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The Effect of Switching Barriers Types on Customer Loyalty

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Several studies have focused on the influence of switching barriers on customer loyalty, but there has been no consensus on their findings. This paper proposes that the mixed conclusions are due to there being two types of switching barriers -rewarding and punitive- and two types of customer loyalty –attitudinal and behavioral. The direction and strength of the association between switching barriers and customer loyalty depends on the type of switching barriers and the type of loyalty being considered. Using a sample of dissatisfied customers in an emerging economy, Chile, this paper shows that the more rewarding switching barrier dimensions are positively related to the loyalty of dissatisfied retail banking customers and that the punitive ones are negatively related to loyalty. The investigation also shows that the influence of switching barriers is greater for behavioral loyalty rather than attitudinal loyalty, particularly when dealing with punitive switching barriers. These findings may allow banks to devise mechanisms that have a positive effect on customer retention and loyalty and enhance the banks' bottom line.

JEL Codes: M30

1. Introduction

There is consensus as to the positive and strong influence of customer loyalty on company's profitability. For instance past studies have shown that businesses may increase their profits by up to 100% if the retention rate goes up by 5% (Reicheld & Sasser 1990). Customer loyalty can even be more powerful in predicting profitability than traditional financial measures such as market share and cost structure (Reicheld & Sasser 1990).

In order to achieve long-term financial benefits, companies must design and deliver a service that pleases customers, so they have a positive experience during the service encounter (Lovelock, Patterson & Walker 2004). Yet, despite the consensus regarding the importance of offering high quality services, service failure remains a problematic issue for almost every business in the world (Ennew & Shoefer 2004) and increasing competition puts pressure on businesses to improve the quality of services they offer in order to increase the probability of retaining their customers.

With regard to businesses that are facing customer dissatisfaction, they could create switching barriers to avoid dissatisfied customers from switching to another bank. Yanamandram and White (2006) mentioned that businesses should understand the

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factors that keep customers from switching and develop strategies based on them. In relation to the usage of switching barriers, Patterson (2004) argued that businesses need to be cautious when using punitive switching barriers because they will not prevent dissatisfied customers from switching to another firm.

Nowadays, many organizations, such as banks, are using switching barriers to retain their customers (e.g., switching fees). The positive influence in the short term of such actions is very clear, in particular in relation to the increase in customer retention (Julander & Soderlund 2003; Lee & Feick 2001; Ranaweera & Prabhu 2003). However, there is no consensus regarding the long-term effect of such barriers on dissatisfied customers' post-purchase behavior, and on their loyalty in particular. Some studies show that switching barriers may have a negative influence on customer loyalty (Colwell & Hogarth-Scott 2004) while other investigations show that there is a positive association between these two constructs (Jones, Mothersbaugh & Beatty 2000; Julander & Soderlund 2003; Ranaweera & Prabhu 2003).

This paper proposes that the mixed conclusions are a result of there being two different types of switching barriers -rewarding and punitive ones- and that the influence on customer loyalty depends on the type of switching barriers used by organizations. It is also argued that the results would depend on the dimension of loyalty being study, i.e., attitudinal or behavioral loyalty. For these reasons, this paper aims at determining the association that exists between switching barriers (more rewarding/positive and punitive/negative switching barriers) and the loyalty (attitudinal and behavioral) of dissatisfied retail banking customers. The findings of this paper are relevant for the banking industry because they are different from previous studies and because they may allow banks to devise mechanisms that have a positive effect on customer retention and loyalty and enhance the banks' bottom line.

In order to address the issue above mentioned this paper has been divided into four additional sections. The next one discusses the relevant literature review for both switching barriers and customer loyalty. It also deals with the association between switching barriers and customer loyalty and presents the research questions, propositions and hypotheses. The following two sections discuss issues related to methodology and results/analysis. Finally, the last section discusses the main conclusions of the study and its limitations.

2. Literature Review

Switching Barriers: Dissatisfaction of customers may lead them to switching behaviors. Keavenay (1995) identified eight major causes for dissatisfied customers to switch to another supplier. Some causes are associated with feelings of dissatisfaction with the service, but others were extrinsic or situational factors. However not all dissatisfied customers engage in a switching behavior (Jones & Sasser 1995). Some of them will not break the relationship with their suppliers because of switching barriers. As defined by Jones, Mothersbaugh and Beatty (2000), a switching barrier is any factor that makes it difficult or costly for customers to change providers. Switching barriers have been

