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Literature Review on Antecedents of Customer Switching Behavior

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ABSTRAK – Customer switching behavior occurs when customers switch away from the initial product they used and choose another product. This phenomenon is interesting to study along with the intense competition and technological developments that have led to many alternative products and services for consumers to choose from. This study aims to analyse the development of research in the field of service switching behavior carried out by customers in banks. The method used is literature review, namely by analysing scientific articles published from 2010 to 2021. The results of the review study on several scientific articles found that the causes of customer switching behavior are service quality, trust, satisfaction, loyalty, price, bank reputation, bank image, advertising, demographics, location, interest rates, switching costs, attractiveness, ease of use, subjective norms, beliefs and attitudes, customer value, purchase intention, service strategy to switch.

Keywords: bank customers, switching behavior, service marketing, banking industry.

A. INTRODUCTION

Efforts to understand switching behavior should be made because this is a form of understanding consumer behavior. This is also an attempt to retain existing customers. Consumer behavior is also defined as the study of individual buying and exchange processes involving the acquisition, consumption, and exchange of benefits and sacrifices, services, experiences and ideas (Darmawan et al., 2022). Consumer behavior focuses on the acquisition stage. Decision making by consumers varies according to the type of purchase order (Aydin et al., 2015). Complex and expensive purchases tend to cause more involvement and deep thinking from buyers and more efforts to obtain supporting information (Kiley et al., 2015). In the decision-making process, there is switching behavior carried out by consumers (Mowen & Minor, 2001). Switching behavior is the process by which consumers leave their relationship with the current product service provider and replace it with competitors partially or completely for a certain period of time (Nimako, 2012).

Switching behavior as proposed by Kaeveney (1995) is the behavior of customers to switch their initial service provider to other services, with the initial service provider of future profits and bear the cost of acquiring new customers. Switching behavior is a complex phenomenon, which can occur due to variety seeking behavior, the existence of other product offerings or it can also occur due to problems found with products that have already been purchased (Padma et al., 2018).

Managing consumer behavior is not an easily accomplished task because there are many variables that can influence and interact with each other so that the approach to marketing conducted by a business must be well designed by consideration of these factors (Fared et al., 2014). Marketers who comprehend consumers will have a better competition capacity.

Switching behavior also occurred in the banking industry, where customers switch from one bank to other banks for various reasons. Customer behavior to switch banks is something that really needs to be considered in marketing management. Consumer behavior cannot be separated from the needs of the consumers themselves. Switching behavior carried out by customers is influenced by product factors, social, cultural, personal, and psychological factors which are considered by banking customers to carry out bank switching behavior. Other factors that cause customers to make decisions include rational factors and emotional factors, although these two things rarely occur simultaneously in a decision. Usually only one motive accompanies a particular purchase.

There are various causes of customer switching behavior including consideration of benefits and costs, core service failure, competition, ethical issues, and switching by declaration (Keaveney, 1995). There are also factors such as behavior, competition and time as causes of switching behavior.

Gerrard and Cuninngham (2004), identified the types of incidents that cause customers to switch bank services, the weighting of each event on switching decisions, whether single or multiple incidents influence switching decisions, and the extent to which switchers explain the problems they faced before they left. The main findings show that bank switching is strongly impacted by three types of incidents: service failure, price and inconvenience, with pricing being more influential. Seventy-five percent of bank switches were caused by more than one incident, and about 7 percent of respondents indicated that in the period prior to exit, they had spoken to bank staff.

Switching behavior can also have a negative effect on the organization (Wahab et al., 2017). Keaveney and Parthasarathy (2001) found that switching customer behavior can reduce companies' revenues and profits. Additional profits are lost due to initial investments in customers (e.g., consulting or advertising costs) that are wasted and further costs are required to acquire new customers. Customer switching is seen to have a strong ability to impact the scale of revenues, market share, unit costs, and other factors typically associated with competitive advantage. Customers are likely to misbehave such as switching banks if a bank's performance is lower. Furthermore, customers who switch may bring negative news to others which can damage the bank's reputation and image (Clemes et al., 2010).

Based on this description, a review of various studies on switching behavior by bank customers is warranted. This research is important to do because there are differences in banking performance despite having commonalities in the form of core banking service products.

B. METHOD

This research design is a literature review. This is a study that reviews or critically examines the knowledge, ideas, or findings that exist in the existing body of academic-oriented literature, and formulates its theoretical and methodological contributions to a particular topic.

The nature of this research is descriptive analysis, which is an organized description of the data that has been obtained, then given an understanding and explanation so that it can be well understood by the reader.

