Journal of Contemporary Issues in Business and Government Vol. 27, No. 3, 2021
https://cibg.org.au/
P-ISSN: 2204-1990; E-ISSN: 1323-6903
DOI: 10.47750/cibg.2021.27.03.062

# Determinants and Dimensions of Customer Switching Behavior – A Systematic Review

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**Abstract:**Switching behavior alludes to customers relinquishing or abandoning an item because of disenchantment from the services provided, which urges him/her to switch from the existing provider of goods/services, to its competitor offering the same commodity. In lieu of understanding and measuring the impact of customer switching behavior and its impact in the market, a systematic review has been attempted to examine the findings of the existing literature available in the domain, theories and postulations, including factors, which are inherent to specific industries across the market and suppositions, which are prevalent in general.
This research is driven to uncover means to identify and recognize ways, whereby industries can prevent attrition, and retain customers .
The study, however, revealed that customer switching behavior is rampant and prevalent across industries and companies including Banking and Insurance Sectors, Fast-Moving Consumer Goods Sector (FMCG), and the Telecommunication Industry.

**Keywords:** Customer Switching Behavior, customer service, customer satisfaction, reputation, herding, service provider switching model, brand reputation, word of mouth, service quality

## INTRODUCTION

Customer Switching is a phenomenon observed across many industries and sectors and has been defined in various ways. Customer switching is a process that develops over a particular period and results in an ending relationship (Bejou, 1998). A customer being loyal to one of the service categories of products and service, switches from one service provider to another; as a result of dissatisfaction or any other related concerns (Keaveney, 2001). The thought processing behind this may be price, word of mouth, switching cost, service quality, reputation, and new customers requirements and time factor (Athanassopoulos, 2001). Customers switching affects productivity negatively (Rust , 1993). It is very difficult to find a customer in standings of its prevailing and forthcoming retributions (Mittal , 1998). Retaining a customer is better than finding a new customer. In the era of constant gratification and with ample amount of choices, a customer keeps looking out for better products and services. To keep the interest intact of the customers in the product or service for a long time and to deliver value to the customer, has become a prerogative for sellers.

### Theoretical Underpinnings

Various theories and models are found on Customer Switching Behavior. Few of the instances are explained here to give the reader an understanding of the body of literature available with regard to the subject. Finding the underlying causes of switching behavior is a dimension which has been thought of in the past. Switching behavior usually starts with disappointment to which the consumer might think of the complaint or not think about the complaint. Consumers do not complain when the problem is with judgmental and they complain when there is the pricing of the products and if any problems with the inconvenience of location; then the consumer are likely to avoid formal complaint and rather, they simply switch the service provider. (Tversky, 1979).
Using the Service Provider Switching Model for understanding the switching process in the service industry, through a theoretically and grounded predictive model, the relationship between the quality of service and switching service providers were discovered. The study also discovered that the customer's intentions to switch were the attitude towards switching which affected the behavior of customers. Another switching behavior model created through an exploratory study using grounded theory techniques categorizes problems, incidents and non-service factors that induce service switching. (Keaveney, 1995). The bounded rationality theory finds that rationality is limited, when the individuals make decisions by the cognitive restrictions of the mind, by the tractability of the choiced problem, and the time available to make the choices (Simon, 1982). Another

perception gathered is of dual-system models of thinking and heuristics being a presumption to bounded rationality (Gilovich, 2002).

**Gaps in existing literature and rationale for the study**

Although there are studies that speak about customer switching behavior in general, there is a need to find how customer switching happens in each industry. As a first step to this, one must classify various switching behaviors on the basis of certain emerging dimensions from the available literature, that can help in further studies related to industry related switching behavior. However, such studies are not available and hence our study can help in filling the gap.

**Research Question and Aim of the study**

The study aims to find and identify various dimensions of customer switching behavior across industries.

**Method**

A systematic review of literature has been undertaken and the findings have been presented (Gough, 2007). Models for the stages of systematic review have been followed. As a first step, the search criteria were developed along with the terms that would be used to search online databases. Thereafter, the selected articles were read, and finally synthesized for extraction of dimensions, determinants and factors in the context of customer switching behavior.

