

The third relationship moderated by Switching Costs shows the dissatisfaction between exit and loyalty. Firstly, as expected, Switching Costs significantly reduce the effects of dissatisfaction on exit, which is the very essence of the concept of Switching Costs. Secondly, Switching Costs also directly affect exit\ loyalty, which was not expected. Switching Costs prevent quitting behaviour, since they directly enhance loyalty. The sacrifice that customers have made towards their bank has made recognition of their long-term loyalty. The higher the Switching Costs accepted by customers, the higher the likelihood that they accept not to quit the company both in good and bad times. Customers who accept high Switching Cost also expect to remain loyal.

Similarity relations have often been used in the services marketing literature. When customers are aware that Switching Costs are natural to their relationship with the service provider, they become good predictors and good drivers of loyalty.” (118-119)

This study has considered the moderating effects of Switching Costs on the three relationships between dissatisfaction, emotions, and exit\loyalty. Since the customer expectations are not met properly by the service providers the customers are dissatisfied. In many instances their emotions are uncontrollable and they become angry customers due to hard feelings on them when giving services. Therefore well trained front line employees have to be deployed to listen and handle angry customers to change their dissatisfactions and the attitudes towards the organization.

As already mentioned, Switching Costs have been considered as an efficient managerial tool to enhance consumers’ loyalty, reduce price elasticity, and increase profitability. But my view is that Switching Costs are an appropriate marketing tool which mainly focuses on customer retention.

The research paper II: As per pointed by Kim, M. K., Park, J. H. and Cheol M., (2004) “The aim is to identify the role of the switching barrier on the customer retention by analyzing the relationship between the aspect of the customer satisfaction and the switching barrier in the mobile communication service industry. First, it focused on the analysis of the Switching Cost, the interpersonal relationship, the attractiveness of the alternatives and the service recovery which are mentioned in the precedent studies. And the hierarchical regression analysis was used to analyze the main effect and the adjustment effect of those switching barrier factors and the relative effect.

This research paper mainly considered the theoretical and practical aspects of switching barriers. In the theoretical aspect, the contribution is that this paper review theoretically and verifies empirically the relationship and mechanism between the customer retention and the switching barrier. Recent studies are on lack of accumulated result regarding the role of the switching barrier. Only roles of partial factors of the switching barriers are examined. This paper proposed direction for future work by verifying the model about the role of the

switching barrier theoretically. Especially this was the first try to study the main and adjustment effect of specific factors composing the switching barrier in Korea.

In the empirical aspect, this paper suggests the practical strategy in the sense of the switching barrier such as the continuous cost, the contractual cost, the interpersonal relationship and the attractiveness of the alternatives for the domestic mobile communication service providers those keen to maintain current growth and profitability in the mature market.” (11)

This paper has reviewed the Switching Cost, interpersonal relationship and service recovery on customer retention in mobile communication service industry. However this has not focused on population statistics characteristics and customer life style on variety and usage of mobile communication services. It has not done a comparison on mobile communication service with other industries. Also in order to provide benefits and maintain the quality it needs to analyze consistency between the company and the customer.

The research paper III: As per pointed by Wong, C. H. and Mula, J. M., (2009) “Confirms the significant positive relationship between Customer Satisfaction and Customer Retention between Switching Costs and customer retention in both segments of basic and advanced Internet users. It also found that Switching Costs plays a significant moderating effect on the customer satisfaction-retention link for the segment of basic Internet Banking users. For the segment of advanced Internet Banking users, the moderating effect of Switching Costs does not significantly affect satisfaction-retention link.

This means that dissatisfied advanced users will switch to alternative main Internet banks even in the presence of high Switching Costs. This result indicates that the moderating effect of Switching Costs will no longer be an effective strategy to retain customers as more and more customers become advanced Internet Banking users in the future. Long-term customer retention in future competitive Internet Banking industry may require a bank to go beyond mere basic customer satisfaction and Switching Costs and to search for other ways of establishing ties for retaining customers. It is recommended that banks should develop different customer retention programs for the basic and advanced Internet Banking users.

The banks should implement a reward program in order to encourage the basic Internet Banking users to try to use one or a few advanced Internet Banking Services. At the same time, banks should also implement a customer relationship program so as to increase customer satisfaction. When a satisfied basic Internet Banking user starts to use and eventually adopts the advanced Internet Banking Services, their switching to another bank will be more difficult and it should be easier for the banks to retain them.

For the advanced Internet Banking segment, the attention of banks is to maintain both high satisfaction and Switching Costs. There are two possible ways to achieve these objectives. First, banks should segment all the advanced Internet Banking users into segments with same customer characteristics. (E.g. segments of using bill payments, transfer of funds and security trading) Then regularly promote the benefits of using these services in order to increase customers' perceived satisfaction of using each individual advanced Internet Banking Service. Second, banks should encourage the existing advanced Internet Banking users to consume more advanced Internet Banking Services. As more Banking services are adopted, advanced Internet Banking users will perceive higher Switching Costs; this will make it more difficult for the advanced Internet Banking users to switch.” (26)

This research has served to reveal certain aspects within the area of retention of customers in the context of Internet Banking Services in Hong Kong. Since Internet Banking Services are heavily relied on for maintaining relationships with customers it should also focus more towards e-commerce industry such as Internet retailing and travel agencies in order to strengthen the other related industries along with financial industry. According to the research findings there is a variation among customer satisfaction and Switching Cost on customer retention in different customer segments. This should be further improved towards different Banking segments in order to have comparison among both segments.

The research paper IV: As per pointed by Yang, Z. and Peterson, R. T., (2004) “Shows the customer loyalty can be generated through improving customer satisfaction and offering high product/service value. To satisfy online customers, the organization may focus on five key dimensions identified by the current study. The first is to provide quality customer services.

Specifically, company representatives should have the knowledge, including basic technology skills related to e-commerce and the Internet, to answer customer questions.

They should understand customer specific needs, have the capacity to handle problems that arise, and address customer complaints in a friendly manner. Then, it is vital for an organization to perform the service correctly by executing transactions accurately, maintaining customer records without error, and delivering orders promptly. The online providers also should differentiate their products from other sites by providing an appropriate range and offering features to their target customers.” (814-815)

As per pointed by Yang, Z. and Peterson, R. T., (2004) “The security and privacy are important and essential facts when considering Internet services. Thus organizations are well advised to design a user-friendly web site that provides needed menu options and functions. The product information and content should be well organized and structured, and easy to follow. A firm should adopt precautionary measures to assure customers that their personal information will be kept confidential and online transactions are safe. Gaining customer trust is essential for the Internet services

Perceived value is another key driver of customer loyalty and also significantly influences customer satisfaction. In addition, firms should provide the product portfolio and value-added free services that are in demand to increase their competitive advantage. Customers make comparisons with both online and off-line competitors. Obtaining desired goods and services is, of course, a primary reason for customers to choose the Internet as an alternative purchasing channel.” (815)

As per pointed by Yang, Z. and Peterson, R. T., (2004) “This study indicates that, on the basis of the aggregate sample, Switching Costs do not impose a significant moderating effect on the association of customer loyalty with customer satisfaction and perceived value. The addition of the two interaction terms to the main effect model explained customer loyalty better. The moderating effect of Switching Costs is significant only when customer satisfaction or customer perceived value is higher than the average. These findings differ from those of some previous studies.

However, when a close consideration of subgroups was taken, it has revealed an interesting finding that the moderating effects of Switching Costs do exist when a customer satisfaction or perceived value level is above average. The results can be explained by both cost–benefit theory and prospect theory. Customers tend to employ the net utility, which is, switching benefits minus Switching Costs, to determine whether they will maintain their relationship with the current service provider. When perceived value or their satisfaction is above average, customers’ chance of getting a better service from another provider is not likely to be high. Therefore, the increasing Switching Costs will reduce their net utility from the switching action, which in turn prevents them from switching to a competitor.” (816)

The outcome of this study shows the Switching Costs serve as a moderator only when an organization achieves above-average performance regarding perceived value and customer satisfaction.

This study focused on tremendous controversies over the definitions of customer satisfaction, perceived value, and loyalty. Since customer e-loyalty and perceived value were considered for multiple dimensions further studies may be needed to verify the results. The study mainly has considered highly competitive online services in financial and retail industry. To have wide impact on Switching Cost it is better to consider areas such as Management Consultancy, Medical Services, Travel Trade, Hotel Industry etc. Also this study measured the Switching Cost in general where it should have been considered along with e-commerce. This may influence the customer loyalty such as social bonding and personal courage which tend to keep customers loyal to a brand.

The research paper V: As per pointed by Peighambari, K., (2007) “Analyzed the structure and effort of the switching barriers, overall customer satisfaction and environmental dynamism on customer retention in Mobile telecommunication industry. It verified that switching barriers have the most significant and positive effects on customer retention and overall satisfaction. Furthermore it identified that environmental dynamism has a negative effect on customer retention. The more dynamic the environment, the harder it is to make the customer stay with the organization.

The most important implication of this thesis was adding a new construct and consideration of customer retention more than switching barriers and customer satisfaction. This consideration is known as environment dynamism and in this study which has a significant negative influence on customer retention has been proved.” (63)

This study mainly analyzed the structure and effort of the switching barrier, overall customer satisfaction and environmental dynamism on customer retention on Mobile Telecommunication industry in Iran. Apart from the factors considered in this study, other factors effecting customer retention such as the demographic characteristics of customers, their lifecycle and their usage patterns should have been considered. When analyzing customer retention, it should be based on their determinants and mutual interactions rather than solid factors. In addition to identifying the customer retention more methodically, it should have a comparison between competitors and other industries.

The research paper VI: As per pointed by David, C. S. Y., (2007) “Provides a substantial support for the proposed research model. The implications of the findings on the local banking community need to be viewed in the context of the structure of personal Internet banks in Hong Kong.

These results appear to indicate that high-income and well educated Internet customers are interested in those operational aspects of Internet banks that would assure them of having their security and need to take care of them. Also it appears that Internet banking users holding responsible positions are more conscious of their financial institution's image.” (142-143)

As per pointed by David, C. S. Y., (2007) “The results of this research also suggested that increased Switching Costs would lead to lower split Internet Banking behaviour and the relationship between satisfaction, loyalty, Switching Costs and split Internet bank behaviour to a certain extent would be moderated by socio-economic factors such as income, education and position. The primary data obtained from the respondents supported these findings.” (144)

When considering future research, it should not only focus Internet Banking Services. It needs to consider other distributed banking services such as Branch Networks, ATMs, Telephone Banking and Internet Banking, which would probably reveal that combinations of these distribution channels would lead to the most satisfied and thus most loyal and least price-sensitive customers.

Also the future researches could extend their study to cover other countries and compare the cultural differences in consumers' attitudes and behaviours based on socio-economic characteristics.

The research paper VII: As per pointed by Lin, F., Lo, Y. and Sung, Y., (2006) “The exchange between switching cost and trust affects the level of information shared, and in turn, determines the supply chain performance on fulfilling orders. It implies that it creates costs and diminishes fulfillment rate by only counting either Switching Cost or trust to determine the level of information shared.

This study evaluates supply chains in such aspects as the distribution of orders to suppliers, the average order fulfillment rate, the average inventory cost, and the average order cycle time under four order demand patterns, three weight combinations of Switching Cost and trust, two levels of information shared.” (9)

When considering the major contribution of this study it had identified the joint effects of Switching Cost and trust on determining information sharing level between parties involving the supply chain and on selecting suppliers to fulfill the orders.

2.4 New Approach on Switching Cost, Customer Satisfaction and Customer Retention

Based on previous research findings as in 2.2 and 2.3 it still cannot be applied directly to Sri Lankan Banking context because of the traditional, social and demographic aspects of the local customer base where their minds cannot be changed or taken off from the traditional banking methods. Since then no such researches have covered or focused the area relating to the impact of Switching Cost on Internet Banking Services in Sri Lankan context. Therefore this research will design a new approach to understand the *'Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services'* and will be covering that area which is presented in 3.2.1 in the new conceptual framework.

In this case the Switching Cost will be considered as global concern among banks where the standards are almost similar. But Customer Satisfaction and Customer Retention on Internet Banking systems may differ and could be changed due to several aspects of customer behaviours, cultural differences and income levels in a mixed banking environment.

This research will be designed specially as a theoretical framework which will cover the practical problems and difficulties in Sri Lankan banking context based on the problematic issues. The identifying the *professional experience* of the researcher and the *practical outcome* of the customers throughout the research was the main concept hidden in this new conceptual framework.

From the point of professional experience the researcher has found that the banking industry has neglected to identify the professional laps in hand such as to what extent the Switching Cost make deep impact to customers and make benefits to the bank. Therefore to gather further information a deep survey is needed and the researcher has started to explore further on this area and seems to be getting positive results.

In addition the customer feedback should be considered to identify the outcome of the Switching Cost towards the Customer Satisfaction. Therefore this research is mainly based on the conceptual framework which will clearly focus on the *'Impact of Switching Cost on*

Customer Satisfaction and Customer Retention for Internet Banking Services' in Sri Lankan context considering the banking systems and the customers simultaneously.

2.5 Chapter Summary

This chapter has covered a wide range of knowledge about literature review related to the Switching Cost and Customer Satisfaction in general. It further elaborates the previous findings on Switching Cost and new approach to understand the Switching Cost, Customer Satisfaction and Customer Retention from Sri Lankan Banking context.

The theoretical approaches on conceptual Frameworks show different approaches by researches to achieve their respective objectives. The moderating effort of Switching Cost based on three relationships between satisfaction, emotion and loyalty was shown by the first model. The mutual reaction and effects on switching barrier influencing the customer retention was focused by the second model. To review the link between customer satisfaction and Switching Costs on Customer Retention was used by the researches with the aid of the third model. The hypothesis that was used focusing on the interrelationships among customer satisfaction, perceived value, and customer loyalty to elaborate the moderating effects of Switching Costs was highlighted by the fourth model. The switching behaviour which includes environment dynamism was focused by the fifth model. The Switching Cost can be elaborated with diversified education and a socio-economic background which was revealed by the sixth model. The final model identifies the joint effects of Switching Cost and trust on determining information sharing level between parties involving the supply chain and on selecting suppliers to fulfill the orders.

The current research findings elaborate the final outcome of the research models, shortcomings and the comments of the researcher regarding the concepts.

The new approach indicates the impossibility of applying the above concepts directly to Sri Lankan Banking context due to the traditional, social and demographic aspects of the local customer base and their perceptions. It has also identified the professional lapses in hand, to what extent the Switching Cost makes a deep impact on customers and the benefits to the bank.

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CHAPTER 3

METHODOLOGY

3.1 *Introduction*

The methodology is simply the systematic way in which the researcher would attempt to find answers to the research questions. Methodology refers to overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data.

This chapter would discuss the methodology in detail where the previous chapter built a solid guideline about the problem statement through a detailed literature review. According to the literature, a conceptual framework developed by the author of this study would be further illustrated in this chapter. This conceptualization would broadly categorize the important variables which were identified as related to the problem during the previous chapter.

One of the major exceptions from previous research has been the lack of a clear understanding of the moderating effect of Switching Costs on Customer Satisfaction - Retention link particularly in an Internet Banking context. Therefore, an important requirement of this research was the development of a methodology to provide an appropriate way to examine the impact of Switching Cost along with the objectives.

Methodology refers to overall approach to the research process, from the theoretical reinforcement to the collection and analysis of the data (Hussey and Hussey, 1997). Thus, any given design will have biases and limitations which are specific to that design, and these inevitably affect the results and their interpretation.

The aim of this chapter is therefore to discuss the research methodology of this study, to show how various considerations form the research methodology adopted, and to outline some of the implications which this had for the results of this study.

According to the conceptual framework, a hypothesis would be constructed. The definitions of the concepts would follow the hypotheses, with their connection to the variables illustrated during the literature review.

This process would be followed by reducing the concepts into variables, indicators and measures. Then it will be followed by data collection, sample selection and the instrument used to collect data including methods implemented to maintain validity and reliability of the instrument which are described. Finally the chapter would end with a summary of discussions.

The section 3.2 briefly describes the research approach and design which principal decisions were involved to find out the research approach along with the new conceptual framework. Section 3.3 shows the data collection tool where abstract statements were used to design the questionnaire. Section 3.4 describes the data collection from the total population and narrowing it to the required sample size. It also shows the type of sampling techniques that are to be used during the research. Section 3.5 describes the data analysis part with different types of analysis methods mainly considering the new conceptual framework. Section 3.6 shows the presentation of data by using analytical packages. In addition it describes the analytical methods and way of presentation with the tabulated data. The section 3.7 briefly summarizes the *Chapter 3* by illustrating the research methodology, its approach and design. It also uses abstract statements as a data collection tool. This chapter indicates the way the population and the sample were selected and finally the data analysis section along with the way of presenting the final output.

3.2 Research Approach and Design

The design of the research methodology of an empirical research has a considerable influence upon the nature and quality of research outputs since it influences both validity of the results and the extent to which the results can be generalized to other settings. The principal decisions involved in the research design of this research were whether to adopt exploratory approach or confirmatory approach, whether to conduct a field survey or use an

experimental approach, whether to use Internet survey or personal interviews, and whether to conduct a longitudinal or cross-sectional survey to collect the relevant data. According to the theory, the researcher has three alternatives in selecting the logic of a research. They are confirmatory research, exploratory research, on a combination of both.