classified differently according to various researchers. Ping (1993) classified switching barriers as encompassing the following aspects for customers: a) lack of an attractive alternative, b) high relationship investment and c) high associated costs with switching to another attractive alternative. Jones, Mothersbaugh and Beatty (2000) divides these switching barriers into: a) interpersonal relationships and b) attractiveness of alternatives. Other researchers have added another variable called “customer inertia”, which has been classified as a sort of spurious loyalty (Bozzo 2002; Ranaweera & Neely 2003; White & Yanamandram 2004). The concept of “customer inertia” means that customers might continue doing business with the company even though they might have plenty of reasons to be dissatisfied (White & Yanamandram 2004). For example, Colgate (1999) suggests that a very low percentage of customers of financial institutions switch among businesses which might be an indication of customers inertia or barriers to switching. Past researchers have used the concept of customer inertia with two totally different meanings. Some used the concept to show that customers do not switch due to a lack of attractive alternatives, high switching cost or other switching barriers (Bozzo 2002). Other researchers established that dissatisfied customers do not switch because of laziness or because they are inactive/passive (Colgate & Lang 2001; Zeelenberg & Pieters 2004).

Panther and Farquhar (2004) concluded that dissatisfied customers with financial service providers do not switch due to the following factors: (a) It is too much hassle to change service providers, (b) They did not have the time to change or evaluate service providers, (c) They were tied to the business because they had a product or other commitment with their supplier, (d) They perceived all businesses in that product category as similar, and (e) They have traditionally been with their current service provider and intend to stay with them.

Julander and Soderlund (2003) proposed that switching barriers can be seen as positive or negative. Hirschman (1970) explains these two concepts saying that positive switching barriers are related to ‘wanting to be in a relationship’ while negative switching barriers are related to ‘having to be in a relationship’.

In terms of the positive or more reward-based type of switching barriers, businesses could strengthen the interpersonal relationship between the customer and the supplier in order to keep their customers (Berry & Parasuraman 1991; Tumball & Willson 1989). Colgate and Danaher (2000) and Gwinner, Gremler and Bitner (1998) show that customers commit themselves to establishing and developing relationships with a supplier that provides superior value benefits and effective switching barriers are good examples of them. Such a relationship offers a lot of benefits to the customer, such as social benefits (e.g., fellowship, personal recognition), psychological benefits (e.g., reducing anxiety), economic benefits (e.g. discounts, time saving), and customization (e.g., personalized service) (Berry 1995; Moon-Koo, Jong-Hyun & Myeong-Cheol 2004; Peterson 1995). A study done by Aldlaigan and Buttle (2005) that investigated customer attachment to retail banks, divided this construct into three main areas: organizational credibility, value congruency and relational values. The first relates to the level of trust that customers have with their current banks. The second refers to the congruency of values between customers and their banks. The last considers the personal relationships between customers and bank employees.

With regard to the negative or more punitive type of switching barriers, businesses could use ‘switching costs’ and ‘lack of existing attractive alternatives’ to prevent their customers from exiting. Switching costs are customers’ perceptions of the time, money and effort they expend when changing service providers (Jackson 1985; Jones, Mothersbaugh & Beatty 2000; Kim, Kliger & Vale 2003; Ping 1993). Studies have tested the association between switching costs and repurchase intentions (Burnham, Frels & Mahajan 2003; Grace & O'Cass 2003; Jones, Mothersbaugh & Beatty 2000; Nielson 1996; Ping 1993; Sharma & Patterson 2000) and several researchers have concluded that switching costs are one of the most important reasons why dissatisfied customers do not exit the business even though they may be dissatisfied (Beerli, Martin & Quintana 2004; Burnham, Frels and Mahajan 2003; Caruana 2004; Colgate & Lang 2001).

The second variable called ‘lack of attractive alternatives’ refers to customer perceptions regarding the extent to which viable competing alternatives are available in the market place (Jones, Mothersbaugh & Beatty 2000). Patterson and Smith (2003) see the existence of alternatives as a key factor for switching. Several researchers have shown that when viable alternatives are lacking, the probability of terminating an existing relationship decreases (Bendapudi & Berry 1997; Jones, Mothersbaugh & Beatty 2000; Sharma & Patterson 2000). Alternatively, when customers perceive the existence of several attractive alternatives it is more likely that they will switch (Bendapudi & Berry 1997; Jones, Mothersbaugh & Beatty 2000; Sharma & Patterson 2000). Therefore, if dissatisfied customers are unaware of the existence of other attractive alternatives or if they do not perceive them as enticing, they are likely to stay in the relationship (Patterson & Smith 2003).

The current research sets out to determine the dimensions that form the construct of switching barriers for dissatisfied retail banking customers. The study considered five dimensions of switching barriers, three of them are related to more positive categories of switching barriers (e.g. organizational credibility, value congruency and relational values), while the other two are related to more negative categories (e.g. lack of attractive alternatives and switching costs).

