Chapter 5

Findings, Suggestions and Conclusions

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Chapter 5

Findings, Suggestions and Conclusions

5.1 Introduction

This chapter sum up the research conclusion, findings and suggestions. The chapter illustrate the research contribution and also discussed the directions for future research. The three research objectives in this study were addressed by testing 8 hypotheses. Hypotheses 1 through 7 relate to objective one. Hypotheses 8 relate to Research objective three. Research objectives two were satisfied by examining the most and least important factors influencing customers’ switching behaviour. Finally, chapter illustrate the conclusion remarks.

5.2 Findings

The present research study makes contribution to the customer’s bank switching behaviour. Firstly, the research contributes to limited studies available on customer’s switching behaviour, particularly in the Solapur City. This study identifying the different factors that influences customer’s switching behaviour in retail banking industry in Solapur City.

Secondly, a logistic regression analysis was used as the methodology to examine customer’s switching behaviour in this research. The findings of this research support logistic regression analysis as an appropriate methodology that can be applied in examining customer’s bank switching behaviour.

Thirdly, this research confirms that some of the factors influencing customer’s switching behaviour identified in previous research can also be applied to Solapur City retail banking such as Price, Reputation, Service Quality, Advertising, Involuntary Switching, and Switching Costs. Furthermore, this research also identifies a factor that may be particularly important to the Solapur City banking sector.

5.2.1 Findings related to Service Quality:-

1. This study also reveals that service quality is a most important factor influencing customer’s bank switching behaviour.
2. The service quality plays an important role in supporting business development as service quality has favourable impact on customer satisfaction, repurchase behaviour and business.

3. In addition, the results show that service quality is a more important switching factor among Old Age and High Education Groups. This finding suggests that the more experiences and the better knowledge people have, the greater their expectation of service quality.

4. The service characteristics of the banking industry make interactions between customers and employees necessary.

5.2.2 Findings related to Reputation:-

1. Another valuable finding from this study is the importance of reputation as a switching antecedent.

2. A good reputation plays an important role in creating positive signals to the public about the firm’s capability and reliability.

3. Furthermore, the result shows that reputation is more critical for the Young and Middle Age Groups than the Middle Old, and Old Age Groups.

5.2.3 Findings related to Price:-

1. The results of this study confirm that price is the important factor influencing customers to switch banks.

2. Due to the complicated nature of the banking industry, price includes not only fees implementation, and bank charges, but also the interest rates charged and paid.

3. As a result of banking complexities, banks find it challenging to develop pricing strategies that are markedly different from their major competitors.

4. However, focusing only on the price variable may not be an optimum strategy.

5. Simply offering high deposit rate, imposing minimum charges on customers, and increasing fee rates at the same time, is not an effective way to reduce customer defection rates.
6. These pricing changes may result in negative effects, such as encouraging customers to switch to another bank that provides better price.

5.2.4 Findings related to Switching Costs:-

1. This research reveals that switching costs have the influence on customer’s decision to switch banks, especially for high income customers.

2. This result is consistent with a number of researchers that regard switching costs as the main determinant of behavioural loyalty in customer markets.

3. From a customer’s viewpoint, the termination costs from a previous service provider, and the joining costs with an alternative service provider are often unavoidable.

4. From a manager’s viewpoint, switching costs can occur from losing interpersonal or long-term relationships with their customers.

5.2.5 Findings related to Distance:-

1. The findings show that distance is another antecedent that affects customer’s switching behaviour, and distance is perceived differently by Females and Males.

2. Distance may play an important role in influencing customers that are concerned more convenience as it allows them to save time.

3. This result also suggests that customers (e.g. housewife) may tend to choose the nearest bank, especially if there is a limited geographical accessibility to alternative banks.

4. Especially for older people who may be reluctant to use the Internet.

5.2.6 Findings related to Advertising:-

1. Based on the empirical finding of this study, advertising plays a significant role in determining customer’s switching behaviour.

2. Bank managers should develop strategies that enhance the communication channels between customers and banks.

3. Once customers understand the offerings and processes of their current bank, the probability of switching to an alternative bank is considerably reduced.
4. The Internet enables all customers to be informed globally in matter of seconds. However, billboards may still be an effective way for the older people.