Confirmatory research is conducted into a research problem or issue when there is previous theory (or theories) to which a researcher can refer to the information about the problem or issue (Hussey and Hussey, 1997). The aim of confirmatory research is to find out if the theory is supported by the facts. The starting point for confirmatory research is a theory that the researcher narrows the focus to increasingly specific objectives and hypotheses, which address those objectives. Finally, the researcher tests the final objectives with specific empirical data in order to confirm or reject the original theory.

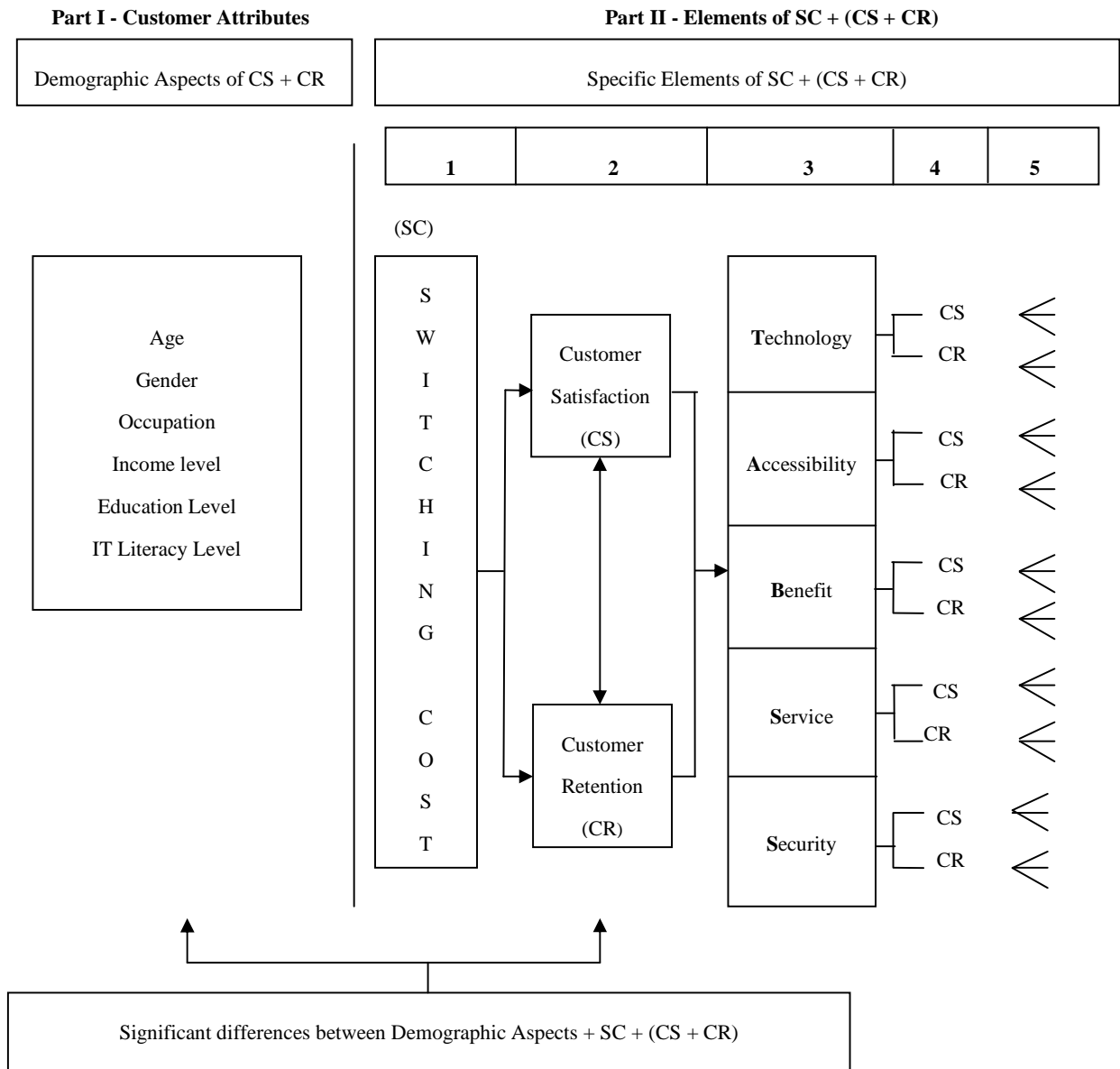
Exploratory research is conducted into a research problem or issue when there are very few or no previous studies to which a researcher can refer to the information about the problem or issue (Hussey and Hussey, 1997). The aim of exploratory research is to look for patterns, ideas or objectives, rather than testing or confirming the objectives. In exploratory research the focus is on gaining insights and familiarity with the subject area for a more thorough investigation at a later stage.

However, the researcher may apply a mixed approach as the third option for the research, and it is known as combination of confirmatory and exploratory research. This research has gathered a lot of data through a close-ended questionnaire and most of the data was numerical where the methodical approach of the research is quantitative.

When designing the research a conceptual Framework was designed and already indicated in page 42. Basically the conceptual Framework has two parts where Part I consist of customer attributes and Part II includes sub elements of Switching Cost (SC), Customer Satisfaction (CS) and Customer Retention (CR). Each of these parts has sub features which have indicated relationships among each element.

3.2.1 Conceptual Framework of the Research

Determine the impact of Switching Cost (SC) on Customer Satisfaction (CS) and Customer Retention (CR) for Internet Banking Services.



1. Basic aspects of Switching Cost (SC)
2. Two basic areas (CS + CR) of the SC
3. Perception of TABSS on CS + CR towards expected factors
4. Coding schema of CS + CR
5. Addressing Raw Incidents of SC + (CS + CR)

Figure-9: Conceptual Framework

The questionnaire of this research is totally based on the above conceptual Framework and it is attached in the Appendix I. As state earlier the conceptual framework is categorized into two main parts. The Part I consists of customer attributes and Part II the elements of Switching Cost (SC), Customer Satisfaction (CS) and Customer Retention (CR).

In Part I under the customer attributes the researcher has focused towards the Demographic aspects of Customer Satisfaction and Customer Retention. This was further categorized into six sub sections and considered in the questionnaire.

1. **Age** – It considered the age group of the Internet Banking customers.
2. **Gender** – It considered gender wise to identify how many males and females are involved in Internet Banking Services.
3. **Occupation** - The level of occupation is focused on Internet Banking customers.
4. **Income Level** – Monthly income level of the Internet Banking customers are considered.
5. **Education Level** – This is to identify the level of qualifications of the Internet Banking users.
6. **IT Literacy Level** – This is to determine the IT knowledge of the Internet Banking users.

In Part II it shows the specific elements of SC + (CS + CR). This is further divided into five sub sections to have a clear picture of the research.

1. This focuses the basic aspect of the Switching Cost (SC) which shows the main impact of the research.
2. It shows the two basic areas (CS + CR) of the main SC which is highly depend on the SC.
3. It considers the perception of the new TABSS theory on CS + CR towards expected factors.
4. The coding schema of CS + CR which the main questionnaires were focused on.
5. Each of the three lines shows how the researcher have addressed the raw incidence of SC + (CS + CR)

Finally the researchers' main objective was to find out the significant differences between Part I and Part II of the conceptual framework which is already shown in the Figure - 9.

3.3 Data Collection Tool

The structure of the questionnaire plays an important role in determining the quality of the data collection in a research (for further details of the questionnaire, please refer to Appendix I). A poorly structured questionnaire can confuse the respondent which would lead to interpretive errors and bias on the data as well as de-motivate the respondent from completing the questionnaire. Two important aspects of the questionnaire structure are question sequencing and layout. The principle underlying the sequencing of the questions in the questionnaire was to group them by the subject to which they referred.

Within each subject group the questions tended to be grouped into relatively straightforward factual questions followed by the measure relevant to the specific area. In most cases the factual questions were included to help the respondent to think about that particular aspect of perception of Internet Banking Services with raw incidence and provide a context for the appropriate measures. The final research questionnaire of this study consisted of three major parts and contained 50 questions as shown in Appendix I.

The three major parts of the research questionnaire covers the following areas:

Part A: Demographic Information (DI) of the Internet Banking users.

Part B: User opinion on Switching Cost (SC).

Part C: User opinion on Customer Satisfaction (CS) and Customer Retention (CR) on Switching Cost (SC).

The first part of the questionnaire (Part A) consisted of ten statements starting from demographic information of the respondent, measuring the IT literacy level and the usage of Internet Banking products offered by commercial banks in Sri Lanka. The second part of the questionnaire (Part B) consisted of ten statements focusing on the main reasons for switching or not switching to other Internet banks services. The third part of the questionnaire (Part C) consisted of 30 questions mainly focusing the respondent satisfaction and retention on Internet Banking Services. Here in both Part B and C the respondents were requested to rate

their expectation and satisfaction on statements using a 5-point Likert Scale ranging from SA=Strongly Agree to SD = Strongly Disagree. (SA = 1, A = 2, UD = 3, D = 4 and SD = 5) In Part B and Part C when the questionnaires were designed *Abstract Statements* were included in each of the questions. All the research questions were designed according to the new TABSS theory. Based on the TABSS theory the following data collection tool was designed and is shown in Table - 2.

Table - 2: Data Collection Tool

| Address Incidence | Expected Abstracts |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Part B – Switching Costs | |
| 1. In general switching to a new bank would be a hassle for me. | Hassle |
| 2. It would cost me a lot of money to switch from my bank to another bank. | Money |
| 3. It would not take me a lot of time to switch from my bank to another bank. | Time |
| 4. It would not take me a lot of effort to switch from my bank to another bank. | Effort |
| 5. I feel Internet Banking is more advanced in my bank since it uses modern technology. | Technology |
| 6. I am satisfied with the available accessibility in my bank for Internet Banking products. | Accessibility |
| 7. I feel the benefits are high in Internet Banking Services in the present bank setup. | Benefit |
| 8. In general service qualities are more standard in my bank. | Service |
| 9. I feel the availability of advance security features are more in present bank environment. | Availability – Security Features |
| 10. It is not risky to change from my bank to another bank since it may provide me good Internet Banking Service. | Risky |
| Part C – Customer Satisfaction and Customer Retention | |
| Technology | |
| 1. I feel free to work with the latest technological banking applications. | Free |
| 2. I am not aware about technical features on latest applications. | Features |

| | |
|--------------------------------------------------------------------------------------|--------------------------------|
| 3. My expectations are met with the latest technology. | Expectations |
| 4. The bank products use technology to become unique among competitors. | Unique |
| 5. The bank products have new technical aspects. | Aspects |
| 6. The bank applies more technology to meet customer needs. | Technology |
| Accessibility | |
| 7. I am familiar with performing my transactions through Internet Banking. | Familiar |
| 8. I feel speedy access helps to retain more customers. | Speedy - Access |
| 9. I expect convenience through Internet Banking | Convenience |
| 10. The bank products have easy access through Internet Banking. | Easy - Access |
| 11. The bank's duty is to meet customer expectations. | Meet |
| 12. Availability of Internet Banking Services shows the customer growth. | Availability – Customer Growth |
| Benefit | |
| 13. I am satisfied with the responsive Internet Banking Service. | Personal Benefits |
| 14. My service charges are very low when dealing with Internet Banking applications. | Cost Benefits |
| 15. I prefer the different features offered by my service provider. | Auxiliary Benefits |
| 16. Internet Banking always saves the customer's time. | Time Benefits |
| 17. The bank always introduces competitive products to customers. | Industrial Benefits |
| 18. The Bank's value added features may gain more customers. | Value added Benefits |
| Service | |
| 19. I get updated information from Internet Banking. | Currency of Service |
| 20. My queries are handled in a customer friendly manner. | Attractiveness of Service |
| 21. I always prefer Internet Banking because of its speedy service. | Speed of Service |

| | |
|-------------------------------------------------------------------------------|-------------------------------|
| 22. The bank provides accurate information through Internet Banking Services. | Accuracy of Service |
| 23. In general the bank provides reliable products. | Reliability of Service |
| 24. The bank provides up to date service. | Continuity of Service |
| Security | |
| 25. I am aware about security features in the bank's electronic products. | Awareness |
| 26. I always trust my bank when it comes to personal information. | Customer - Trustworthiness |
| 27. I expect more security on my information. | Expectation |
| 28. Bank always maintains the secrecy of customer information. | Responsiveness |
| 29. The bank always trusts their customers about transactions. | Bank - Trustworthiness |
| 30. The bank's duty is to maintain customer secrecy. | Responsibility |

Source: Developed by the Researcher

3.4 Data Collection

In 2010 according to the official web site www.cbsl.gov.lk the Central Bank of Sri Lanka has approved 21 licensed commercial banks to operate within Sri Lanka. The National Savings Bank (NSB) is considered as a savings bank. The following table - 3 indicates the total population bank wise.

Table - 3: Total Population

| Type of the Bank | Count |
|---------------------------------|--------------|
| State Banks | 02 |
| Private sector commercial banks | 09 |
| Foreign banks | 10 |
| Total | 21 |

Source: Developed by the Researcher

3.4.1 Population

Internet Banking Service in Sri Lanka is presently being offered to two sets of clients, namely, individual customers and business clients. This research mainly focused individual customers as the target population. However respondents like young school children or those with aged below 18 were excluded from the research population as their banking needs should be minimal or different to that of adults. As a result, the target population was defined as those who were aged 18 or above and at least used their main Internet bank to conduct bank account transactions. Apart from these two criteria, there were no other criteria that were necessary to be imposed on the target population.

The survey was commenced around the first week of December 2010. Out of the total population two state banks and nine private sector commercial banks were considered. The ten foreign banks were not considered because it represented only as branch in Sri Lankan soil and most of its products did not suit Sri Lankan tradition of banking.

Out of the selected population the researcher next considered the number of new customers who had registered for Internet Banking Services within the period of January 2010 to end of November 2010. According to the data which was available (Appendix IV – Page 112) the researcher found one state bank had a considerable lower count due to the fact that they had started the Internet Banking Service recently which is less than three months. Also one private sector commercial bank did not have the Internet Banking Service at all but they were planning to introduce it shortly. Therefore both banks were not considered for further study.

The following table - 4 shows the breakdown of the new registrations.

Table - 4: Total New Registrations

| Bank | January 2010 – End of November 2010 |
|---------------------------|--------------------------------------------|
| State Bank A | 3,844 |
| Private Commercial Bank A | 11,823 |
| Private Commercial Bank B | 9,476 |
| Private Commercial Bank C | 7,190 |
| Private Commercial Bank D | 6,862 |
| Private Commercial Bank E | 1,456 |
| Private Commercial Bank F | 896 |
| Private Commercial Bank G | 402 |
| Private Commercial Bank H | 211 |

Source: By IT Divisions of the respective banks

Note: According to the banks legal aspects and the confidentiality of information the names of the banks cannot be used for publication purposes. In the event of full filling the examiners requirements the researcher is willing to submit the relevant information along with the bank names.

3.4.2 Sample

When selecting the appropriate sample from the total population two types of sampling techniques were used. To select the appropriate number of banks and customers “*Stratified Sampling Method*” was used and they were clustered as bank and Head Office branch wise. After that “*Simple Random Sampling Technique*” was used to deliver the questionnaire among Internet banking customers.

The sample was considered according to the figures of the table - 4 and the first four private commercial banks and one state bank which had the highest number of count were selected by using the Stratified Sampling Method and a further count was taken to consider only from their *head office branch* new Internet Banking registrations for the same period of time (Table - 5). According to the literature review (Alreck and Settle, 1985) stated that for populations of 10,000 and more, most experienced researchers would probably consider a

sample size between 200 and 1,000 respondents (10%). Therefore after selecting the users by the Stratified Sampling Method the researcher considered around 20% sample size from the new count. The questionnaire which had three parts covering Demographic Information (DI), Switching Cost (SC), Customer satisfaction (CS) and Customer Retention (CR) were distributed among all the selected users by considering the Simple Random Sampling Technique. The Table-5 shows the final sample.

Table-5: Final Sample

| Bank | Population (Head Office Br's) | Sample (20%) |
|---------------------------|------------------------------------------|-------------------------|
| State Bank A | 230 | 46 |
| Private Commercial Bank A | 682 | 136 |
| Private Commercial Bank B | 465 | 93 |
| Private Commercial Bank C | 423 | 85 |
| Private Commercial Bank D | 395 | 80 |
| Total | 2,195 | 440 |

Source: By IT Divisions of the respective banks

3.5 Data Analysis

The data analysis part will be done focusing on the two major parts of the conceptual framework covering the Demographic Aspects and the Specific Elements of SC + (CS + CR).

3.5.1 Analyzing the Demographical Aspects

To analyze the Part I of the conceptual framework the *Descriptive Analysis* will be used for frequency, percentage and mean value.

3.5.2 Analyzing the Specific Elements

To analyze the Part II of the conceptual framework the *Multy Variable Analysis* will be used for factor analysis and cluster analysis

3.5.3 Analyzing the Relationship between Part I and II

Finally the *Core-relation Analysis* will be used to analyze the relationship of the Part I and II in the conceptual framework of the research.

