

## Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi



Nguyen Thi Anh Tram<sup>1</sup>, Pham Thi Thuy Van<sup>2</sup>, Le Thi Hai Ha<sup>3</sup>

<sup>1,2,3</sup>University of Labor and Social Affairs, Vietnam.

**ABSTRACT:** The research aims to investigate the impact levels of determinants on customer's switching behavior towards banking service providers in Hanoi, Vietnam. We conducted a questionnaire consisting of 21 observation variables with a 5-point Likert scale. Independent variables were measured from 1 "without impact" to 5 "strongly". The method of data collection was done through the survey and subjects are customers in Hanoi that have used banking services. After checking the information on the votes, there are 343 questionnaires with full information for data entry and analysis. This study employs Cronbach's Alpha test, and regression model. The results show that five determinants including (i) Service fees, (ii) Alternative attractiveness, (iii) Subjective norms, (iv) Satisfaction and (v) Trust had relationships with customer's switching behavior towards banking service providers. Based on the findings, some recommendations are given for commercial banks in Hanoi to improve the quality services.

**KEYWORDS:** Determinants influencing, the behavior of switching service providers, customer, banking service

**JEL codes:** M31, M10, M20.

### 1. INTRODUCTION

Switching means that the customer ends the relationship with the current service provider and may start over with an alternative service provider (Huang et al., 2014, Nikbin et al., 2012, Shin & Kim, 2008). That switch of customers has a negative effect on organizational profit (Nikbin et al., 2012).

The customer's switching behavior is a negative response to dissatisfaction and can also be due to a variety of causes. According to Keaveney (1995), switch occurs as a result of dissatisfaction, but can also be involuntary. Factors beyond the control of customers and service providers can lead to an involuntary switch. Customer's switching behavior can occur even if the customer is satisfied with the supplier (Ganesh et al., 2000).

Switching behavior can occur for various reasons other than dissatisfaction, for example, the customer moves to another area, changes job or family situation (Roos et al., 2004). The switch when customer is not satisfied may be due to a better offer from competing service providers, or the customer's perception of the service experience.

Vietnam with a population of more than 97 million people that have increasing income is a potential market for banks. The banking industry will thrive in the future due to the growth of different types of firms. Commercial banks have initially implemented a strategy of shifting to retail, increasing access to individual customers and small and medium enterprises. When moving to retail, banks will have a larger market, which increases growth potential and business risk diversification.

To retain customers, banks need to understand their customers. Therefore, it becomes very important to study the customer's switching behavior of banking service providers. Researching switching behavior can help manufacturers, businesses and marketers predict the switching behavior of customers so that they can offer solutions to retain and develop customer relationship. In addition, this study is conducted with a view to helping bank administrators identify some factors that affect customer's switching behavior towards banking service providers in Vietnam.

### 2. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

#### 2.1. Service fees and the behavior of switching banking service providers

Fee or price is the exchange correlation in the market. To the buyer, the price of a product or the fee of service is the amount of money that the buyer must pay the seller for the right to own or use the product or service. Price is often the primary determinant of buyer choice (Engel et al., 1995). Lui (2005) said that price is a factor affecting the intention to switch service providers and is

## **Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi**

considered from the point of view of customers' perceptions, customers evaluate the reasonability of service fees through a comparison between the price and the value of the service, the price offered by current and competitive supplier, and their own ability to pay.

Customers often have different conceptions of the price. According to studies on switching behavior, price is an important factor in research models of customers' switching behavior (Keaveney, 1995; Lui, 2005). Therefore, we develop hypothesis H1: Fee has a negative impact on consumers' behavior to switch banking service providers.

### **2.2. Alternative attractiveness and the behavior of switching banking service providers**

Previous studies on switching behavior determined that the attractiveness of alternatives affects the behavior of switching banking service providers (Lui, 2005, Carmen et al., 2007). The high attractiveness of alternatives can have a direct impact on switching behavior (Kim et al., 2004). In service industries, the attractiveness of competitors has been identified as the key factor that leads customers to switch to a better service provider (Keaveney, 1995).