5.2.7 Findings related to Involuntary Switching:-

1. The results confirm that customers’ switching behaviour can also be affected by involuntary switching factors, such as moving house, changing jobs, and the opening or closing of a bank branch.

5.2.8 Findings related to Demographic Characteristic:-

1. The finding reveals that the Young Age Group is the age group that is most likely to switch banks. The results are consistent with many researches.

2. Younger customers switch banks due to greater convenience, higher quality services, lower prices, or more favourable interest rates.

3. The bank switching behaviour is much more common among the young generation as they do not have too many links with their banks.

4. This research also illustrates that respondents with High Incomes tend to switch banks.

5. This may be because these customers tend to have greater expectations of bank services. In general, high income customers expect better services from their banks since they normally have greater purchasing power.

6. Furthermore, the majority of the bank’s profit is derived from high income customers.

5.3 Suggestions

The research’s suggestions will be benefited to the marketers and practitioners in the Solapur city’s retail banking industry. The research was identified the most important factors and least important factor, that cause customers to switch or stay with a bank. These suggestions can make a contribution to enhancing long-term customer relationships with bank customers. In addition, bank managers can utilise this knowledge to prevent perspective customers from switching service providers. From the perspective of the banks that are attempting to attract new customers, these suggestions will enable banks to develop strategies to overcome switching barriers & gain market share.
5.3.1 Suggestions related to Service Quality:-

1. Bank management needs to focus more on achieving high service quality as a competitive differentiation method.

2. Service attributes, such as ease of access, provision of information and innovative products, can enhance customer loyalty.

3. Therefore, focusing on the needs of customer segments is necessary, such as providing resting areas and consulting services to older people, or offering personalised investment-consulting services to knowledgeable customers.

4. Basically, service quality should focus not only on the service offered, but also on the people who deliver the service to the customer.

5. Bank’s staff should have good banking knowledge, act professionally, and have a courteous attitude towards all customers.

6. An appropriate people management strategy is necessary in order for bank staff to deliver high quality services.

5.3.2 Suggestions related to Reputation:-

1. Thus, bank managers have to find ways to encourage the development of trust between customers and banks that eventually leads to loyalty.

2. Other than providing timely and accurate services, managers need to encourage their employees to communicate with customers in a manner that inspires trust and confidence.

3. Therefore, banks may enhance their reputation using communication approach that is more acceptable for the younger people, such as providing financial updates through the Internet.

5.3.3 Suggestions related to Price:-

1. Reducing a bank’s own costs is one strategy that may reduce the number of customers who switch.

2. For example, electronic banking plays an important role in reducing services costs. Customers using electronic banking can experience lower fixed and variable
costs that are associated with banking operations, due to reductions in human errors and savings in labour costs.

3. Similarly, that the cost savings through electronic banking makes a significant contribution to reducing costs.

4. Price has the strongest influence on customer’s switching behaviour, and any changes in interest rates and/or fees should be considered carefully by bank management before the changes are involved.

5.3.4 Suggestions related to Switching Costs:-

1. Thus, in order to reduce customer’s switching banks, bank managers should try to increase the switching barriers to make the switching process more complicated.

2. If switching costs can be raised once customers increase their dependency on the long-term relationship, this may be particularly more important for the high income customers with various investments. Banks can also link customers’ portfolio investments or bond entities with their bank account directly.

3. If a customer intends to switch to another bank, he/she has to notify all his/her portfolio investment entities one by one, a time consuming process.

4. In addition, banks can enhance customer relationships through providing extra benefits to loyal customers, such as offering 10% off to the customers who buy home insurance from current banks over a three year period.

5. These methods encourage customers to use a wide range of banking services, and consequently it takes time for customers to make alternative banking arrangements.

5.3.5 Suggestions related to Distance:-

1. Although internet banking reduces the distance between customers and banks, the technology does not help those customers who prefer face-to-face communication.