Customer Loyalty: Customer loyalty can be defined as “a deeply held commitment to re buy or re patronize a preferred product/service consistently in the future” (Oliver 1993). Loyalty is an important issue because it has a positive effect on the firm’s bottom line. This is because it is easier, more direct and less costly to sell to existing customers (Barlow & Moller 1996:25). Bowen and Chen (2001) mentioned that loyal customers will help to promote the business, they will provide strong word-of-mouth, create business referrals, provide references, and serve on advisory boards. These loyal customers will also increase sales by purchasing a wider variety of the organization’s products and by making more frequent purchases. Despite that, some businesses are only worried about meeting customers’ expectations, in achieving high levels of customers’ satisfaction. These organizations believe that customer repurchase will increase if they satisfy customers’ needs. However, it has been shown that customer repurchase does not necessarily mean that customers are loyal. They might defect at any moment and for different reasons (Jones & Sasser 1995).

Customer loyalty is a behavioral and attitudinal predisposition to stay with the seller in the long-term (Oliver 1993). The behavioral dimension includes aspects such continuous purchase, frequent purchase, recommendations made to other people, number of years a customer has been in the relationship, number of different products the customer buys from the supplier, among others (Hallowel 1996). On the other hand attitudinal loyalty considers aspects such as intentions for repurchasing the product and for recommending the company to other potential customers, among others (Soderlund 2003).

Considering the importance of these two dimensions of loyalty, any study related to customer loyalty should include both the behavioral and attitudinal components that are involved in true loyalty (Dick & Basu 1994; Soderlund 2003). Thus, this investigation considered both dimensions when measuring loyalty. Attitudinal loyalty was measured using both the intentions of keeping doing business with the current bank and the intentions of recommending the bank, whereas behavioral loyalty was measured using the number of years the retail banking customer has been in a relationship and also the number of products they have with the bank. The latter is another important contribution of this investigation because past research linking different types of switching barriers and loyalty considered only one dimension of loyalty (e.g. Julander & Soderlund 2003).

Association between Switching Barriers and Customer Loyalty: Several studies have shown a positive association between switching barriers and customer retention (Julander & Soderlund 2003; Lee & Feick 2001; Ranaweera & Prabhu 2003). However, it is well known that customer repurchase is not synonymous with customer loyalty. Customers may stop doing business for different reasons (Jones & Sasser 1995). With regards to association between switching barriers and customer loyalty, Colwell and Hogarth-Scott (2004) argued that ‘hostage’ behavior would decrease the likelihood of long-lasting relationships between customers and businesses because customers would exit the business once they no longer felt hostage to the relationship. On the other hand, other researchers have shown a positive relationship between switching barriers and customer loyalty (Hirshcman 1970; Julander & Soderlund 2003; Ranaweera & Prabhu 2003). For instance, Hirschman (1970) mentioned that the likelihood of customer behavioural loyalty increases when the switching barriers are high and in particular when the exit options are limited.

This study proposes that there are two different types of switching barriers -rewarding and punitive ones- in line with Julander and Soderlund (2003). The investigation also proposes that the influence of switching barrier on the loyalty of dissatisfied retail banking customers depends on the type of switching barriers used by banks, but also on the dimension of loyalty under study. Thus, the following guiding research question is proposed:

> Q1. Is there an association between switching barriers and the attitudinal and behavioral loyalty of dissatisfied retail banking customers?

With this in mind, the first propositions and hypotheses are formulated:

> Proposition 1: The more rewarding switching barriers have a positive influence on

both the attitudinal and behavioral loyalty of dissatisfied retail banking customers.

H1-H6: There is a positive and direct association between the more rewarding switching barriers and the attitudinal and behavioral loyalty of dissatisfied retail banking customers.

Proposition 2: The punitive switching barriers have a negative influence on both the attitudinal and behavioral loyalty of dissatisfied retail banking customers.

H7-H10: There is a negative and direct association between the punitive switching barriers and the attitudinal and behavioral loyalty of dissatisfied retail banking customers.