**Inclusion criteria and selection of articles**

1. The peer-reviewed journals were included and taken from the year 1970 – 2018.
2. The current study considers reviews and conceptual framework from different countries
3. Excluded articles were Non-English languages
4. In the process of selection, the database was collected from journals of different sections. The database included papers from Emerald Insight, which includes 30 articles. 20 articles were from JSTOR, a few from Elsevier and Taylor & Francis and others were from Indian articles.

**RESULTS AND DISCUSSIONS**

The following are the dimensions and determinants of customer switching behavior found across few industries. It has been presented in two themes; Industry specific dimensions and General dimensions with regard to Customer Switching Behavior.

**Customer Switching Behavior– \Industry Specific Dimension**

1. The Herding effect found in - capital markets

Herding is one of the factors, which influences the customers to shift from one particular service provider to another. Herding means, a "bundling" of investment picks due to similar underlying information sets. Time-varying transition probabilities derived by (Diebold, 1994) helps to consider financial variables that are cost-effective and the behavior changes in herding over time. Herding behavior can be either rational or irrational (Bikhchandani, 2001). This information rapidly attempts to address this type of behavior (Welch, 1992).

2. Disposition Effect and Mental accounting dimension found in - Insurance Sector

The expected utility theory challenges the investigation of decisions under risk. The certainty of small probabilities tends to change underweight, which in turn leads to a risk-averse choice involving gains and also seeking risk with certain losses. The rational response to new information may be caused due to the disposition effect. Disposition could cause customers to think whenever new information is given on insurance. (Tversky, 1979)(Von Neumann, 1944). The concept of mental accounting helps to understand the cognitive operations employed by individuals to arrange and evaluate their economic activities. Whenever customers try to switch from one service provider to another, he/she is going to be using mental accounting to search the outcome in which insurance is to speculate. ( Thaler, 1999). Positive switching is a dimension emerged in the insurance industry wherein the service provider looses value added customers. (Marcos, 2018)

3. Responses to Product/ Service Failure and Service Quality - FMCG and other people-oriented services industry

One of the important reasons found for switching were unsatisfactory employee responses that lead to 17-percentage failure of services (Keaveney, 1995). Voice and exit were the reasons for service failures; these were the interaction between the customer, and the service provider upon facing of such failures. (Hirschman, 1970). Problems also occurred when responding to complaints while dealing with service failures involving forced response or negative response or no response (Zikiene, 2009 ). The drivers like poor quality, a perception of little organization promise within the consumer, and an anger incident can cause consumers purpose to shift suppliers. There is a certain amount of time until when the customers remain attached to a brand and post that, they leave. For instance, it was found that the maximum usage of the mobile phone is up to 3 years and later for various reasons they might switch. (Sharma, 2017). Customers usually are price sensitive in their purchasing behavior ( Levesque, 1996), (Beckett, 2000) and price is a vital determinant in prime situations and consumer heavily depends upon the choices and the prices of alternatives. The most important driver influencing poor loyalty and the unfavorable behavioral targets is due to poor service quality (Serkan , 2005). It is the interaction between the purchaser and additionally the vendor that extracts the services to the customers (Grönroos, 1998). Whilst, a few characteristics like inseparability amongst production, intangibility, consumption, perishability, and heterogeneity and no ordinary transfer of ownership to distinguish goods from services were examined. It was found that trust, service quality, and satisfaction considerably affected the switching barriers. (Kaur, 2012)

4. Commitment, Service Quality, Price and Penalty - Banking Industry

Certain Switching Behavior has been diagnosed due to service charges and penalties (Zeithaml, 1996). The customers switch banks mainly because of unfavorable perceptions of the price (Campbell, 1999). Price in fact has been found as the most significant factor than other factors in the banking industry of Singapore. (Keaveney, 1995) (Clemes, 2010) The other variables found are involuntary switching, service encounter failures, and services related to core and pricing. Moreover, youngsters were prone to switch, followed by the high-income group. (Clemes, 2010). Service quality and commitment are more important to dissolve a banking relationship (45.86% in dissolution decision) (Mahapatra, 2017). Banks when working towards employees should focus on the improvement of service quality and commitment. (Moshin, 2012), (Sunaryo, 2018) as customer satisfaction with banks services are negatively related to switching behavior.