Alternative attractiveness is conceptualized as the customer's estimate of possible satisfaction in another relationship. If customers are not aware of other attractive alternative suppliers, they may keep the relationship with current supplier even if it is unsatisfactory. However, the customer may decide to end the current relationship and go to a new provider if they find the choice attractive due to the availability of better service, a wide range of services, lower costs or promise of high financial returns. Therefore, we construct hypothesis H2: Alternative attractiveness has a positive impact on consumers' switching behavior towards banking service providers.

### **2.3. Subjective norms and the behavior of switching banking service providers**

Many studies have confirmed that subjective norms have a relationship with consumers' switching behavior (Bansal et al., 2004, 2005; Chen & Jinghong, 2005).

Subjective norms have been shown to influence the intention to act thereby influencing behavior in the study of Ajzen (1991). Subjective norms are the pressures that society puts on an individual when considering whether or not to perform a behavior. Individuals' subjective norms reflect their beliefs that people surrounding them can observe and evaluate their behaviors (O'Neal, 2007).

Subjective norms which tend to be favorable to stronger switching can lead to increased service provider switching behavior. Therefore, the authors develop the hypothesis H3: Subjective norms have a positive impact on consumers' behavior of switching banking service providers.

### **2.4. Satisfaction and the behavior of switching banking service providers**

Ganesh et al. (2000) pointed out the difference between loyal customers and customers who have switched service providers in the service sector. Customers who switched service providers have a significant difference in their satisfaction with their current provider compared to loyal customers. Research results of Keaveney, S. M., and Parthasarathy, M. (2001) show that, for online service users, satisfaction is one of the effective factors in differentiating behavior between these types of consumers.

In addition, researchers on customers' switching behavior have also found that consumer satisfaction has a negative effect on intention to switch service providers. Bansal et al., (2005). Consumers with a low level of satisfaction when are experiencing a service will have a high tendency to switch to use other service providers' services. Therefore, we build hypothesis H4: Satisfaction has a negative impact on consumers' behavior to switch banking service providers.

### **2.5. Trust and the behavior of switching banking service providers**

Trust is a fundamental concept in relationship marketing research (Morgan & Hunt, 1994).

Consumer confidence in the fulfillment of a seller's promises is an antecedent of future consumer behavior (Garbarino & Johnson, 1999). Trust is one of the important factors used to predict cooperation (Sharma & Patterson 2000), leading to customer repurchase (Hennig - Thurau et al., 2002). Consumer beliefs or expectations are considered to be the motivating factors for customer retention (Ranaweera, C. and Prabhu, 2003). Service providers may not be able to retain customers even when those customers are satisfied (Heskett et al., 1994; Schneider and Bowen, 1999). As such, satisfaction may not be enough to warrant a customer commitment to stay with a single supplier. Therefore, in order to retain customers, it is necessary to consider other variables such as trust (Miller et al., 1999).

Trust is a concept in business in general and in marketing in particular that has been studied in many different fields such as social relations, service marketing, retail, negotiation transactions between buyers and sellers, relationships in organizations, consumers' behavior to switch service providers, etc. Therefore, we build hypothesis H5: Trust has a negative impact on consumers' behavior to switch banking service providers.

## **3. DATA COLLECTION AND RESEARCH METHODOLOGY**

## Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi

### 3.1. Context and research sample

Providers of banking services (providing banking services to individuals and households) are mostly banks, in which the main providers are commercial banks.