The outcome measured in this scientific search is the factors that cause customers to switch banks. Searching for publication articles on Google, Google Scholar, and Research Gate using the selected keywords, namely bank switching behavior in English.

Articles that fit the criteria of both exclusion and inclusion procedures were included for subsequent discussion and analysis. This review uses literatures published in 2010-2021 that are accessible in complete pdf form. The journal review criteria included English-language articles with bank surveys as the object of observation.

The literature overview was analysed utilizing the presentation approach by categorizing similar extraction data in accordance with the results measured to respond to the literature review objectives.

C. RESULTS AND DISCUSSION

Switching behavior occurs when customers have left the initial service or product they used and replaced it with a new product or service. This event will threaten the company and cause loss of future profits and incur the cost of acquiring new customers (Keaveney, 1995).

Banks need the presence of customers and their loyalty because these firms generally rely on economies of scale and need a large number of customers to share fixed costs (Keaveney & Parthasarathy, 2001). Customer switching has an impact on the cost base of service provider-based firms. Keaveney and Parthasarathy (2001) have noted that customers who are loyal can produce numerous beneficial outcomes, which include significantly more marginal revenue, substantially reduced margin costs, and more positive customer word-of-mouth.

The causes of the emergence of switching behavior are determined by several things. In a study conducted on the banking industry, the following were found.

a. The study of Clemes et al. (2010) observed customers' decision to change banks. The survey was conducted on 421 bank customers in Jiaozuo City, Henan Province, China. The results mentioned that the variables (a) price; (b) reputation; (c) service quality; (d) effective advertising; (e) forced replacement; (f) distance; and (g) switching costs have an impact on the switching behavior of bank customers. The findings also reveal that the young and high-income groups are likely to switch banks.

b. Kura et al. (2012) observed 150 selected customer respondents from deposit money banks in Kano Metropolis in the North West region of Nigeria. The study has examined the antecedents of customer switching behavior in the Nigerian banking industry. Three antecedents of negative customer switching behavior were identified namely (a) assurance; (b) empathy; and (c) reliability.

c. The study of Mohsin et al. (2012) explored the determinants of switching behavior in the Pakistani banking sector. In addition, the role of the importance of banking services is investigated on the relationship of satisfaction and intention to switch. Questionnaires were distributed to measure satisfaction, intention to switch and the importance of banking services. The sample size was 180 self-administered questionnaires. Customers of five major bank branches were selected. This paper shows that satisfaction with bank services (staff services, environmental services, ethical services, convenience services, and financial services) is negatively associated with intention to switch. However, the results report a more favourable relationship between convenient services preventing intention to switch. Satisfaction with financial, non-financial, and overall services through the importance of these services prevents intention to switch.

d. Vyas and Sonika (2014) with the result that the drivers of switching behavior are the result of negative service experiences, namely (a) perceived service quality; (b) effective advertising competition; (c) service products offered; (d) customer satisfaction; (e) response to service failures; (f) bank reputation and image; (g) price, including interest rates charged or paid; (h) forced switching. All of these factors are identified as the basic constructs of many of the measured variables intended to measure switching behavior and require attention is the customer's commitment to the bank.

e. Nyarko's study (2015) examines the factors that influence the switching behavior of Ghana Commercial Bank customers. The sample focused on 350 individual customers as respondents. The results show that there are four factors; (a) high transaction costs; (b) attractiveness of alternatives; (c) inconvenience of bank location; and (d) inability to respond quickly to system failures.

f. Factors that influence switching intentions in customers or customers of the banking world are influenced by customer attitudes towards products or a banking service (Farah, 2017). Studies conducted on account holders in Spain show a significant direct relationship between switching intentions and (a) behavioural beliefs; (b) normative beliefs; (c) attitudes, and (d) subjective norms. Results also revealed a meaningful inverse relationship between switching intention and both control beliefs and perceived behavioural control.

g. Masocha and Matiza (2017) conducted a study that focused on investigating the role of E-banking on the switching behavior of retail bank clients in Polokwane, South Africa. E-banking allows customers to have access to their bank accounts for 24 hours without visiting a physical branch. From a sample of 98 respondents from Polokwane, South Africa, it was found that (a) demographic characteristics have a lot of impact on commercial bank customers' switching behavior and acceptance of electronic banking services. Other contributing factors to switching are (b) bank fees; (c) low savings rates; (d) promotional activities; (e) location; and (f) switching costs.

