

IMPACT OF SWITCHING COST ON CUSTOMER SATISFACTION AND CUSTOMER RETENTION FOR INTERNET BANKING SERVICES: A STUDY BASED ON SRI LANKAN COMMERCIAL BANKS

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Introduction

Customer retention in the Commercial Banking Industry is becoming increasingly difficult because of the emerging technology and the competitiveness in the industry. Therefore, the Switching Cost could be a key element in retaining the customers. Thus, the purpose of this study is to examine the impact of Switching Cost on Customer Satisfaction for Internet Banking Services.

Objectives of the Studies are:

- To identify the impact of Switching Cost on Customer Satisfaction and Customer Retention
- To identify the factors that affect Switching Cost of Customer Satisfaction and Customer Retention
- To identify the behavioural patterns of customers on Switching Cost
- To identify the significant differences among the cluster of customers based on their contextual situation (Demographic Aspects)
- To reduce the gap between customers' Switching Cost and their satisfaction and retention

Hypotheses of the Study

- There are no specific factors that affect Switching Cost, Customer Satisfaction and Customer Retention.
- There are identical customers on Switching Cost based on their behavioural patterns.
- There are no significant differences among the cluster of customers based on their contextual situation

Methodology

According to the theory, the researcher has three alternatives in selecting the logic of a research. They are confirmatory research, exploratory research, and a mixed approach of both. This research has gathered a lot of data through a close-ended questionnaire and most of the data was numerical where the methodical approach of the research is quantitative.

Table 1: Summary of Objectives

<i>Objective</i>	<i>Research Problem</i>	<i>Method of Research/Analysis</i>
Objective 1 - Impact	What is the impact of Switching Cost on Customer Satisfaction and Customer Retention?	<i>Survey by questionnaire</i> Descriptive Analysis Comparing Mean Value
Objective 2 - Factors	What are the factors that affect Switching Cost of Customer	<i>Survey by questionnaire</i> Factor Analysis

	Satisfaction and Customer Retention?	
Objective 3 – Behavioural Patterns	What are the behavioural patterns of customers on Switching Cost?	Cluster Analysis
Objective 4 – Significant Differences	What are the significant differences among the cluster of customers based on their contextual situation?	Survey by questionnaire Chi-square
Objective 5 – Reduce the gap	How to reduce the gap between customers' Switching Cost and their satisfaction and retention?	By the final outcome

Discussion and Conclusion

The table 2 highlights all findings in a summarized format.

Table 2: Summary of the Findings of the Study

<i>Objective</i>	<i>Research Problem</i>	<i>Findings of the Research/Analysis</i>
Objective 1 - Impact	What is the impact of Switching Cost on Customer Satisfaction and Customer Retention?	Significant impact of Switching Cost on Customer Satisfaction and Customer Retention
Objective 2 - Factors	What are the factors that affect Switching Cost of Customer Satisfaction and Customer Retention?	Significant positive relationship between Customer Satisfaction and Customer Retention
Objective 3 – Behavioural Patterns	What are the behavioural patterns of customers on Switching Cost?	Significant negative relationship between Customer Switching Costs and Customer Retention
Objective 4 – Significant Differences	What are the significant differences among the cluster of customers based on their contextual situation?	Significant positive relationship between demographic information and Customer Switching Costs, Customer Satisfaction and Customer Retention
Objective 5 – Reduce the gap	How to reduce the gap between customers' Switching Cost and their satisfaction and retention?	To be discussed

This research identifies certain significant implications for researchers and the banking industry. With the emerging of latest technology, the costs of technology have reduced dramatically with the latest features which have made computers more affordable, available and accessible around the world. Thus, it shoes accessibility to the Internet is more readily available at present. As a result, the use of Internet Banking Service has grown dramatically in the world. As such, studying on Internet Banking Service users regarding the influence on Switching costs, Customer Satisfaction and Customer Retention will provide both researchers and banks with valuable information in retaining customers.

There have not been many studies undertaken to find out the key factors that affect the Switching Cost and whether banks clearly identify them to increase the Customer Satisfaction and Customer Retention in the Internet Banking Services. At present, there seems a lack of interest on identifying these problems in the Sri Lankan banking context. Therefore, this research might be useful to the banking industry. Internet Banking Services in banking industry

is a very fast growing trend in developed countries, which they have already implemented in most of the banks in USA, UK and in many parts of Europe. Since the global access through Internet Banking Services are fast growing and expanding, it is imminent to find out appropriate remedies to overcome it. Therefore, this is the main value of this research. Over the past few years since 1990, advancement in communication technology has revolutionized the way financial services operate and conduct their business. Internet provided much of the force on this front, which changed the way companies manage their communication process. Internet not only made financial institutions provide their services online, but also facilitates their customers with easy access and other value-added benefits. Hence, this study develops and applies a theoretical framework that could be used to determine the Switching Cost as a key element in retaining the customers.

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