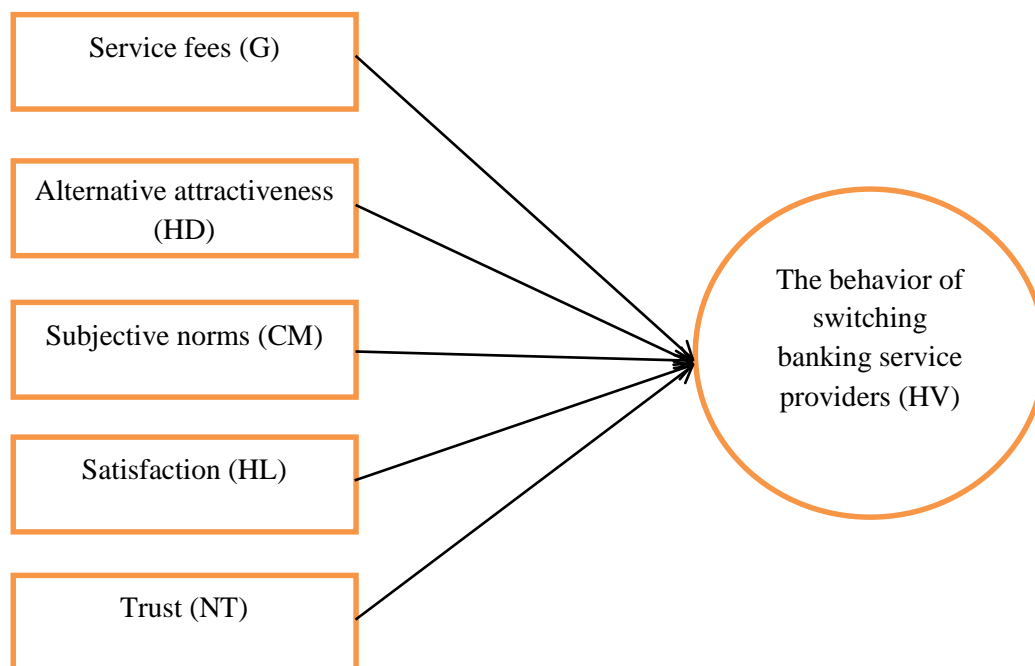
In Vietnam nowadays, commercial banks have been developing retail banking services in accordance with the inevitable trend, in line with the general trend of banks in the region and the world, serving individuals and small business households, ensuring banks, providing high-quality services to customers, orienting business and target product markets. This helps banks achieve optimal business performance.

In recent years, banks have paid much attention to and focused on exploiting the retail market, so they have achieved results such as accelerating the modernization of banking technology, developing new types of services and multi-utilities accepted by society such as automatic teller machine (ATM), internet banking, home banking, PC banking, mobile banking

The forms of capital mobilization are increasingly diversified and flexible, namely ladder interest savings, bonus savings, flexible principal and interest withdrawal savings, interest rate savings based on savings balance combined with insurance, savings deposit, issuance of valuable papers, service of making a savings in one place and transacting in many places. In addition, forms of loans are also expanded: loans to buy houses, buy cars, study abroad, prove finance, loans to employees, overdrafts, etc. This is favorable to improve people's lives when their accumulation is not enough. Commercial banks have made significant improvements in financial capacity, technology, governance, organizational structure and distribution channel network, product and service system. Various types of retail banking services have been implemented such as account services, checks, cards, asset management, credit, mortgage. However, the retail banking services of Vietnamese commercial banks still have many shortcomings, the banks have not developed a plan to develop retail banking services in a synchronous and effective manner.

In order to accomplish the research objective, we have sent the survey questionnaire to consumers who are using banking services in Hanoi. We sent all 400 questionnaires to these consumers within 3 months and collected 375 votes, after cleaning the remaining 343 valid surveys to be analyzed.

### 3.2. Research models



**Fig. 1.** Research models

In the research model, the research variables are described as follows:

G was measured by a scale of Likert from 1 – without impact, to 5 – strongly. Includes 4 items developed from research by Lui (2005).

HD was measured by a scale of Likert from 1 – without impact, to 5 – strongly. Includes 4 items developed from research by Lui (2005).

## Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi

CM was measured by a scale of Likert from 1 – without impact, to 5 – strongly. Includes 3 items developed from research by Bansal et al. (2004).

HL was measured by a scale of Likert from 1 – without impact, to 5 – strongly. Includes 4 items developed from research by Kim et al. (2004).

NT was measured by a scale of Likert from 1 – without impact, to 5 – strongly. Includes 6 items developed from research by Bansal, H. S., Irving, P. G., and Taylor, S. F. (2004).

### 3.3. Methods of analysis

To analyze the research data, we used SPSS22 analysis software.

We first conducted a reliability test of the scale using Cronbach's Alpha coefficient and total correlation. The Cronbach's Alpha coefficient has a variable value in the segment [0, 1]. In theory, the higher the coefficient, the better (the more reliable the scale). Cronbach's Alpha coefficient value levels have the following meanings, From 0.8 to close to 1: very good measurement. From 0.7 to nearly 0.8: good measurement scale. From 0.6 and above: eligible measurement scale (Henseler et al. 2009, 2015).