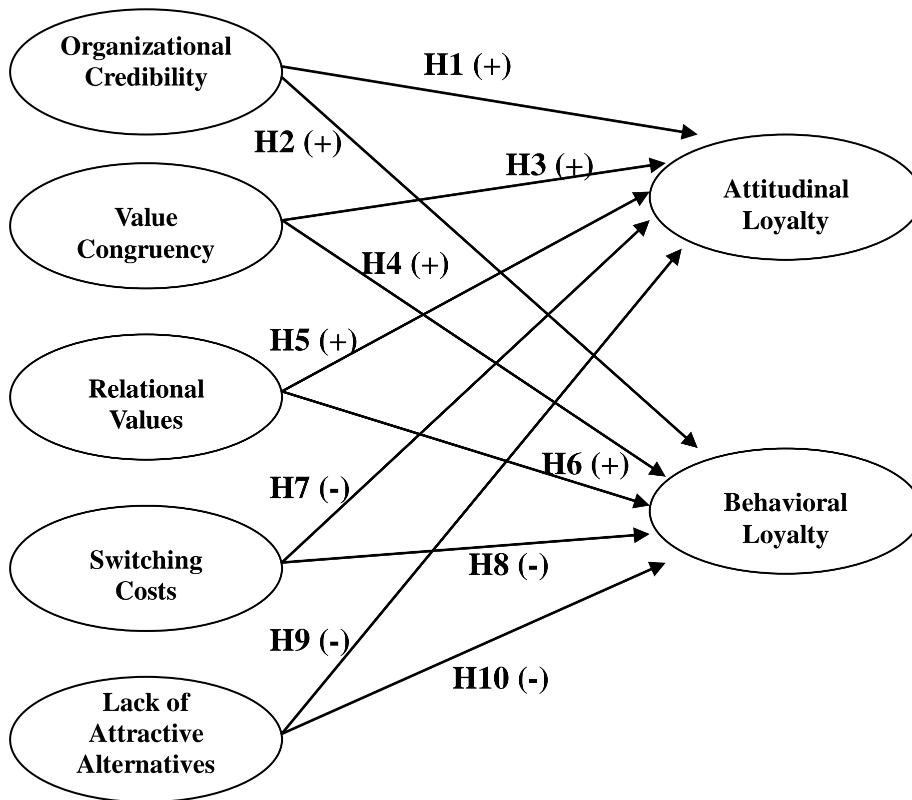
In addition the study conducted by Emanuelsson and Skoglund (2007) found that switching barriers have a stronger influence on behavioral loyalty compare to the effect on attitudinal loyalty. Thus, the next question, proposition and hypotheses were formulated:

Q2. Do switching barriers have a stronger effect on behavioral loyalty than on attitudinal loyalty customers?

Proposition 3: The influence of the two types of switching barriers is stronger on the behavioral loyalty of dissatisfied retail banking customers than on the attitudinal loyalty of those customers.
H11-H12: The switching barriers have a stronger influence on behavioral loyalty than on attitudinal loyalty.

Proposed Model: Based on the literature review, the investigation considered five switching barriers components (three positive and two negative switching barriers), and two dimensions of loyalty (attitudinal and behavioral). Consequently, six hypotheses are proposed for the first proposition previously formulated and four for the other proposition. The arrows in Figure 1 indicate the direction of the association for each of the hypotheses. In addition two more hypotheses were added related to the stronger or weaker influence of switching barriers on attitudinal and behavioral loyalty. All 12 hypotheses were tested.

Figure 1
Associations Between the Switching Barriers Dimensions and Attitudinal and Behavioral Loyalty



The model assumes associations among the variables participating in each group (switching barriers or customer loyalty), but does not hypothesize about them, since the focus of the model is on the association between groups. Our central concern relates to the influence of switching barriers on customer loyalty.

3. Methodology

In order to get more valid and reliable results three surveys were undertaken: pre-test, pilot survey and main survey. The pre-test aimed to determine the overall clarity of the questionnaire from the perspective of the respondent. The pilot survey aimed to purify the measures used. The final study aimed to test the hypotheses proposed.

Questionnaire Design. The questionnaire was designed based on the information gathered in the literature review. The document was originally written in English and then translated into Spanish using the back-translation technique to ensure that both versions, English and Spanish, had exactly the same meaning. A screening question was used to identify customers who had a bad purchase experience and/or who have been dissatisfied with their banks: *Have you ever been dissatisfied with the product/service you got from your bank?* Respondents who answered “no” were dropped from the study.

In the questionnaire respondents were asked to refer to the presence of two different types of switching barriers in the Chilean banking industry. The more rewarding switching barriers included three dimensions (e.g., organizational credibility, value congruency and relational values) and the punitive switching barriers two (e.g., switching costs and lack of attractive alternatives). The number of scale items that were included in each dimension was eight, five, seven, three and three, respectively. To measure these items a five point Likert-type scale was used ranging from *totally agree* to *totally disagree* as recommended by Aldlaigan and Buttle (2005), which allowed the researcher to determine the respondent's degree of agreement or disagreement with a set of statements related to the existence of different types of switching barriers. Table 1 shows the dimensions used and an example of scale item used to measure them.