3.6 Presentation of Data

The collected data through the questionnaires will be analyzed by using analytical tool SPSS version 15.0. By using the above tool the gathered information will be presented through statistical and analytical methods such as frequency, percentage, mean scores, standard deviation, factor scores, cluster of groups, P value > 0 to test the five objectives (Impact, Factor, Behavioural, Significant differences and Relationship) of the research. Having refined and tabulated all the data it will be presented through Bar Charts, Pie Charts and Radar Charts etc.

3.7 Chapter Summary

This chapter illustrates the research approach and the way the designing should be completed. When the questionnaire was designed abstract statements were used as a data collection tool. According to the web site of the Central Bank of Sri Lanka the total population was determined and later it was further narrowed down according to the research requirements. By using the sampling techniques the required sample was decided. The data analysis was performed according to the new conceptual framework by applying various analysis methods. Finally the gathered information will be presented through statistical and analytical methods and refined data will be presented in a statistical manner.

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CHAPTER 4

DATA ANALYSIS RESULTS AND FINDINGS

4.1 *Introduction*

This chapter will focus on presenting the data which was gathered through the previous chapter of the research. The data pertaining to the *Impact of Switching Cost (SC) on Customer Satisfaction (CS) and Customer Retention (CR) for Internet Banking Services* would be presented according to the questionnaire and findings. The sample characteristics will be illustrated graphically and the composition of the respondents would be also illustrated. The responses for each variable would be presented with statistical background. Also this chapter will present a detailed analysis for the output of each and every variable. The remainder of this chapter outlines the main research findings of this study.

The section 4.2 briefly describes the composition of the sample by elaborating the way of data collection and presenting the response table. This is further elaborated by using a bar chart and briefly explaining the process with survey data. The section 4.3 briefly describes the descriptive analysis of Switching Cost by describing the ten abstract nouns of Switching Cost and the mean score was calculated to elaborate the general attitude of the Switching Cost. This was further elaborated by showing the pattern of Switching Cost using survey data. The section 4.4 briefly describes the analysis of Switching Cost, Customer Satisfaction and Customer Retention. The factor analysis was used to identify the factors that affect Switching Cost, the cluster analysis was used to identify the behavioural and contextual situation of customers and chi-square method was used to identify the significant differences between Switching Cost and Customer Satisfaction and Customer Retention. The section 4.5 briefly describes the chapter summary by illustrating the various analysis of data received from the user questionnaires.

4.2 Composition of the Sample

The data collection was an extensive process where the researcher had to personally visit the five selected bank head offices and personally handover the Internet Banking Survey questionnaire to the respective Internet bank users. This process was carried out for a period of one and a half months initially during the lunch break and later the researcher had to take a few days off to fulfill the user survey. The Internet Banking survey questionnaire was also submitted to personal e-mails of a few well known corporate customers who are banking with the researcher's head office branch. After about one and a half month's time, nearly 266 (around 60.5% of the total sample size) responses were received. The number of responses was considered to be sufficient for the data analysis as the estimated sample size of this research was only around 440 (see section 3.4.2 Table - 5).

The above responses are shown in table - 6 as follows.

Table - 6: Final Response

| Bank | Population | Sample | Distributed | Responded |
|---------------------------|-------------------|------------------|--------------------|--------------------|
| State Bank A | 230 | 46 (20%) | 46 | 28 (60%) |
| Private Commercial Bank A | 682 | 136 (20%) | 136 | 76 (56%) |
| Private Commercial Bank B | 465 | 93 (20%) | 93 | 60 (65%) |
| Private Commercial Bank C | 423 | 85 (20%) | 85 | 52 (61%) |
| Private Commercial Bank D | 395 | 80 (20%) | 80 | 50 (63%) |
| Total | 2,195 | 440 (20%) | 440 | 266 (60.5%) |

Source: Developed by the Researcher

According to the table it shows the total population which was considered from the five selected banks and out of that 20% were taken as the sample. Next the questionnaires were distributed among the total sample size and it was 100% distribution. The final column indicates the response for the questioners and it was considered as sufficient data for the analysis process.

The following **bar chart** in figure - 10 shows the final responses and non responses count from the total distributed questionnaires.

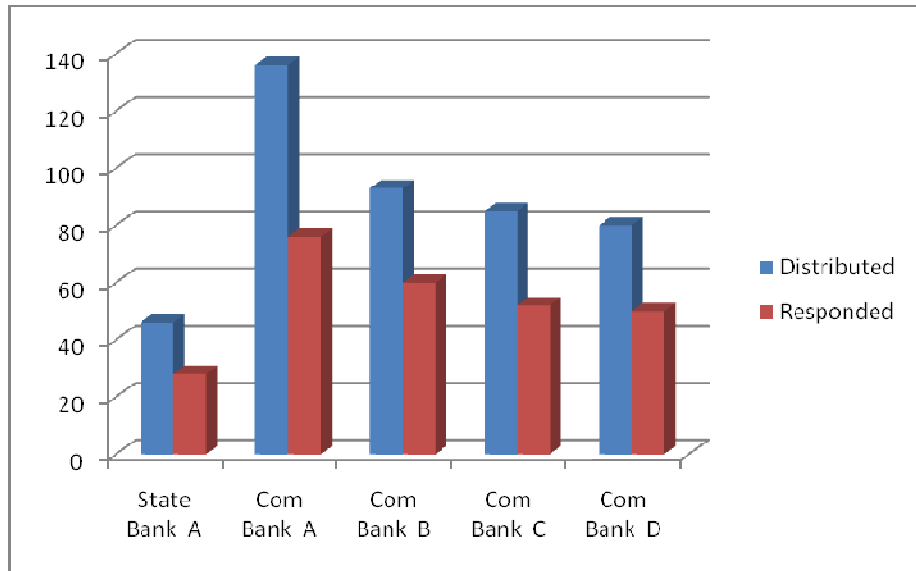


Figure - 10: Final Response Chart
Source: Survey data

The researcher selected one state bank and four commercial banks out of the 21 licensed commercial banks in Sri Lanka, as the sample population (see figure - 10) to distribute the user questionnaire and the responses are shown in the above figure.

Accordingly it shows a 60% response from the state bank Internet Banking users where as the responses of the commercial banks are shown respectively as commercial bank A 56%, bank B 65%, bank C 61% and bank D 63%. The overall total percentage was around 60.5%. The final data set was designed according to the above figures and the data analysis was done based on the survey data.

4.3 Descriptive Analysis of Switching Cost

In the table-2 the researcher has described ten abstracts on Switching Cost. The results were calculated using the mean which is shown in table - 7 and figure - 11. The mean score was used to elaborate the general attitude of the Switching Cost.

Table - 7: Frequency of Switching Cost

| Abstracts | Mean |
|--------------------|-------------|
| Hassle (B1) | 2.23 |
| Money (B2) | 3.35 |
| Time (B3) | 2.78 |
| Effort (B4) | 2.83 |
| Technology (B5) | 2.37 |
| Accessibility (B6) | 2.20 |
| Benefit (B7) | 2.09 |
| Service (B8) | 2.14 |
| Security (B9) | 2.38 |
| Risky (B10) | 2.72 |

Source: SPSS computation of source data

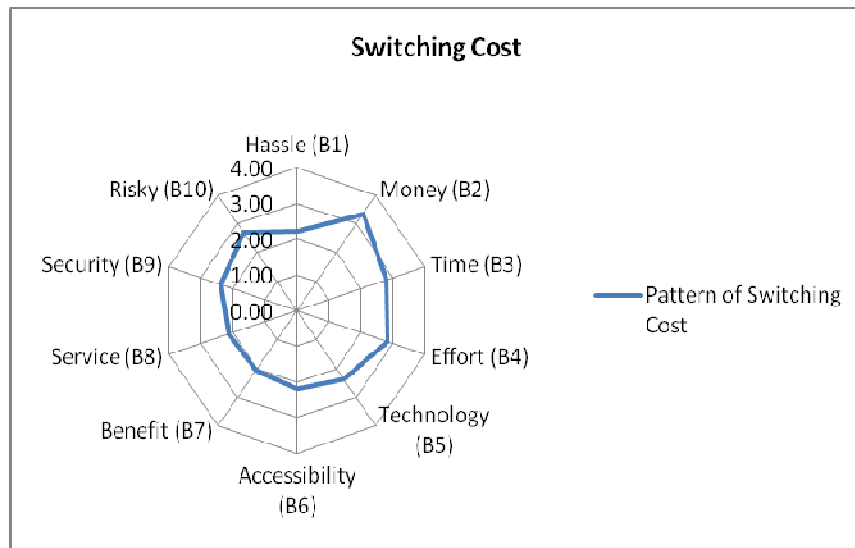


Figure - 11: Pattern of Switching Cost

Source: Survey data

Based on the results of the above table the figure - 11 shows the general attitude of the abstracts towards the Switching Cost. In the above figure the abstracts B1, B5, B6, B7, B8 and B9 shows the mean curve in blue is very much closer to the mean value 2 which indicates an average result of mean value (2.24) from the responses. When considering the abstracts B3, B4, and B10 the mean values were within (2.63 - 2.71). This shows the mean curve deviates from the mean value 2 and is almost moving towards the mean value 3 and at the abstract B2 the mean value was (3.35), where it exceeds the mean value 3 which indicates a high response from the Internet Banking users.

Therefore it shows the Internet Banking users are more concerned on *Money, Time, Effort* and *Risk* factors rather than the *Hassle, Technology, Accessibility, Benefit, Service* and *Security* factors on Switching Cost, when moving towards a new competitor in Sri Lankan banking industry.

4.4 Analysis of Switching Cost, Customer Satisfaction and Customer Retention

The SPSS version 15.0 was used to analyze the data of this research. The factor analysis was adopted to identify the factors that affecting Switching Cost of Customer Satisfaction and Customer Retention which is the second objective of this research. The principle component analysis was used as the extraction method.

The cluster analysis was used to identify the behavioural and contextual aspects of customers on Switching Cost which is the third objective of this research. Five numbers of clusters were used and the final cluster centered on behavioural and contextual aspects of Switching Cost which is shown in the table - 9.

Finally the Chi-square method was used to identify the significant differences between Switching Cost and Customer Satisfaction and Customer Retention which is the fourth objective of this research.

4.4.1 Factors that Effecting Switching Cost

Factor analysis is a useful research tool that can be used to reduce a large number of variables to a smaller set, allowing a better understanding of the dimensions underlying the initial variables. Factor analysis may be used to gain a more economical understanding of predictors that are to be used in subsequent multiple regressions. When a number of dependent variables are used, multiple tests of significance are difficult to interpret because the significant level for correlated tests is unknown.

This procedure may be useful even with a small set of correlated variables. When several dependent and independent variables are undergoing examination, factor analysis of the combined set of variables may reveal relations among them.

The factor analysis method analyzes only common variance of a variable or a test is fractionated and distributed among several factors. This analysis is used when the researcher wishes to reduce the common variance in a test to a smaller number of conceptually meaningful variables and to understand how each basic unit is structured. Factor analysis can also be applied in order to explore a content area, structure a domain, map unknown concepts, classify data, illuminate casual nexuses, screen or transform data, define relationships, test hypotheses, formulate theories, control variables, or make inferences.

The dataset in SPSS were used to identify the factors that affect Switching Cost. The researcher has selected the factor analysis method where the Kaiser-Meyer-Olkin (KMO) and Bartlett's test were specified as correlation matrix. According to previous researches the Bartlett's test (1950, 1951) is one of the most widely used statistical rules for determining the number of factors to extract and has been incorporated into a number of factor-analysis methods (Stewart, 1981).

Next the principal component analysis was used as the extraction method along with the five numbers of factors. The promax method was selected under the rotation and regression was used as factor scores. Finally the coefficient display format sorted by size in options was selected to get the final output percentage of variance and the cumulative percentage.

According to the output of the results for five numbers of factors, the variance and the cumulative percentage for the factor 1 was the same where for the factor 2 to factor 5 the variance percentage was decreasing from 11.04 – 5.25. The cumulative percentage is simultaneously increasing from 33.15 – 53.59. The cumulative percentage value (53.59) for factor 5 shows an acceptable value to precede the second objective with the principle component analysis. The principal component analysis also generated the pattern matrix which is shown as such in table-8 below.

The thirty statements which are shown in the table are extracted from the Part C of the user questionnaire which is shown in the data set as C1 – C30. For each statement the researcher has identified an abstract noun and defined it in front of the statements.

By using the principal component analysis as an extraction method of the factor analysis the researcher was able to extract a pattern of occurrences along with the thirty statements and the five factors which are described later in the research.

The statements in the table are defined according to the five categories (*Technology, Accessibility, Benefit, Service and Security*) which are designed in the new ‘TABSS’ theory of the conceptual framework of this research.

Table - 8: Factors Effecting Switching Cost

| Statements | Factors | | | | |
|----------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | R | S | A | D | C |
| C10- The bank product have easy access through Internet Banking (Easy –Access) | .836 | .142 | -.023 | -.143 | -.147 |
| C6- The bank applies more technology to meet customer needs (Technology) | .772 | .173 | -.016 | -.225 | -.041 |
| C19- I get updated information from Internet Banking (Currency of Service) | .765 | -.223 | -.087 | .000 | .064 |
| C3- My expectations are met with latest technology (Expectations) | .713 | .003 | .067 | .005 | -.199 |
| C18- The bank value added features may gain more customers (Value added Benefits) | .613 | .209 | -.145 | .106 | .031 |
| C13- I am satisfied with the responsive Internet Banking service (Personal Benefits) | .534 | .131 | -.139 | .190 | .197 |
| C29- The bank always trust their customers on transactions (Bank-Trustworthiness) | .513 | -.284 | .201 | .257 | .133 |
| C20- My queries are handled in a customer friendly manner (Attractiveness of Service) | .434 | -.068 | -.164 | .153 | .382 |
| C11- The bank services always meet customer expectations (Meet) | .413 | .124 | .352 | -.264 | .142 |
| C4- The bank products use technology to become unique among competitors. (Unique) | -.076 | .824 | .062 | -.266 | .211 |
| C9- I expect convenience through Internet Banking (Convenience) | .139 | .737 | -.179 | .224 | -.042 |
| C8- I feel speedy access helps to retain more customers (Speedy-Access) | -.031 | .633 | .132 | .240 | .031 |
| C16- Internet Banking always saves customer’s time (Time Benefits) | .069 | .577 | .348 | .256 | -.201 |
| C1-. I feel free to work with the latest technological banking applications (Free) | .069 | .566 | -.071 | .062 | -.140 |
| C5- The bank products are full of technical aspects (Aspects) | .153 | .481 | .298 | -.318 | .044 |
| C25- I am aware of security features in banks electronic products (Awareness) | .024 | -.001 | .796 | -.176 | .009 |
| C14- My service chargers are very low when dealing with Internet Banking applications (Cost Benefits) | -.169 | .074 | .724 | .188 | -.088 |
| C7- I am familiar to perform my transactions through Internet Banking (Familiar) | -.175 | .044 | .565 | .416 | -.107 |
| C12-The bank’s availability of service shows customer growth (Availability-Customer Growth) | .182 | .371 | .426 | .072 | .078 |
| C22- The bank provides accurate information through Internet Banking Services (Accuracy of Service) | .175 | -.151 | .316 | .246 | .260 |
| C15- I prefer different features offered by my service provider (Auxiliary Benefits) | .134 | .069 | .061 | .694 | .011 |
| C30- The bank’s duty is to maintain the customer secrecy (Responsibility) | .132 | .193 | -.340 | .634 | -.090 |
| C27- I expect more security on my information (Expectation) | -.246 | -.062 | .073 | .597 | .279 |
| C21- I always prefer Internet Banking because of its speedy service (Speed of Service) | -.094 | .131 | .360 | .597 | -.005 |
| C26- I always trust my bank when it comes to personal information (Customer-Trustworthiness) | -.030 | .016 | .135 | .035 | .718 |
| C2- I am not aware about technical features on latest applications (Features) | -.257 | .074 | -.359 | -.144 | .660 |
| C17- The bank always introduce competitive products to customers (Industrial Benefits) | .114 | .414 | -.209 | .136 | .599 |
| C28- The bank always gives priority to security issues (Responsiveness) | -.232 | .495 | .152 | .064 | .510 |
| C23- In general the bank provides most reliable products (Reliability of Service) | .235 | -.247 | .039 | .170 | .500 |
| C24- The bank provides up to date service (Continuity of Service) | .111 | -.354 | .309 | -.115 | .460 |

Source: SPSS computation of source data

By sorting them accordingly and based on their significant relationships among each other the five factors were defined in the above table.

Factor 1: Readiness (R) – Based on bank and customer expectations.

Factor 2: Strategy (S) – Based on products and methods applied.

Factor 3: Approach (A) – Based on customer growth and satisfaction.

Factor 4: Desire (D) – Based on availability of facilities.

Factor 5: Confidence (C) – Based on accomplish customer needs.

The above table - 8 illustrates the statements by describing each of the five factors above marked in bold letters.

