



## Factors Affecting Bank Switching Intentions in E-Banking

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### Extensive Summary

Rapidly changing and developing technology and increase in the number of product and services caused an increase in competition. So, it is important for companies to understand consumers, their preferences, decision making processes the nature of their relationships in order to attract and hold the customers in this competitive environment. As long term relationships between the companies and their customers help the companies to increase and maintain profit (Reichheld and Sasser, 1990), customer retention becomes an important topic. However, people, in some cases, may have to or want to change their usual brands, stores and service providers. Therefore, the companies, that don't want to lose their customers, need to know the switching reasons and generate strategies against them.

There are many researches in the related literature about brand and store switching behaviors and their possible reasons and consequences (Keaveney, 1995; Bansal and Taylor, 1999; Roos and Gustafsson, 2007). Nevertheless, researches investigating the switching behavior in virtual environment (Internet) is limited. In a similar vein, there are limited number of researches about switching behavior in e-banking. Also, to the best of our knowledge, there is no study about switching intentions and their reasons in e-banking in Turkey.

The purpose of this research is to identify and examine the factors that contribute to bank switching intentions of e-banking customers and whether these intentions differ according to demographic characteristics (age, gender, education and income levels) of customers.

New technologies like Internet and increased competition in banking sector led to changes in the behaviors of bank customers (Clemes et.al., 2007). Based on related literature, in this study, reasons of bank switching behaviors are handled and grouped as price, reputation, products, perceived service quality, commitment, dis-/satisfaction,

promotion, compulsory (other) reasons and demographics (age, gender, education, income).

Price is thought to be positively related to bank switching intention. According to Gerrard and Cunningham (2004), price in banking sector involves, basically, paid and gained commissions and interests. For this reason, an increase in prices may increase the cost for customers. Researches (Lees et al., 2007; Athanassopoulos, 2000; Massoud et al., 2006; Manrai and Manrai, 2007; Barone and Quaranta, 2008) revealed that price has an negative effect on customers and increase in prices may cause the customers to switch. Therefore, higher prices (in terms of paid commissions and interests to the bank) are thought to cause an increase in switching intention (Hypothesis 1)

Bank reputation can be defined as a function of combination of financial performance, production quality, service quality and management effectiveness (Rao, 1994). According to researches (Gerrard and Cunningham, 2004; Lees et al., 2007, Clemes et al., 2007) a good reputation may help to prevent switching. For this reason, a bad bank reputation is expected to increase bank switching intention (Hypothesis 2).

Products and limited product variety are also revealed as reasons for bank switching behavior (Ogilvie, 1997; Kiser, 2002). In this manner, limited product variety is expected to cause an increase in bank switching intention (Hypothesis 3).

As the service quality is perceived to be low, it may also be switching reason (Lees et al., 2007; Athanassopoulos, 2000; Chakravarty et al., 2004; Manrai and Manrai, 2007; Clemes et al., 2007). According to this, a low service quality perception is expected to cause an increase in bank switching intention (Hypothesis 4).

Commitment is an other important concept for companies that want to maintain a long-term customer relationship. Gordon (2003) and Clemes et al., (2007), determined commitment as important switching reason. Accordingly low commitment is thought to cause an increase in bank switching intention (Hypothesis 5).

As satisfied customers tend to retain their relationships with their service providers, satisfaction may be used as a barrier for switching (Fornell, 1992). Dissatisfaction is handled as a switching antecedent in many researches (Panther, Farquhar, 2004; Athanassopoulos et al., 2001; Clemes et al., 2007; Ahmad, Kamal, 2002). In this manner dissatisfaction is expected to cause an increase in bank switching intention (Hypothesis 6).

The promotion efforts of banks may cause an overchoice effect on people and realizing this may increase switching intention for the customers expecting a better service. On the other hand, banks that managed their promotion activities successfully may benefit from this. For this reason, carefully managed promotion activities are thought to help to decrease switching intention (Hypothesis 7).

Other reasons (or compulsory reasons) for switching involves bank location, changing place, attractiveness of the rivals' offers, distribution, service failure, ethical problems, compulsory reasons and etc. The reasons in this group are revealed as switching reasons in many researches (Barone, Quaranta, 2008; Kiser 2002, Athanassopoulos, 2000; Massoud et al., 2006; Manrai and Manrai, 2007; Howorth et al., 2003; East et al., 2001). In this manner these reasons (named as compulsory) are expected to cause an increase in bank switching intention (Hypothesis 8).

According to literature age, income level and education are related to switching intention (Colgate and Hedge, 2001; Lees et al., 2007; Clemes et al., 2007) but the sign of the relationship is not certain. In this study it is tried to reveal whether bank switching intentions differ according to demographic characteristics (age, gender, education and income levels) of customers.

The sample of this study is composed of consumers in Ankara who use e-banking and accepted to involve as a respondent. Convenience sampling is used. In order to determine sample size formula of Tabachnick and Fidel (2001, s. 117) for multiple regression analysis is used and appropriate size is calculated as 114. Face to face questionnaire method is used and 196 of 250 questionnaire is accepted as valid. The Likert scaled items are adopted from the related literature (Chakravarty et al., 2004, Clemens et al., 2007). The Cronbach Alpha value for the bank switching intention measure is 0,77 and above the acceptable level 0,70 (Nunnaly, 1978).

Among the respondents 49,5% are women, 56,1% are single, 47% are graduated from university. Majority of the sample expressed themselves as in middle income level (67,3%).

In order to test the hypotheses that involved the factors contributing to bank switching intentions of e-banking customers, linear regression analysis is used. According to results H1 (hypothesis 1) ( $\beta=0,330$ ,  $p<0,05$ ), H2 ( $\beta=0,200$ ,  $p<0,05$ ), H3 ( $\beta=0,166$ ,  $p<0,05$ ), H4 ( $\beta=0,158$ ,  $p<0,05$ ), H6 ( $\beta=0,199$ ,  $p<0,05$ ), H7 ( $\beta=-0,106$ ,  $p<0,05$ ) and H8 ( $\beta=0,139$ ,  $p<0,05$ ) are accepted, while H5 ( $\beta=0,087$ ,  $p<0,05$ ) is rejected because the relationship between commitment and switching intention is found to be insignificant.

In order to determine whether bank switching intentions differ according to demographic characteristics (age, gender, education and income levels) of customers, variance analysis is used. According to results for the education level a significant difference is found [ $F(2,195)=17,285$ ;  $p<0,05$ ] while the differences are insignificant for age, gender, income level and marital status. Scheffe-Test results revealed that the switching intentions of customers that graduated from university ( $\bar{x}:4,05$ ) and had master degree ( $\bar{x}:4,3$ ) are higher than intentions of high school graduates ( $\bar{x}:3,43$ ).

To sum up, according to regression results, higher prices, bad reputation, limited product variety, dissatisfaction and compulsory reasons are determined as the factors increasing bank switching intentions of e-banking customers, while promotion efforts are found to decrease these intentions. The relationship between commitment and switching intention, on the other hand, is found to be insignificant. Bank switching intentions of well-educated customers (university graduates and master degree) were tend to be higher, while age, gender and income level didn't make a difference on intentions.