Chapter 3

Theoretical Framework

3.1 Introduction

Theoretical framework is the foundation on which any research is based. It is a conceptual model of how the researcher makes logical sense of the relationship among the various factors that have been identified as important to the problem being studied. This chapter explains the theoretical framework of the study and discusses the relationships among the variables that have been identified, explains the theories underlying these relations and also describes the nature and direction of the relationships. The framework has been developed from the extensive literature survey done and from the interviews that were conducted with bank managers, customers and experts in the field. The chapter also explains the choice of theories that compose the theoretical framework. The theories have been chosen with consideration to the research question and objectives.
3.2 Consumer Decision Making

Service switching involves replacing the existing service provider with another service provider. It involves the transfer of all or part of a customer’s purchase from one service provider to another. In Stewart’s (1998b) study of the exit process in the retail banking context, bank switching was considered as the end of the main current account where the customer may run down the account to a negligible balance and have no further transactions or the customer may close the account and formally close the contract with the bank. Customer switching is a clear problem for the service provider and an important decision for the customer (Anton, Camarero, & Carrero, 2007). When a customer switches the service provider, the customer breaks his relationship with the provider and may start purchasing services from another provider. The consumer decision-making process can be used as a foundation for understanding the cognitive part of consumers’ purchase decisions (Hansen, 2005).

The consumer decision making process has been an area of interest for researchers for a long time and since 1960, a large number of researches have been done in this area and various models have been developed (Belch et al., 2012; Engel et al., 1995; Engel et al., 1968; Howard & Sheth, 1969; Nicosia, 1966). Although all these models are different in their description of consumer decision making process, across these models there is similarity with regard to the various stages involved in the decision making process. As seen in Figure 3.1, all these models show five stages in the decision making process, starting with need recognition, search for information, evaluation of alternatives, purchase and post purchase behaviour.
Belch et al. (2012) modified the basic EKB model of consumer decision making and described the consumer decision making model with two parts (Figure 3.2). Part A shows the five stages of the consumer decision making process and part B shows the corresponding psychological processes that complement each stage in the decision making process.

A. Stages in the consumer decision – making process

B. Relevant internal psychological process
Chapter 3

Source: Belch, Belch, Kerr and Powell (2012)

Figure 3.2 Belch, Belch, Kerr and Powell (2012) Model of Consumer Decision Making

The consumer’s decision making process begins with the recognition of some problem which motivates him to search for alternatives. As the consumer searches for information, he/she begins to evaluate the various alternatives that he/she gets exposed to. The consumer forms perceptions about the quality of the service leading him/her to form attitudes regarding his/her subsequent behavior which may be to stay with the service provider or switch or engage in word of mouth. The consumer integrates the perceptions and attitude he/she forms, and if he/she decides to switch the service provider, then he/she makes a new purchase decision. After purchase and consumption, learning happens as the customer makes post purchase evaluations of the quality of service from the new provider.

3.3 The Basic Components of a Process

The decision to switch a service provider is not a clear cut decision made by the customer. It is a dynamic process that gradually evolves over time and finally culminates in the customer’s decision to switch to a new provider (Keaveney, 1995; Colgate & Hedge, 2001). Switching therefore happens due to the cumulative effect of the interaction effect between these multiple problems that results in switching. To understand this dynamic process of switching, it is important to have a clear idea about the meaning of a process. According to Van de Ven (1992), a process can be viewed as having three basic components: a set of starting conditions, an emergent process of change and a functional endpoint (Figure 3.3). For any research on process, researchers suggest that viewing process as a developmental event sequence is
perhaps the best (Langley, 1999; Miles & Huberman, 1994). A process when viewed from this perspective is a set of events leading to an outcome. The emergent events are the critical incidents that contribute to the resulting outcome (Peterson, 1998).

![Figure 3.3 Components of Process](image)

**3.4 Customer Switching Process**

Customer switching process can be viewed as a set of events leading to a customer changing his/her service provider. The switching process starts with the customers’ awareness of some negative aspects in the relationship and ends in a switching decision. The awareness of some negative aspects in the relationship with an existing service provider represents a trigger that the customer experiences during his/her relationship. The trigger, which is the starting condition of the process, provides some kind of a motivation for the subsequent behavior of the customer by sensitizing the customer to consider switching. This trigger is also the problem/need recognition stage of the consumer decision making process. The decision to switch corresponds to the fourth stage, i.e., the purchase stage in the consumer decision making process.