2. This result may encourage bank management to carefully consider closing bank branches that may not be profitable, but are conveniently assessable by customer segments.
5.3.6 Suggestions related to Advertising:-

1. With the emergence of high technology (the Internet), Television and radio are not the only ways to communicate information and advertise a bank’s offerings.

2. Therefore, multiple advertising methods are required to target different demographic characteristic groups.

3. Whereas, all advertising information should be carefully filtered prior to be dispensed since it may create opportunities for competitors to use to attract customers.

5.3.7 Suggestions related to Involuntary Switching:-

1. Under these circumstances, bank managers may use electronic banking services such as Automatic Teller Machine (ATM), telephone and internet banking, to lower defection rates.

2. Electronic banking can efficiently and effectively improve the traditional marketing functions of a financial institution, especially when there is time or geographical location constraints.

5.3.8 Suggestions related to Demographic Characteristic:-

1. Therefore, bank managers should try to establish a durable relationship with their young customers in order to build up a long-term relationship over time.

2. For example, bank managements can link their online services with a cell phone company to enable cell phone banking which is readily adopted by young age customers.

3. Therefore, in order to protect bank profits, other than by providing superior services, offering special benefits may be necessary to retain customers in this customer segments.

5.4 Conclusions

1. The study found that, the research Objective One was satisfied as the factors that influence customer’s switching behaviour in the retail banking industry in Solapur City were identified. The result of the logistic regression analysis (Chapter 4: Table No. 4.46) revealed that there was a significantly positive
relationship between customers’ switching behaviour and the influencing factors: Price and Reputation. Therefore, Hypotheses 1 and 2 were supported.

Furthermore, the research study showed that there was a significantly negative relationship between customers’ switching behaviour and the influencing factors: Service Quality, Effective Advertising Competition, Involuntary Switching, Distance and Switching Costs. Therefore, Hypotheses 3, 4, 5, 6, and 7 were supported.

2. The study found that, the research objective two was satisfied as the most important factors were resolute. The marginal-effect findings indicate that the Service Quality had the maximum impact on switching behaviour. Reputation and Price were the second and third important factors influencing customer’s switching behaviour. The fourth and fifth most important factors were Switching Cost and Distance respectively. Advertising and Involuntary Switching were ranked as the sixth and seventh most important factors according to the marginal-effect findings (Chapter 4: Table No. 4.54).

The research objectives two were satisfied as the least important factors were resolute. The marginal effect findings indicate that involuntary factor had the minimum impact on switching behaviour. Remaining impacting factor ranked according to the marginal-effect result (Chapter 4: Table No. 4.54).

3. The study found that, the research objective three was satisfied. The result of the logistic regression analysis (Chapter 4: Table No. 4.56) showed that there was a significantly positive relationship between customers’ switching behaviour and the demographic Characteristics. Therefore, Hypotheses 8 were supported. The ANOVA - F Test (Chapter 4: Table No. 4.47, 4.48, 4.49, 4.50 and 4.51) results revealed that customers with different gender, age, educational levels and incomes, had different perceptions of the switching factors: Reputation, Service Quality, Distance, Switching Costs, and Involuntary Switching. Thus, Hypotheses 8 was supported.

5.5 Avenues for Future Research

This research study furnishes contributions from both a theoretical and practical perspective. Following are the few of direction for the future research in the customer switching behaviour in banking industry.
1. This research was conducted in Solapur City. People’s belief and attitudes can be significantly different across different regions and countries. Furthermore, the sample size was limited. Therefore, future study may be carried out with a more extended geographic area and with more sample size, which may reveal differences in customers’ attitudes towards bank switching behaviour.

2. This research study examined seven factors that may influence customers’ switching bank behaviour. However, there may be some other factors that can have an impact on customers’ switching behaviour. Further researcher may required to examine the other factors that can impact or influence customers’ switching behaviour.

3. This research study focuses on customers’ past behavioural rather than their future behavioural intentions. The survey questionnaire asks about current banking experiences or their new banks. However, in order to maintain a long-term relationship with customers, future research should focus not only on what factors influence customers to switch banks, but also on any additional factors that can potentially influence customers’ behaviour to switch banks in the future.