The principal component factor analysis of thirty statements was done for five factors and out of all items there were five eigenvalues greater than 1.5, which together accounted for a total of 53.58% of variance. Therefore normal promax rotation for five factors was examined (see table-8). According to that the patterns of factor loadings seem quite consistent across the thirty statements.

According to the above table-8 the factor (Readiness) extracts nine independent variables with positive values. The statement C10 determines to show *Easy Access* with highest positive value of 0.836 while statement C6 shows *Technology* as the second highest value of 0.772. The statement C19 shows *Currency of service* as the third highest value of 0.765 score where the statement C3 shows *Expectations* as the fourth highest value of 0.713. Likewise the statement C18 shows *Value added benefits* as the value of 0.613, the statement C13 shows *Personal benefits* as the value of 0.534, the statement C29 shows *Bank Trustworthiness* as the value of 0.513, the statement C20 shows *Attractiveness of service* as the value of 0.434 and the statement C11 illustrates *Meet* (fulfillment) as the value of 0.413.

The outcome of the final results for nine statements of the factor (Readiness) shows a decreasing value pattern. Therefore all the nine statements will cover one particular area of service expectation and identified as *Readiness*.

The factor *Strategy* extracts six independent variables with positive values. The statement C4 illustrate *Uniqueness* as the highest positive value of 0.824 while statement C9 shows *Convenience* as the second highest value of 0.737. The statement C8 shows *Speedy Access* as the third highest value of 0.633 where as the statement C16 illustrates *Time Benefit* as the next highest value of 0.577. The statement C1 shows *Free* as the value of 0.566 and the statement C5 illustrates *Aspect* as the final value of 0.481.

The outcome of the six statements indicates a decreasing value pattern for the factor *Strategy*. Therefore each of the six statements will cover one particular area of product applicability and be identified as the *Strategy*.

The factor *Approach* extracts five independent variables with positive values. The statement C25 shows *Awareness* as the highest value of 0.796 while the statement C14 shows *Cost benefits* as the second highest value of 0.724. The statement C7 illustrates *Familiar* as the third highest value of 0.565. The statement C12 shows *Availability of customer growth* as the next value of 0.426 and the statement C22 illustrates *Accuracy of service* as the value of 0.316.

The final outcome of the five statements shows a decreasing value pattern for the factor *Approach*. Therefore the five statements will cover one particular area of customer's satisfaction and identified as *Approach*.

The factor *Desire* extracts four independent variables with positive values. The statement C15 shows *Auxiliary Benefits* as the highest value of 0.694 where the statement C30 illustrates *Responsibility* as the second highest value of 0.634. The statement C27 shows *Expectation* as the next highest value of 0.597 and the statement C21 shows *Speed of service* a value of 0.597. According to the table both statements C27 and C21 show the identical values for the variable *Expectation* and *Speed of service*.

The outcome of the four statements indicates a decreasing value pattern for the factor *Desire*. Therefore the four statements will cover one particular area of pleasing customer requirement and identified as *Desire*.

The factor *Confidence* extracts six independent variables with positive values. The statement C26 shows *Customer Trustworthiness* as the highest positive value of 0.718 while the statement C2 illustrates *Features* as the second highest value of 0.660. The statement C17 shows *Industrial benefits* as the next highest value of 0.599 where the statement C28 shows *Responsiveness* as the value of 0.510. The statement C23 illustrates *Reliability of service* as the value of 0.500 and the statement C24 shows *Continuity of service* as the last value of 0.460.

The final outcome of the six statements indicates a decreasing value pattern for the factor *Confidence*. Therefore the six statements will cover one particular area of accomplishment the customer needs as *Confidence*.

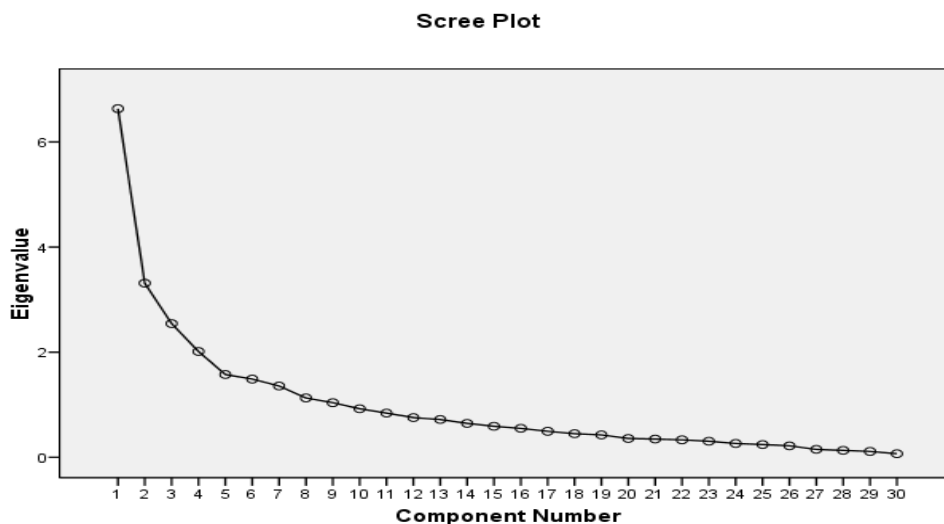


Figure - 12: Factors Effecting Switching Cost
Source: Survey data

According to researchers in principal component analysis, it has been argued that Kaiser Criterion of retaining factors with Eigenvalues greater than one appears to be most appropriate especially when the sample to variable ratio is large. Therefore the above figure-12 shows a smooth curve of scree plot with the Eigenvalues 1.5 and above.

The scree test shows the pattern of Eigenvalues for breaks or discontinuity and it is quite effective when strong factors are presented. The Monte Carlo Studies by Tucker et al. (1969) also shows that the scree test results are better than the Eigenvalues greater than one concept.

The scree plot in the figure - 12 was drawn by selecting the five factors using the thirty statements as the X axis and Eigenvalues as the Y axis. It shows a decreasing smooth curve from top left to right bottom for the five strong factors which was identified with an uneven point between 6 and 7 statements where the Eigenvalues are 1.35 and 1.48. Accordingly others did not show any significant difference. The computation of source data is shown in Appendix II.

4.4.2 Behavioural Patterns of Customers on Switching Cost

The researcher has selected the cluster analysis method to identify the behavioural and contextual situation of customers. By selecting the same dataset in SPSS the k-means cluster analysis was selected and five cluster centers were considered as variables along with literate and classify method. In the final output the final cluster center was considered as shown in table - 9.

Table - 9: Behavioural patterns of customers on Switching Cost

| | UC | DC | OC | CC | AC |
|------------|-------|-------|-------|-------|-------|
| Readiness | -0.52 | 0.24 | 2.02 | 0.39 | 3.73 |
| Strategy | -0.21 | -0.22 | 3.71 | 1.66 | -1.43 |
| Approach | -0.63 | 0.61 | -0.09 | 1.18 | 0.29 |
| Desire | -0.24 | 0.58 | 2.55 | -0.89 | -1.19 |
| Confidence | -0.63 | 0.89 | -1.05 | 0.35 | 0.30 |

Source: SPSS computation of source data

Sorting them accordingly and based on their significant relationships and user acceptance among each other (Figure – 13) the five clusters were defined in the above table.

- Cluster 1:** Unsatisfied Customer (UC) – Based on total negative factors
- Cluster 2:** Delighted Customer (DC) - Based on positive factors
- Cluster 3:** Organized Customer (OC) – Based on extremely high factors
- Cluster 4:** Constructive Customer (CC) – Based on high positive and negative factors
- Cluster 5:** Apprehensive Customer (AC) – Based on comparatively high Positive and two negative factors

According to the above table it shows the cluster 1 (*Unsatisfied Customer*) with negative values for all five factor scores between 0 and -1. The cluster 2 (*Delighted Customer*) shows one negative value for factor score 2 and four positive values while cluster 3 (*Organized Customer*) illustrates two negative values for factor score 3 and 5 and three extensively high positive values. The cluster 4 (*Constructive Customer*) shows one negative value for factor score 4 along with four positive factors cluster 5 (*Apprehensive Customer*) shows two negative values for factor score 2 and 4. The balance three factors are with positive values. Out of the three the first factor shows an extremely high positive value. This shows a high response from the Internet Banking users. The following figure - 6 elaborates the five factors with a bar chart and will be explained below.

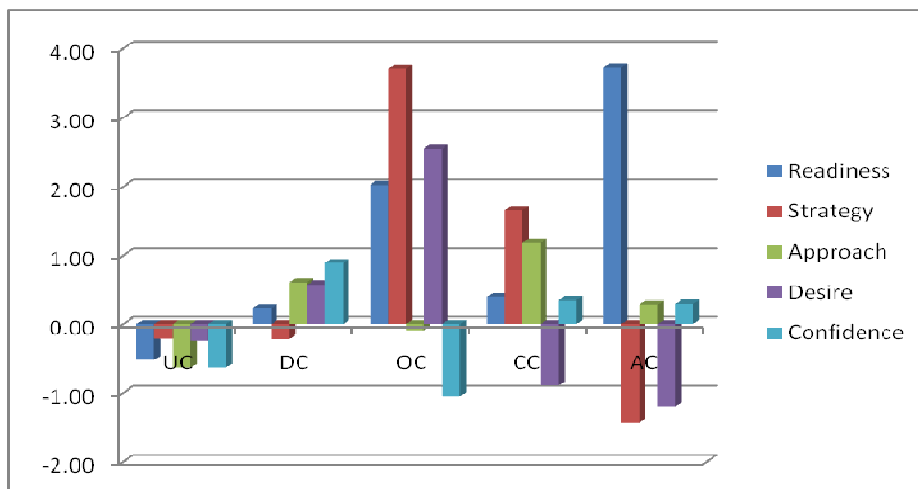


Figure - 13: Behavioural Patterns of Customers on Switching Cost
Source: Survey data

The figure - 13 above shows five clusters and each cluster is represented by five strong factors. In the first cluster *Unsatisfied Customer* all the factors are shown as negative values. The factor 1 *Readiness* shows a negative value in the first cluster while in the other four clusters it is represented as positive values. In cluster OC and AC it shows a high positive

value and in cluster DC and CC it is represented as very low positive values. Therefore the factor 1 *Readiness* seems to be acceptable for cluster DC, OC, CC and AC except in cluster UC. Thus in cluster UC it shows that banks are trying their best to attract more customers with technological products through Internet Banking Services but the customers are not willing to accept this great opportunity.

When considering the second factor *Strategy* it shows negative values in cluster UC, DC and AC while positive values are shown in cluster OC and CC. In cluster UC and DC the negative values are very low but in cluster AC it shows a significant negative value. In cluster OC and CC the second factor *Strategy* shows significant high positive values and seems to be acceptable by the Internet Banking customers. Thus in cluster UC it shows that banks are trying their best to attract more customers by applying strategies through Internet Banking Services but the customers are not ready for the challenge.

The third factor *Approach* shows negative values for cluster UC and OC while in cluster DC, CC and AC it shows positive values. In cluster CC it shows a fairly high positive value for factor *Approach* which shows an acceptable response by the Internet Banking customers. Therefore in cluster UC it shows that banks are trying their best to attract more customers with different approaches through Internet Banking Services but the customers are not making use of the new approaches.

In the fourth factor *Desire* shows negative values for cluster UC, CC and AC while positive values are shown in cluster DC and OC. The positive value in cluster OC seems to be significantly high which shows a very high response by the Internet Banking customers. But the negative values in cluster CC and AC are much higher than the value in cluster UC. Although this shows a negative value in the cluster UC it seems that banks are trying their best to retain their customers by fulfilling their needs through Internet Banking Services but the customers do not seem to be satisfied with the things that they are provided with

Finally the fifth factor *Confidence* shows the negative values on cluster UC and OC while clusters DC, CC and AC elaborate positive values. This shows low response by the Internet Banking users regarding the Internet Banking product. When considering the positive values the cluster DC shows a fairly high value when compared to other clusters which were

acceptable by Internet Banking users. But in cluster OC there is a significant negative value for the factor 5 when comparing with the cluster UC. Therefore in cluster UC it shows that banks are trying their best to extract more customers with confidence for Internet Banking Services but the customers are not making use of the new methods.

In the final results the entire cluster 1 *Unsatisfied Customer* shows all the factors are with negative values and it seems the banks are using their maximum resources such as *Readiness, Strategy, Approach, Desire and Confidence* for their Internet Banking customers. But the customers are not ready to accept such composed technological products.

The final outcomes in the entire cluster 2 *Delighted Customer* illustrates four factors *Readiness, Approach, Desire and Confidence* are with positive values and only one factor *Strategy* is in a negative value. This indicates that the Internet Banking customers have fairly accepted their banks offer but the Internet Banking customers do not seem to be willing to accept the strategies adopted by the banks.

The entire cluster 3 *Organized Customer* finally shows three significant positive values for *Readiness, Strategy and Desire* factors by the Internet Banking customers, while two negative values are shown for *Approach and Confidence* factors by the same segment of customers. This shows some customers do not accept the bank's approach on Internet Banking Services and they are less confident on new products

In entire cluster 4 *Constructive Customer* the final outcomes shows four positive values for factors *Readiness, Strategy, Approach and Confidence* by the Internet Banking customers but it shows a negative value for the factor *Desire* by the same set of customers. This indicates customers' preference towards the technically composed Internet Banking Services.

The final results of cluster 5 *Apprehensive Customer* shows positive values for the factors of *Readiness, Approach and Confidence* of Internet Banking customers while negative values are shown for factor *Strategy and Desire*. Therefore the Internet Banking customers are with banks readiness and the approach and have confidence on the new products. At the same time they are a having negative impact on the strategies the banks have adopted and how their wishes are fulfilled.

4.4.3 Significant relationship among the cluster of customers based on their Demographic Characteristics.

The researcher has selected the Chi-square method to identify the P-Value, the significant differences among the cluster of customers based on their demographic characteristics. By using the data set in SPSS the cross tabulation method was used to get the significant relationship among the cluster of customers based on their demographic characteristics shown in the conceptual Framework.

According to the previous researches they have shown the significant value range as $P = 0.00 < 0.05$. Therefore the values from 0.05 – 0.025 it is considered as somewhat significant. The values 0.025 – 0.00 is considered as extremely significant. The table -10 shows the significant values for the demographic information that was gathered from the user questionnaire.

Table - 10: Significant Differences among Cluster of Customers on Contextual Situations

| Demographic Information | Significant (P- Value) |
|---------------------------------|-------------------------------|
| Age | 0.00 |
| Gender | 0.04 |
| Education Level | 0.00 |
| Occupation | 0.14 |
| Monthly Income | 0.00 |
| IT Literacy Level | 0.00 |
| Years of Experience | 0.17 |
| Duration of Internet Banking | 0.05 |
| Balance Inquiry/ Fund Transfers | 0.14 |
| Utility Bill Payments | 0.00 |
| Foreign Currency Transactions | 0.00 |
| Cheque/ Statement Request | 0.00 |
| All Above services | 0.14 |

Source: SPSS computation of source data

The above table shows extreme significant values for age, gender, education, income, IT literacy, Internet Banking, bill payments, foreign currency transactions and cheque/ statement request options for the demographic information. The table shows none significant values for occupation, years of experience, balance inquiry/ fund transfer and all above service options which exceeds the significant value range of the P-value.

Table - 11: Age vs Cluster Number of Cases

| Cluster Number of Cases | | | | | | |
|-------------------------|----|----|----|----|----|-------|
| Age | UC | DC | OC | CC | AC | Total |
| 18-27 | 42 | 31 | 0 | 4 | 0 | 77 |
| 28-37 | 47 | 26 | 0 | 3 | 5 | 81 |
| 38-47 | 28 | 26 | 0 | 17 | 2 | 73 |
| 48-57 | 8 | 4 | 5 | 1 | 1 | 19 |
| over 57 | 12 | 4 | 0 | 0 | 0 | 16 |

Source: SPSS computation of source data

According to the SPSS output (see table - 11) of the Chi-square method for the *age category* when it was cross tabulated with the cluster number of cases, out of 266 responses it shows 77 responses for the 18-27 age category, 81 responses for the 28 – 37 age category, 73 responses for the 38 – 47 age category, 19 responses for the 48 – 57 age category and 16 responses for age over 57 category.