**Customer Switching Behavior – General Dimensions**

1. Word of Mouth Influence and Brand Reputation

The choice behavior of the purchasers is tied to word of mouth as it influences the preferences, attitudes and thus affects the intentions of the customer while obtaining the products. (Herr, 1991). The positive flow with few brand names and positive word of mouth that induces the customer to shop for a brand, though he/she could even be satisfied with the previous brand. Customer satisfaction is a result based on customer's purchase evaluation of the anticipated performance with actual performance supposed and the sustained cost (Churchill 1982) while collective consumer satisfaction is expounded with a product or service and this can be supported with overall evaluation and therefore the entire purchase and consumption experiences over a phase (Serkan Aydin, 2005).

2. Switching Costs Barrier

Switching costs are one of the barriers in switching, and the psychological costs, time, and money are the costs, which are incurred for changing service providers (Dick, 1994). The termination of the existing service provider with the new service provider denotes the switching costs. Services are practical and therefore customers might face a lot of thinking work to be prepared to find out what the alternative service provider provides before buying and this is for those customers who take a risk. (Sharma, 2000). The customer's perception and magnitudes of purchasing a product or a service depends upon the switching cost and the risk perceived. (Staelin, 1994).

3. Relationship Investment Proposition

Customers usually develop a relationship with a particular service provider who provides higher value benefits even if they knew that their core service is less than optimum (Gwinner, 1998). Customers usually remain in a relationship with the service provider thinking their core service would improve with social benefit (Jones, 2002). Customers should not worry that if they switch to an alternative service then the relationship between them would be lost. Various research proved that investment is the best relationship to stay with a particular service provider. Compelling relationship ventures expand the clients' reliance on raising the expenses of changing to competitors (Berry, 1991). As the relationship venture upswings, the connection between client steadfastness and consumer loyalty will diminish.

4. Attractiveness of Alternatives

The attractiveness of alternatives means the different alternatives that are in the marketplace. Customers usually keep a relationship with a particular service provider and depend on him since he gives different alternatives then he would not switch, he switches only when there are no alternatives. (Narus, 1990). Failure within the core service leads to a rise of switching benefits regarding discovering a superior alternate and falls repurchase intention. When customers have more alternatives and if the benefit received from them is, low, then dependency on the service provider will be low because the performance of core service is also less. The more the charm of substitutes rises then the connection between satisfaction and loyalty decreases. (Smith, 2003).

5. Involuntary Switching

Involuntary switching are the drivers which are external control of the service providers and that influences the drivers, which impact the household choices on switching to the different alternative service provider (Keaveney, 1995)(Kiser, 2002) The switching behavior decisions are not only affected by different drivers but also with the dissimilar choices (Roos, 1999). Customers may switch involuntarily by changing jobs or residents or the distance of the house and the branch then leads to termination of the relationship concerning service (Taylor, 2009)

6. Customer Satisfaction

Customer satisfaction is a result based on customer's purchase evaluation of the anticipated performance with actual performance supposed and the sustained cost (Churchill,1982). Similarly, customer satisfaction related to a product or service, and this is supported by overall evaluation and the entire purchase and consumption experiences overtime (Aydin, 2005). (Athanassopoulos, 2001)

Based on the above dimensions found (specific and general) in the context of switching behavior a model has been construed. The model can help in understanding switching behavior better.