Once faced with a trigger, the customer then enters a switching path and the critical incidents that the customer encounters are the events that will eventually lead to the decision to stay or to switch (Figure 3.4). The events that a customer encounters along the switching path can be classified as
pushers, swayers and pullers (Roos, 1999). The pushers are the switching determinants which the customers perceive as the reason for switching to another provider. A swaying determinant is one which either mitigates or prolongs the switching decision. It may act in either direction. The pullers are the switching determinants which make customers stay with the service provider.

During the relationship there may be several episodes which again may consist of several smaller acts. A combination of these acts or episodes may constitute a critical incident.

Source: Adapted from Roos, 1999

Figure 3.4 Switching Process

Service industries present a more difficult situation to understand switching behavior compared to products because of the very nature of services. The intangibility, persishability, simultaneity and heterogeneity of services make it difficult to understand the basis of consumer choice in the case of services (Mittal & Lassar, 1998). After experiencing the trigger, during the emergent process that results in the behavioural change, the critical
incidents that the customer encounters leads him/her to form perceptions about the quality of the service. Service quality, which is a commonly studied predictor of service provider switching, is a cognitive judgement about the relative inferiority or superiority of an organization’s services (Fogli, 2006) and has been conceptualized as a general attitude. Cronin and Taylor (1994) view service quality as a form of attitude representing a long-run overall evaluation of the service.

Parasuraman et al. (1985) defined service quality as ‘a function of the differences between expectation and performance along the quality dimensions’. Expectations are the wants and desires of customers in terms of what they feel a service provider should offer. According to the Service Quality Model proposed by them, customers form expectations of service through past experiences, personal needs and word of mouth. Past experiences, personal needs and word of mouth represent the motivation for expectations which can be related to the need identification stage of consumer decision making process.

The Theory of Planned Behavior (Ajzen, 1991) conceptualizes behavior and the antecedents that are believed to affect this specific behavior. According to Ajzen, behavioural intention is the most proximate predictor of behaviour. Intention is the cognitive representation of a person's readiness to perform a given behavior and according to the Theory of Planned Behaviour it is the immediate antecedent of behaviour. Many studies use behavioural intentions as a proxy for behaviour (Liao, Shao, Wang & Chen, 1999). There is sufficient theoretical and empirical evidence in literature suggesting a direct linkage between service quality and behavioural intentions (Bansal & Taylor,

The nature of services makes it important to include ‘relationship’ when trying to understand switching. A central concept in the relationship-marketing paradigm is customer commitment. An examination of commitment helps in looking beyond transaction variables in understanding why consumers switch service providers (Bansal et al., 2004). Commitment, being a force that binds a customer to the service provider, the level of commitment customers have towards the service provider, can interact with customers’ perception of service quality and influence their switching intention. The relation among trigger, perceived service quality, commitment and intention to switch is shown in Figure 3.5.

![Figure 3.5 Relations between Concepts](image-url)
3.5 Switching Triggers

During the consumption process, something out of the ordinary can occur, that alerts the customer or calls his/her attention to some aspect of his/her relationship with the service provider (Day, 1976). According to Day, the trigger initiates an awareness or sensitivity to the purchase or consumption process and leads to conscious feelings of being satisfied or dissatisfied. Triggers are the starting points for customers to consider switching (Roos et al., 2004) and they initiate sensitivity to the consumption process and stimulate the customer to evaluate the relationship from that point of time more critically. The trigger events besides many other responses, leads to five specific responses in the customer: a reevaluation, a change in standards level or those that are evoked, an emotional response, a change in values and a behavioural change (Gardial et al., 1996). The experience of a trigger puts the customer on a switching path and the trigger provides the switching path with energy and direction and the events that follow move the customer along the switching path (Roos et al., 2004).