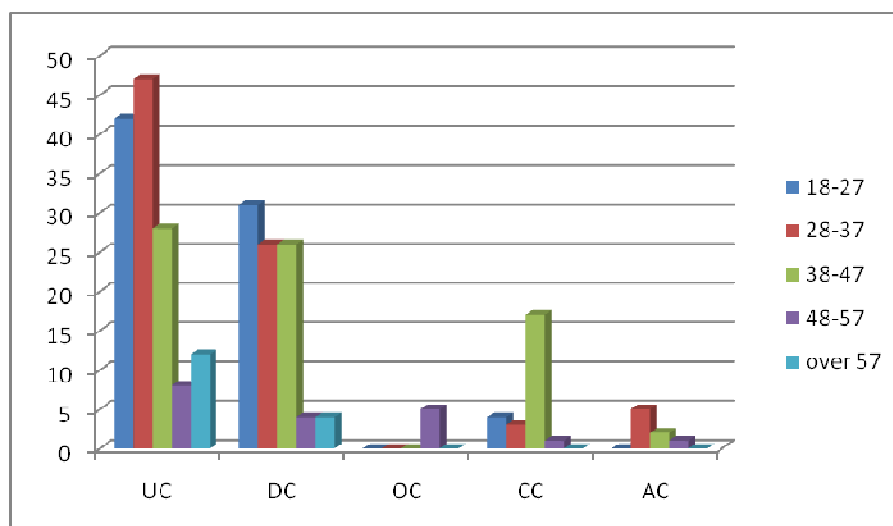


Figure - 14: Age vs Cluster Number of Cases
Source: Survey data

The above figure - 14 shows five cluster number of cases. In each cluster, number of Internet Banking customers who come under the age group between 18-27 is shown respectively 42, 31, 0, 4 and 0. The age group between 28-37 are shown as 47, 26, 0, 3 and 5, the age group between 38-47 are shown as 28, 26, 0, 17 and 3, the age between 48-57 are shown as 8, 4, 5, 1 and 1 and the age over 57 are shown as 12, 4, 0, 0 and 0. Therefore according to the above figure the cluster number of cases UC and DC shows a significant high response from customers who belong to a mixed age group who are interested in Internet Banking Services.

Table - 12: Gender vs Cluster Number of Cases

| Cluster Number of Cases | | | | | | |
|-------------------------|----|----|----|----|----|-------|
| Gender | UC | DC | OC | CC | AC | Total |
| Male | 99 | 50 | 5 | 17 | 6 | 177 |
| Female | 38 | 41 | 0 | 8 | 2 | 89 |

Source: SPSS computation of source data

The cross tabulated values for *gender category* shows (see table - 12) 177 male to 89 female responses.

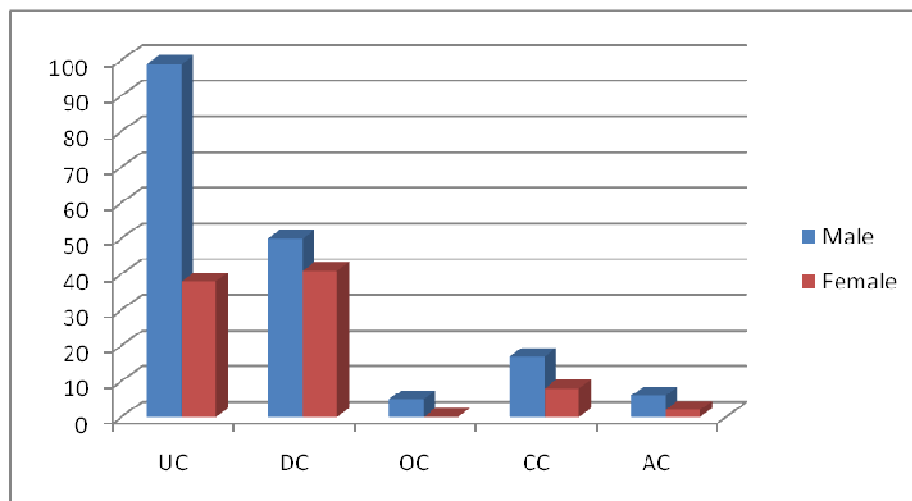


Figure - 15: Gender vs Cluster Number of Cases

Source: Survey data

The above figure - 15 shows five cluster number of cases. In each cluster the Internet Banking customers are considered gender wise. According to the figure there are 99, 50, 5, 17 and 6 male customers in each cluster number of cases while there are 38, 41, 0, 8 and 2 female customers in each cluster number of cases Therefore according to the above figure the cluster number of cases UC and DC shows a significant high response from both male and female customers who are involved in Internet Banking Services.

Table - 13: Qualifications vs Cluster Number of Cases

| Cluster Number of Cases | | | | | | |
|-------------------------|----|----|----|----|----|-------|
| Qualification | UC | DC | OC | CC | AC | Total |
| Primary Q | 4 | 1 | 0 | 0 | 0 | 5 |
| Secondary Q | 20 | 19 | 0 | 1 | 0 | 40 |
| Professional Q | 60 | 34 | 0 | 12 | 2 | 108 |
| Bachelor D | 28 | 24 | 1 | 5 | 6 | 64 |
| Postgraduate D | 25 | 13 | 4 | 7 | 0 | 49 |

Source: SPSS computation of source data

When the *education qualifications* were cross tabulated (see table - 13) it showed 5 responses for primary qualification, 40 responses for secondary qualifications, 108 responses for professional qualifications, 64 responses for bachelors degree and 49 responses for post graduate degree.

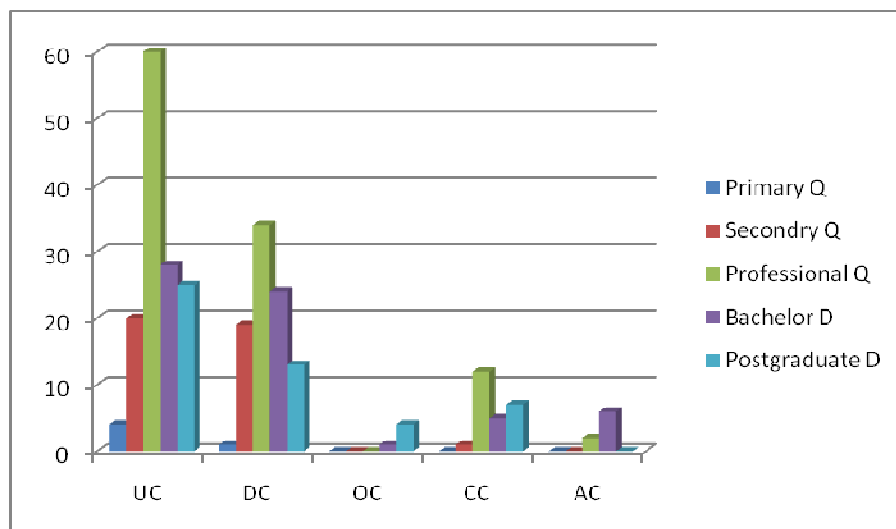


Figure - 16: Qualifications vs Cluster Number of Cases

Source: Survey data

The above figure - 16 shows five cluster number of cases. In each cluster the Internet Banking customers were considered according to their qualifications. The primary qualification customers for all cluster number of cases are shown as 4, 1, 0, 0 and 0, For secondary qualification customers are shown as 20, 19, 0, 1 and 0, the number of professional qualification customers are shown as 60, 34, 0, 12 and 2, for bachelor's degree customers are shown as 28, 24, 1, 5 and 6 and for postgraduate degree customers it indicates 25, 13, 4, 7 and 0 values. Therefore according to the above figure the cluster number of cases UC and DC shows significant number of qualified customers who are involved in Internet Banking Services.

Table - 14: Occupation vs Cluster Number of Cases

| Occupation | Cluster Number of Cases | | | | | Total |
|------------|-------------------------|----|----|----|----|-------|
| | UC | DC | OC | CC | AC | |
| Student | 12 | 5 | 0 | 0 | 0 | 17 |
| Employed | 96 | 76 | 4 | 25 | 8 | 209 |
| Freelance | 23 | 7 | 1 | 0 | 0 | 31 |
| Housewife | 6 | 3 | 0 | 0 | 0 | 9 |

Source: SPSS computation of source data

The cross tabulation value for *occupation* category (see table - 14) shows 17 students, 209 employed persons, 31 freelance persons and 9 housewives.

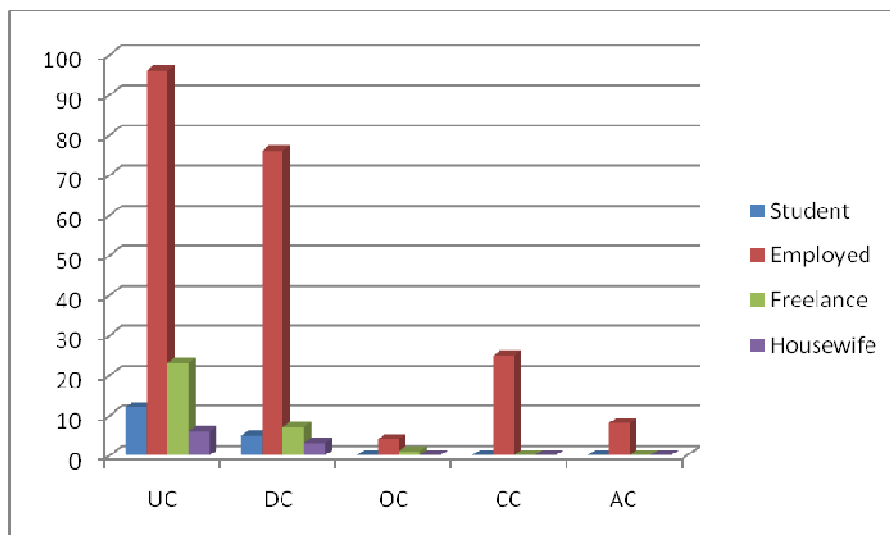


Figure-17: Occupation vs Cluster Number of Cases

Source: Survey data

The above figure - 17 shows five cluster number of cases. In each cluster the Internet Banking customers are considered according to their occupation. For the student category it represents 12, 5, 0, 0 and 0 values for the five cluster number of cases. The employed customers are represented as 96, 76, 4, 25 and 8, for freelance customers are represented as 23, 7, 1, 0 and 0 and housewives are represented as 6, 3, 0, 0 and 0. Therefore according to the above figure the cluster number of cases UC and DC shows significantly high number of employed customers who are involved in Internet

Table - 15: Monthly Income vs Cluster Number of Cases

| Cluster Number of Cases | | | | | | |
|---------------------------|----|----|----|----|----|-------|
| Monthly Income | UC | DC | OC | CC | AC | Total |
| Less than Rs. 15,000.00 | 10 | 7 | 0 | 0 | 0 | 17 |
| Rs. 15,000.00 - 35,000.00 | 23 | 15 | 0 | 0 | 1 | 39 |
| Rs. 35,000.00 - 55,000.00 | 38 | 12 | 2 | 7 | 6 | 65 |
| Rs. 55,000.00 - 75,000.00 | 30 | 13 | 0 | 9 | 1 | 53 |
| More than Rs. 75,000.00 | 36 | 44 | 3 | 9 | 0 | 92 |

Source: SPSS computation of source data

The *monthly income level* was cross tabulated and the output values (see table - 15) were shown as 17 responses for less than Rs. 15,000.00 category, 39 responses for Rs. 15,000.00 – 35,000.00, 65 responses for Rs. 35,000.00 – 55,000.00, 53 responses for Rs. 55,000.00 – 75,000.00, and 92 responses for more than Rs.75,000.00

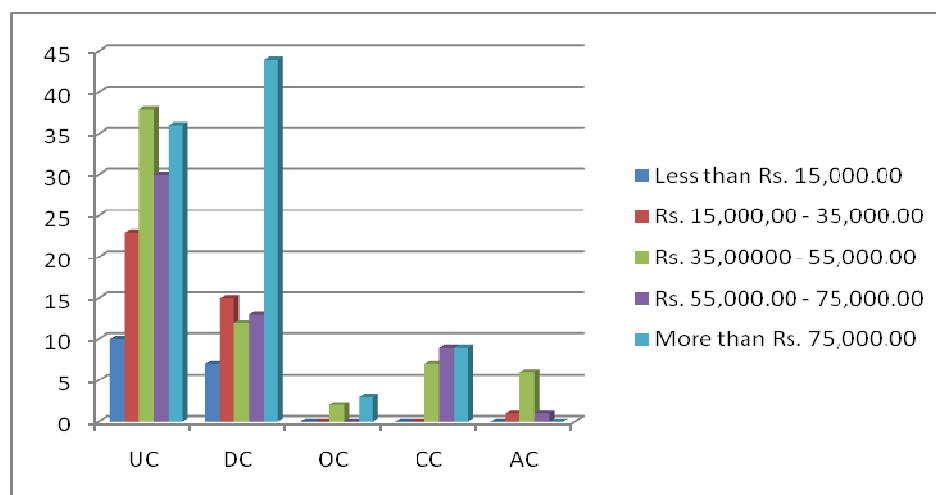


Figure - 18: Monthly Income vs Cluster Number of Cases

Source: Survey data

The above figure - 18 shows five cluster number of cases. In each cluster the Internet Banking customers are considered according to their monthly income level. The customers who are less than Rs. 15,000.00 income level is represented as 10, 7 0, 0 and 0 values for all five cluster number of cases. The customers' income levels between Rs. 15,000.00 – 35,000.00 are represented as 23, 15, 0, 0 and 1, the customers who fall into the category of Rs. 35,000.00 – 55,000.00 income level represents as 38, 12, 2, 7 and 6, the customers' income levels between Rs. 55,000.0 – 75,000.00 are represented as 30, 13, 0, 9 and 1 and the customers whose income levels are more than Rs. 75,000.00 are shown as 36, 44, 3, 9 and 0.

Therefore according to the above figures the cluster number of cases UC and DC represent a significant high income level of customers who are involved in Internet Banking Services.

Table - 16: IT Literacy Level vs Cluster Number of Cases

| Cluster Number of Cases | | | | | | |
|-------------------------|----|----|----|----|----|-------|
| IT Literacy Level | UC | DC | OC | CC | AC | Total |
| Not at all | 1 | 0 | 0 | 0 | 0 | 1 |
| Basic | 12 | 9 | 0 | 7 | 1 | 29 |
| Average | 63 | 52 | 5 | 17 | 7 | 144 |
| High | 61 | 30 | 0 | 1 | 0 | 92 |

Source: SPSS computation of source data

When *IT literacy level* is cross tabulation the values (see table - 16) are shown as 1 response for not at all category, 29 responses for basic category, 144 responses for average category and 92 responses for the high category.

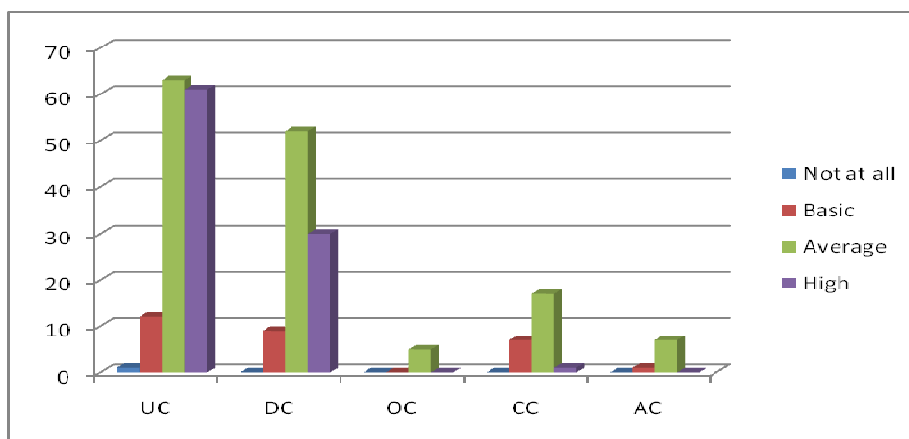


Figure - 19: IT Literacy Level vs Cluster Number of Cases

Source: Survey data

The above figure - 19 shows five cluster number of cases. In each cluster the Internet Banking customers are considered according to their IT Literacy Level. The not at all customer category is represented as 1, 0, 0, 0 and 0 values for all five cluster number of cases. The basic customers are represented as 12, 9, 0, 7 and 1, the average customers are represented as 63, 52, 5, 17 and 7 and the high customers are represented as 61, 30, 0, 1 and 0. Therefore according to the above figures the cluster number of cases UC and DC show a significant customer tale who's IT Literacy levels are in the range of basic, average and high are involved in Internet Banking Services.

Table-17: Years of Experience vs Cluster Number of Cases

| Cluster Number of Cases | | | | | | |
|-------------------------|-----|----|----|----|----|-------|
| Years of Experience | UC | DC | OC | CC | AC | Total |
| Less than 1 Year | 5 | 2 | 0 | 0 | 0 | 7 |
| 2 Years | 5 | 10 | 0 | 1 | 0 | 16 |
| 3 Years | 26 | 24 | 0 | 3 | 0 | 53 |
| More than 4 Years | 101 | 55 | 5 | 21 | 8 | 190 |

Source: SPSS computation of source data

The *years of experience* were cross tabulated and the values (see table - 17) show 7 responses for less than the one year category, 16 responses for the two year category, 53 responses for the three year category and 190 responses for the more than four years category.

