Seek and Ye Shall Switch?

The Dynamics of Customer Satisfaction, Knowledge and Confidence in Online Search for Financial Services Information

NAM HOAI NGUYEN

This thesis is submitted for the

Degree of Doctor of Philosophy

MACQUARIE
University

Department of Marketing and Management

Faculty of Business and Economics

Macquarie University, Sydney, Australia

September, 2015

STATEMENT OF CANDIDATE

This thesis is submitted in the fulfilment of the requirements for PhD degree, in the Faculty of Business and Economics, Macquarie University.

I hereby declare that this thesis is my original work. To the best of my knowledge and belief, this thesis contains no material published previously except where due reference is made. I certify that the work in this thesis has not been submitted previously for any other degree at any other university or institution.

NAM HOAI NGUYEN

Student ID: mq42258790

Date: September 2015

ACKNOWLEDGEMENTS

First and foremost, I wish to express my deepest thanks to Professor Scott Koslow, my principal supervisor at Macquarie University. I am forever indebted to his tremendous support, inspiration, patience, and generous sharing of his vast knowledge; and my thorny journey to the completion of this dissertation would have been simply endless without him.

My profound gratitude goes as well to Dr Lay Peng Tan, my associate supervisor, for her great contribution to my thesis. Wisdom, knowledge, unconditional kindness, and many more... have been what she never fails to offer me.

I also owe the fulfilment of this research to the managers of one Ice Skating Club, one high school and three churches in Sydney, who granted me permission to approach their members for data collection; to Mrs Trisha Koslow, who was so enthusiastic in helping me obtain approvals from these organisations and recruit participants for the study; to the Higher Degree Research team at Macquarie University, who have tried every possible way to ease my PhD path; and to Dr Campbell Aitken of *Express Editing Writing and Research*, who provided me with editing services.

I am also very appreciative of the support of my colleagues and friends during my PhD candidature. In particular, I would like to send many thanks to Andy Bawono, Mark Tayar, Somayeh Alizadeh, Tri Brabowo, Albert Nugraha.

Last but not least, I am grateful to my family for their constant love, care, and encouragement over the last long years. Life would have been so difficult and I certainly would not have gone this far without their companionship.

ABSTRACT

The importance and the challenges of retaining customers have long been highlighted in the marketing literature, and many scholars have addressed the challenging topic of switching intention. Switching, however, implies a composite set of related behaviours consumers must be engaged in to replace a service provider. Given their multi-faceted and dynamic nature, research into those behaviours requires a holistic and sophisticated approach if it is to reveal deep insights into customer-provider relationship management and assist service businesses to strategically boost profitability and market share. Although previous researchers have examined switching intention, investigations of the relationships between knowledge, confidence, switching costs and information search, and the power of these factors to explain, switching behaviour, are scarce. Furthermore, the dynamic behaviour of customers has generally been studied with a narrow rather than a holistic perspective. This study, which applied the well-known Motivation-Opportunity-Ability (MOA) framework to explain consumer choice, is therefore necessary and valuable. Using this theoretical base, the study sought answers to three specific research questions:

1. Can MOA theory explain why some dissatisfied customers defect and why other dissatisfied customers stay loyal?
2. How does customer knowledge and confidence relate to customer satisfaction, switching cost and customer switching intention?
3. How does online searching behaviour affect switching intention?

These research issues were investigated with a qualitative and quantitative two-stage methodological approach. In the first stage, qualitative exploratory data were gathered from 16 participants through in-depth interviews. Variables identified from the qualitative analysis and those from the literature review were synthesised to develop the experimental design for the quantitative research phase. This second stage used an online questionnaire and searching tasks. The Tobii X30 eye tracker was used to record customers’ practices when searching for a better deal online. SPSS was used to analyse data collected in the quantitative phase.

The finding from quantitative analysis confirmed that MOA is a useful framework for explaining switching intention. Overconfidence was not observed for all participants, but the hard-easy effect, a pervasive finding in overconfident literature, was detected. Self-confidence was identified as an important moderator for the relationship between satisfaction and switching intention. In particular, self-confidence positively moderated the relationship between satisfaction and customer retention. Information search was found to be an important variable affecting switching intention; information search moderates switching intention, reducing it when it is high but increasing it when it is low. In addition, sunk cost and finding a "better deal" were found to be important moderators in the correlation between switching intention before search and switching intention after search.

The research contributes both theoretically and practically to the fields of consumer behaviour marketing and services marketing. Theoretically, this study confirmed the advantage of MOA theory in explaining customer switching behaviour. In addition, the study also indicated the significant effect of customer online searching on switching intention. On the practical side, this research provides managers a comprehensive view about three important constructs namely customer motivation, opportunity and ability to explain switching intention. Moreover, this study also provides managers with a new understanding about the relationships among three constructs so they can control them effectively in reducing customer defection rate.

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CHAPTER 1 : INTRODUCTION

1.1 Background to the research

Whether called customer switching, defection or its inverse, retention or loyalty, the challenge of keeping customers is a critical issue for managers. Research has identified factors such as service failures (Ahmad, 2002), corporate reputation (Walsh et al., 2006), price (Santonen, 2007) and variety-seeking behaviour (Berne et al., 2001) as important dimensions affecting customer switching and retention. In addition, marketing scholars have long been interested in the link between customer satisfaction and retention.

The long history of the relationship between satisfaction and retention also fits the way marketers scholars want to look at the world. Our world view suggests that if we do well by our customers, they will do well by us. Customer satisfaction is generally regarded as an important determinant of retention (Hennig-Thurau and Klee, 1997, Bansal and Taylor, 2015, Picón et al., 2014) and there is no doubt that customer satisfaction has long-term benefit. For example, customer satisfaction can help to increase loyalty, reduce costs of future transactions and enhance reputation for the firm (Anderson et al., 1994, Anderson et al., 1997, Bearden and Teel, 1983, Bolton and Drew, 1991). Other studies conclude that customer satisfaction results in both repurchase behaviour (Bolton, 1998, LaBarbera and Mazursky, 1983, Newman and Werbel, 1973, Huang et al., 2014, Fang et al., 2011) and repurchase intention (Anderson and Sullivan, 1993, Cronin and Taylor, 1992, Frederick and Sasser, 1990, Voss et al., 2010, Posselt and Gerstner, 2005).

However, empirical evidence suggests that the link between satisfaction and switching is not straightforward. Some customers still defect when satisfaction is high and others stay with a product, brand or firm when satisfaction is low (Hennig-Thurau and Klee, 1997). In other cases, some satisfied customers may not return because of variety-seeking behaviour

(Sánchez-García et al., 2012). However, some dissatisfied customers may not defect because of switching costs (Jonathan et al., 2001). To explain the complexity of the link between satisfaction and retention, marketers have examined external factors that affect the relationship, such as intra-psychological, contextual, and situational elements (Hennig-Thurau and Klee, 1997). Research to date has not conclusively established why and how customers decide to stay with their current suppliers.

1.2 Overview of the current study

The dynamics of customer decision-making can be extremely complicated; understanding why buyers do what they do is arguably the most challenging problem in marketing. As noted previously, many researchers have assumed that customer satisfaction leads to retention, and others have produced more complex models by adding stochastic events. However, customer decision-making can be affected by many other external events that lead the customer to go elsewhere or conversely deepen that relationship with the former supplier. The customer decision making process is influenced by such external events. These external events could moderate the relationship between satisfaction and switching intention through the consumer decision process.

The current study examines how customer knowledge, consumer confidence, switching cost and information search moderate the effect of customer satisfaction on switching intention. This study focuses on the above factors for four main reasons.

Firstly, customer decisions are strongly affected by how much knowledge customers have (Hadar et al., 2013), and customer knowledge has been demonstrated to be an important determinant of customer’s choice in financial services (Hadar et al., 2013, Hilgert et al., 2003, Devlin, 2002). In previous studies, customers were asked questions to test their knowledge, followed by questions about their switching behaviour. Unfortunately, these studies ignored the effect of difficult questions, and subject familiarity on customers' confidence, but tending to focus on examining the effect of knowledge on customer behaviour directly (see, for example, Capraro et al., 2003). In addition, it has been demonstrated that confidence has a strong effect on customers' decision-making (Ratcliff and Starns, 2013), and customer knowledge influences customer confidence (Biswas and Sherrell, 1993). Thus, this study aims to explain the influence of consumer knowledge on decision-making through the filter of consumer confidence.

Secondly, this study argues that customer confidence can reframe the effects of satisfaction. Therefore, I investigated two types of confidence: confidence in knowledge and confidence in decision-making. The literature on confidence in knowledge tends to focus on the problematic effects, including overconfidence, hard-easy and familiarity effects (Gigerenzer et al., 1991, Glaser and Weber, 2007, Moore and Healy, 2007). One of the strongest patterns in the confidence literature is that subjects are routinely more confident than they should be given their knowledge (Gigerenzer et al., 1991). This explains why many financial consumers may be content despite under-saving for retirement, overpaying on loans and being underinsured. Confidence is also higher on more difficult questions than the easy ones (Gigerenzer et al., 1991), which again goes a long way to explaining why uninformed consumers could be more confident in making complex financial decisions than more ordinary choices of fast-moving consumer goods. Finally, less familiar decision and task contexts also lead to overconfidence (Tourani-Rad and Kirkby, 2005). Together, these three confidence patterns, namely overconfidence, hard-easy and familiarity effects put severe limitations on the usefulness of direct training in financial literacy. Although consumer confidence is fairly accurate for most routine fast-moving consumer goods choices, overconfidence issues in choosing financial services may be severe.

Thirdly, my study focuses on examining the role of switching costs in customer retention because switching costs are important moderating factors for the relationship between satisfaction and switching intention (Colgate and Hedge, 2001, Colgate and Lang, 2001). In a study by Burnham et al. (2003), the authors found that satisfaction and switching costs are the main drivers of customer retention, and showed that whereas satisfaction explains 16% of the variance in customer retention, switching costs explain 30%. My study, therefore, was designed to examine satisfaction in relationship to other constructs, including switching costs, in explaining customer retention, and to determine the relative importance of factors affecting customer retention.

Fourthly, many customers nowadays use the internet to collect information before they make purchase decisions. Therefore, this study focuses on the effect of online searching on customers switching. Information search can change customer switching (Gärling et al., 2008). In particular, information search could either increase customer switching intention (Gamble et al., 2009) or decrease customer switching intention (Bennett et al., 2005). For example, a customer who has been using banking services from a particular bank for a long time has to engage in information search when she needs to use another service, such as a home or car loan. This information search might change their switching intention in their current bank, and subsequently their behaviour. That is, the process of learning about new products might lead customers to switch to another bank or strengthen their commitment to their current bank.

To all this, this study applies the well-established Motivation–Opportunity–Ability (MOA) framework developed by MacInnis and Jaworski (1989). MOA framework states that motivation, opportunity and ability are the three factors determining individuals' information processing. Motivation includes interest, desire, readiness, and willingness to engage in information processing (MacInnis et al., 1991). Opportunity refers to the extent to which a situation is advantageous to achieving a desired outcome (Maclnnis and Jaworski, 1989) or the lack of obstacles to achieving a desired result (MacInnis et al., 1991). Ability is defined as the skills or proficiencies of customers (MacInnis et al., 1991). Using the MOA framework, I posit that motivation is related to several key factors that determine the continued use of the services of firms, one of the most important being satisfaction. Opportunity is understood as the advantage level of customer to achieve result. Therefore, switching cost can be a proxy for opportunity. Finally, customer knowledge and confidence can be thought of as kinds of ability. The following section provides greater details about these concepts.