With regards to customer loyalty, attitudinal loyalty included three scale items, which were measured using a Likert-type scale. These scale items were taken from the work done by past researchers (Valenzuela et al. 2006). These items were: (a) next time I need to get a financial product I will get it from my current bank; (b) I am going to recommend this bank to my friends and relatives; and (c) I intend to continue to be a customer of this bank. With regards to behavioral loyalty, two questions that measure this dimension of loyalty were included in the questionnaire. These questions were: (a) for how long have you been a client of this bank? and (b) how many products do you have with this bank?

Pre-test. The questionnaire was first given to 25 customers from the retail banking industry to check its clarity. The purpose of the pre-test was to ensure that the questions themselves were clear, easy to interpret and meaningful to respondents (Boshoff 1999). The questionnaire was administered by intercepting customers as they were entering or exiting a bank in a large Chilean city. Once the questionnaire was administered, respondents were asked for their opinions about the questionnaire. Minor changes were made to the questionnaire based on this feedback.

Table 1
Switching Barriers Dimensions and Definitions

Dimensions	Description
Organizational Credibility *(8 scale items)*	I have every confidence in this bank (Aldlaigan & Buttle 2005).
Relational Values *(5 scale items)*	I like to build relationships with the employees at this bank (Aldlaigan & Buttle 2005).
Value Congruency *(7 scale items)*	I share the same values as this bank (Aldlaigan & Buttle 2005).
Switching Costs *(3 scale items)*	I am concerned about negative financial outcomes of switching to another bank (Jackson 1985; Jones, Mothersbaugh & Beatty 2000; Kim Kliger & Vale 2003; Ping 1993).
Lack of Attractive Alternatives *(3 scale items)*	All banks are the same (Jones, Mothersbaugh & Beatty 2000).

Pilot Survey. A pilot survey was conducted to purify the scales used in the questionnaire for the final stage of the research. 360 randomly selected customers who had complained in the past to their retail bank completed the questionnaire for the pilot study. The questionnaire was administered to a Chilean sample. The sample was comprised of similar numbers of women and men; 43% of bank customers had at least a chequing account, 29% had an ATM debit card, 19% had a credit card, 15% had a credit line, 14% had a loan and 4% had some type of investment.

With regards to data analysis, exploratory factor analysis was performed on the data collected in order to purify the scales relative to switching barriers. The analysis used principal components as the extraction method and Varimax rotation. Only eigenvalues over 1.0 were accepted to determine the number of factors that needed to be interpreted (Walsh 1990, pp. 333).

Main Survey. Reflecting the outcomes of the pilot survey, the questionnaire was re-designed. The questionnaire was administered to 360 customers who were entering or exiting a bank. Data was gathered using the same process followed for the pilot survey. The sample characteristics of respondents in both the pilot survey and the main survey were similar in the following characteristics: a) similar percentage of women and men in the sample, b) approximately 63% of the respondents had attained an educational level of at least undergraduate university, c) 83% of the customers had at least one product with one of the four most important Chilean banks: Estado Bank, Santander/Santiago Bank, Chile Bank, and BCI Bank.

Data analysis was performed to check for both validity and reliability. Cronbach alpha was calculated for each construct to check for reliability. The analysis of the proposed model followed the two-step approach recommended by Anderson and Gerbing (1998). The first step was the development of an acceptable measurement model, which was done performing confirmatory factor analysis using AMOS 7.0. The next step was to test the structural model, for which parameters were first estimated. Four goodness-of-fit statistics were calculated to determine if the model being tested had to be accepted or rejected: a) the goodness-of-fit index (GFI), b) the adjusted goodness of fit index (AGFI), c) the comparative fit index (CFI) and d) the root mean square error of approximation (RMSEA). For the first three indices, a value over 0.90 was considered acceptable and for the last index, a value lower than 0.08 is an indication of excellent goodness of fit as recommended by Byrne (2001). Model re-specification consisted in some parameter deletions, because it is generally safer to drop parameters than to add new ones (Bentler & Chou 1987). In order to improve the model, we made one modification, and every time a modification was made, the model was re-run and the modified model was evaluated. To facilitate the understanding of the initial model and the modified one, we gave them different pertaining names: Proposed Model and Modified Model I.

4. Results

The results are presented in two sections: (1) test for validity and reliability of the constructs representing both switching barriers and customer loyalty, and (2) test of the hypothesized associations among the constructs representing both switching barriers and customer loyalty.

Switching Barriers. As a result of the pilot survey, five factors with eigenvalues higher than 1.0 were identified. These factors explained 67% of the total variance and included all scale items with loading values that ranged from 0.52 to 0.84. The rest of the loading values were very close to cero providing support for both convergent and discriminant validity (this issue is further studied in the main survey via CFA). Cronbach's alphas were higher than 0.70 for all the five factors ranging from 0.73 to 0.91 (internal consistency reliability). Table 2 displays the final factor loading patterns.