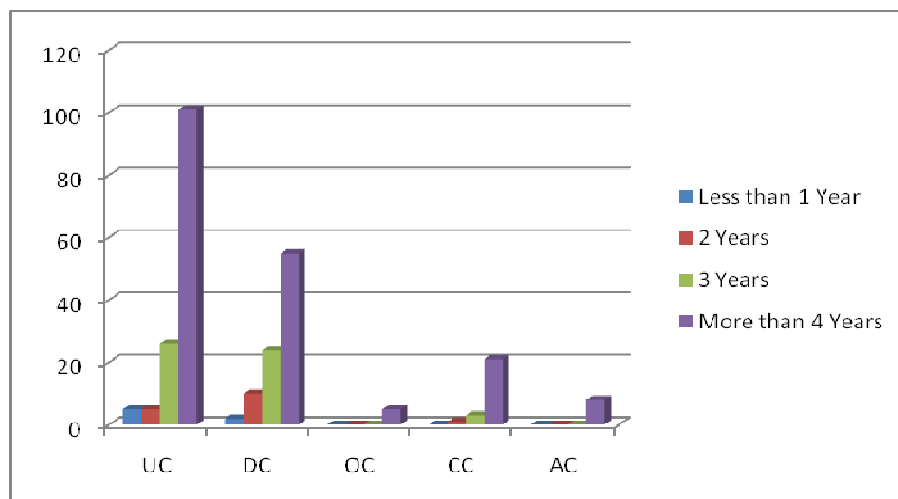


Figure - 20: Years of Experience vs Cluster Number of Cases

Source: Survey data

The figure - 20 shows five cluster number of cases. In each cluster the Internet Banking customers were considered according to their years of experience with the bank. For less than one year of experience it shows 5, 2, 0, 0 and 0 values for all five cluster number of cases. For two years of experience, it shows 5, 10, 0, 1 and 0, for three years of experience, it shows 26, 24, 0, 3 and 0 and for more than four years of experience, it shows 101, 55, 5, 21 and 8 values. Therefore according to the above figure the cluster number of cases UC and DC show a high customer rate that has more than 4 years of banking experience with their bank performing Internet Banking Services.

Table - 18: Duration of Internet banking vs Cluster Number of Cases

| Duration of Internet Banking | Cluster Number of Cases | | | | | Total |
|------------------------------|-------------------------|----|----|----|----|-------|
| | UC | DC | OC | CC | AC | |
| Less than 1 month | 2 | 0 | 0 | 0 | 0 | 2 |
| 2 Months | 13 | 16 | 0 | 3 | 0 | 32 |
| 3 Months | 11 | 14 | 0 | 8 | 2 | 35 |
| More than 4 Months | 111 | 61 | 5 | 14 | 6 | 197 |

Source: SPSS computation of source data

The *duration of Internet Banking* were cross tabulated and the values (see table - 18) show 2 responses for less than one month category, 32 responses for the two months category, 35 responses for the three months category and 197 responses for the more than four month category.

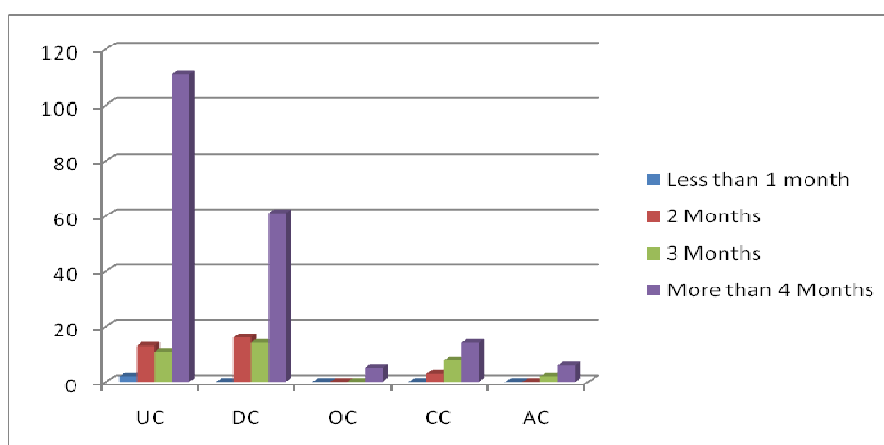


Figure - 21: Duration of Internet banking vs Cluster Number of Cases

Source: Survey data

The figure - 21 shows five cluster numbers of cases. In each cluster the Internet Banking customers are considered according to their duration of Internet Banking with their respective banks. For less than 1 month of Internet Banking it shows 2, 0, 0, 0 and 0 values for all five cluster number of cases. For 2 months of Internet Banking it shows 13, 16, 0, 3 and 0, for 3 months of Internet Banking it shows 11, 14, 0, 8 and 2 and for more than 4 months of Internet Banking it shows 111, 61, 5, 14 and 6 values. Therefore according to the above figure the cluster number of cases UC and DC show a high customer rate that has more than 4 months of Internet Banking usage with their bank.

When *Balance Inquiry/ Fund Transfer* (BIFT) were cross tabulated out of 266 responses 221 were the final response. The *Utility Bill Payments* (UBP) were cross tabulated the value shows 169 responses for UBP and 18 responses for *foreign currency Transactions* (FCT) while for *Cheque Statement Request* (CSR) the cross tabulated value was 69 responses. Finally for *the entire* category the cross tabulated value was 41 responses.

Finally when considering all the demographic information crosstabs it shows the cluster number of cases UC and DC represent a high significant values throughout the analysis process.

Table - 19: Frequency Percentage on Internet Banking Services

| Internet Banking Services | Percent |
|----------------------------------|----------------|
| BIFT | 83.08 |
| UBP | 63.53 |
| FCT | 6.77 |
| CSR | 25.94 |
| ALL | 15.41 |

Source: SPSS computation of source data

The above table was used to elaborate the use of Internet Banking service options by the customers through the frequency method. The options were illustrated from the user questionnaire where it shows 83.08% response for Balance Inquiry\ Fund Transfer (BIFT), 63.53% response for Utility Bill Payments (UBP), 6.77% response for Foreign Currency Transactions (FCT), 25.94% response for Cheque\ Statement Request (CSR) and 15.41% response for (ALL) options.

The following figure - 22 illustrates the user response rate percentage wise for Internet Banking Services which was extracted through the user questionnaire.

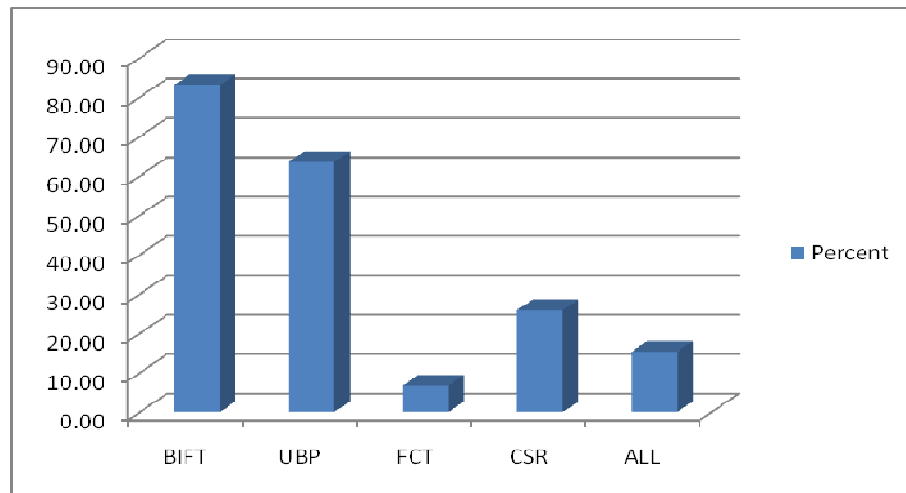


Figure - 22: Frequency Percentage on Internet Banking Services
Source: Survey data

4.4.4 Impact of Switching Cost on Customer Satisfaction and Customer Retention

The researcher has selected the descriptive analysis and the cross tabulation method to identify the first objective the *impact* of Switching Cost on Customer Satisfaction and Customer Retention. By using the data set in SPSS the compare means method was used to get the mean value between Switching Cost and cluster numbers of cases which is shown in table - 20.

The mean score was used to elaborate the impact of the Switching Cost. The ten abstract nouns shown under the Switching Cost were designed at the time of preparing the questionnaire. According to the table it shows *Number of responses, Mean value and Standard Deviation* for each of the five cluster number of cases.

Out of the following three components only the mean value was considered to draw the following radar chart which clearly elaborates the impact of Switching Cost with the pattern of cluster number of cases.

Table - 20: Impact of Switching Cost

| Switching Cost | Cluster Numbers of Cases | | | | | | | | | | | | | | |
|-------------------|--------------------------|-------------|------|----|-------------|------|----|-------------|------|----|-------------|------|----|-------------|------|
| | UC | | | DC | | | OC | | | CC | | | AC | | |
| | N | M | SD | N | M | SD | N | M | SD | N | M | SD | N | M | SD |
| Hassle (B1) | 137 | 2.01 | 0.91 | 91 | 2.65 | 1.19 | 5 | 4.00 | 0.00 | 25 | 2.00 | 0.00 | 8 | 1.00 | 0.00 |
| Money (B2) | 137 | 2.85 | 1.17 | 91 | 3.74 | 1.06 | 5 | 4.00 | 0.00 | 25 | 4.00 | 0.00 | 8 | 5.00 | 0.00 |
| Time (B3) | 137 | 2.51 | 0.96 | 91 | 2.97 | 1.12 | 5 | 4.00 | 0.00 | 25 | 2.64 | 0.95 | 8 | 5.00 | 0.00 |
| Effort (B4) | 137 | 2.55 | 1.04 | 91 | 3.12 | 1.11 | 5 | 4.00 | 0.00 | 25 | 3.36 | 0.95 | 8 | 2.00 | 0.00 |
| Technology (B5) | 137 | 1.86 | 0.78 | 91 | 2.54 | 0.90 | 5 | 3.00 | 0.00 | 25 | 3.60 | 1.26 | 8 | 5.00 | 0.00 |
| Accessibility(B6) | 137 | 1.86 | 0.68 | 91 | 2.46 | 0.93 | 5 | 3.00 | 0.00 | 25 | 2.00 | 0.00 | 8 | 5.00 | 0.00 |
| Benefit (B7) | 137 | 1.75 | 0.58 | 91 | 2.24 | 0.67 | 5 | 3.00 | 0.00 | 25 | 2.88 | 0.83 | 8 | 3.00 | 0.00 |
| Service (B8) | 137 | 1.89 | 0.50 | 91 | 2.46 | 0.82 | 5 | 3.00 | 0.00 | 25 | 2.20 | 0.91 | 8 | 2.00 | 0.00 |
| Security (B9) | 137 | 1.88 | 0.63 | 91 | 2.46 | 0.87 | 5 | 3.00 | 0.00 | 25 | 3.84 | 0.94 | 8 | 5.00 | 0.00 |
| Risky (B10) | 137 | 2.83 | 0.94 | 91 | 2.46 | 0.79 | 5 | 3.00 | 0.00 | 25 | 3.52 | 0.59 | 8 | 1.00 | 0.00 |

Source: SPSS computation of source data

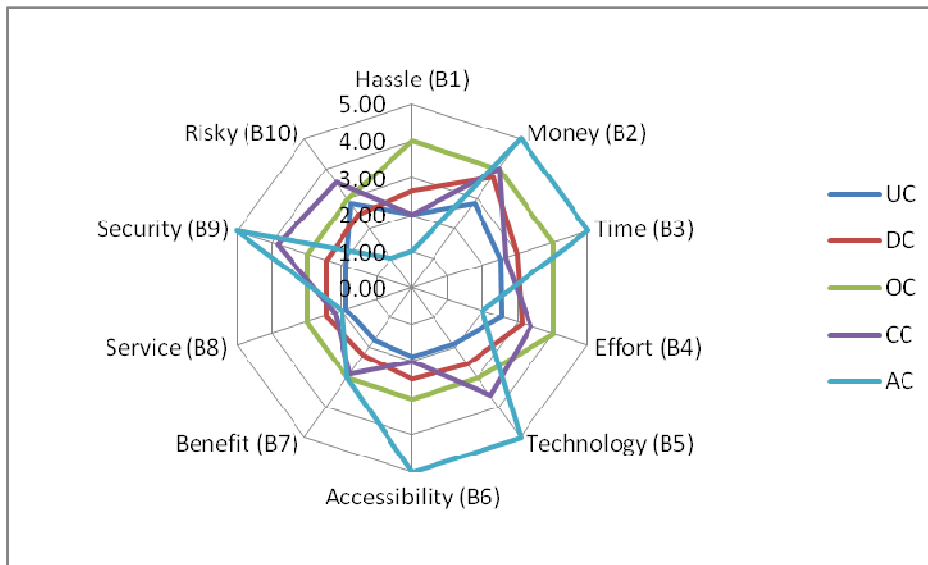


Figure - 23: Impact of Switching Cost vs Pattern of Cluster Number of Cases

Source: Survey data

Based on the results of the above table the figure - 23 shows the first cluster number of cases the *Unsatisfied Customer* curve is almost close to the mean value 3.0 at the abstracts B2, B3, B4 and B10. For all the other abstracts the curve shows the mean value is about two or less than two.

Therefore the impact on Switching Cost is revolving around *Money, Time, Effort and Risk* aspects of the Switching Cost among Unsatisfied Customer segment.

The second cluster number of cases the *Delighted Customer* curve shows a significant mean value 3.74 at abstract B2 while at B3 and B4 it almost exceeds the mean value three. For all the other abstracts the curve shows an average mean value of 2.5.

Therefore the impact on Switching Cost is spinning around the *Money* aspect of the Switching Cost among Delighted Customer segment.

The third cluster number of cases the *Organized Customer* curve shows a significant high mean value of 4.0 for abstract B1, B2, B3 and B4 while for all the others show an average value of 3.0.

Thus the impact on Switching Cost rotates around *Hassel, Money, Time and Effort* aspects of Switching Cost on Organized Customers.

The fourth cluster number of cases the *Constructive Customer* curve shows a significant high mean value of 4.0 for abstract B2 while for B4, B5 and B9 it shows the second highest mean value. All the others are shown with an average mean value 2.3.

Therefore the impact on Switching Cost is highly revolving around the *Money* aspect of Switching Cost on Constructive Customers.

Finally the fifth cluster number of cases the *Apprehensive Customer* curve shows a high significant mean value of 5.0 on five abstracts B2, B3, B5, B6 and B9 while the others shows a significant low mean value of three or less.

Thus the impact on Switching Cost is rotating around *Money, Time, Technology, Accessibility and Security* aspects of Switching Cost on Apprehensive Customers.

Finally it shows the high impact on Switching Cost towards all the ten abstracts except *Benefit and Service* under the five customer categories. Thus for the first objective it shows that there is an *impact* of Switching Cost on Customer Satisfaction and Customer Retention with clear evidence. The computation of source data is shown in Appendix III.

4.5 Chapter Summary

This chapter was initiated by analyzing the samples which were under consideration. The demographics of the data samples, distribution of questionnaire and the final response were presented in a table and a graphical format. The responses obtained for each bank was then illustrated. The composition of the respondents was then briefly introduced. A detailed illustration of responses according to the different variables was given, with supporting statistical analysis.

The descriptive analysis of Switching Cost was elaborated through a frequency table and a scree plot. Then by using SPSS as a statistical tool the analysis of Switching Cost, Customer Satisfaction and Customer Retention was done by using factor, cluster and chi-square methods. The above three methods were broadly described by using tables and charts having comparisons with each factors and clusters. The part C of the questionnaires was narrowed down to sort the factors and was clearly identified. Then the factors were defined specifically to adhere to the clear requirement. After that the clusters were defined accordingly to describe the objectives.

Finally all findings were presented in a summarized format and the discussions of these findings would be presented in the next chapter.

References:

Stewart, D.W. (1981) The Application and Misapplication of Factor Analysis in Marketing Research. *Journal of Marketing Research*, 18 (1), 51-62

Tucker, L.R., Koopman, R.F. and Linn R.L. (1969) Evaluation of factor analytic research procedures by means of simulated correlation matrices, *Psychometrika*, 34, 421-459.

CHAPTER 5

DISCUSSION

5.1 *Introduction*

The previous chapter presented the data and the findings which were collected through different methods of analysis. This chapter would focus on the discussions of those findings. The objectives 1, 2, 3 and 4 will be explained initially with actual results and their hypotheses. The objective 5 will be explained later with imaginable predictable results of Negative, Moderate and Positive categories, by using statistical inference methods and the results would be illustrated by considering the total outcome. Then, the statistical analysis of important variables would be followed. The new findings or the modifications to the proposed conceptual Framework would be illustrated afterwards. This would be based on the triangulation performed on customer data, statistical analysis of questionnaire data and uncovered information from previous researchers.

The section 5.2 briefly describes the achievements of the objectives and the rejection of the null hypothesis statements along with a brief introduction. Next it will discuss the analysis method used to achieve the second objective, defining the strong abstract nouns and the final outcome with the acceptance or rejection of the objectives and the null hypothesis. The analysis method to discuss the third objective was considered next. Identifying the clusters and the final outcome will be briefly described with the acceptance or rejection of the objectives and the null hypothesis statement. The discussion of the fourth objective was considered along with the analysis method and the final outcome will be described. Finally the objectives first and the fifth will be discussed along with their outcome.

The section 5.3 briefly summarizes the *Chapter 5* by illustrating the research analysis methods. This chapter indicates the discussion of the final analysis and the description of the final output of the objectives.

5.2 Achievements of the Objectives.

This study is the first in which a concept model based on Customer Satisfaction and Customer Retention for Internet Banking Services has been applied to explain the Switching Cost in Sri Lankan commercial banking industry.