Engel et al. (1995) recognized that individual and environmental factors were likely to affect the recognition of need of consumers during the decision making process. Individual influences starting with consumers' knowledge of the product, their motivation, attitudes, beliefs and values, lifestyle and demographics, and the like, influence recognition of a need. Similarly, environmental influences such as culture, social class, family and friends, and shared views impact on the evaluation of the need.
Chapter 3

The three kinds of triggers (Figure 3.7) that can cause changes in the basis of a customer’s relationship with the service provider are situational triggers, influential triggers and reactional triggers (Roos et al., 2004). Changes in the living or working situations of the customer like change of job or change in family situations call the attention of the customer to reevaluation of the relationship with the existing service provider because of some unmet need of the customer. These situational triggers, which arise from the personal needs of the customer, make the customer realize that the existing service/service provider no longer satisfies his need fully. Reactional triggers are experiences of the customer which arise due to critical incidents during interaction between the customer and the service provider. As a result of this experience, the customer perceives something negative about the relationship. Influential triggers arise from certain efforts or actions by competitors like announcement of more attractive interest rates or lower fees and charges which alert the customer about something better and more attractive being offered by the competitor which makes the customer view the relationship with the service provider critically.

The situational triggers arise from personal needs of the customer, influential trigger from experience of customer and reactional trigger from actions of competitor and these triggers can be linked to the source of expectations in the Service Quality Model (Figure 2.5) proposed by Parasuraman et al. (1985). From the service provider’s point of view, the situational and influential triggers are external while reactional triggers are internal.
When faced with a trigger, the customers perceive a discrepancy between what the bank should offer and what the bank is offering. This gap leads to a reevaluation of the quality of the service being offered by the bank. The cues that lead to trigger raise customers’ awareness of the consumption process (Day, 1976) and may cause a devaluing of the current service (Woodruff, 1993). As the trigger has the potential to provide the switching path with energy and direction, the trigger has an influence on customers’ perceptions of service quality. For the study, from the above observations, trigger was conceptualized to be of three types viz. situational triggers, reactional triggers and influential triggers (Figure 3.7).

Figure 3.7 Types of Triggers
3.6 Perceived Service Quality

Provision of high quality of service results in higher customer satisfaction and enhances customer loyalty. Banks that excel in quality service have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, higher customer retention (Bennett & Higgins, 1988) and expanded market shares (Bowen & Hedges, 1993). This is because satisfied customers, lead to customer loyalty and in return translate into higher profit.

The construct of service quality as conceptualized in literature has been based on the definition by Zeithaml (1987) wherein perceived quality is defined as consumer’s judgement about an entity’s overall excellence or superiority. Service quality is a measure of how well the service level delivered matches customer expectations (Lewis & Booms, 1983). Service quality has been conceptualized in literature as a multidimensional multi level construct (Carman, 1990; Dabholkar et al., 1996; McDougall & Levesque, 1994). Perceived service quality, especially in retail banking sector, has been found to be a culture and context specific construct (Furreret al., 2000; Glaveli et al., 2006) and is influenced by cultural and environmental factors.

The consumption process that the consumer goes through during his relationship with the service provider makes him form judgments about the overall superiority of the service provider. Customers’ perceptions of service quality is influenced by the service encounter and covers all aspects of the service provider with which the customer interacts, both human and non-human (Meuter et al., 2000) and includes all the physical facilities, employees
and other tangibles (Bitner, 1992; Bitner et al., 1990). The judgement or the evaluations of service quality which the customer makes guides his subsequent behavior in terms of switching or staying.

Service quality studies in traditional face-to-face retail banking have mostly adopted the five dimensional SERVQUAL model (Parasuraman et al. 1985, 1988) or SERVPERF (Cronin & Taylor, 1992) approach or some customized version of it (Angur et al., 1999; Chi-Cui et al., 2003; Cronin & Taylor, 1992; Dash, 2006; Lassar et al., 2000; Yavas & Benkenstein, 1997). Identification of the service quality dimensions is important to be able to measure, control and improve perceived service quality (Johnston, 1995). The internet, mobile banking and other forms of technology have transformed the way banking transactions are carried out today. These aspects of banking are considered by customers when they form judgments about the overall quality of service provided by the bank as customers today can do most of their transactions without physically visiting the bank.