With respect to customer retention, customer motivation can be thought of as satisfaction. In other words, it can be inferred that satisfied customers will have low motivation to switch. In contrast, dissatisfied customers will have high motivation to switch. As mentioned above, several studies have examined the role of satisfaction in customer retention or loyalty (Bolton, 1998, Fornell, 1992, Homburg and Fürst, 2005, LaBarbera and Mazursky, 1983, Seiders et al., 2005). The results of those studies indicate that satisfaction significantly affects customer switching intention. The current research also aims to discover the satisfaction construct in the nature of customer behaviour in financial service to examine how customer motivation affects customer retention.

A useful way to look at customer opportunity is via the effects of customer switching costs on customer switching intention; several previous researchers have attempted this (Colgate et al., 1996, Colgate and Hedge, 2001, Colgate and Lang, 2001). However, customer retention does not depend only on the magnitude of switching costs, but is affected by other factors such as satisfaction level. Within the MOA framework, I argue that switching costs moderate the relationship between motivation and customer retention. In addition, in the information age, customers have access to multiple sources of the information they need to evaluate services and make decisions. Information search, therefore, has is an important factor in customer decision-making (Keaveney et al., 2007, Schiffman and Kanuk, 2009, Mourali et al., 2005). Information search provides more information about alternatives to customers. It also enhances customer knowledge about products/services. It is obvious that information search facilitates customer decision making. Thus, within the MOA framework, where opportunity is the extent to which a situation is advantageous to achieving a desired outcome (Maclnnis and Jaworski, 1989) or the lack of obstacles to achieving a desired result (MacInnis et al., 1991), information search could be seen as "Opportunity" as information provides *advantages* to consumers in their decision-making. It is obvious that people search but the outcome of that search is uncertain. Thus, that search is an opportunity to learn, which is what MOA is focused on. In addition, after searching customers may find the better deal for their services, thus, whether they find a better deal also can be thought of their opportunity to make their witching decision.

Within the MOA framework and the context of customer retention, "ability" could be explained by customer knowledge, overconfidence and customer confidence in decision making (self-confidence).

The literature suggests that customer knowledge can be divided into three types of knowledge namely, objective knowledge, subjective knowledge, and usage experience; these types of customer knowledge are associated with customer decision making (Brucks, 1985, Raju et al., 1995, Dodd et al., 2005). For example, customers who possess high levels of subjective knowledge about alternatives often see themselves as being so knowledgeable (Brucks, 1985) that they can "defect" to another brand or product. Capraro, Broniarczyk and Srivastava's (2003) research in consumer health insurance found that the likelihood of defection is positively related to levels of subjective knowledge regarding alternatives. Raju et al. (1995) distinguished the effects of three types of knowledge, including objective knowledge, subjective knowledge, and usage experience, on the decision-making process. Among three types of knowledge, their results indicated that subjective knowledge had the strongest effect on customer decision making. Pieniak et al. (2010) concluded that subjective and objective knowledge were determinants of customer consumption of organic vegetables.

Self-confidence is the feeling that someone has done something correctly or incorrectly which can increase for correct decisions and decrease for error decisions (Insabato et al., 2010). Thus self-confidence can be thought of the ability of customers to make decisions. The marketing literature shows that confidence has a strong influence on customer behaviour. For example, Berger and Mitchell (1989) indicated that confidence will affect customer retention. Laroche et al. (1996) found that confidence was a significant determinant of purchase intention, as did Berger and Mitchell (1989). Confident customers will engage in more information searching (Loibl et al., 2009).

Following Koellinger et al. (2007), overconfidence is an overestimation of one's own ability to make accurate decision. Thus, overconfidence can also be considered as an ability construct under MOA theory. It is expected that overconfident customers will be more likely to switch when they are dissatisfied, because they feel that they have enough knowledge to understand their alternatives.

A central part of my study was an examination of the relationship among MOA variables in explaining customer retention. Satisfaction is conceptualised as motivation in that satisfaction motivates customer retention and dissatisfaction may trigger customer defection. Opportunity is expressed as switching costs, information search and better deal. Ability includes overconfidence, knowledge and self-confidence. However, whereas many other researchers have examined the effects of knowledge and self-confidence on customer behaviour separately (see, for example, Antón et al., 2007, Park and Kim, 2009, Lin, 2012), I argue that customer knowledge affects confidence, and in turn, the level of confidence influences the relationship between satisfaction and customer retention.

This study examines customer switching in financial services in Australia; my main purpose was to examine the mechanisms of the customer switching phenomenon. Primarily, I aimed to discover the explanatory power of the MOA framework in explaining customer switching. My secondary aims were to examine the relative causality of MOA variables with respect to customer switching, and to explore the effects of information search on customer switching intention.

1.3 Research questions

From the research objectives above, this study aims to answer the following three key research questions:

1. Can MOA theory explain why some dissatisfied customers defect and why other dissatisfied customers stay loyal?
2. How does customer knowledge and confidence relate to customer satisfaction, switching cost and customer switching intention?
3. How does online searching behaviour affect switching intention?

1.4 Organisation of the study

This thesis consists of seven chapters:

Chapter 1, this chapter, provides a brief introduction to the background of the research, an overview of the thesis, research questions and contributions of the research.

Chapter 2 contains a review of the switching domain literature, focusing on research studies reporting on antecedents of switching intention. This much more focuses on important variables such as satisfaction, customer knowledge, customer confidence, switching cost and information search. Moreover, this chapter also reviews the MOA theory applied in the current study. A gap in the literature is proposed in the conclusion of chapter in which the lack of theory to explain switching behaviour is presented. In addition, the important role of information search also has been emphasised.

Chapter 3 presents research questions and hypothesis. This chapter begins with the development of a conceptual framework based on MOA theory. Three research questions and ten hypotheses are proposed.

Chapter 4 introduces research methodology applied in the current research. Mixed methodology has been proposed consisting of qualitative exploratory research and quantitative research. Exploratory research is conducted by in-depth interviews which aim to determine the variables and relationship among them in explaining switching intention. Quantitative research is conducted by experiments to find out and confirm the factors affecting switching intention. Moreover, it aims to explore customer information searching behaviour and how it affects customer switching. This is conducted by the eye tracking method.

Chapter 5 presents the results of qualitative research. Sixteen participants were involved in in-depth interviews. The results of interview helped to determine the variables used in quantitative research. Moreover, these results aslo helped to form the ideas for expriment design.

Chapter 6 presents the result from questionnaires in quantitative research. The results from 112 useable questionnaires provide support for five hypotheses proposed in chapter 3. This helps to confirm that MOA theory is appropriate in explaining switching intention. Moreover, the results indicated that information search plays an important role in switching intention.

Chapter 7, the final chapter of the thesis, discusses the findings and implications regarding switching intention. It also presents the limitations and contributions of the study.

1.5 Contribution of the study

The major contribution of the present study is the development and validation of the proposed theoretical customer service switching behaviour framework. The relationships among a set of behaviours related to "switching" have been identified by the rigorously researched model. The customer switching behaviour conceptual framework based on MOA was established to extend current knowledge. In particular, this demonstrates the important role of customer motivation, opportunity and ability in explaining switching behaviour. This also indicates the relationships between important variables including customer knowledge, customer confidence, information search and switching cost in switching financial services context. This can serve as a foundation for future inquiries and offer marketing practitioners the opportunity to sustain or improve customer retention. The research, therefore, contributes both theoretically and practically to the fields of consumer behaviour marketing and services marketing. Theoretically, this study confirmed the advantage of MOA theory in explaining customer switching behaviour. In addition, the study also indicated the significant effect of customer online searching on switching intention. On the practical side, this research provides managers a comprehensive view about three important constructs, namely customer motivation, opportunity and ability to explain switching intention. Moreover, this study also provides managers with a new understanding about the relationships among three constructs so they can control them effectively in reducing customer defection rate.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature review of the relevant topics. It will firstly discuss the main construct, namely satisfaction, which is considered the most important motivation element of customer behaviour. This is followed by a discussion of brand loyalty and customer retention. Although some researchers have regarded loyalty and retention as interchangeable concepts, this study argues that they are different (see, for example Gan et al., 2006, Keiningham et al., 2007). Therefore, this chapter also reviews literature on customer defection and switching intention with the purpose of outlining opposite perspectives of customer retention and loyalty. Following that, a review of extant literature on switching costs, customer knowledge and confidence will be presented. The different perspectives of switching costs have been examined. Customer knowledge has been discussed based on three types of knowledge from literature. Meanwhile, confidence has been reviewed in two main aspects consisting of confidence's types and overconfidence phenomenon. This chapter concludes with a review of literature on the theory of information search and motivation-opportunity-ability (MOA).

2.2 Customer satisfaction

2.2.1 Definition

Customer satisfaction can decide the success or failure of enterprises. For example, Deng et al. (2010) indicated that a high number of satisfied customers can help a company to differentiate itself from its competitors and increase market share. On the other hand, dissatisfied customers will spread negative word of mouth (WOM), which may result in the loss of market share or business failure (Ramasubbu et al., 2008). Consequently, customer satisfaction has been studied by researchers and specialists for decades. Despite this, the concept has many definitions. Customer satisfaction can be defined with a product, with a consumption experience, with a purchase decision experience, with a store, with the salespersons, with a pre-purchase experience or with a product or service attribute (see, for example, Bridson et al., 2008, Suh and Youjae, 2006, Homburg and Stock, 2005, Posselt and Gerstner, 2005). Moreover, satisfaction is also variously examined. For example, some researchers mentioned definition of consumer satisfaction. Other scholars determined as customer satisfaction or by the single word, satisfaction. It has been recognized that those terms have been used interchangeably somewhat. In some cases, justification for term used has been given if needed.

Despite spending much of attention in defining customer satisfaction, scholars have yet to agree about a consensual definition of customer satisfaction. Oliver (1997) wrote that everybody knows what satisfaction is, but when they are asked about the definition of satisfaction, it seems that no-one can give a clear-cut one. This demonstrates the complexity of the concept, satisfaction. In the literature, there are various definitions of customer satisfaction. In addition, there are controversial arguments over the definition of satisfaction. However, two main approaches to defining this term, either as an outcome or an evaluation process, are widely accepted in the literature (Howard and Sheth, 1969, Giese and Cote, 2000, Johnson and Fornell, 1991, Oliver, 2010).

Firstly, satisfaction can be seen as an outcome variable. Howard and Sheth (1969) proposed that satisfaction is “the buyer's cognitive state of being adequately or inadequately rewarded for the sacrifices he has undergone" (p. 145). In contrast, Oliver (1981) defined satisfaction as "the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumers prior feelings about the consumption experience" (p. 27) and Westbrook and Reilly (1983) refers to it as "an emotional response to the experiences provided by, associated with particular products or services purchased, retail outlets, or even molar patterns of behaviour such as shopping and buyer behaviour, as well as the overall marketplace" (p. 256). Jamal and Naser (2002) wrote that "customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used" (p. 147). Giese and Cote (2000) concluded that customer satisfaction is "a summary affective response of varying intensity". In a simple definition, Oliver (2010) stated that satisfaction is a "pleasurable fulfilment response" after customers consume a product. In short, from an "outcome" perspective, satisfaction has been defined as consumers' cognitive and / or affective responses following their consumptions.

Secondly, satisfaction can be defined as the evaluation process of using services or products. Hunt (1977) stated that satisfaction is an assessment confirming that services or products received by customers were at least as good as expected. Following Gustafsson et al. (2005), customer satisfaction has been defined as the overall evaluation of customers of performance for their current offering. Moreover, satisfaction can be expressed as how a customer assesses an offering's performance (Johnson and Fornell, 1991); this is referred to as a process-oriented approach which lasts for the entire consumption experience. In this sense, the focus is on the processes of perception, evaluation, and psychology that could satisfy the customer.