The main survey confirmed the existence of a five factor structure. Results of the confirmatory factor analysis showed a good fit confirming the five factor structure providing more support both convergent and discriminant validity: CFI, GFI and AGFI had values higher than 0.90 (0.95, 0.94 and 0.92, respectively) and RMSEA had a value (0.05) lower than 0.8 as expected. An additional step was followed to further check for discriminant validity as recommended by Fornell and Larcker (1981): The average variance extracted (AVE) and share variance estimates (squared correlation) were compared between each pair of factors. Results showed that AVEs were higher than share variance estimates in all cases.

Table 2
Exploratory Factor Analysis Solution for the Switching Barriers Used to Retain Banking Customers

Scale Items	Factors 1	2	3	4	5
ORGANIZATIONAL CREDIBILITY					
Sb.1 I have every confidence in this bank	.84				
Sb.2 I feel secure in the hands of this bank	.76				
Sb.3 I trust this bank	.76				
Sb.4 This bank is a very credible bank	.75				
Sb.5 This bank is reliable	.72				
Sb.6 This bank caters well to my financial needs	.70				
Sb.7 I respect this bank	.70				
Sb.8 This bank gives good value for money	.52				
VALUE CONGRUENCY					
sb.9 I receive preferential treatment from this bank		.72			
Sb.10 I approve of this bank's investment policy		.70			
Sb.11 I feel a sense of loyalty to this bank		.65			
Sb.12 I share the same values as this bank		.64			
Sb.13 I have confidence that this bank provides the best deal		.63			
Sb.14 This bank knows my needs		.60			
sb.15 I support the ethical policies and practices of this bank		.60			
SWITCHING COSTS					
Sb.16 It is difficult for me to use other banks			.79		
Sb.17 It would be difficult for me to switch to another bank			.75		
Sb.18 I feel locked into this bank			.64		
LACK OF ATTRACTIVENESS OF OTHER ALTERNATIVES					
Sb.19 All banks are the same				.61	
Sb.20 If I were to choose another bank I do not know what I will get				.59	
Sb.21 There are few other banks that are realistic alternatives for me.				.57	
RELATIONAL VALUES					
Sb.22 I have got a good rapport with employees of this bank					.78
Sb.23 I like the employees in this bank					.74
Sb.24 I know the employees of this bank					.71
Sb.25 I like to build relationships with the employees at this bank					.70
Sb.26 I enjoy being recognized at this bank					.70
Explained Variance (Rotated Factors)	**18.2**	**14.2**	**11.7**	**11.3**	**11.5**
Total Explained Variance	**18.2**	**32.3**	**44.1**	**55.4**	**66.9**
Internal Consistency Reliability	**0.91**	**0.85**	**0.73**	**0.75**	**0.83**

Switching Barriers Factor Labels. In agreement with the literature reviewed above and the input from qualitative focused interviews, the resulting factors were labeled as follows:

Factor 1: Organizational Credibility. This factor relates to the level of trust that customers have toward their current banks. Higher levels of trust and credibility will reflect greater customer attachment to their current bank, making it more difficult for them to want to switch.

Factor 2: Value Congruency. This factor refers to the congruency of values between customers and their banks. Customers would share similar values and ethical principles and policies of investment among other things with the bank, and have a high level of attachment with their current bank making it more difficult for them to engage in switching behavior.

Factor 3: Switching Costs. This factor relates to the level of difficulty in switching to another bank. Customers may want to switch to another bank but it may be difficult for them to do so. They may have a product or two that may like, reason why they do not want to switch to another bank at this time.

Factor 4: Lack of Attractiveness of other Alternatives. This factor refers to the lack of other attractive alternatives for customers in the market. Customers may not switch to another bank because they perceive that there is not another bank in the market that can offer the high quality services they require.

Factor 5: Relational Values. This factor refers to the personal relationship between customers and bank employees. Customers want to be recognized by their customer service officer and they want to be treated well. Excellent relationships may lead to customers valuing their current banks more highly and consequently making it more difficult for customers to switch to another bank.

Customer Loyalty. In both the pilot survey and main survey, Cronbach's alphas were calculated to check for the reliability of the construct that measured attitudinal and behavioral loyalty. Cronbach's alphas were very high (0.94 and 0.96, respectively) showing the high internal consistency reliability of the loyalty constructs.