Thus the objective of this research was to examine the Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services. This will mainly focus on the five objectives and the three hypotheses which the researcher has already mentioned in Chapter I (Page 7-8). The objectives 1– 4 will be explained first with the actual results and the objective 5 will be followed with imaginable, predictable results.

This empirical research was conducted in the context of Internet Banking Services in Sri Lankan commercial banks. Internet Banking Services provide excellent context to study customer satisfaction and Switching Costs on customer retention for a number of reasons. First, Internet Banking users have more power to choose and switch among a large number of Internet Banking Services on the Internet. This has caused power to shift from businesses to customers and has resulted in a lower level of customer retention (Kalakota and Whinston, 1996). Second, Internet Banking service is believed to be in a continuous purchasing setting which provides excellent context to study distinguished between Switching Costs, Customer Satisfaction and Customer Retention (Ranaweera and Prabhu, 2003).

There is a strong tendency for researchers to conduct analyses in a manner that is similar to what has been done before. Researchers do so because (a) they wish for their results to be directly comparable to past studies, (b) they honestly believe that procedures must be reasonable if so many people have used them in the past, or (c) they feel (perhaps correctly) that the easiest way to avoid difficulties in the peer review process is to do what has been done before.

The following sections will briefly illustrate the achievements of the objectives and the acceptance or the rejections of their hypotheses.

5.2.1 Achievement of objective II (Identify the factors of SC)

The above review has examined the decisions made and the results presented in factor analysis of the research. The major decisions made by researches are critically analyzed in this section and the information presented is then evaluated and discussed.

The results of this research support to identify the *factors* that affect Switching Cost of Customer Satisfaction and Customer Retention. The findings of this research are consistent with previous researches which have generally found a significant positive relationship between Customer Satisfaction and Customer Retention.

The factor analysis result is based on all respondents' support of the significant relationship among the thirty statements consisting of abstract nouns. According to the pattern matrix of the data analysis these statements were categorized into five factors and a strong relationship was identified between the five factors and the thirty abstract nouns. This highlighted the particular areas of service expectation, product applicability, customer satisfaction; pleasing customer requirements and accomplishment of the customer needs for Internet Banking Services. These areas were later defined as strong factors such as Readiness, Strategy, Approach, Desire and Confidence.

Thus the final outcome of the factor analysis method shows that it supports the significant *factors* that affect Switching Cost of Customer Satisfaction and Customer Retention with a strong dimension that the second objective was successfully achieved. The null hypothesis H1 which is setup as “*There are no specific factors that effecting Switching Cost, Customer Satisfaction and Customer Retention*” was rejected simultaneously.

5.2.2 Achievement of objective III (Identify the behavioural patterns of customers)

The above review has examined the decisions made and the results presented in cluster analysis of the research. The major decisions made by researches are critically analyzed in his section and the information presented is then evaluated and discussed.

The results of this research support to identify the *behavioural* patterns of customers on Switching Cost. The findings of this research are not consistent with the previous researches which have generally found a significant negative relationship between customer Switching Costs.

Based on their significant relationships among the five strong factors and user acceptance among each other the five clusters were identified. According to the data analysis the first cluster represented all negative values for the five strong factors. Thus the banks use their maximum resources such as Readiness, Strategy, Approach, Desire and Confidence for their Internet Banking customers. But the customers are not ready to accept such composed technological products. This may be due to their lack of awareness and knowledge on technology and product benefits.

The second cluster indicates that the Internet Banking customers have fairly accepted their banks offer but the Internet banking customers does seem willing to accept the (strategies) adopted by the banks. The third cluster shows some customers are not willing to accept the banks approach on Internet Banking Services and are less confident on new products. The fourth cluster elaborates customer preference towards the technically composed Internet Banking Services and finally the fifth cluster shows the negative impact on the strategies banks have adopted.

Thus the final results of the cluster analysis method shows that it supports the third objective the *behavioural* patterns of customers on Switching Cost with a strong set of clusters. The null hypothesis H2 setup as “*There are identical customers on Switching Cost based on their behavioural patterns*” was accepted simultaneously.

5.2.3 Achievement of objective IV (Identify the significant differences)

The review of the results has examined the decisions made and the results presented in chi-square analysis of the research. The major decisions made by researchers are critically analyzed and the information presented is then evaluated and discussed.

The results of this research support to identify the *significant differences* among the cluster of customers based on their demographic characteristics. The findings of this research are not consistent with the previous researches which have generally found a significant positive relationship between demographic information and Switching Costs, Customer Satisfaction and Customer Retention.

Based on the results of the data analysis ten out of thirteen demographic information shows extremely significant p-values. All the thirteen demographic information was later cross tabulated along with the cluster number of cases. According to the final output of the entire cross tabulations it elaborates the values for the cluster number of cases UC and DC with significant results on Internet Banking customers in the entire process.

Thus the final results of the chi-square analysis method show that it supports the fourth objective the *significant differences* among the cluster of customers based on their contextual situation. The null hypothesis H3 setup as “*There are no significant differences among the cluster of customers based on their contextual situation.*” was rejected simultaneously.

5.2.4 Achievements of objectives I and V (Identify the impact of SC and Reduce the gap between customers SC)

The above review has examined the decisions made and the results presented in comparing mean analysis of the research. The major decisions made by researches are critically analyzed in this section and the information presented is then evaluated and discussed.

The results of this research supports to identify the *impact* of Switching Cost on Customer Satisfaction and Customer Retention. The findings of this research are consistent with previous researches which have generally found a significant impact between Switching Cost and Customer Satisfaction and Customer Retention.

Based on the results of the data analysis it shows there is a high impact on Switching Cost which the first cluster number of cases has reached up to the mean value 3.0 at the *Money, Time, Effort and Risk* aspects. The second cluster numbers of cases has reached up to the mean value 3.74 at the *Money* aspect. Likewise the third cluster numbers of cases has reached up to the mean value 4.0 at the *Hassel, Money, Time and Effort* aspects. The fourth cluster number of cases has reached up to the mean value 4.0 at the *Money* aspect and finally the fifth cluster numbers of cases has reached up to the mean value 5.0 at the *Money, Time, Technology, Accessibility and Security* aspects. Therefore it shows the high impact on Switching Cost towards all the ten abstracts except *Benefit and Service* under the five customer categories. Thus for the first objective it shows that there is an *impact* of Switching Cost on Customer Satisfaction and Customer Retention with clear evidence.

This research also shows that the main impact of Switching Costs on Customer Satisfaction and Customer Retention was highly significant. Thus banks may try to increase Switching Costs adopted in this research as a means of retaining Internet Banking customers. Nevertheless, previous researches showed that customers could become bitter of Switching Costs especially if these costs led to a situation of a complete setup.

When considering the final objective to *reduce the gap between* customers Switching Cost and their satisfaction and retention the researcher has designed three criteria which come under Negative, Moderate and Positive categories. The mean value range will be defined accordingly.

| | | |
|-----------------|---|---------------------|
| Negative | – | Range (1.00 - 1.66) |
| Moderate | – | Range (1.66 – 3.32) |
| Positive | - | Range (3.32 – 4.98) |

The Switching Cost has 10 specific elements (see table-20). The first element *Hassle* shows five different mean values for the five cluster number of cases. According to the above criteria the first, second and fourth cluster number of cases 2.01, 2.65 and 2.00 falls under the Moderate criteria while the third case 4.00 is in the Positive criteria and the fifth case 1.00 is Negative. This shows moderate customers are generally not concerned to move towards a new bank and they do not think it is a hassle for them. The customers within the Positive criteria are more reluctant to move towards a new bank and they consider it as a hassle. The customers within the Negative criteria are always willing to move towards a new bank and they do not consider it a hassle.

Therefore it shows a mixed approach by the customers on hassle of Switching Costs and banks should consider this as an important fact to reduce the gap by maintaining a high Switching Costs to retain their valuable customers.

The second element *Money* shows the first cluster number of cases 2.85 is in the Moderate criteria while second, third, fourth and fifth cluster number of cases 3.74, 4.00, 4.00 and 5.00 falls under the Positive criteria. This shows customers within Moderate criteria are generally not concerned about money when switching to a new bank. At the same time the customer's perception within Positive criteria will cost them a lot of money when switching to a new bank.

Therefore it shows when concerning money most of the customers who are at the positive end will not consider it a barrier to switch over. Thus banks should consider maintaining high

Switching Cost to reduce the gap between customers Switching Cost and their satisfaction and retention.

The third element *Time* shows the first, second and fourth cluster number of cases as 2.51, 2.97 and 2.64 falls under the Moderate criteria while third and fifth cluster number of cases 4.00 and 5.00 are within the Positive criteria. This shows customers within Moderate criteria are generally not concerned about taking more time for them to switch over to a new bank. But the customers within Positive criteria have accepted the fact it will not take more time for them to switch over to a new bank.

Therefore it shows when concerning time, some of the customers who are at the positive end will not waste any time to switch over. Thus the banks should consider maintaining high Switching Cost to reduce the gap between customers Switching Cost and their satisfaction and retention.

The fourth element *Effort* shows the first, second and the fifth cluster number of cases as 2.55, 3.12 and 2.00 are within the Moderate criteria while the third and fourth cluster number of casers 4.00 and 3.36 are within the Positive criteria. This shows customers within the Moderate criteria are generally not concerned to make an effort to switch over to a new bank. At the same time customers within the Positive criteria are making more effort to switch over to a new bank.

Therefore it shows when concerning the effort, some of the customers who are at the positive end will make an effort to switch over. Thus the banks should consider maintaining high Switching Cost to reduce the gap between customers Switching Cost and their satisfaction and retention.

The fifth element *Technology* shows the first, second and third cluster number of cases 1.86, 2.54 and 3.00 are within the Moderate criteria while the fourth and fifth cluster number of cases 3.60 and 5.00 are within the Positive criteria. This shows customers within the Moderate criteria are generally not concerned about modern technology used in their bank while customers within the Positive criteria consider modern technology when switching over to another bank.

Therefore it shows when considering the modern technology, generally the customers at the positive end will make an effort to switch over. Thus the banks should consider maintaining high Switching Cost to reduce the gap between customers Switching Cost and their satisfaction and retention.

The sixth element *Accessibility* shows the first to fourth cluster number of cases 1.86, 2.46, 3.00 and 2.00 are within the Moderate criteria while the fifth cluster number of case 5.00 is within the Positive criteria. This shows customers within the Moderate criteria are generally not concerned on accessibility of products in the bank while customers within the Positive criteria are more concerned about accessibility of the bank's new products.

Therefore when considering the product accessibility, generally the customers at the positive end will make effort to switch over for the best offer. Thus the banks should consider maintaining high Switching Cost to reduce the gap between customers Switching Cost and their satisfaction and retention.

The seventh element *Benefit* shows all the five cluster number of cases 1.75, 2.24, 3.00, 2.88 and 3.00 are within the Moderate criteria. This shows customers within the Moderate criteria generally do not consider the benefits of Internet Banking Services in their own bank.

Therefore when the benefits are considered, it shows all the customers are at the moderate end and do not affect the bank's daily processes. Thus the researcher cannot see any gap between customers Switching Cost and their satisfaction and retention at this element.

The eighth element *Service* shows all five cluster number of cases 1.89, 2.26, 3.00, 2.20 and 2.00 are within the Moderate criteria. This shows customers within the Moderate criteria are generally not very much concerned about the service qualities of the bank.

Therefore when the services are considered, it shows all the customers are at the moderate end it seems that the service element does not affecting the bank's process. Thus the researcher cannot see any gap between customers Switching Cost and their satisfaction and retention at this element for further improvement for suggestion.

The ninth element *Security* shows the first, second and third cluster number of cases 1.88, 2.46 and 3.00 are within the Moderate criteria while the fourth and fifth cluster number of cases 3.84 and 5.00 are within the Positive criteria. This shows customers within the Moderate criteria are generally not much concerned about security features of the bank's Internet products while customers within the Positive criteria are more concerned on the present availability of the security features on banks' Internet banking products.

Therefore when the security is considered, it shows the customers at the Positive end are more concerned about the security element of banks Internet products to switch over. Thus in future the banks should consider more about security features when introducing new Internet Banking products to reduce the gap between customers Switching Cost and their satisfaction and retention at this element for further improvement.

The tenth element *Risky* shows the first, second and third cluster number of cases 2.83, 2.46 and 3.00 are within the Moderate criteria while the fourth cluster number of case 3.52 is within the Positive criteria and the fifth cluster number of case 1.00 is within the Negative criteria. This shows customers within the Moderate criteria are generally not concerned about the risk factor of the Internet Banking Services while customers within the Positive criteria are more concerned about the risk factor on Internet Banking Services. The customers within the Negative criteria will totally ignore the risk factors affecting the Internet Banking Services.

Therefore when Risk is considered, it shows the customers at the Positive end are more concerned about the risk factors of banks Internet products to switch over. Thus in future the banks should consider to minimize the risk factors when introducing new Internet Banking products to reduce the gap between customers Switching Cost and their satisfaction and retention when future improvements are performed.

Finally it shows that the fifth objective, *reduce the gap* between customers Switching Cost and their Satisfaction and Retention was supported by the abstracts *Hassel, Money, Time, Effort, Technology, Accessibility, Security and Risk* with clear evidence.

The general comments of the user questionnaires also showed that the customers were more concern on reward based schemes and benefits, which banks should address them in future Internet Banking Services. Also they preferred some sort of human touch should be included in banking services as they felt it's nothing like getting an *Ambassador Treatment* (service) especially for the Personal Customers.

Some have commented that they felt free to operate Internet Banking Services but did not have much awareness on Switching Cost Concept. Some had a feeling that the Internet Banking Concept was mostly popular among metropolitan areas of Sri Lankan banking context where banks should focus more on these convenient products among their rural customer segments as well. Also there was a valuable comment from a student customer which showed the students too are more concern on the Internet Banking Services in Sri Lanka.

Finally to minimize the short comings and to maximize the benefits both banks and the government of Sri Lanka should take some initiative measures to improve the infrastructure and change the customer perceptions, which will benefit the future banking sector as well as it will strongly affect the country's regaining economy.

5.3 Chapter Summary

This chapter started with the testing of the objectives along with the null hypothesis through statistical means. Throughout the chapter it describes the achievement of the objectives using statistical analysis. To achieve the objectives factor analysis, cluster analysis, chi-square methods and compare mean value method were applied through SPSS software and the necessary outputs were shown. The statistical analysis of variables was then followed, with relevant cross tabulation and mean value results. These test results uncovered some significant outcomes on Switching Cost, Customer Satisfaction and Customer Retention. The model summary was presented, with alterations according to the uncovered knowledge. The following chapter would focus on the possible recommendations and conclusions of the research.

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CHAPTER 6

RECOMMENDATIONS AND CONCLUSION

6.1 *Study Process*

The intention of the research was to identify the '*Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services: A study based on Sri Lankan Commercial Banks*'. The existing literature indicated a number of impediments for the adoption of Switching Cost, which were spanned across a broad area. According to the conceptual Framework the researcher adopted the new "TABSS" theory to identify the impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services.

This study process was carried out by using a large amount of literature on many areas covering banking, none banking and marketing, which were taken into consideration and examined the issues of Customer Satisfaction and Customer Retention in the traditional non-Internet contexts. But with the rapid expansion of technology and high usage of the Internet, only a few Customer Satisfaction and Customer Retention studies have come into limelight, which has extended beyond the traditional non-Internet to Internet context. Therefore, this study would be among the earliest attempts to integrate Internet and banking service with marketing concepts. This will also integrate the issues contributing towards Customer Satisfaction and Customer Retention in the Internet environment in Sri Lanka.

According to previous researches the moderating role of Switching Costs on the relationship between Customer Satisfaction and Customer Retention has been empirically validated in non-Internet settings (Lee et al., 2001; Ranaweera and Prabhu, 2003). But later very few tests were done for Internet Banking context. This research is one of the earliest attempts to examine a conceptual model to find out the impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services in Sri Lanka.

The data gathered through stratified sampling method and simple random sampling techniques were analyzed through multivariable and descriptive analysis methods to verify the objectives and to check the acceptance or the rejections of the null hypotheses. After an in-depth study, the outcome of the objectives and the hypotheses according to the new conceptual Framework was considered.

Identifying the significant *factors* that affect Switching Cost on Customer Satisfaction and Customer Retention, the researcher used the factor analysis method as the analytical tool. The final outcome of the factor analysis method shows that it supports the significant *factors* that affecting Switching Cost of Customer Satisfaction and Customer Retention with a strong dimension of factors (*Readiness, Strategy, Approach, Desire and Confidence*) and the second objective was achieved successfully. Also the null hypothesis H1 setup as “*There are no specific factors that effecting Switching Cost, Customer Satisfaction and Customer Retention*” was rejected simultaneously.

Next to identifying the *behavioural* patterns of customers on Switching Cost the cluster analysis method was used and the final results of the cluster analysis method shows that it supports the third objective the *behavioural* patterns of customers on Switching Cost with a strong set of clusters (*Unsatisfied, Delighted, Organized, Constructive and Apprehensive*). The null hypothesis H2 setup as “*There are identical customers on Switching Cost based on their behavioural patterns*” was accepted simultaneously.