As discussed above, to date there is no consensual definition of satisfaction in the literature (Jayasankaraprasad and Kumar, 2012). However, Giese and Cote (2000) concluded that most definitions of satisfaction have favoured the concept of customer satisfaction as a response toward an evaluation process. It can be seen that if satisfaction has been defined as a process, this can help to explain how customer satisfaction is formed. Moreover, considering satisfaction in a process provides a wider view than outcome approach because satisfaction has been examined in whole process, not just in an outcome. Thus, the notion that satisfaction is an evaluation process is more useful in understanding satisfaction concept.

2.2.2 Antecedents of customer satisfaction

The existing literature shows that there are many possible antecedents to the achievement of customer satisfaction. The following section presents the three main approaches.

2.2.2.1 Demographic factors

Some earlier studies have argued that demographic factors are determinants of customer satisfaction with services/products. For example, authors indicated that age is an important variable affecting overall customer satisfaction (Terry and Israel (2004), Pickle and Bruce, 1972). In particular, Terry and Israel (2004) found that older customers are inclined to being more satisfied than younger ones. Moreover, Mason and Himes (1973) discovered that customer satisfaction with products and services increases as the total income of families increases. They also stated that marital status can affect satisfaction. In addition, race is an important factor affecting consumer satisfaction (Pfaff, 1971). However, other research showed that demographic factors such as age or education have no relationship with customer satisfaction (Gronhaug, 1977, Mason and Himes, 1973). The different findings above show that the relationship between demographic factors and satisfaction is unclear.

2.2.2.2 Affective based factors

Other research shows that customer satisfaction is influenced by the affective factors a consumer experienced during the use of products and services. For instance, happiness, disgust and joy can affect customer satisfaction (Mano and Oliver, 1993, Westbrook, 1987, Westbrook and Oliver, 1991). Liljander and Strandvik (1997) posited that affective factors helped to understand more about satisfaction. Dube-Rioux (1990) claimed that affective factors were the best indicators of satisfaction. Westbrook (1987) confirmed the importance of affective factors in evaluating post-purchase satisfaction. The important role of affective factors on customer satisfaction has also been found in several studies (see, for example, Alford and Sherrell, 1996, Liljander and Strandvik, 1997, Mattila and Wirtz, 2000, Jiang and Wang, 2006)

2.2.2.3 Cognitive based factors

Several studies have confirmed cognition as a major element affecting customer satisfaction (Homburg et al., 2006). Westbrook (1987) referred to satisfaction as a cognitive-based phenomenon. Most cognitive research on customer behaviour has employed the confirmation/disconfirmation paradigm (C/D theory), which determines customer satisfaction by comparing their expectation and performance of providers. The C/D paradigm is considered a common antecedent of customer satisfaction and plays a vital role as an intermediate variable in explaining customer satisfaction (Oliver, 1980, Yi, 1989). The C/D phenomenon appears from the discrepancy between expectations and performance (Churchill and Surprenant, 1982). If the performance is higher than expected, satisfaction increases (positive disconfirmation or confirmation), and if lower than expected, satisfaction will decrease (negative disconfirmation). Oliver (1980), in line with Bearden (1983), stated that positive disconfirmation (i.e., when the performance is higher than expected) increased customer satisfaction, while negative disconfirmation decreased customer satisfaction. Three key terms in the C/D paradigm include:

a) Disconfirmation: Disconfirmation can be understood as the discrepancy between expectation and performance. Moreover, some authors divide disconfirmation into different types. For example, Yi (1989) asserted that confirmation consisted of objective disconfirmation and subjective disconfirmation. Objective disconfirmation was defined as the difference between expectation and objective performance; subjective disconfirmation was the difference between expectation and perceived performance.

b) Performance: In C/D theory, performance is used as an anchor to assess disconfirmation by comparing it to expectations. Scholars showed that performance beyond expectation increased satisfaction (Churchill and Surprenant, 1982, Tse and Wilton, 1988). Thus, if expectations remain constant, increases in performance will have positive impact on satisfaction. Some authors did not categorise performance into different categories. However, other authors divided performance into different types. For example, Yi (1989) categorised performance into two types of performance: perceived product performance and objective performance. Perceived performance is the customer's perception or prediction of product performance, and differs across customers. Objective performance refers to the actual product performance; therefore, all customers have only one level of objective performance.

c) Expectations: Expectations mean anticipated performance (Churchill and Surprenant, 1982). Oliver (1980) argued that expectations serve as an anchor and C/D plays the role of an adjustment in determining how satisfied customers are. Literature also indicates that customers' experience is the key to evaluating their satisfaction (Andreassen and Lindestad, 1998). Diverse types of expectation are examined in the literature. For instance, Miller (1977) identified four types of expectation: ideal, expected, desirable and minimum tolerable. Day (1977) classified expectations into three types, which are expectations of the nature of products/services; the cost and effort of acquiring benefits; and social costs and social benefits.

Expectations are considered a direct antecedent of customer satisfaction (Anderson, 1994). Additionally, expectations may inform future quality, thereby affecting likelihood of repurchase and customer satisfaction (Fornell, 1992). For example, expectations concerning timely service for insurance claims and the continued reliability of an automobile could affect current customer satisfaction with a particular service provider (Anderson, 1994).

The literature mentioned above shows C/D theory is widely accepted by researchers as an important antecedent of customer satisfaction. For example, Cardozo (1965) indicates that customer satisfaction is affected by efforts to acquire a product and expectation regarding the product. Oliver (1980) supported the idea that expectation and expectancy disconfirmation are significant factors affecting customer satisfaction. Numerous models and theories have also been developed to examine the effects of the size and direction of disconfirmation on customer satisfaction (Oliver, 1980, Tse and Wilton, 1988, Anderson and Sullivan, 1993, Patterson et al., 1997, Sharma and Ojha, 2004).

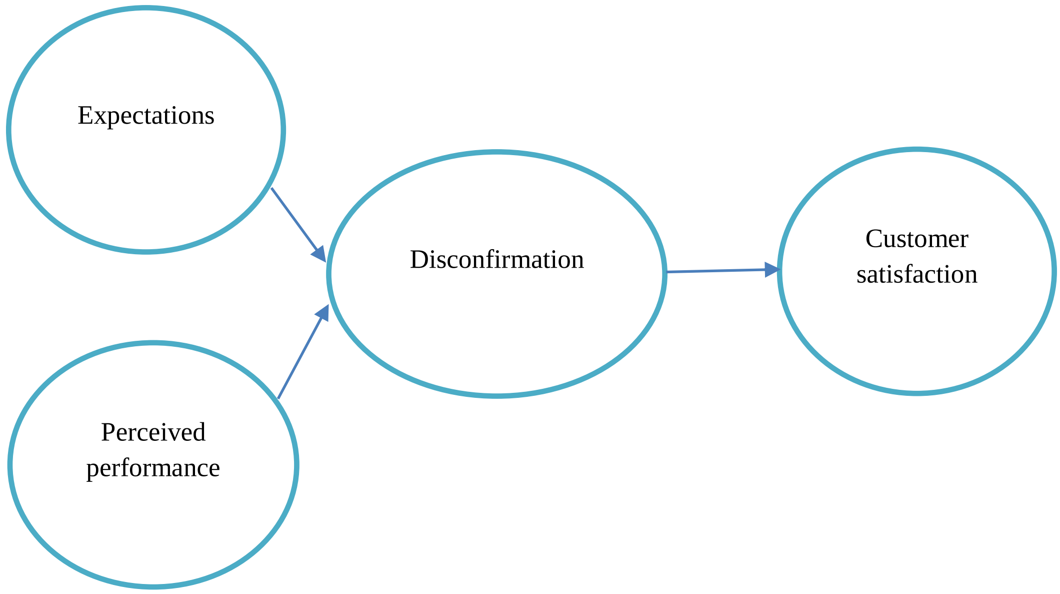
Although the C/D paradigm has received considerable support from many researchers, it has also been criticised. The criticisms of C/D paradigm mainly revolve around 1) the relationship among expectations, perceived performance and satisfaction and 2) the use of expectations as a comparative referent.

Firstly, the original C/D theory has been charged with ignoring the relationships between expectation, perceived performance and satisfaction. In the original C/D theory, scholars conceived the relationships as follows:

- Expectations lead to disconfirmation;
- Perceived performance leads to disconfirmation; and
- Disconfirmation leads to customer satisfaction.

These relationships can be seen in Figure 2.1.

Figure 2.1: C/D theory description



C/D theory indicates that disconfirmation mediates the relationship between perceived performance and satisfaction, as well as the relationship between expectation and satisfaction (Oliver, 1997). However, the literature shows that there is a direct relationship between expectation and satisfaction (Bearden and Teel, 1983, Shaffer and Sherrell, 1997), and that a direct relationship between perceived performance and satisfaction exists (Churchill and Surprenant, 1982). The criticism is that C/D theory's exclusion of substantial relationships among its components can lead to bias in explaining customer satisfaction. Therefore, other research has extended C/D theory, applying additional variables to explain satisfaction (Shaffer and Sherrell, 1997).

Secondly, C/D theory uses expectation as an anchor to determine disconfirmation. However, many authors argue that expectations are dynamic and alternative comparative referents can be applied to determine satisfaction. For example, Cadotte et al. (1987) found empirical support for norms as alternative evaluation standards to determine customer satisfaction. Westbrook and Reilly (1983) concluded that customer values were an alternative comparative referent to explain expectations. The work of these authors suggests that using expectation as a standard to determine disconfirmation, and in turn to determine satisfaction, is dubious.

In short, demographic or social psychology, affective and cognitive based factors are three main antecedents of satisfaction. However, several antecedents of satisfaction are known in addition to these three main antecedents of satisfaction mentioned above including service quality, loyalty, WOM. For example, product or service quality has been demonstrated to have a positive effect on customer satisfaction (Churchill and Surprenant, 1982, Fornell, 1992). Other factors such as loyalty, word-of-mouth and complaints also have been considered as antecedents of customer satisfaction (Anderson, 1994).

2.2.3 Outcomes of satisfaction

The benefits of customer satisfaction explain why it receives so much attention from scholars and practitioners. Researcher has shown many beneficial outcomes from customer satisfaction. Following Luo and Homburg (2007), these outcomes can be divided into five categories:

- Customer intention: commitment, repurchase intentions, price perception and willingness to pay

- Customer actual behaviour: Customer loyalty and repurchase behaviour, word of mouth and complaining behaviour, customer defection

- Employee related outcomes: Eg., The number of qualified employees. For example, a company that has high number of satisfied customer will attract more good employees (Luo and Homburg, 2007)

- Firm efficiency. For example, a company with a high level of customer satisfaction tend to demonstrate high efficiency in advertising and promotion (Luo and Homburg, 2007)

- Overall firm performance: High profitability, for example, company with high number of satisfied customer will have high profitability (Fornell et al., 2006).

Table 2.1 shows the diversity of satisfaction outcomes in the literature. Two of the outcomes namely, customer intention and customer actual behaviour, have received a lot of attention in the literature. Meanwhile, very few scholars pay attention to employee related and efficiency related outcomes.