Associations Between the Switching Barriers Dimensions and Customer Loyalty. In order to determine the direction and strength of the association between each switching barrier type and the dimensions of customer loyalty, structural equation modeling was performed using AMOS 7.0. The association of each switching barrier dimension with the customer loyalty construct was tested in a model that shows ten associations. Results showed that nine of those associations were significant (see Table 3, "Proposed Model" column), but the other one had to be deleted from the model. Only the association lack of attractive alternatives→attitudinal loyalty had critical ratios lower than 2.6, the minimum value to consider an association significant. However, the goodness-of-fit indices of the proposed model were not adequate: The AGFI, GFI, and CFI were too low, whereas the RMSEA and Chi Square to Degree of Freedom ratio were too high. Thus, even though most hypotheses were strongly supported, the model fit needed improvement.

Table 3
Fit Indices of Model Tested*

	Proposed Model (Constructs are correlated between groups only)		Modified Model I (Constructs are correlated within and between groups)	
Paths	**Coefficients**	**Critical Ratios**	**Coefficients**	**Critical Ratios**
Organizational Credibility →Attitudinal Loyalty	+0.34	5.235	+0.30	5.021
Organizational Credibility →Behavioral Loyalty	+0.37	5.645	+0.34	5.112
Value Congruency → Attitudinal Loyalty	+0.21	4.525	+0.19	4.302
Value Congruency → Behavioral Loyalty	+0.25	4.890	+0.22	4.530
Relational Values→ Attitudinal Loyalty	+0.17	3.526	+0.16	3.345
Relational Values→ Behavioral Loyalty	+0.20	4.021	+0.19	3.801
Switching Costs → Attitudinal Loyalty	-0.15	-2.734	-0.14	-2.602
Switching Costs → Behavioral Loyalty	-0.22	-4.203	-0.20	-4.001
Lack of Attractive Alternatives → Attitudinal Loyalty	-0.01	1.509		
Lack of Attractive Alternatives → Behavioral Loyalty	-0.10	2.651	-0.08	2.401
Attitudinal Loyalty←→Behavioral Loyalty			0.516	6.472
Model Fit Indexes				
Cmin/df	8.8		2.8	
Absolute Fit Indexes				
RMSEA	0.15		0.05	
GFI	0.85		0.95	
AGFI	0.81		0.91	
Comparative Indexes				
CFI	0.86		0.96	

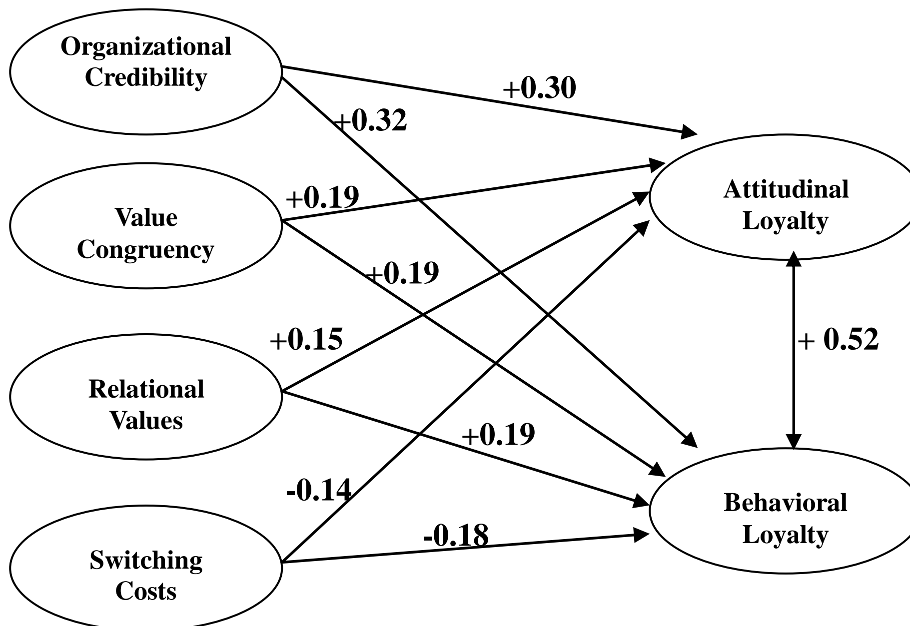
To improve the model fit, correlation between attitudinal loyalty and behavioral loyalty was allowed (see Table 3, “Modified Model I” column). This is in line with the findings of Emmanuelsson and Skoglund (2007) who found these two construct to be significantly correlated. The latter addition improved the goodness-of-fit indices (GFI=0.95; AGFI=0.91, and CFI=0.96), while the Chi Square to Degrees of Freedom ratio went down to 2.8 and the RMSEA, to 0.05. In relation to the associations among the constructs studied, we found the correlation between attitudinal and behavioral loyalty to be highly

significant, with a critical ratio of 6.472. However, the association lack of attractive alternatives→behavioral loyalty was not significant so it was removed from the model.