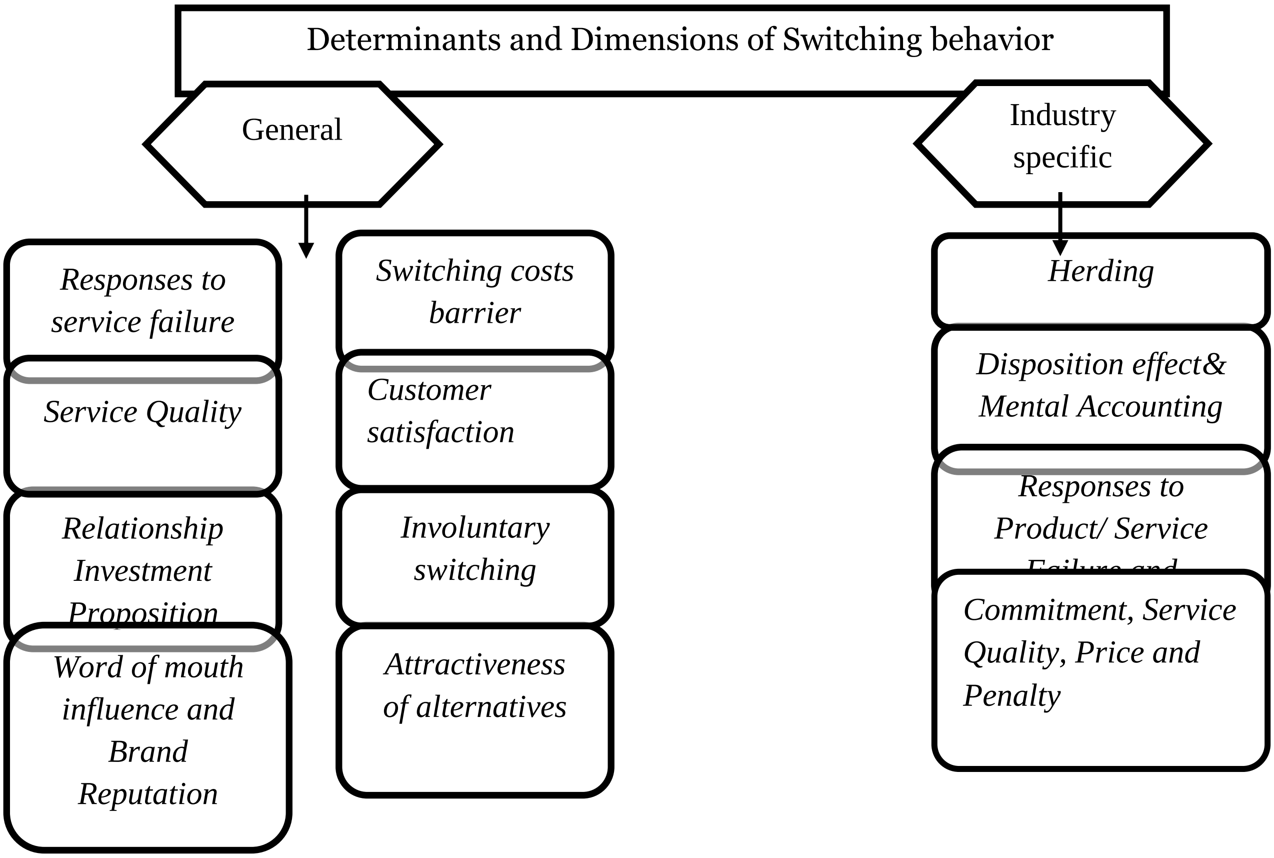


**Fig.1:Determinants and Dimensions of Switching Behavior (Kumar & Girish 2021)**

## CONCLUSION

The study findings: there are few dimensions which are specific to industries in the context of switching behavior. For instance, the Banking industry thrives on Commitment and trust and the FMCG industry depends on Quality, the Insurance industry customers evaluate the value proposition from the accountability point of view and the capital market is camouflaged with herding effect. Each industry has a unique proposition, product, service and type of customers and different purchasing behaviors. To categorize all switching behaviors into one, may not add much value to the current understanding of switching behavior for a manufacturer pertaining to a particular industry. Thus, it is important to identify the reasons for switching from a narrow- industry/sector perspective rather than a broad - generic perspective. Of course, there are few determinants, which are generic in nature that permeate across all industries and sectors. The results of the study can be used by manufacturers and service providers in providing training to their employees and strengthen the processes and products so as to keep customer switching minimal.

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