Most measures of perceived retail banking service quality have assumed a first order reflective model and there has been little effort to develop and test a hierarchical second order model in the Indian context. This study aims to develop and validate a hierarchical model of retail-banking specific service quality measure, by examining its factorial structure and assessing its reliability and validity, so that there is a better understanding of its determinants. There is theoretical support in literature for a multi dimensional, multi level model of service quality (Carman, 1990; McDougall & Levesque, 1994; Dabholkar et al., 1996; Brady & Cronin, 2001) though there has been little effort to empirically test such a structure. This study therefore attempted...
to develop and test a multi level model or hierarchical model of retail banking service quality using multiple and multi level dimensions in retail banking.

In order to conceptualize service quality, from the extensive review of literature and discussions with bank managers and experts, five dimensions of service quality which are critical from the customer’s point of view were identified and they included: Human Interaction, Core Service, Convenience, Tangibles and Technology. These five dimensions were assumed to form the perceived service quality construct in retail banking (Figure 3.8).

The importance of the human interaction element in service delivery has been recognized by many studies (Schneider & Bowen, 1985, 1993, 1995). Service delivery occurs during interaction between service provider personnel and customers and therefore attitudes and behaviours of the contact personnel can influence customers’ perceptions of service quality (Schneider & Bowen, 1985). In the SERVQUAL scale, four out of the five dimensions, namely, reliability, responsiveness, assurance and empathy relate to human element of service delivery. Core service refers to the essence of a service and the nature and quality of core service largely influences the quality perceptions of customers (Sureshchandar et al., 2002). According to Schneider and Bowen (1995), core service has perceivable and tangible quality features that could distinguish services. The core service, besides portraying the service, includes features that are offered in a service. The importance of tangibles or the physical facets of service have been recognized in previous studies (Bitner, 1992; Booms & Bitner, 1982; Parasuraman et al., 1985). Tangibles are used by firms to convey image and signal quality (Zeithaml, Bitner, & Gremler, 2006) and can therefore influence customers’ perceptions of service quality. Service
convenience is defined as a customer’s perception of the time and effort to buy or use a service (Berry, Seiders & Grewal, 2002) and is generally regarded as an important factor in consumer behaviour and influences quality perceptions of customers. In retail environment, convenience facilitates the service process and leads to customers enjoying the benefits expected from the service (Bitner 1992). Convenience is a critical factor which influences customers’ evaluation about a firm’s performance (Levesque & McDougall, 1996). Convenience has been identified as to all products or methods that save customers time and effort, both physical or services. Perceptions of service convenience affect customers’ overall evaluation of the service, including satisfaction with the service and perceived service quality and fairness (Berry et al., 2002). As a result of advancement in communication and information technology, service providers have found alternative means of delivering services to their customers. Retail banks have integrated electronic service delivery channels to bring banking services to customers and this influences how banks interact with their customers (Parasuraman & Zinkhan, 2002).

Perceived service quality was conceptualized in the study as a five dimensional second order formative construct, the five first order dimensions measured using reflective indicators (Figure 3.8).
3.7 Consumer Commitment

Consumer commitment is regarded as a key variable in marketing relationships as customer bonding helps in achieving stable relationship marketing (Smith, 1998). There is substantial evidence in marketing literature showing that commitment enhances customer loyalty (Bendapudi & Berry,
According to Morgan & Hunt (1994), commitment promotes successful long term relationships and is an important driver of customer loyalty in services. Commitment is a customer’s belief that the existing relationship is worth investing in (Sharma & Patterson, 2000) and it creates stickiness between the customer and service provider (Gustafsson et al., 2005) so that the customer continues to purchase from the same service provider.

Meyer and Allen (1997) proposed commitment as having three dimensions – affective, continuance and normative. Affective commitment is a “desire based want to” commitment because a commitment of this type makes customers feel that they want to continue being with the same service provider due to some affection towards the service provider. Continuance commitment is a “cost based need to” commitment where the customer feels he needs to continue with the same service provider because of some effort or cost which he may otherwise have to incur and normative commitment is an “obligation based ought to” commitment where the customer feels he ought to continue his relationship with the same service provider because of some obligation towards the provider (Bansal et al., 2004). Meyer and Herscovitch (2001) suggested that the three different dimensions of commitment reflect different underlying psychological states of an individual regarding the individual’s relationship with the organization and as the different dimensions of commitment develop in different ways, they will have different implications for behavior. Bansal et al. (2004) found support for this notion in a service provider context and found that the three bases of consumer commitment can differently influence a customer’s decision to stay with or switch a service provider.
For the purpose of study, consumer commitment was conceptualized as having three dimensions – affective, continuance and normative (Figure 3.9). Affective commitment is emotional, normative commitment is moral and continuance commitment is rational (Johnston, 1991).