If a variable has a correlation coefficient of Corrected Item - Total Correlation  $\geq 0.3$ , that variable is satisfactory (Hair et al. 2014).

Next, we conducted an EFA discovery factor test on SPSS 22 assessed using KMO and Sig coefficients.

Finally, we evaluate the general reliability value, discriminant validity, evaluate measurement models, structural models and test research hypotheses with SPSS22 soft ware.

## 4. RESULTS

### 4.1. Quality scale analysis result

Analyzing Cronbach's Alpha of determinants has shown their impact on HV (5 determinants with 21 observed variables) and the result is presented in Table 1. The result shows that all Cronbach's Alpha coefficients of population are above 0.6; all Corrected Item – Total Correlation of observed variables are above 0.3. So, all variables of research model are suitable for next analyses (Hair et al. 2014).

**Table 1:** Results of analysis of Determinants Confidence of Scales in the Model

Factors	n	Cronbach's Alpha	Corrected Item-Total Correlation
HL	4	.864	.647
NT	6	.949	.806
G	4	.801	.537
CM	3	.839	.671
HD	4	.772	.536

### 4.2. Exploratory Factor Analysis

EFA were conducted and we used the method of extracting coefficients. The results of Component Analysis and Varimax, Analyzes yields 21 attributes for the independent variables.

**Table 2:** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.803
Bartlett's Test of Sphericity	Approx. Chi-Square	2,476.152
	Df	344
	Sig.	0.000

The results of factor analysis in Table 3 show that  $0.5 < \text{KMO} = 0.803 < 1$ . Bartlett's testimony shows  $\text{sig.} = 0.000 < 0.05$ . It means variables in the whole are interrelated. After implementing the rotation matrix, 5 determinants with factor load factor are greater than 0.5; Eigenvalues are greater than 1; the variance explained is 71.711%, which demonstrates that research data analyzing factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified 5 determinants impacting the behavior of switching banking service providers (HV) (Hair et al. 2014).

### 4.3. Regression Model Analysis Result

Based on adjusted model after the exploratory factor analysis, we have a multiple regression model as follows:

## Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi

$$HV = \alpha + \beta_1 HL + \beta_2 NT + \beta_3 G + \beta_4 CM + \beta_5 HD$$

Results of regression analysis show that:

Multicollinearity testing: all variance inflation factors (VIF) of independent variables are under 2, so multicollinearity of model is low (Hair et al. 2006). Therefore, this regression model does not have any violation of the CLRM basic assumption. Durbin – Watson statistic which is used to test the autocorrelation of residuals presents the model does not violate when using multiple regression method because Durbin – Watson value is in the interval of 1 and 3. In other words, the model is indicated no autocorrelation of residuals (Hair et al. 2006,2014). ANOVA testing result: Level of significant (Sig.) = 0.000 implies that multiple regression model is suitable with data. Coefficient of  $R^2$  (R Square) = 0.346, which means 34.6% of the total variation in the behavior of switching banking service providers (HV) will be explained by the regression model. Research model result indicates that all independent variables; namely (i) Satisfaction (HL), (ii) Trust (NT), (iii) Service fees (G), (iv) Subjective norms (CM), and Alternative attractiveness (HD) are significant (because Sig. < 0.05) to the the behavior of switching banking service providers (HV). Determinants have impact on the HV are presented in the following standardized regression model:

$$HV = -0.115 \times G + 0.239 \times HD + 0.174 \times CM - 0.366 \times HL - 0.170 \times NT$$

### 5. DISCUSSION AND IMPLICATIONS

The research results are presented in detail as follows: (i) there are 5 factors in the model, which are: consumer satisfaction, consumer trust, service fees, subjective norms, and alternative attractiveness. Research results show that all 5 factors have an impact on the behavior of switching banking service providers. (ii) Hypotheses H1, H2, H3, H4, H5 are all accepted. There are 2 factors including subjective norms and alternative attractiveness move in the same direction as the behavior of switching banking service providers. The remaining factors have the negative correlation with the behavior of switching banking service providers. For factors affecting the behavior of switching banking service providers:

#### Alternative attractiveness

Beta value of the regression equation is greater than 0, showing that this factor has a positive influence on the dependent variable. This result is in line with the study of many previous studies on banking service switching behavior. Alternative attractiveness (benefits, value and service quality) from another service provider will be a factor influencing customers' behavior to switch current service providers, many previous studies have demonstrated that perception of alternative attractiveness has a positive impact on consumers' behavior of switching service providers.