Table 2.1: Outcomes of satisfaction

Satisfaction outcome		*Authors*
Performance outcome		(Anderson et al., 1994b, Rust et al., 2002, Gruca and Rego, 2005, Fornell et al., 2006)
Efficiency related outcome		(Luo and Homburg, 2007)
Employee related outcome		(Luo and Homburg, 2007)
Customer intention	Customer commitment	(Liang and Wang, 2004, Homburg et al., 2005, Brown et al., 2005, Gustafsson et al., 2005)
	Repurchase intentions	(Oliver, 1980, Swan and Oliver, 1989, Anderson and Sullivan, 1993, Anderson, 1994, Mittal et al., 1998, Mittal and Kamakura, 2001, Szymanski and Henard, 2001, Fang et al., 2014)
	Price perception and willingness to pay	(Anderson, 1996, Homburg et al., 2005, Stock, 2005, Low et al., 2013)
Customer actual behaviour	Customer loyalty and repurchase behaviour	(Liang and Wang, 2004, Homburg and Fürst, 2005, Seiders et al., 2005, Lam et al., 2004, Keiningham et al., 2003, Dholakia and Morwitz, 2002, Kamakura et al., 2002, Mittal and Kamakura, 2001, Bolton et al., 2000, Bolton and Lemon, 1999, Bolton, 1998, Rust and Zahorik, 1993, Oliva et al., 1992, Fornell, 1992, LaBarbera and Mazursky, 1983, Huang et al., 2014, Liu and Wu, 2007, Yuksel et al., 2010)
	Word of mouth and complaining behaviour	(Brown et al., 2005, Richins, 1983, Bearden and Teel, 1983, Ping, 1993, Anderson, 1998, Szymanski and Henard, 2001, Prebensen et al., 2010, Jiewanto et al., 2012, Lang, 2015)
	Customer defection	(Dholakia and Morwitz, 2002, Capraro et al., 2003, Gustafsson et al., 2005, Williams et al., 2011)

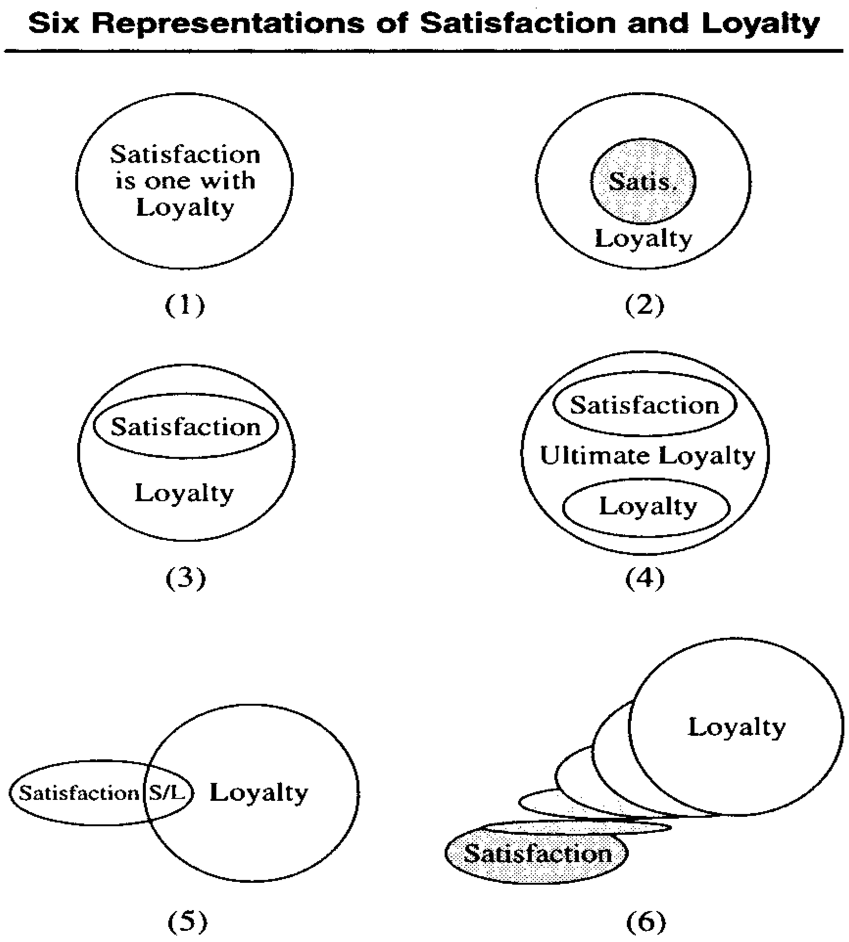
2.2.4 The relationship between satisfaction and loyalty

Most scholars agree that satisfaction increases customer loyalty. For example, Siddiqi (2011) concluded that customer loyalty is strongly and positively influenced by satisfaction. However, there is not a straightforward link between what the customer feels and his or her loyalty (Bloemer and Kasper, 1995). In other words, a satisfied customer may still defect (Pont and McQuilken, 2005). Reichheld (1992) also found that 65-85% of customers who defect said they were satisfied with their previous providers. Thus, it seems that customer satisfaction by itself does not ensure the loyalty of the customer.

Oliver (1999) developed six representations of the association between satisfaction and loyalty (Figure 2.2). Panel 1 proposes that satisfaction and loyalty are two faces of the same concept. Panel 2 proposes that satisfaction is at the core of loyalty; this means that loyalty will not exist without satisfaction. Panel 3 suggests that satisfaction is just an element of loyalty, but an important one. Panel 4 suggests the existence of ultimate loyalty, consisting of satisfaction and "simple" loyalty. Panel 5 assumes that loyalty includes some fraction of satisfaction, but satisfaction is not the key element of loyalty. Finally, panel 6 suggests that loyalty is accumulated through growing satisfaction.

After comparing his six panels with findings from the literature, Oliver (1999) concluded that the relationship between satisfaction and loyalty in panel 6 is the most reasonable explanation. This means that satisfaction must be accumulated over time to become loyalty, in a process that can be affected by other factors and conditions in a variety of contexts. Satisfaction by itself does not ensure loyalty.

Figure 2.2: Representations of satisfaction and loyalty, adapted from Oliver (1999)



2.3 Brand loyalty and customer retention

In the marketing field, whether customers will continue to stay with a provider is one of the most important issues for managers and scholars. Accordingly, topics such as customer loyalty, customer retention, customer repurchase behaviour, customer defection and customer switching behaviour have received a lot of attention in both academic and trade publications. The following sections review the extant literature around these topics.

2.3.1 Brand loyalty

In the last two decades, there seemed to be a shift in practice, from focusing on satisfaction to focusing on loyalty. This is a useful strategy for most firms because managers understand the benefits that stem from a loyal customer base. Reichheld and Sasser (1990) conducted research in over 14 industries and showed that if customer retention increases 5%, net present value increases from 25% to 95%. Several other studies have found that keeping a loyal customer is less costly than acquiring a new one (Fornell and Wernerfelt, 1987). A relationship between customer loyalty and organisational profit has been demonstrated, indicating that an organisation will have a competitive advantage if loyal customers are maintained (Reichheld, 1996, Mandhachitara and Poolthong, 2011).

Plenty of loyalty concepts are proposed in the literature. For example, Jacoby and Chestnut (1978) cited 53 definitions of customer loyalty in their review. However, most of those studies were focused on operational aspects of loyalty and did not mention the theoretical meaning of the concept.

From the literature, brand loyalty has been considered as three schools of concepts consisting of behaviour perspective, attitudinal perspective or the combination between the two.

First of all, researchers have used several behavioural measures drawn from panel data to describe brand loyalty. These measurements address a variety of behavioural aspects of loyalty such as purchase proportion (Cunningham, 1956), continuity of purchase (Kahn et al., 1986) and purchase probability (Massy et al., 1970). Jacoby and Chestnut (1978) criticized these definitions, asserting that they lacked a conceptual basis and did not capture the entire dynamic process of brand loyalty. For example, low repeat purchase may reflect differences among usage situation, variety-seeking behaviour, or shortage of brand preferences. Meanwhile, high repeat purchase may indicate situation constraints such as the brand stocked by sellers. As a consequence, behavioural concepts are not enough to explain why and how brand loyalty develops or changes.

The second stream of brand loyalty concepts are attitudinal measures. In this stream, cognitive, affective and conative processes are regarded as key attitudinal phases of brand loyalty (Oliver, 1997). Customers can be loyal at any of those phases. Customers will become loyal cognitively first, then in an affective and conative sense, and finally behaviourally. (i.e., purchase). These phases are described in greater detail below.

- In cognitive loyalty, customers keep in mind the available brand attribute information. This means that one brand might be preferred over others. In other words, in this stage loyalty is based on a belief in the brand. Cognition can stem from knowledge or experience. In this stage, if no satisfaction appears in a transaction, cognitive loyalty has not been formed. If customer's experience a satisfactory transaction, cognitive loyalty appears and they can move to the next phase.
- Affective loyalty involves the brand belief developed into affective preference for the brand.
- In conative loyalty, loyalty is manifested as a higher intention to buy the brand than its alternatives.

The third stream of definitions of brand loyalty considers brand loyalty as a combination of behaviour and attitudinal measures. Day (1969) conceptualised brand loyalty as repurchases affected by internal factors. Oliver (1999) determined loyalty consisting of action loyalty phases (behaviour) and attitudinal loyalty phases. The reason why Oliver (1999) added attitude loyalty is because he argued that repurchase behaviour loyalty could be invalid because sometime customer purchase just because of convenience, not because of a preference. Thus, considering an attitude measure is needed to examine loyalty. Dick and Basu (1994) showed that loyalty is the combination of repeat patronage and relative attitude; this is in line with Melnyk, Van Osselaer and Bijmolt (2009), who argued that loyalty concepts are the display of behaviour or psychological allegiance in the presence of alternatives. Lewis (2006) also commented that several dimensions of loyalty concepts exist in the literature, including intention of using services in the long term, high customer preference level, customers' recommendation and advocacy, customers' price unconcern, high likelihood of increasing service use, and low potential for switching. However, these dimensions are the combination of attitudinal (cognitive, affective and conative) and behavioural loyalty (Lewis, 2006).

From both theoretical and practical perspectives, it is clear that considering brand loyalty as the combination of attitude and behaviour provides a more comprehensive view of customer loyalty than either perspective alone, and this helps to fully explain the customer loyalty phenomenon.

2.3.1.1 Types of loyalty

Many types of loyalty have been proposed in literature. However, the loyalty categorisation proposed by Gounaris and Stathakopoulos (2004) and Dick and Basu (1994) has received much attention in many studies regarding brand loyalty. These categories help to explain brand loyalty clearly.

Based on behaviour aspects of loyalty, Gounaris and Stathakopoulos (2004) divided loyalty into four types: no loyalty, covetous loyalty, inertial loyalty and premium loyalty.

- No loyalty: Customers do not purchase at all and lack attachment to the brand.
- Covetous loyalty: Customers do not purchase but they have high attachment with the brand; they also have positive predisposition toward the brand.
- Inertia loyalty: Customers purchase the brand because of habit, convenience, not because of emotional attachment.

- Premium loyalty: Customers purchase a brand frequently. Moreover, they have high degree of attachment with the brand.

As can been seen, the categories above have some merit in explaining and categorising different types of loyalty. The categories showed different levels of loyalty, from no loyalty to premium loyalty. These loyalty types are easy to recognise because they were categorised based on customer purchase as well as frequency of customer purchase. However, the weakness of these categorisations is that they are determined based on behaviour while customer loyalty also has been considered as an attitude.