Figure 3.9 Dimensions of Commitment

3.8 The Conceptual Model

Based on literature review, concepts that are important predictors of customers’ switching behaviour were identified. From the observations made about the concepts, the conceptual framework was developed as shown in Figure 3.10. The dependent variable for the study was consumer switching intention. Perceived service quality is an important antecedent of customers’
intention to switch. The starting condition of switching behaviour is the switching trigger and the triggers (situational, influential and reactional) influence customers’ perception of quality of the service provider. Consumer commitment - affective commitment, continuance commitment and normative commitment were considered as variables, moderating the link between perceived service quality and customer switching intentions.

Figure 3.10 Conceptual Model of the Study

3.9 Hypotheses of the Study

From the theoretical framework developed for the study, several hypotheses were formulated to answer the research questions.

3.9.1 The Linkage between Switching Triggers and Perceived Service Quality and the Dimensions of Perceived Service Quality

Perceived service quality was conceptualized as the consumers’ judgment about the overall excellence or superiority of the service provider
(Parasuraman et al., 1988). The trigger is the sensitizing factor which provides
the stimulus for a change in the behavioural, cognitive or emotional response
in an individual with regard to a service provider (Gardial et al., 1996). As
triggers initiate the customers on a switching path, the stronger the influence
of the trigger, customers will perceive a larger gap between their existing state
and desired state. Hence the following hypotheses were formulated:

**Hypothesis 1**: Situational trigger has a significant influence on customers’
perceptions of service quality of the service provider.

**Hypothesis 2**: Reactional trigger has a significant influence on customers’
perceptions of service quality of the service provider.

**Hypothesis 3**: Influential trigger has a significant influence on customers’
perceptions of service quality of the service provider.

Different triggers may evoke different responses in customers as
attribution theory suggests that consumers respond differently depending on
the source of event (Folkes, 1984; Swan & Trawick, 1994). Additionally, the
following hypotheses were also formulated to examine the influence of the
various triggers on the different dimensions of perceived service quality.

**Hypothesis 1a**: Situational trigger has a significant influence on human
interaction.

**Hypothesis 1b**: Situational trigger has a significant influence on core service

**Hypothesis 1c**: Situational trigger has a significant influence on convenience

**Hypothesis 1d**: Situational trigger has a significant influence on tangibles

**Hypothesis 1e**: Situational trigger has a significant influence on technology
Theoretical Framework

**Hypothesis 2a:** Reactional trigger has a significant influence on human interaction

**Hypothesis 2b:** Reactional trigger has a significant influence on core service

**Hypothesis 2c:** Reactional trigger has a significant influence on convenience

**Hypothesis 2d:** Reactional trigger has a significant influence on tangibles

**Hypothesis 2e:** Reactional trigger has a significant influence on technology

**Hypothesis 3a:** Influential trigger has a significant influence on human interaction

**Hypothesis 3b:** Influential trigger has a significant influence on core service

**Hypothesis 3c:** Influential trigger has a significant influence on convenience

**Hypothesis 3d:** Influential trigger has a significant influence on tangibles

**Hypothesis 3e:** Influential trigger has a significant influence on technology
Figure 3.11 Hypotheses 1a-1e, 2a-2e, 3a-3e

3.9.2 The Linkage between Service Quality Dimensions and Perceived Service Quality

Though both products and services are a mix of both products and services, service quality, owing to its marketing and operations orientations, is important from the perspective of customers’ perception of services. Service quality is crucial for retaining customers and also for giving competitive advantage to firms through differentiation. As production and consumption are inseparable in the case of services, the interaction between the customer and the service provider, gives customers the opportunity to critically assess the service quality aspects of the provider.