#### Subjective norms

The test results show that subjective norms have a positive relationship with the dependent variable. When the consensus of people related to the switch is stronger, the behavior of switching banking service providers will increase, and vice versa. As banking service is a type of information technology-based service, the choice or decision to switch service providers is prone to depend on the views of others. On the other hand, according to the results of qualitative research, 5 out of 10 customers who have switched banking service providers all claim that they switched due to many reasons and the opinions of surrounding people greatly affected them.

#### Service fees

Beta value of the regression result is smaller than 0, so the higher the service fees of the current service provider, the more likely customers are to switch banking service providers. This result is consistent with many previous studies on switching behavior. Besides, the results of qualitative research also confirm that service price is one of the first mentioned factors when it comes to switching banking service providers. Customers often make judgments about service fees and they always compare the banking service fees of current service providers with competing service providers.

#### Satisfaction

When consumers are experiencing a service with a low level of satisfaction, they will have a high tendency to switch to other service providers and vice versa. In many areas, customer satisfaction is a factor used to predict the service provider switching behavior. However, this relationship is influenced by many other factors, such as price perception, switching costs, trust, commitment, etc. According to the qualitative and quantitative research results of this research, customer satisfaction is one of the important factors determining the consumer's behavior to switch banking service providers.

#### Trust

Trust is the belief of one person to another. Many previous studies have proven that when the customer's trust in the service provider is high, the consumer's behavior to switch banking service providers will be low, and vice versa. Besides, according to the results of qualitative research, because the banking services have high level of information technology, a thorough understanding

## Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi

of the service may be difficult for many people. Therefore, the decision to keep using or switch a service provider of consumers is often based on a general assessment on the provider.