Based on a combined behavioural and attitudinal approach to loyalty, Dick and Basu (1994) showed that there are four types of loyalty: no loyalty, latent loyalty, spurious loyalty and true loyalty (Figure 2.3). Each type of loyalty is the combination between relative attitude and repeat patronage of customers with a brand as follow:

- No loyalty: Customers have low relative attitude and low repeat purchase
- Latent loyalty: High relative attitude, low repeat purchase
- Spurious loyalty: Low relative attitude and high repeat purchase
- True loyalty: High relative attitude and high repeat purchase

Figure 2.3: Types of loyalty

		Repeat patronage	
		High	Low
Relative attitude	High	**Loyalty**	**Latent loyalty**
	Low	**Spurious loyalty**	**No loyalty**

As can been seen, loyalty categorised by Dick and Basu's approach is easy to understand and it helps to explain customer loyalty based on both behavioural and affective aspects. Therefore, these categories of loyalty provide a more comprehensive view in explaining loyalty than the Gounaris and Stathakopoulos's approach.

2.3.1.2 Antecedents of brand loyalty

Numerous antecedents of loyalty are identified in the literature. Gounaris and Stathakopoulos (2004) proposed consumer drivers, brand drivers and social drivers as antecedents of customer loyalty. Firstly, consumer drivers are customer characteristics encompassing risk-taking behaviour and variety-seeking behaviour. Customers with high risk taking and variety seeking behaviour will be less loyal. The reason is that high risk taking customers will be easy to switch because they accept the risk when they switch to another provider. Customers with high variety seeking behaviour also switch easily to other providers to seek novelty. Secondly, brand drivers concern brand reputation and availability of substitute brands. Customers tend to stay longer with a company which has good brand reputation. Moreover, customers tend to switch quite often when there are several alternatives on the market. Thirdly, social drivers are social group influences and peers' recommendations. Customers tend to be more loyal if they receive positive recommendation from social norm for a brand. Otherwise, they will tend to switch.

Lewis (2006) reviewed previous studies and listed eleven factors affecting customer loyalty to banks: perceived service quality, customer satisfaction, service attribute, perceived value, corporate image, interpersonal relationship with bank employees, switching cost, trust, commitment attachment, customer characteristics, and the organisation's relationship marketing effort. Within retail banking, Mandell (2006) indicated that satisfaction, service quality, interpersonal relationships, corporate image, value and commitment were antecedents of customer loyalty. Among these antecedents, satisfaction was shown to be the main antecedent of customer loyalty. In a study of individual internet banking services in Malaysia, Yee and Faziharudean (2010) found that trust, habit and the reputation of banks were strong influences on customer loyalty. Amongst these factors, reputation was found to be most important. In Pakistan's banking sector, perceived quality, switching cost, trust, satisfaction and commitment are the factors which influence the loyalty of customers most (Afsar et al., 2010).

The antecedents of customer loyalty presented above, affect both customers attitudinal and behavioural loyalty in retail baking. However, the differences in research contexts might lead to the variety of antecedents. Therefore, it is hard to conclude which factor is the most important to loyalty because the influences on customer loyalty may vary by research context.

2.3.2 Customer retention

According to Ranaweera and Prabhu (2003a), customer retention is defined as the propensity of a customer to stay with their service supplier in the future. In this way, "customer retention" and "behavioural intentions" were treated as synonymous constructs. In contrast, some authors have used the term "future behavioural intentions" to define the construct (see, for example, Gera, 2011, Maiyaki and Mokhtar, 2012, Bruwer, 2014). Berne et al. (2001) suggested that the concept of customer retention should cover two aspects: the actual service performance in retaining the patronage of their customers (behaviour) and its ability to shield the customers from other competitors (attitude). Following Keiningham el al (2007), retention is the state in which customers maintain a business relationship with the firm. For instance, with internet service providers, retention is the continued use of the same provider; in retail banks, retention is the maintenance of an account with the bank. For retailing shops, retention is repeat shopping.

Many studies offer the reasons why customers stay with their providers. For example, switching costs have been considered important antecedents of customer retention (Burnham et al., 2003, Colgate and Hedge, 2001, Fornell, 1992, Jones et al., 2000, Jones et al., 2002). Interpersonal relationships, which refer to the level of relationship between employees in a company and its customers, also affect customer retention (Colgate and Hedge, 2001, Jones et al., 2002, Jones et al., 2000). Moreover, the attractiveness and availability of alternatives are important factors (Colgate and Hedge, 2001, Jones et al., 2000). In addition, when there was a failure to deliver, service recovery is important to retain customers (Hess et al., 2003, Smith and Bolton, 1998). Inertia also has been identified as the main reason for customer retention (Colgate and Hedge, 2001, White and Yanamandram, 2004). Amongst numerous studies on customer retention, only limited studies of customer retention have specifically investigated retention of dissatisfied customers (Colgate and Hedge, 2001, Panther and Farquhar, 2004). For example, Panther and Farquhar (2004) indicated that switching costs involved in time and effort were the reasons that dissatisfied customers still stay with their current providers.

2.3.3 The relationship between retention and loyalty

Many studies have examined both loyalty and retention, often as interchangeable concepts (Chen and Hitt, 2002, Gustafsson et al., 2005, Nguyen and LeBlanc, 1998, Nguyen and Leblanc, 2001). Indeed, Gustafsson et al. (2005) noted that loyalty is often considered to be equivalent to retention. Few authors have tried to differentiate these two concepts. Gerpott et al (2001) proposed that customer loyalty was a central determinant of customer retention. Customer loyalty has been considered as a multi-faceted behavioural construct that consists of positive word of mouth, customer retention, and cross-buying (Liu and Wu, 2007, Zeithaml et al., 1996).

There is, however, a distinction between customer loyalty and customer retention (Gan et al., 2006). In certain industries, for example financial services, customers can be retained despite their disloyalty. This could be due to switching barriers such as contractual agreement, exit costs or the complexities involved to switch to other financial service providers. In such cases, customer retention is not synonymous to customer loyalty although the observed outcome (i.e., the customer remain with the bank) is similar.

Customer loyalty has a positive influence on customer retention, but customer loyalty is not customer retention. For example, as Keiningham et al. (2007) noted, customer retention is an outcome of customer loyalty. Customer loyalty is particularly important (and valid) in circumstances in which customers have options. Retention cannot be substituted for loyalty, and therefore banks should try to understand why their consumers remain with them instead of assuming that it is a positive conscious choice (Colgate et al., 1996).

The paragraphs above make the difference between customer retention and customer loyalty obvious. Customer retention is a behavioural construct (Hennig-Thurau and Klee, 1997, White and Yanamandram, 2007), whereas customer loyalty has been characterised as a construct consisting of both attitude and behavioural dimensions (Dick and Basu, 1994).

2.4 Customer defection and customer switching

2.4.1 Customer defection

Firms pay considerable attention to customer retention and loyalty, but they also pay much attention to the opposite aspect, customer defection. The literature states that it is more beneficial to retain current customers rather than to attract new ones (Reichheld and Kenny, 1990). In addition, reducing the customer defection rate may bring positive word of mouth for the firm from loyal customers (Reichheld and Kenny, 1990). Moreover, when customer defections decrease, firms' profits can increase. For example, Hansemark and Albinsson (2004) found that a customer defection decrease of 5% can increase profit by 95% (and specifically in the banking industry, by 85%). Because reducing defection rate is so important, Capraro et al (2003) indicated that most companies try to reduce defection rate by applied different strategies. One of the important strategies is to enhance customer satisfaction.

2.4.1.1 Types of defection

Defecting, exiting and switching may take place in total or in part (Colgate and Hedge, 2001, Hirschman, 1970, Stewart, 1994). Total defection is commonly not difficult to detect by monitoring the process of customers changing their accounts to different providers (Bolton and Bronkhorst, 1995, Boote, 1998). However, partial defection, defined as part of a customer's business being lost, is more difficult to detect (Reichheld, 1996).

Partial defection, as proposed by some researchers, manifests in two patterns: customers shift parts of their current business to other firms, or purchase more items from different service providers. Complex interrelated events and problems are believed to lead to defection (Stewart, 1998, Hocutt, 1998); however, defection can often be detected from one crucial incident (Limbrick, 1993). In order to distinguish total from partial defections, much effort has been made to discover the direct and indirect causes of such defection, for instance satisfaction and service quality (Zeithaml et al., 1996). Colgate and Hedge (2001) produced an enlightening summary of switching process and customer defection with regard to retail banking, in which they argue that defection rates are mostly caused by problems with pricing.

2.4.1.2 Effects of defection

High defection can significantly impact a firm's profitability. It is obvious that it is best to avoid repeating "sunk costs", meaning the initial costs spent in gaining the customer. Moreover, extra benefits from the growing of existing customers would be lost.

A high defection rate can harm the economics of a financial services firm. Many studies demonstrate that customers who have negative experiences, such as unfair treatment by a company, tend to expose those experiences to other people (Arndt, 1967, Mizerski, 1982). It is estimated that customers who leave a company because of dissatisfaction tell their story to nine to ten people (Sonnenberg, 1990). Some scholars argued that maintaining a current customer is five times cheaper than attracting a new one (Clutterbuck, 1989, Liswood, 1989).

Another effect of customer defection is customer loss. Companies with high defection rates tend to lose customers to others that have attempted to reduce their defection rates (Hundre et al., 2013). Once these customers are lost to such companies, they are difficult to regain. Furthermore, when the defection rate is high, the firm's ability to create entry barriers for new competitors is limited. Keeping a high proportion of customers prohibits competitors from achieving greater market share, which in turn results in stability and reducing the attraction of the industry to potential new entrants. Fornell and Wernerfelt (1987) suggested the use of "defensive marketing" for the defence of the current customers and "offensive marketing" to explicitly denote a strategy of creating new ones. However, a low defection rate caused by a defensive strategy creates less competitive markets.

2.4.2 Customer switching

Customer switching decisions have been considered by many researchers over a long period of time (see, for example, Keaveney, 1995, Edward and Sahadev, 2011, Pizzutti dos Santos and Basso, 2012, Mazursky et al., 1987). Switching simply means replacing or exchanging a provider (Bansal and Taylor, 1999). It is a general term used to embrace a variety of relevant concepts such as defection, terminating a relationship, ending the relationship, migrating, exiting a relationship, and changing service providers.

Surprisingly, although switching is a critical concept in marketing, very few studies focus on switching theory. One famous study in switching theory was conducted by Keaveney (1995), whose exploratory research on switching behaviour in service industries resulted in the development of a conceptual framework of customer switching behaviour – the Model of Customers' Service Switching Behavior. This model identified eight incidents in relations to non-service factors and service problems that stimulated customers' switching: price, core service failure, inconvenience, service encounter failures, failed employee responses to service failure, competition, ethical problems and involuntary switching. These antecedents regard to cost and evaluation variables. Moreover, this research indicated two triggers for switching: searching for a new service and word-of-mouth about service switching. Although Keaveney's findings were not empirically tested in the study, they provide a useful framework for other research (Levy and Lee, 2009). In a banking context, many other researchers have empirically tested and validated the antecedents suggested by Keaveney. Following that, core service failure (Levesque and McDougall, 1996, Colgate et al., 1996), service encounter failures (Levesque and McDougall, 1996, Ennew and Binks, 1996), failed employee responses to service failure (Levesque and McDougall, 1996), inconvenience issue (Feinberg et al., 1996), pricing problems (Ennew and Binks, 1996) have been confirmed as the important antecedents in bank switching.

Stewart's (1998) Model of the Exit Process offers some insights into behaviour prior to a switch. This model was designed to help managers understand about the exit process of customers. This model indicated that customers end a bank relationship after a process regarding the problem (with banks), effort, evaluation and emotion. In her study, Stewart (1998) indicated that before customers switch to another bank, they usually complain and go through a series of emotions. She also concludes that it is too late to recover the service failure when a customer has decided to exit. Although Stewaart's model is useful, it solely focuses on customer's decision to switch and ignores the process of service recovery. Thus, considering the dynamic nature of switching, this model provided limited insights into the entirety of the switching process (Colgate and Norris, 2001).