The chi-square method was used as an analytical tool to identify the *significant differences* among the cluster of customers based on their contextual situation. The final results of the chi-square analysis method showed that it supports the fourth objective the *significant differences* among the cluster of customers based on their contextual situation. The null hypothesis H3 setup as “*There are no significant differences among the cluster of customers based on their contextual situation.*” was rejected simultaneously

Finally the compare mean analysis method was used to identify the *impact* of Switching Cost on Customer Satisfaction and Customer Retention. It shows a high impact on Switching Cost towards all the ten abstracts supporting the first objective. Also eight out of ten abstracts relating to the Switching Cost (*Hassel, Money, Time, Effort, Technology, Accessibility,*

Security and Risk) showed that they are the deciding factors for the Internet customers to switch over to a competitor. Therefore banks should consider reducing *the gap between* customers Switching Cost, their satisfaction and retention. Finally the results of all the statistical analysis shows the impact of Switching Costs have a strong positive effect on Customer Satisfaction and Customer Retention.

6.2 Recommendations

The researchers in various areas of Internet Banking have described the characteristics of Switching Cost on a sound factor analysis study. This review indicates that the advice has not been heeded. Therefore the following recommendations are provided regarding the impact of Switching Costs on Customer Satisfaction and Customer Retention in Internet Banking Services.

The final outcome of the analysis shows that the banks should consider more on following areas in future when designing and developing new products and processors to retain their Internet Banking customers.

- Banks should focus more on five strong factors that effecting Switching Cost, Customer Satisfaction and Customer Retention when future processors are designed.
- Banks should consider the five behavioral patterns of customers on Switching Cost with the strong factor scores to retain the customers.
- Banks should focus on the significant differences of the customers their demographic background when new products are implemented.
- Banks should consider the impact on Customer Satisfaction and Retention when future Internet banking services are introduced.
- Banks should focus on reducing the gap between customers Switching Cost and their Satisfaction and Retention when considering the future Internet Banking Services.

In future studies banks should consider more on bank and customer expectations. Therefore in factor *Readiness* the technology, designing value added benefits and considering the trustworthiness among customers are more important. Also when considering the customer

aspect it should focused more on accessibility, currency of service, meeting customer expectations, customer benefits and attractiveness of services as further improvements.

Since the competitiveness in the industry banks should focus more on innovative products and method of applying them on right time. Therefore through factor *Strategy* banks should improve their uniqueness, time benefits and technical aspects further. On customer aspect the factor *Strategy* should be more convenience, speedy access and user friendly on future products.

When future products are designed the banks have to consider the customer growth and the satisfaction. Thus considering the factor *Approach* banks should consider the future expansion of the customer base. On customer aspect the factor *Approach* should base on awareness, cost benefit, user friendly and accuracy of service when future decisions are made.

To meet the future competitiveness banks should consider on availability of facilities. Therefore in factor *Desire* banks should further maintain customer secrecy on new future products. On customer aspect the factor *Desire* should consider the auxiliary benefits, expectations and speedy service on future designed products.

Since the customer centric approach, banks are more focusing towards the accomplishing customer needs. For the factor *Confidence* banks shows positive attitudes towards the industrial benefits, responsiveness, reliability and continuity of service when future plans are designed. On customer point of view the factor *Confidence* should concentrate more on trustworthiness and features when adopting new methods.

Also in the future studies, it is recommended that banks should develop different customer retention programs for the Internet banking customers. For such instance, banks should implement positive and reward-based processes to prevent customers from switching to another bank by increasing the level of customer trust, the value and the interpersonal relationship with customers. Banks may build customer trust through public relations activities. If banks develop an image of a “good corporate citizen” through public relations

and publicity then their organizational credibility and relational values may improve in the eyes of customers. Once such processes are implemented, customers switching to another bank will be more difficult and banks should find it easier to retain customers. As more banking services are adopted, the banks should maintain high Switching Costs, which will make it more difficult for the Internet banking users to switch to another competitor.

Since the results of this study are mainly based on the five objectives future research should investigate the similarity between customers' and service providers' (banks) perceptions on Switching Costs in Sri Lankan banking context. This will help the financial industry to have a better understanding on both customers and banks similar perceptions regarding issues relevant to Switching Cost, Customer Satisfaction and Customer Retention. Also this study found that focusing customer satisfaction alone is not effective in building customer loyalty, future research may attempt to explore the "unexplored" constructs that customers would value most. The Internet customers will be more concerned on convenience issues such as easy accessibility, speed, use of technology or the service given by the bank staff. Given the importance of employee competence, future research should also examine the impact of employees' behaviour that could affect Customer Satisfaction and Customer Retention.

6.3 Conclusion

This research represents one of the very few empirical studies into a phenomenon of great managerial and academic interest. Clearly, though, a number of recommendations are deserved to qualify these research findings and to encourage future research efforts.

This research illustrates a range of issues that influence Sri Lankan Internet banking customers' switching behaviour through an exploratory investigation. This study also shows that some factors are more influential than others. An understanding of these influencing factors allows management to direct efforts and resources in the most effective and efficient way to prevent customers' exit. This reduces business losses in the long run that result from customers switching banks.

Switching Costs are identified as the most important factor that influences the customers to switch from one bank to another. However, banks should not only rely on increasing Switching Costs in an attempt to retain their customer base because doing so could bring downside effects to banks, such as negative word-of-mouth from dissatisfied customers (Gerrard & Cunningham, 2004). Therefore positive efforts are necessary.

Also banks who try to attract new customers from their competitors will also benefit from an understanding of what factors cause customers to switch banks. Thus the bank management can make use of such information to develop appropriate strategies to attract new customers in future.

In general, the greater the knowledge the bank management has about the factors affecting their customers switching behaviour, the greater their ability to develop appropriate strategies to reduce or minimize switching of banks by their Internet banking customers.

6.4 Implications

This research identifies certain significant implications for researchers and the banking industry. With the emerging of latest technology, the costs of technology have reduced dramatically with the latest features which have made computers more affordable, available and accessible around the world. Thus it shows accessibility to the Internet is more readily available at present. As a result, the use of Internet Banking Service has grown dramatically in the world (A. C. Nielsen, 2002). This change gave customers more power to choose and switch to alternative Internet Banking Services (Kalakola and Whinston, 1996). Therefore, studying on current Internet banking users regarding the influence on Switching Costs, Customer Satisfaction and Customer Retention will provide both researchers and banks with valuable information in retaining their customers.

According to the above findings it seems there will be a threat in future to retain Internet banking customers switching to better aspects of service. Thus one of the main objectives of this research was to investigate the factors that affect Switching Cost of Customer Satisfaction and Customer Retention in the Internet banking context.

The findings of this research should prompt Internet researchers to pay closer attention on how banks manage and the methods adopted by them to retain their customers who use Internet Banking Services by making use of Internet products through the banks electronic infrastructure.

The banks future strategies on effective customer retention are more important since the long standing customer relationship is the most important factor in providing an explanation to the bank's profitability (Buchanan and Gilles, 1990; Fornell, 1992; Reichheld and Sasser, 1990). Specifically, Reichheld (1996) found that five percent increase in customer loyalty produces 85 percent increase in profitability for the banking industry.

When counting the present island wide expansion processes in the banking industry in Sri Lanka it clearly illustrates how much value and effort banks put on acquiring and retaining new customers. Also it is important for banks to develop well-designed customer satisfaction programs in order to increase customer retention.

According to the previous researches it was found that the Customer Satisfaction and Customer Retention processers should highly consider the Switching Costs concept for early detection and prevention of switching behaviour. The important role of Switching Costs makes an effective link between Customer Satisfaction and Customer Retention.

Thus banks should consider this as an important tool for future Customer Retention process as well as take this opportunity as an advantage of structuring the Switching Costs accordingly to retain their valuable customers.

6.5 Chapter Summary

This is the final chapter of the study titled '*Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services: A study based on Sri Lankan Commercial Banks.*' The chapter started by illustrating the general conclusions of the study.

It shows that there are Switching Costs in Sri Lankan Banking context, and the effect of them is to discourage their customers from switching banks. In general banks desire is to encourage customers to switch towards them and also they do not want to make it easier for them to switch from them. To date there has been no real effort by regulators to investigate the effect of these Switching Costs on the extent of competition, although other research has indicated that Switching Costs reduce competition.

Switching Costs in banking industry are increasingly being recognized as an issue by the respective authorities. There are opportunities for these authorities to consider means of reducing Switching Costs and thereby enabling greater levels of switching.

The results of the objectives and the null hypothesis testing were stated, with the introduction of new 'TABSS' theory which was considered throughout this study. The recommendations by the researcher to the banking sector illustrated several important factors which should be considered before implementing future Internet Banking Services. Finally, the areas for further research and improvements were also proposed by the researcher under the segment research recommendations.

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APPENDIX I

RESEARCH QUESTIONNAIRE

Questionnaire for the users

The purpose of this survey is to determine 'Impact of Switching Cost on Customer Satisfaction and Customer Retention for Internet Banking Services: A study based on Sri Lankan Commercial Banks'. Your contribution to this research is very greatly appreciated.

PART A: This section intends to identify the **Demographic Information** (DI) of the customers. Please tick (/) the relevant cages according to your choice.

1. Specify your age category.

- 18 - 27 Years 28 – 37 Years 38 – 47 Years
 48 – 57 Years More than 57 Years

2. Specify your Gender:

- Male Female

3. Highest Education Level:

- Primary Qualification Secondary Qualification
 Professional qualification Bachelor Degree Postgraduate Degree

4. Occupation:

- Student Employed Freelance Housewife

5. Monthly Income Level:

- Less than Rs. 15,000.00 Rs. 15,000.00 – 35,000.00
 Rs. 35,000.00 – 55,000.00 Rs. 55,000.00 – 75,000.00 More than Rs. 75,000.00

6. Information Technology Literacy Level.

- Not at all Basic Average High

7. How long you have been doing transactions with the bank?

- Less than 1 Year 2 Years 3 Years More than 4 year

8. Do you use the Internet Banking facility?

- Yes No

9. If 'Yes' how long have you been doing Internet Banking?

- Less than 1 Month 2 Months 3 Months More than 4 Months

10. What type of Internet Banking Services are you accessing?

- | | |
|----------------------------------------------------------|-----------------------------------------------------|
| <input type="checkbox"/> Balance Inquiry/ Fund transfers | <input type="checkbox"/> Utility Bill payments |
| <input type="checkbox"/> Foreign currency transactions | <input type="checkbox"/> Cheque/ Statement Requests |
| <input type="checkbox"/> All of the above | |

PART B: This section intends to identify your opinion regarding the **Switching Cost (SC)**.

The **Switching Cost** is a onetime cost that customers associate with the process of switching from one service provider to another

Please mark on appropriate answer to indicate on each success statements

- | | | |
|------------------------|---------------------|---------------------------|
| 1. Strongly Agree (SA) | 3. Un- Decided (UD) | 5. Strongly Disagree (SD) |
| 2. Agree (A) | 4. Disagree (D) | |

| | SA | A | UD | D | SD |
|-------------------------------------------------------------------------------------------------------------------|----|---|----|---|----|
| 1. In general switching to a new bank would be a hassle for me. | | | | | |
| 2. It would cost me a lot of money to switch from my bank to another bank. | | | | | |
| 3. It would not take me more time to switch from my bank to another bank. | | | | | |
| 4. It would not make me more effort to switch from my bank to another bank. | | | | | |
| 5. I feel Internet Banking is more advanced in my bank since it uses modern technology. | | | | | |
| 6. I am satisfied with the available accessibility in my bank for Internet Banking products. | | | | | |
| 7. I feel the benefits are high in Internet Banking Services in the present Banking setup. | | | | | |
| 8. In general service qualities are more standard in my bank. | | | | | |
| 9. I feel the availability of advance security features are more in present bank environment. | | | | | |
| 10. It is not risky to change from my bank to another bank since it may provide me good Internet Banking service. | | | | | |

PART C: This section intends to identify your opinion regarding the **Customer Satisfaction (CS) and Customer Retention (CR) on Switching Cost (SC).**

Please mark on appropriate answer to indicate on each success statements

1. Strongly Agree (SA) 3. Un- Decided (UD) 5. Strongly Disagree (SD)
 2. Agree (A) 4. Disagree (D)

| | SA | A | UD | D | SD |
|--------------------------------------------------------------------------------------|----|---|----|---|----|
| 1. I feel free to work with the latest technological banking applications. | | | | | |
| 2. I am not aware on technical features on latest applications. | | | | | |
| 3. My expectations are met with latest technology. | | | | | |
| 4. Bank products use technology to become unique among competitors. | | | | | |
| 5. Bank products are full of technical aspects. | | | | | |
| 6. Bank applies more technology to meet customer needs. | | | | | |
| 7. I am much familiar to perform my transactions through Internet Banking. | | | | | |
| 8. I feel speedy access helps to retain more customers. | | | | | |
| 9. I expect convenience through Internet Banking. | | | | | |
| 10. Bank products have easy access through Internet Banking. | | | | | |
| 11. Bank services always meet customer expectations. | | | | | |
| 12. Bank's availability of service shows the customer growth. | | | | | |
| 13. I am satisfied with the responsive Internet Banking service. | | | | | |
| 14. My service charges are very low when dealing with Internet Banking applications. | | | | | |
| 15. I prefer different features offered by my service provider. | | | | | |
| 16. Internet Banking always saves customer's time. | | | | | |
| 17. The Bank always introduces competitive products to customers. | | | | | |
| 18. Bank's value added features may gain more customers. | | | | | |
| 19. I get updated information from Internet Banking. | | | | | |
| 20. My queries are handled in customer friendly manner. | | | | | |
| 21. I always prefer Internet Banking because of its speedy service. | | | | | |

| | | | | | |
|------------------------------------------------------------------------------|--|--|--|--|--|
| 22. The Bank provide accurate information through Internet Banking Services. | | | | | |
| 23. In general the bank provides most reliable products. | | | | | |
| 24. The Bank provides up to date service. | | | | | |
| 25. I am aware on security features in bank's electronic products. | | | | | |
| 26. I always trust my bank when it comes to personal information. | | | | | |
| 27. I expect more security on my information. | | | | | |
| 28. Bank always gives priority to security issues. | | | | | |
| 29. The Bank always trusts their customers on transactions. | | | | | |
| 30. The Bank's duty is to maintain the customer secrecy. | | | | | |

Comments:

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.....

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(Thank You for Completing the Questionnaire)

APPENDIX II

Extraction Method: Principal Component Analysis.
(Source Data – Scree Plot)

| Statements | Eigenvalues |
|------------|-------------|
| 1 | 6.63 |
| 2 | 3.31 |
| 3 | 2.54 |
| 4 | 2.01 |
| 5 | 1.57 |
| 6 | 1.49 |
| 7 | 1.36 |
| 8 | 1.13 |
| 9 | 1.04 |
| 10 | 0.92 |
| 11 | 0.84 |
| 12 | 0.75 |
| 13 | 0.72 |
| 14 | 0.65 |
| 15 | 0.59 |
| 16 | 0.55 |
| 17 | 0.49 |
| 18 | 0.45 |
| 19 | 0.43 |
| 20 | 0.36 |
| 21 | 0.35 |
| 22 | 0.33 |
| 23 | 0.31 |
| 24 | 0.26 |
| 25 | 0.24 |
| 26 | 0.22 |
| 27 | 0.15 |
| 28 | 0.13 |
| 29 | 0.11 |
| 30 | 0.07 |

APPENDIX III

Impact of Switching Cost vs Pattern of Cluster Number of Cases (Source Data – Radar Chart)

| Switching Cost | UC | DC | OC | DC | AC |
|--------------------|------|------|------|------|------|
| Hassle (B1) | 2.01 | 2.65 | 4.00 | 2.00 | 1.00 |
| Money (B2) | 2.85 | 3.74 | 4.00 | 4.00 | 5.00 |
| Time (B3) | 2.51 | 2.97 | 4.00 | 2.64 | 5.00 |
| Effort (B4) | 2.55 | 3.12 | 4.00 | 3.36 | 2.00 |
| Technology (B5) | 1.86 | 2.54 | 3.00 | 3.60 | 5.00 |
| Accessibility (B6) | 1.86 | 2.46 | 3.00 | 2.00 | 5.00 |
| Benefit (B7) | 1.75 | 2.24 | 3.00 | 2.88 | 3.00 |
| Service (B8) | 1.89 | 2.46 | 3.00 | 2.20 | 2.00 |
| Security (B9) | 1.88 | 2.46 | 3.00 | 3.84 | 5.00 |
| Risky (B10) | 2.83 | 2.46 | 3.00 | 3.52 | 1.00 |

APPENDIX IV

New Registrations – Figures were taken by IT Divisions of the respective banks

| Bank | January 2010 – End of November 2010 |
|---------------------------|--------------------------------------------|
| State Bank A | 3,844 |
| State Bank B | 102 |
| Private Commercial Bank A | 11,823 |
| Private Commercial Bank B | 9,476 |
| Private Commercial Bank C | 7,190 |
| Private Commercial Bank D | 6,862 |
| Private Commercial Bank E | 1,456 |
| Private Commercial Bank F | 896 |
| Private Commercial Bank G | 402 |
| Private Commercial Bank H | 211 |
| Private Commercial Bank I | None |