Hypotheses Testing

The proposed hypotheses were tested by examining the critical ratios, as in Table 3 (proposed model) and Figure 2. Ten out of 12 hypotheses were empirically supported. Only hypothesis H_9 and H_{10} were below the acceptable critical ratio (2.6) and had to be rejected.

Figure 2
Associations Between the Switching Barriers Dimensions and Attitudinal and Behavioral Loyalty



5. Conclusions

This study found there to be five types of switching barriers and supports a two dimensional loyalty construct. Three of the dimensions could be associated with more positive or reward-based switching barriers and two with more punitive types of switching barriers. The latter are in line with the conclusions of previous past research (Aldlaigan & Buttle 2005; Kim, Kliger & Vale 2003; Ping 1993). This underlying structure implies that it might be valid for banks to use either punitive or more reward-based switching barriers to keep customers doing business with them.

In addition, the investigation provides new information in relation to the link between these two types of switching barriers and the attitudinal and behavioral loyalty of dissatisfied retail banking customers. The more rewarding switching barriers (e.g., organizational credibility, value congruency and relational values) have a positive association with customer loyalty, which is in line with the findings of Julander and

Soderlund (2003). On the other hand the punitive switching barrier of switching costs was shown to be negatively related to customer loyalty. The lack of alternatives was not found to be associated with customer loyalty.

The findings also suggest that both attitudinal and behavioral loyalties are highly correlated and that switching barriers have a stronger effect on behavioral loyalty, in particular when dealing with punitive switching barriers, such as switching costs.

Considering these findings, some managerial implications can be drawn. If banks that are facing high levels of customer dissatisfaction want to retain their customers via the usage of switching barriers, it is recommended that they use rewarding switching barriers because they will have a positive effect on customer loyalty. Banks would increase customer retention in the short-term but it is also likely that the customer will want to stay with the bank in the long-term. The usage of punitive switching barriers, such as switching costs may have a positive influence on customer retention in the short-term (Burnham, Frels & Mahajan 2003; Grace & O'Cass 2003); however, it would have a negative effect on customer retention in the long-term, especially when the switching barrier no longer exists (Colwell & Hogarth-Scott 2004). Customers might want to switch to another bank.

The results demonstrate that banks should mainly use reward-based switching barriers to prevent customers from switching to another bank, which is in line with the findings of Vázquez-Carrasco and Foxall (2006) that claimed that positive switching barriers play a greater role than the negative ones in determining customer satisfaction and retention. Banks may be able to do this by increasing the level of customer trust, the value congruency and the interpersonal relationship with customers. For instance, banks may sponsor charities and build customer trust through public relations activities. If banks develop an image of a "good corporate citizen" through public relations and publicity then their organizational credibility, value congruency and relational values may improve in the eyes of customers. Banks could also identify those customers who have a stronger perception towards either punitive or more rewarding switching barriers. For them, banks might implement specific marketing strategies that address that perception (e.g., customers with a strong positive perception towards rewarding switching barriers could be given a more personalized service to develop a long-lasting relationship).

The implications of these findings for service provision in the banking industry support the findings of Ranaweera and Prabhu (2003), that businesses should implement policies and procedures to retain their customers by creating switching barriers that add value to their services. To develop these barriers, banks may promote customers to become co-creators of value as suggested by the new theory of service-dominant logic (Gummerson 2006; Kotler et al. 2003; Vargo & Lush 2004). To do so, banks should make sure they are in constant communication with customers to improve the quality of the offering. Similarly, by taking a positive approach to branding the image of their services and delivering feelings of attachment based on trust and loyalty over time, the banking sector can ensure a more enduring segment of brand loyal customers. On the other hand, implementing punitive brand switching policies that prevent the customer from switching

to a competitor have a negative (Barlow & Moller 1996; Lovelock, Patterson & Walker 2004) effect on the feelings customers have toward their bank.

In terms of limitations of the study, first of all respondents in the sample were not treated differently according to how they were classified by the bank in terms of their monetary value per head to the bank. This is even more important considering the investigation undertaken by Fernandes and Proenca (2008) that concluded that different situations coexist with different consumers, which makes it harder to develop a general pattern to establish relationships with customers. Hence it would be important to know if the conclusions vary depending on the type of customer we are dealing with. This information would be very valuable to banks that choose to treat individual customers differently according to the amount of money they are worth to the bank. Another important limitation of the study is that it included dissatisfied customers only. Future research may study the differences between dissatisfied and non-dissatisfied customers regarding the influence of switching barriers on customer loyalty. Another area for future research would be examining switching barriers in the online and offline banking settings. This would be of particular interest in the banking context given the high adoption of self-service technologies in this context.

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