Another important framework of switching intention is the Push/Pull/Mooring Model. This model was built from research on 700 consumers in hairstyling services and auto repair (Bansal et al., 2005). The authors found that there were three main effects affecting customer switching namely push effect, pull effect and mooring effect. Push effect refers to factors which "push" customers to switching: low quality from providers, low satisfaction, low value from providers, low trust in providers, low commitment with provider and high perception of price. Pull effect refers to factors which "pull" customers to another provider such as alternative attractiveness. Mooring effects refer to factors which keep customer with current provider such as high switching cost, low variety seeking.

Several researchers have examined antecedents of switching decisions, mainly focusing on specific industries. The antecedents of switching decisions seem likely to vary across different industries, making generalising about antecedents problematic.

In-depth interviews with 15 experienced clients in service fields, including architects, lawyers and real estate agents in Auckland, New Zealand indicated six factors affecting switching decisions (Levy and Lee, 2009): external requirements, core service failures, relationships, attraction by competitors, change in client's requirements, and pricing. Keaveney (1995) conducted a critical study across 45 different industries to establish the eight main antecedents for switching behaviour: price, core service failure, inconvenience, service encounter failures, ethical problems, failed employee responses to service failure, competition and involuntary switching. Those antecedents are mostly different from the antecedents identified Bansal and Taylor (1999), who indicated that satisfaction, service quality, attitude toward switching and switching cost are the main antecedents of switching. Those variations demonstrate the fact that there is a lack of a "clear switching pattern in industries in different competitive situations" (Roos et al., 2004). Thus, to date, a consensus set of switching antecedents has not been determined in cross-industry studies.

2.5 Switching cost

Switching costs are the difficulties that customers must face when they want to switch providers. Burnham et al (2003) defined switching costs as “the onetime costs that customers associate with the process of switching from one provider to another” (p. 110). Switching costs might include an array of costs associated with switching or a single overall cost (Weiss and Anderson, 1992), effort involved in changing providers and extra cost (Ping, 1993), an undefined factor of termination (Morgan and Hunt, 1994) and costs that control change (Nielson, 1996).

Studies have identified dimensions of switching costs such as equipment or technology compatibility (Klemperer, 1995), set-up and lost benefit costs (Jones et al., 2002), and transaction costs (Klemperer, 1995, Ping, 1993, Burnham et al., 2003). Others include effort and time to find an alternative (Jones et al., 2000, Morgan and Hunt, 1994), procedural or learning costs (Klemperer, 1987, Burnham et al., 2003), search costs and evaluation costs (Jones et al., 2002). Klemperer (1987) described three types of switching cost: continuity costs, sunk costs, and learning costs. Jones et al. (2002) broke continuity costs into two specific costs: uncertainty costs and lost performance costs. Learning costs are divided into setup costs, pre-switching search and evaluation costs, and post-switching behaviour and cognitive costs. Moreover, Burnham et al. (2003) argued for three types of switching cost – financial switching costs, procedural switching costs and relational switching costs. Financial switching costs involve the loss of financial resources; procedural switching costs involve the loss of effort and time; relational switching costs involve psychological or emotional harm.

This brief review shows that the literature has no consensus on categories of switching cost. However, economic expenditures and intangible costs related to changing an exchange relationship have dominated the way the literature determines switching costs. Switching cost categorisations have developed from general explanations of costs to specific costs to understand this construct in depth.

2.6 Customer knowledge

Consumers make decisions to purchase using an array of strategies; using knowledge stored in their own memories is one of the most common strategies (Brucks, 1985). Customer knowledge influences all phases of the decision-making process (Raju et al., 1995). To make a decision to purchase a product, a customer was required to have a certain level of knowledge. For example, customers were required to have high level of knowledge in making the decision to purchase prestige products (Vigneron and Johnson, 1999). Three main types of consumer knowledge are identified in the literature: subjective knowledge, objective knowledge and usage experience. These kinds of customer knowledge have been examined in many studies, and are generally considered distinct, even though they are often positively correlated (Raju et al., 1995). Subjective knowledge is the self-perceived knowledge of customers (i.e., subjective perceptions of people of what or how much they know about a product), while objective knowledge is the knowledge that customer actually possess (i.e., the accurate information about the products that customer stored in their long-term memory); usage experience refers to customers' product experience. Some authors argue that subjective knowledge is based on experience, and therefore use only objective and subjective knowledge in their research (Alba and Hutchinson, 1987, Carlson et al., 2009, Pieniak et al., 2010). However, the effect of subjective knowledge, objective knowledge and experience on customer decision-making may be different (Raju et al., 1995), thus, customer knowledge should be separated in three different types when they are examined into the relationship with decision- making.

The different features of these three types of knowledge are reflected in their measurement. While in measuring subjective knowledge the subjects' self-reports of knowledge of a product domain or category is used, to evaluate the objective knowledge of a customer about a product or domain, objective tests are applied (Brucks, 1985, Raju and Reilly, 1980, Rao and Monroe, 1988). An index of objective knowledge can be calculated from the number of objective test questions answered correctly (Johnson and Russo, 1984). To assess usage experience, researchers have employed subjects' self-reported experiences regarding product domains (Raju et al., 1995).

All three types of knowledge affect the decision process. Rao and Monroe (1988) proposed that knowledge is influential in the preference for extrinsic (price, warranty, etc.) versus intrinsic (internal performance-related) attributes in a purchase decision. Hadar et al. (2013) showed that increasing customers' knowledge about alternatives in financial services increases the efficiency of their choice. Moreover, when customers are more knowledgeable about products, they search information regarding products more effectively and are more confident in making a good choice (Johnson and Russo, 1984, Brucks, 1985, Carlson et al., 2009).

It is important to note that each type of knowledge may have different effects on customer behaviour. For example, the feeling of knowing (subjective knowledge) plays a significant role in memory and problem solving (Metcalfe, 1986). However, little research has compared the effects of each type of knowledge on customer behaviour. One of the few researchers to do this was Rudell (1979), who reported that objective knowledge helps customer acquire new information easily, while subjective knowledge increases the reliance on previous information stored in the customer's memory. Neither type of knowledge was significantly correlated to the amount of information obtained. Brucks (1985) found that objective knowledge was associated with seeking information in a greater number of attributes; meanwhile, subjective knowledge related to seeking less information. Some other authors argue that usage experience is not knowledge, but it is obvious that a certain type of knowledge accrues with continued usage of a product. The effects of usage experience on decision-making may therefore be different from those of objective and subjective knowledge, as different individuals may take benefit from different types and amounts of product knowledge (Brucks, 1985, Alba and Hutchinson, 1987). Usage-experience measures of knowledge are less directly linked to behaviour than are measures of the other types of knowledge, especially for product classes in which habit do not play important role (Brucks, 1985).

As shown in the literature, knowledge has different effects on decision-making. Consumers' decision-making process from attribute selection through information search to final decision outcomes, such as choice satisfaction, perceived confusion during performance, are likely the results of different types of knowledge (Brucks, 1985). Moreover, it is obvious that customer decision-making depends on how much knowledge they have. Thus, examining the effects of customer knowledge on behaviour in different contexts is valuable for both researchers and practitioners, especially in an era in which customer knowledge has been improved very quickly through information and communications technology.

2.7 Confidence

2.7.1 Types of confidence

Judgements are part of decisions about whether to collect more information, whether to undertake a risky course of action, which contingencies to plan for, and so on. Underlying such decisions are subjective judgements about the quality of the decision-maker's information. Accordingly, many researchers have studied the mental processes underlying such judgements, which go under the general label of confidence (Klayman et al., 2006).

Confidence has been investigated for many years in several fields, including psychophysics and perception (Baranski and Petrusic, 1994), memory (Busey et al., 2000, Chandler, 1994, Kelley and Jacoby, 1996), decision-making and choice (Klayman et al., 2006), and eyewitness testimony (Bothwell et al., 1987, Read et al., 1998). Confidence is a cognitive component which refers to the degree of certainty or conviction with which an individual holds an attitude or belief (Bennett and Harrell, 1975, Berger, 1992, Berger and Mitchell, 1989, Brim, 1955, Cantril, 1946, Smith and Swinyard, 1983, Smith and Swinyard, 1988, Rosenberg, 1960). This construct is expressed in a continuum from extreme confidence (certain) to no confidence at all (uncertain). In the past, confidence has been used as a crucial factor in attitude models (see, for example, Fishbein and Ajzen, 1975, Rosenberg, 1960, Cacioppo and Petty, 1984). The results of those studies confirm that the conventional wisdom that beliefs and attitudes based on confidence play an important role when consumers are making their choices from a variety of alternatives.

Several researchers have mentioned the important role of confidence in explaining customer behaviour in both empirical and theoretical aspects, and many specific notions of confidence have been explored. For example, "confidence in decision making" refers to the feeling of doing something correctly or not (Insabato et al., 2010, Berger, 1992, Taylor, 1975). "Consumer self-confidence" is determined as the extent to which an individual feels capable and assured in relations to his or her decisions and behaviours in marketplace (Bearden et al., 2001). "Thought confidence" can be seen as the validity or conviction regarding one's thoughts (Petty et al., 2002). "Attitude confidence" refers to the conviction or validity regarding one's attitudes (Festinger, 1950, Festinger, 1954).

The variety of confidence aspects in the literature sometimes leads to confusion for readers. However, it is important to note that all types of confidence listed above can have significant effects on customer decision-making. The effects of two types of confidence – confidence in decision making and confidence in knowledge – on customer behaviour have been examined widely. Some researchers have not distinguished between confidence in knowledge and confidence in decision-making, but other researchers have shown that they differ. For example, Hadar et al. (2013) emphasised that confidence in one's knowledge is different from confidence in one's decisions. They argued that confidence in knowledge is a manifestation of subjective knowledge, whereas confidence in decision-making may be construed as a consequence of subjective knowledge. For instance, a customer who feels subjectively knowledgeable about superannuation may be also confident in knowledge about superannuation. However, confidence in his or her choice of superannuation funds is more likely to follow from a feeling of high subjective knowledge than be a cause of it.

2.7.2 Overconfidence

Overconfidence has been a widely used term in psychology since the 1960s (Skala, 2008). It is a crucial element which has been thoroughly studied in the psychological literature and applied to explain human behaviour in many studies. Overconfidence has been defined as a certain belief or a bias in the correctness of one's knowledge (Fischhoff et al., 1977). Overconfidence is excessive precision of one's own information (Odean, 1998); and overestimation of one's knowledge and abilities and excessive optimism about one's future prospects (Tourani-Rad and Kirkby, 2005). De Bondt and Thaler (1994) concluded that overconfidence was "the most robust finding in the psychology of judgement" (p. 6).

There is no consensus definition of overconfidence in the psychological literature (Glaser and Weber, 2007). Overconfidence has been discussed in the literature with respect to miscalibration, the above-average effect, unrealistic optimism, and illusion of control (Skala, 2008, Glaser and Weber, 2007). Among those manifestations, *miscalibration*, which is defined as the excess of confidence about having correct information (Lichtenstein et al., 1977), – has been frequently applied in the explanation of overconfidence since the late 1970s. In some cases, the terms *miscalibration* and *overprecision* were used interchangeably (Ben-David et al., 2010). Miscalibrated people underestimate the variance of risky or overestimate the accuracy of their own forecasts; in other words, their subjective probability distributions are too narrow (Ben-David et al., 2010). For instance, some studies have measured the percentage of surprise. The extent to which true values fall outside a certain range, by asking respondents to state a 90% confidence interval for many uncertain quantities. It was found that their percentages of surprise were 10% higher than those of a perfectly calibrated person. Others analyse probability judgements by asking respondents to answer questions with alternative responses, then state the probability of their correct answer, which usually shows their proportions of correct answers are lower than the probability assigned (Lichtenstein et al., 1977). Whether miscalibration is subject to task dependence or even a statistical illusion remains an debatable issue in the psychological literature (Gigerenzer et al., 1991).