h. Thaichon et al. (2017) applied a more inductive and qualitative design for data acquisition by utilizing a sampling of 19 Australian service customers, and two Australian bank managers. The study mentioned the important factors for customers' choice to switch banks or diversified accounts as the followings: (a) customers' service and friendliness with customers; (b) responsiveness to service failures; (c) advertisement effects; (d) reputations; (e) banking convenient; and (f) customers' value.

i. Mosavi et al. (2018) conducted a study that discussed the role of customer satisfaction, customer loyalty, customer trust, and customer perceived value in a new conceptual model for customer switching intentions in banking services. The findings state that there are two main factors to prevent customer switching intentions, namely (a) satisfaction; and (b) customer loyalty. Both will prevent customer switching intention.

j. Research from Bugyei (2019) from Ghana to investigate the factors that affect customer switching behavior. Data was obtained from 500 customers in the banking industry in Ghana. The results showed a significant relationship between customer switching behavior and several factors such as (a) price; (b) advertising; (c) reputation; (d) distance to bank location; (e) switching costs; and (f) innovative products offered by banks; (g) age and education. It all impacted on the bank switching behavior of customers in the Cape Coast Metropolitan city in Ghana.

k. The study of Kaldeen (2020) produced findings on the trend of changes in banking service behavior by customers, especially in the context of retail bank switching behavior in Sri Lanka. The study mentioned that (a) reputation; (b) advertisement; and (c) service are factors that serve as the basis for preventing customer switching. It is also a strength to attract new customers and strengthen the customer information base.

l. Study from Tram et al. (2021) on banking service customers in Hanoi. There were 343 customers who responded and found five factors that determine switching behavior of banking service providers, namely (a) the level of satisfaction achievement and (b) customer trust, (c) service costs; (d) subjective norms; and (e) attractiveness of alternatives.

Based on the results of previous research, in summary, customer behavior switching banks is influenced by: (1) service quality (Clemes et al., 2010; Kura et al., 2012; Mohsin et al., 2012; Vyas & Sonika, 2014; Nyarko, 2015; Thaichon et al., 2017; Mosavi et al., 2018); (2) trust (Farah, 2017; Tram et al., 2021); (3) satisfaction (Mohsin et al., 2012; Vyas & Sonika, 2014; Mosavi et al., 2018; Tram et al., 2021); (4) loyalty (Mosavi et al., 2018); (5) price (Clemes et al., 2010; Vyas & Sonika, 2014; Masocha & Matiza, 2017; Bugyei, 2019; Kaldeen, 2020); (6) bank reputation (Clemes et al., 2010; Vyas & Sonika, 2014; Thaichon et al, 2017; Bugyei, 2019; Kaldeen, 2020); (7) bank image (Vyas & Sonika, 2014); (8) advertising (Clemes et al., 2010; Vyas & Sonika, 2014; Thaichon et al, 2017; Bugyei, 2019; Kaldeen, 2020); (9) demographics (Clemes et al., 2010; Masocha & Matiza, 2017; Bugyei, 2019); (10) location (Clemes et al, 2010; Nyarko, 2015; Masocha & Matiza, 2017; Bugyei, 2019); (11) interest rates (Vyas & Sonika, 2014; Masocha & Matiza, 2017); (12) switching costs (Clemes et al., 2010; Masocha & Matiza, 2017; Bugyei, 2019); (13) attractiveness (Nyarko, 2015; Tram et al., 2021); (14) ease of use (Thaichon et al., 2017); (15) subjective norms (Farah, 2017; Tram et al., 2021); (16) beliefs and attitudes (Farah, 2017); (17) customer value (Thaichon et al., 2017; Mosavi et al., 2018); (18) purchase intention (Bugyei, 2019); (19) product innovation (Bugyei, 2019); (20) service strategy for switching (Kaldeen, 2020).

Competitive advantages must be created by service providers (Darmawan & Grenier, 2021). This is focused on banking services to retain customers so as not to incur greater costs in attracting new customers.

D. CONCLUSION

Based on the review of literature studies, it is found that the factors that cause customers to switch banks are as follows service quality, trust, satisfaction, loyalty, price, bank reputation, bank image, advertising, demographics, location, interest rates, switching costs, attractiveness, ease of use, subjective norms, beliefs and attitudes, customer value, purchase intention, service strategy to switch. This becomes a negative relationship when the bank's performance actually gives a positive and satisfying impression to customers.

This finding can be a broader perspective in looking at the factors that motivate customers to switch. The view and attention is not only focused on the product currently in use but also includes the attractiveness of other products and the role of several inhibiting factors in making a switch. These results enable services marketing managers and practices to developed and implementing marketing strategies to recognize and decrease customer migration, and in turns, to increase bank profitability.

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