From the extensive review of literature and feedback from bank managers, experts and customers of retail banking, five dimensions of service quality were identified – personnel interaction, core service, convenience, tangibles and technology - which were found to be critical in customers’ perception of service quality in the contemporary retail banking context. Hence the following hypotheses were formulated:

*Hypothesis 4a*: Human interaction has a significant influence on perceived service quality

*Hypothesis 4b*: Core service has a significant influence on perceived service quality

*Hypothesis 4c*: Convenience has a significant influence on perceived service quality
Chapter 3

Hypothesis 4d: Tangibles has a significant influence on perceived service quality

Hypothesis 4e: Technology has a significant positive influence on perceived service quality
3.9.3 The Linkage between Perceived Service Quality and Intention to Switch

Zeithaml et al. (1996) confirmed that poor service quality leads to unfavourable behavioural intentions. According to Zeithaml et al.’s model, the behavioral consequences of service quality mediate between service quality and the financial gains or losses that the service provider makes from retention or defection. When customers' perceptions of service quality are high, the behavioral intentions are favorable, which strengthens their relationship with the organization. On the other hand, when service quality assessments are low, customers' behavioral intentions are unfavorable and as a consequence the relationship with the service provider deteriorates. Zeithaml et al. (1996) also suggested that behavioral intentions were indicators, which showed whether customers will remain with the service provider or switch. Substantial empirical and theoretical evidence exists in literature suggesting that there is a direct link between service quality and behavioural intentions (Bitner, 1990; Bolton & Drew, 1991; Cronin & Taylor, 1994; Cronin, Brady & Hult, 2000). Bansal and Taylor (1999) showed that perceived service quality has an indirect influence on switching intention, mediated by both satisfaction and also attitude towards switching and Bansal, Taylor and James (2005) showed the direct influence of low quality on switching intention. The following hypothesis was formulated:

Hypothesis 5: Perceived service quality has a significant influence on customer’s intention to switch the service provider.
3.9.4 The Influence of Consumer Commitment on the Linkage between Perceived Service Quality and Intention to Switch

According to Morgan and Hunt (1994), commitment stems from trust, shared values and the belief that it will be difficult to find service providers who can offer the same value and encourages maintaining the relationship with the existing service provider. Commitment is regarded as an antecedent of repeat purchase behaviour. Even if the perceived service quality is less favourable, when consumer commitment is strong, the intention to switch the service may be influenced by the customers’ level of commitment. Moderating effects are evoked by variables whose variation influences the strength or the direction of a relationship between an exogenous and an endogenous variable (Baron & Kenny, 1986). The presence of commitment can influence the strength or direction of the relationship between service quality and intention to switch. The three dimensions of commitment (affective, normative and continuance) reflect different underlying psychological states concerning a customer’s relationship and therefore, these develop in different ways and have potentially different implications for behaviour (Meyer & Herscovitch, 2001). As there is support in marketing literature for the three-component model and that there might be differences between the dimensions and their antecedents and outcomes (Bansal et al., 2004; Allen & Meyer, 1990), it is argued that not all three dimensions have the same influence on the linkage between service quality and switching intention. The level of commitment moderates customers’ perception of the service quality of the bank and influences their switching intention. Hence, the following hypotheses were proposed regarding the role of commitment:
**Theoretical Framework**

**Hypothesis 6:** Affective commitment moderates the link between perceived service quality and intention to switch.

**Hypothesis 7:** Normative commitment moderates the link between perceived service quality and intention to switch.

**Hypothesis 8:** Continuance commitment moderates the link between perceived service quality and intention to switch.

![Diagram of Hypotheses 1,2,3,5,6,7,8](image)

**Figure 3.13 Hypotheses 1,2,3,5,6,7,8**

3.10 Conclusion
Chapter 3

The chapter discussed the theoretical framework of the study. The different triggers that influence customers’ perception of the service quality of the retail bank were identified from literature and hypotheses were formulated to examine the influence of customers’ perceived likelihood of considering switching their primary account due to these triggers on perceived service quality. The moderating influences of affective commitment, normative commitment and calculative commitment on the link between perceived service quality and intention to switch are also being examined. Twenty seven hypotheses were formulated, seven pertaining to the research model and the remaining twenty pertaining to sub models.

The next chapter discusses the research methodology employed in the study.