2.7.2.1 Consumers' overconfidence in financial related decisions

Nofsinger (2011) argued that unrealistic confidence is the reason behind overestimation of knowledge, underestimation of risk, and illusion of control or exaggerated ability to control events. Barber and Odean (2000) stated that people's overconfidence is present in both the precision of their information and their ability to interpret it. Overconfidence also is found to prevail in males, and in those tasks perceived to be in the male domain (Barber and Odean, 2001). Overconfidence arises as a result of the deferral or inconclusiveness of feedback on decisions, and judgement tasks deemed challenging (Fischhoff et al., 1977). Consequently, overconfidence is likely to be found in financial markets, which are characterised by male dominance with noisy and delayed feedback in finance decision-making (Barber and Odean, 2001).

Decisions by investors are possibly influenced by their interaction with the media and other investors. Nofsinger (2011) stated that such behavioural biases as overconfidence are exaggerated by socialisation among investors. Rashes (2001) also argued that common shifts in demand or sentiment could be the explanation for co-movement in security prices.

Hirshleifer's (1995) models of informational cascades show that perfectly rational investors ignore their private information because they infer information from the experiences of others, on which they then act.

Several factors have been identified as the sources of the overconfidence phenomenon. For example, people can be overconfident in knowledge, exceeding the accuracy of their knowledge (Fischhoff and MacGregor, 1982, Fischhoff et al., 1977). In addition, overconfidence relates to the difficulty of a task; when the task becomes more difficult, overconfidence will increase. It appears that decision confidence shows problematic effects. These themes include overconfidence in knowledge, impact of familiarity of tasks and complexity of tasks on overconfidence, which could be considered as significant elements to explain customer decision-making.

2.7.2.2 Overconfidence in knowledge

In the last 40 years, many researchers have investigated overconfidence in knowledge. In so doing, many experiments have been conducted to establish whether people believe that they know more than they actually do. The consistent finding is that people are indeed overconfident about their own knowledge (Klayman et al., 1999, Keren, 1991). Fischhoff and MacGregor (1982) indicates that overconfidence is pervasive in professional forecasts, and that confidence increases in tandem with the increase in knowledge. However, a 50% increase in knowledge might contribute to a 100% increase in confidence (Fischhoff and MacGregor, 1982). Various studies have shown that people tend to exaggerate the likelihood of correct answers to difficult questions when they are asked to assign subjective probabilities to their responses to such questions (Lichtenstein et al., 1977, Fischhoff et al., 1977). This suggests that subjective confidence tends to outweigh the veracity of knowledge about difficult questions, which is widely interpreted as overconfidence. The implication is that excessive confidence in knowledge leads to poor decision-making because decision-makers exercise too little caution as a result of such overconfidence (Fischhoff and MacGregor, 1982, Paese and Feuer, 1991)

2.7.2.3 Hard and easy effects

Subjects are not always overconfident in every confidence category (Blavatskyy, 2009). They are typically overconfident when it comes to difficult questions, ones that fewer than 75% of people answer correctly, while being underconfident about easy questions. This is called the hard–easy effect (Fischhoff et al., 1977). The hard–easy effect is an essential concept in overconfidence research (Merkle, 2009). It means that people tend to be more overconfident as the complexity of tasks increases.

Researchers typically measure overconfidence in one of two ways. The first method is two-choice studies. In this method, subjects are asked to answer binary-choice general knowledge questions. A typical example of this type of this question is: “Which city has more inhabitants? (a) Hyderabad or (b) Islamabad.” (Gigerenzer et al., 1991). Then, subjects were asked to state to what extent they are confident that their answer is correct on a scale (normally on a 50% to 100% scale). Each of their responses is then ranked by the level of their stated confidence with the calculation of the percentage of correct answers in each category of confidence. Those subjects with stated confidence exceeding the proportion of correct answers are categorised as being overconfident. According to Lichtenstein and Fischoff (1982), when respondents report that they are roughly 70% confident that their answer is correct, they are right less than 60% of the time. Similarly, when reporting that they are 90% confident, respondents are right approximately 75% of the time. The degree of overconfidence depended primarily on one variable: difficulty (Fischhoff et al., 1977). With very easy items (i.e., those for which people often chose the correct answer), confidence was about right, possibly slightly low. For difficult items, overconfidence was extreme. Most of the early work on confidence relied on two-choice questions in the half-range format.

The second method involves interval judgements, which usually reveal greater overconfidence (Lichtenstein et al., 1982). In this method, subjects were asked to give numerical answers with questions such as “How long is the Nile River”, then participants were asked to estimate 90% confidence intervals with their answers (Moore and Healy, 2007). Russo and Schoemaker (2002) found that when business managers were requested to provide a 90% confidence range, they gave correct answers between 42% and 62% of the time, depending on the domain and the participant group. However, they have correct answers approximately 20% of the time when providing a 50% confidence range.

In short, prior to the mid-1980s most investigators agreed that there were three major phenomena of overconfidence (Klayman et al., 2006):

- People are poorly calibrated. Their chance of being correct is only in moderate agreement with their expressed confidence.
- There is an effect of difficulty. The harder the questions (i.e., the lower the chance of being correct), the more overconfident people are.
- Overall, people are overconfident, often by a wide margin.

Overconfidence and the hard–easy effect show that confidence and accuracy ratings represent different constructs. Confidence ratings are not necessarily higher for easy choices than difficult choices, despite the similarity in factors that influence confidence in both difficult and easy choice situations. However, accuracy might be higher on easy choices than difficult choices. As a result, confidence and accuracy might differ more on difficult choices, and less for easy choices (Fleisig, 2011).

2.7.2.4 Familiarity effects

The familiarity effect correlates with overconfidence. Many studies conclude that people are overconfident when they are unfamiliar with tasks (see, for example, Pitz, 1974, Nofsinger, 2011, Tourani-Rad and Kirkby, 2005). Pitz (1974) found that overconfidence abounded with unfamiliar questions and vice versa. Beach and Mitchell (1978) identified the familiarity of a task as a determinant of human behaviour. In addition, the behaviour of a person who is familiar with a task is different from that of a person who is unfamiliar (O'Connor, 1989). In the overconfidence literature, familiarity effects refer to the situation that people become more overconfident with the tasks/objects that they are less familiar with (Pitz, 1974, Nofsinger, 2011). In financial behaviour, according to Nofsinger (2011), socialisation among investors reflects behavioural biases such as the familiarity effect and overconfidence. The familiarity effect has to do with the tendency to invest in what is familiar (Tourani-Rad and Kirkby, 2005).

A review by O'Connor (1989) highlights the importance of topic familiarity and task familiarity context to calibration.

- The extent to which the subjects are familiar with the topic of interest primarily determines whether overconfidence exists. Pitz (1974) found that calibration was largely influenced by the subjects' familiarity with the questions under consideration; overconfidence arose in cases in which the subject was not familiar with the questions. However, underconfidence was present in cases where the subject was familiar with the questions.
- Even in cases of topic familiarity, calibration might be influenced if the subject is not used to expressing his or her uncertainty in confidence intervals and probabilities. While the use of weather forecasting in most studies has shown excellent calibration, Peterson, Snapper and Murphy (1972) found overconfidence among a group that was not familiar with probabilistic forecasting.
- Over/underconfidence often depends on whether or not the subject finds the task easy or difficult (O'Connor, 1989). While underconfidence tends to be associated with easy

tasks, difficult tasks generally lead to overconfidence, particularly in cases where the subject is familiar with neither the topic nor probabilistic judgement.

- Calibration can be improved by the provision of frequent, clear feedback (O'Connor, 1989). Weather forecast and horse racing experts are well calibrated as a result of immediate feedback on the quality of their estimates. It is, however, not the case for experts in medical diagnosis, partly because the feedback they receive is often ambiguous (O'Connor, 1989). Training and extensive feedback are likely to improve calibration for those who are not familiar with the topic.
- Calibration is strongly affected by environmental inducements (O'Connor, 1989). For example, auditors tend to be underconfident due to their legal liabilities, and weather forecasters over predict rain despite their high level of topic familiarity.

The above summary shows that an individual's calibration – or overconfidence – is subject to his or her familiarity with the topic and probabilistic assessment, provision of level of task difficulties, feedback, and the context in which the task is performed. It can be inferred that an individual's overconfidence depends on both external and internal factors.

2.7.2.5 The effect of additional information on confidence/overconfidence

Prior research indicates that overconfidence varies from one domain to another (Klayman et al., 1999, Soll, 1996) and tends to be greater in more difficult domains (Ferrell, 1994, Juslin et al., 2000). Study methodology can have an impact on measured confidence, with representative selection of stimuli being one of the most important features. For example, confidence deviates from accuracy in many cases just because the subjects fail to assess the predictive validity of information relevant to the judgement (Gigerenzer et al., 1991, Soll, 1996). Imperfections can be turned into biases by the selection of stimuli. For instance, overconfidence may be derived from the selection of ‘‘contrary questions”, that is, questions with answers being opposite to fairly diagnostic cues. It happens because respondents are given no clues that such questions are contrary (Gigerenzer et al., 1991, Klayman et al., 1999). Similarly, biases can arise from selection of either very strong or very weak cues because judges have no access to experimenters' knowledge of cue strength. This is particularly the case for domains that are hard to predict, which tends to be more challenging than the judges (respondents) think (Juslin et al., 2000). Overconfidence is also subject to individual differences, with some (mixed) evidence indicating males are more prone to it than females (Barber and Odean, 2001, Soll and Klayman, 2004). In addition, better calibration and less overconfidence are more likely to be found among experts than novices (Koehler et al., 2002), while judgements on the self tend to be susceptible to overconfidence more than judgements on others (Griffin and Tversky, 1992). However, very few scholars have paid attention to the dynamics of confidence, for instance, the influence of experience or additional information changes (Tsai et al., 2008).

Oskamp (1965) found that the provision of more case information led to greater confidence among research subjects including clinical psychologists. Slovic and Corrigan (1973) provided 40 different statistical cues to horse-race handicappers on the performance of harness race contestants. Each handicapper selected the specific cues from that set in consecutive blocks of 5, 5, 15, and 15 cues each. It was found that their confidence increased with the acquisition of additional information, but not their accuracy. This means that additional information increases confidence but does not have any effect on overconfidence. Peterson and Pitz (1986, 1988) provided research subjects with one, two or three valid and non-redundant statistical cues to predict how baseball teams might perform. While the provision of additional information increased both confidence and accuracy, the increase in confidence exceeded that in accuracy. Both these studies found that overconfidence increased as more information was presented. However, it was difficult to determine the actual validity of the cues in some of these studies, or the relationship between their perceived and actual validity. Therefore, it remains unclear as to whether the discrepancy in the increase in confidence and accuracy was driven by these characteristics, given the acquisition of additional information (Tsai et al., 2008).

Fleisig (2011) showed that the availability of information can influence feelings of retrospective confidence in the accuracy of a selected answer, notwithstanding its correctness. His research involved an intact group design with 43 respondents answering nine difficult and nine easy questions, each with two alternative answers. They were then asked to state how confident they were about the accuracy of their choices. These respondents were randomly allocated to one of three groups presented with different amount of additional information. These included a control group with no additional information, a group with correct information, and a group with misleading information. The findings show that the group with misleading information performed the worst (low correctness), while the confidence was not different between groups with misleading and correct information.