### REFERENCES

- 1) Ajzen, I., (1991). The theory of planned behavior. *Organizational behavior and human decision*.
- 2) Bansal, H. S., Irving, P. G., and Taylor, S. F. (2004). A Three-Component Model of Customer Commitment to Service Providers. *Journal of the Academy of Marketing Science*, 32(3), 234–250. <https://doi.org/10.1177/0092070304263332>
- 3) Bansal, H. S., Irving, P. G., and Taylor, S. F. (2005). "Migrating" to new service providers: Toward a unifying framework of consumers' switching behaviors. *Journal of the Academy of Marketing Science*, 33(1), 96-115. DOI: doi: 10.1177/0092070304267928.
- 4) Carmen, A., Carmen, C., & Mirtha, C. (2007). The mediating effect of satisfaction on consumers' switching intention. *Psychology and Marketing*, 24(6), 511 – 538. DOI: 10.1002/mar.20171
- 5) Chen, Y., & Jinghong, X. (2005). Third-party Product Review and Firm Marketing Strategy. *Marketing Science*, 23(2), 218–240
- 6) Engel, J. F., Blackwell, R. D., & Miniard. (1995). *Consumer Behavior*. Dryden, Forth Worth
- 7) Ganesh, J., Arnold, M. J., & Reynolds, K. (2000). Understanding the Customer Base of Service Providers: An Examination of the Differences Between Switchers and Stayers. *Journal of Marketing*, 64(3), 65-87. DOI: 10.1509/jmkg.64.3.65.18028
- 8) Garbarino, E., & Johnson, M. S. (1999). The Different Roles of Satisfaction, Trust, and Commitment in Customer Relationships. *Journal of Marketing*, 63(2), 70-87. DOI: 10.2307/1251946
- 9) Hair, J.F., Anderson, R.E., Tatham, R.L., & Black, W.C. (2006). *Multivariate data analysis*. Prentice-Hall, International, Inc.
- 10) Hair, J.F., Henseler, J., Dijkstra, T., Sarstedt, M., Ringle, C., Diamantopoulos, A., Straub, D., Ketchen, D., GTM, H. and Calantone, R. (2014). Common beliefs and reality about partial least squares: comments on Rönkkö and Evermann. *Organizational Research Methods*, 17(2), 182-209.
- 11) Huang, X., Hsieh, J. J., & He, J. (2014). Expertise dissimilarity and creativity: The contingent roles of tacit and explicit knowledge sharing. *Journal of Applied Psychology*, 99, 816-830.
- 12) Hennig – Thurau, T., Gwinner, K. P., Gremler, D. D. (2002). Why Customers Build Relationships with Companies — and Why Not. *Relationship Marketing*, 369-391. DOI: 10.1007/978-3-662-09745-8\_21
- 13) Henseler, J., Ringle, C. M. and Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing, in Sinkovics, R.R. and Ghauri, P.N. (Eds), *New Challenges to International Marketing*, Emerald Group Publishing Limited.
- 14) Henseler, J., Ringle, C.M. and Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115-135.
- 15) Heskett, J. L., Jones, T. O., & Loveman, G. W. (1994) Putting the Service-Profit Chain to Work. *Harvard Business Review*, 72, 164-170.
- 16) Keaveney, S. M. (1995). Customer switching behavior in service industries: An exploratory study. *The Journal of Marketing*, 2, 71-82. DOI: 10.2307/125207
- 17) Keaveney, S. M., & Parthasarathy, M. (2001). Customer switching behavior in online services: An exploratory study of the role of selected attitudinal, behavioral, and demographic factors. *Journal of the Academy of Marketing Science*, 29(4), 374-390. DOI: 10.1177/03079450094225
- 18) Kim, D. I., Matsuyama, Y., Nagasoe, S., Yamaguchi, M., Yoon, Y. Y., Oshima, Y., Imada, N., & Honjo, T. (2004). Effects of temperature, salinity and irradiance on the growth of the harmful red tide dinoflagellate *Cochlodinium polykrikoides* Margalef (Dinophyceae). *Journal of Plankton Research*, 26(1), 61-66. DOI: 10.1093/plankt/fbh001
- 19) Miller, V. D., Johnson, J. R., Hart, Z., & Peterson, D. L. (1999). A test of antecedents and outcomes of employee role negotiation ability. *Journal of Applied Communication Research*, 27(1), 24–48. <https://doi.org/10.1080/00909889909365522>
- 20) Nikbin, D., Ismail, I., Marimuthu, M., & Armesh, H. (2012). Perceived justice in service recovery and switching intention: Evidence from Malaysian mobile telecommunication industry. *Management Research Review*, 35(3/4), 309-325.
- 21) O'Neal, P.W. (Ed.) (2007). *Motivation of Health Behavior*, Nova Publishers, New York, NY
- 22) Ranaweera, C. & Prabhu, J. C. (2003). Prabhu, J.: The influence of satisfaction, trust and switching barriers on customer retention in a continuous purchasing setting. *International Journal of Service Industry Management*, 14(4), 374-395. DOI: 10.1108/09564230310489231

## **Determinants Influencing Customer's Switching Behavior towards Banking Service Providers in Hanoi**

- 23) Roos, I., Edvardsson, B., & Gustafsson, A. (2004). Customer Switching Patterns in Competitive and Noncompetitive Service Industries. *Journal of Service Research*, 6(3):256-271. DOI: 10.1177/1094670503255850
- 24) Schneider, B., & Bowen, D. E. (1999). Understanding customer delight and outrage. *Sloan Management Review*, 41(1), 35-43.
- 25) Sharma, N., & Patterson, P. G. (2000). Switching costs, alternative attractiveness and experience as moderators of relationship commitment in professional, consumer services. *International journal of service industry management*, 11(5), 470-490. DOI:10.1108/09564230010360182
- 26) Shin, D., & Kim, W-Y. (2008). forecasting customer switching intention in mobile service: An exploratory study of predictive factors in mobile number portability. *Technological Forecasting and Social Change*, 75(6), 854-874. DOI: 10.1016/j.techfore.2007.05.001