2.8 Information search and information processing

2.8.1 Information search

Information search affects customer confidence in decision-making, customer confidence in knowledge, and customer switching behaviour, so is a crucial factor in customer decision-making (Keaveney et al., 2007, Schiffman and Kanuk, 2009, Mourali et al., 2005). Most previous scholars defined information search as “the degree of attention, perception, and effort directed toward obtaining environmental data or information related to the specific purchase under consideration” (Beatty and Smith, 1987)(p.85). The assumption is that customers search for information before purchase in order to reduce the risk in making a decision (Mitra et al., 1999). Early studies into information search behaviour were conducted in the fields of economics and psychology. Information processing theories grounded in psychology have mainly focused on internal factors such as knowledge, attitudes and beliefs, but ignore the role of economic incentives in searching motivation. Meanwhile, economics-based models do not provide testable predictions (Moorthy et al., 1997).

A variety of factors affect the information search process, for example, "consumer characteristics, the nature of the product or service for which the information is sought, the type of information being sought, the purpose underlying information search and the sources used" (Peterson and Merino, 2003)(p.116). Research has demonstrated that the extent of information search is affected by customers' level of engagement with information (Keaveney, 1995, Grace and O'Cass, 2003). Moreover, consumers' confidence in their knowledge or existing information may affect how much they search for information sources and additional information (Lee and Hogarth, 2000). For example, customers may perform sub-optimal searching if they are overconfident in their knowledge (Alba and Hutchinson, 2000). More generally, it is obvious that information acquired in previous external searches can influence additional information search activities and affect the way consumers interpret the information from a search (Miller and West, 2007).

Information may be obtained from internal memory as well as the external environment; therefore, information search behaviour can be distinguished as either external or internal search (Beales et al., 1981). Internal information search is consumers' retrieval of memory, including experience with products or services, existing knowledge, or information acquired passively during daily activities. External information search is the process of obtaining information from out-sources such as family, friends, sellers, expert consumers, third-party experts, advertising, magazine articles, books, consumer ratings, and direct inspection. Although scholars have proposed a variety of classifications of external information sources, the four key sources of information include direct inspection, personal (family and friends), seller-provided, and third party. Information also can be classified by its online or offline source. In the era of digital technology, the internet plays a vital role in providing information to customers (Martinez-Lopez et al., 2010). Moreover, customers have been influenced by the internet in the way they search and obtain information (Miller and West, 2007, Ghose and Yang, 2009).

2.8.2 Information search and switching decision

Information search is considered as an important input to the process of customer decision-making (see, for example Keaveney et al., 2007, Shah and Schaefer, 2006). Research indicated that the extent of consumers' information search is affected by subjective knowledge, perceived risk, the amount of investment, attitude toward risk, demographic characteristics and inherent novelty seeking (Lin and Lee, 2002). In addition, information search has been considered as a crucial part within switching process. For example, Keaveney (1995) found that customers require information before making a final decision to switch providers, thus customers engage with information intermediaries to optimise their switching decision. There is no doubt that information search is an important factor in the process customers undergo when deciding whether to switch providers, especially when customers have a large choice of providers; information search becomes crucial to evaluate alternatives before making a switching decision.

The advent of broadband internet access brings numerous advantages for customers. One of the important advantage is that customer have more information about alternatives for their services/products (Martinez-Lopez et al., 2010). When customers have more options, they will easily find products that better match their needs and wants (Martinez-Lopez et al., 2010). However, this also raises the important question of how customers search for information via the internet and how this information affects their switching behaviour. The current study aims to answer these questions in explaining for customer switching behaviour in a financial context.

2.8.3 Information search and self-confidence

Much of the consumer behaviour research literature focuses on the relationship between decisive confidence and information to explain customer self-confidence (confidence in decision). This relationship can be examined from two aspects, as follows.

Some researchers have shown that self-confidence in judgement depends on the amount of information available (Lichtenstein and Fischhoff, 1980, Peterson and Pitz, 1988). This means that with the increase in available information after searching, customer confidence will increase. Tsai et al. (2008) found that judges became more overconfident if more information was provided to them.

On the other hand, many other studies focus on examining the effect of confidence on the information search behaviour of customers (Klayman et al., 2006). One of the most important findings in the literature is that less confident customers tend to search for more information than highly confident customers. For example, when confidence is formed prior to message exposure, confidence may influence the extent of information processing, with less confident people engaging in more information search than high confident people (Tiedens and Linton, 2001). Other research shows that a high level of overconfidence in success predictions (or failure predictions) encourages venture capitalists to limit information search (Zacharakis and Shepherd, 2001).

2.8.4 Information search and confidence in knowledge

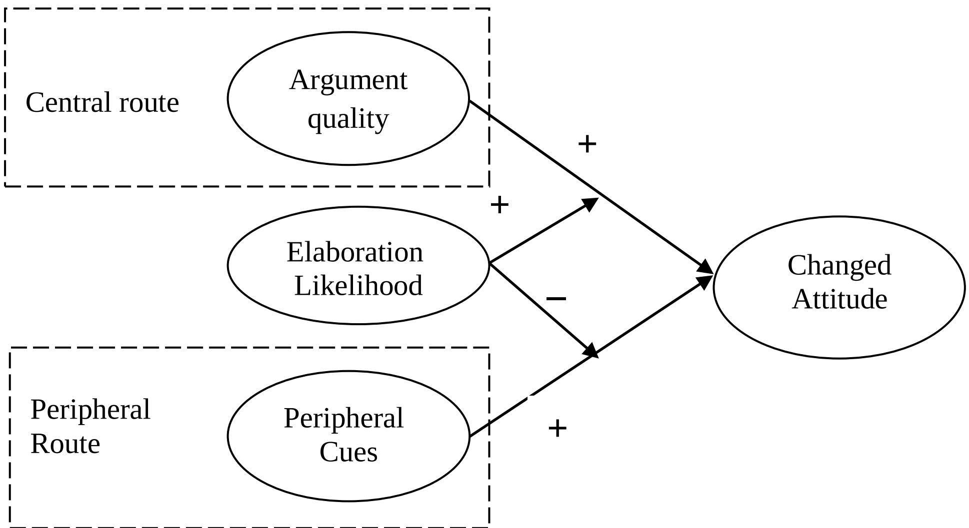
Knowledge facilitates adjustment to new conditions. Customers with low confidence in their knowledge might motivate the search and try to obtain further information (Chaiken and Eagly, 1989, Brucks, 1985, Sundblad et al., 2009). On the other hand, individuals may not possess a realistic view of their knowledge if actual confidence and knowledge in their own knowledge are not adjusted to each other (Sundblad et al., 2009).

Several factors can affect the actual level of confidence in one's own knowledge. The effort which has been used to acquire correct knowledge is an important factor. Confident levels have been increased if information is obtained by more effort. The credibility of information source and how it is conveyed onwards is also important (Sundblad et al., 2009, Chaiken and Eagly, 1989).

2.8.5 The elaboration likelihood model

How customers process information is important to understand their switching behaviour. One of the important models to explain customer information processing is the Elaboration Likelihood Mode (Petty and Cacioppo, 1986, Petty et al., 1981). The Elaboration Likelihood Model (ELM), a specific dual process theory, holds that there are two different "routes" of influence that change individuals' attitudes (Petty and Cacioppo, 1986, Petty et al., 1981). The first route – the central route – implies that a person should critically examine and evaluate the issue-related arguments before judging the target behaviour. The second route – the peripheral route (less cognitive–oriented) – suggests that subjects depend on cues related to the target behaviour. Peripheral processes like identifying the source (Kelman, 1961) or relying on decision heuristics (Chaiken, 1980) cause change in attitude. The central and peripheral routes are drawn on in ELM research employing the respective peripheral cues and argument quality constructs, as represented in Figure 2.4.

Figure 2.4: The elaboration likelihood model



The central and peripheral routes differ in three ways. The first difference is that they involve different types of information: message-related arguments for the central route and cue-processing for the peripheral one. The second distinction is that in information processing, the central route needs higher cognitive effort than the peripheral route. For the central route, careful comprehension and evaluation of the quality of the arguments, and the combined multi or even conflicting arguments are essential. In contrast, the peripheral route merely requires the subjects to associate themselves with important negative or positive cues regarding the attitude object (Petty et al., 1981). The third difference lies in the fact that in the central route, the perception changes which according to careful and mindful consideration of related arguments (Petty and Cacioppo, 1986) are more steady, more persistent, and more predictive of long-term behaviours. In contrast, in the peripheral route, such changes are less consistent, vulnerable to counterinfluence and less predictive of long-term behaviours. Following ELM theory, change in information recipients or the formation of attitude is constrained by individual's motivation and ability to elaborate an argument's central merits. This ability and motivation is referred to in the ELM as the elaboration likelihood construct. Petty and Wegener (1999) also noted that "The term 'elaboration' is used to suggest that people add something of their own to the specific information provided in the communication…beyond mere verbatim encoding of the information provided" (p. 46). Individuals who have high elaboration likelihood state tend to focus on quality of argument rather than peripheral cues, since they are more likely to carefully scrutinise and thoughtfully process a message. On the other hand, those who have low likelihood to elaborate often lack motivation and ability to thoughtfully deliberate and therefore tend to be persuaded by peripheral cues.

However, it is important to acknowledge that people who are influenced by different routes – central or peripheral – will not necessarily experience different outcomes. ELM suggests that different individual in a given population may have different responses to a common influence process, the same individual may have different responses to a common influence process if he or she experiences different elaboration likelihood states, and similar responses among a diverse population my result from different influence processes. In other words, the impacts of peripheral cues and argument quality on perception change can be determined by elaboration likelihood.

ELM refers to the motivation and ability to elaborate as the two components of elaboration likelihood needed to gain extensive elaboration (Petty and Cacioppo, 1986). Motivation is referred to as the personal relevance of the existing information and the recipients' ability as prior expertise or experience related to attitude aspect. The recipients invest cognitive effort to scrutinise the information if they recognise that the message is important and relevant to the target behaviour. In contrast, if they perceive that the same message has little personal relevance, they are unlikely to try to analyse that message; instead, they tend to rely on cue-based heuristics to build up their perception. Similarly, contradiction is also seen between experts and non-experts in the target behaviour: experts tend to cautiously examine the quality of arguments elaborated rather than to rely upon likely unreliable and unfinished peripheral cues, while non-experts depend on such cues as information source credibility.

However, elaboration likelihood should not be perceived as a stable and enduring personality trait or individual difference; it should be comprehended as a temporary situation that may change through time and specific contexts, even for the same person. Several empirical studies within social psychology (Petty and Cacioppo, 1986, Petty et al., 1981) and marketing (Lord et al., 1995, Eckert and Goldsby, 1997) have employed ELM.

2.9 MOA theory

Initially developed by MacInnis and Jaworski (1989), MOA theory states that motivation, opportunity, and ability are the three main moderating factors or antecedents to information processing by customers. According to this theory, individual levels of MOA elements can help manage communication effectiveness (MacInnis et al., 1991). This theory can explain how customers make choices and how they assess their satisfaction with products. Although the MOA theory was originally applied to information processing behaviour, it has been used in a variety of contexts. For example, it has been applied to online knowledge sharing among customers (Gruen et al., 2006) and used to examine social behaviour (Binney et al., 2006), organisation performance (Clark et al., 2005) and technology adoption (Saaksjarvi and Samiee, 2011).

As can be seen the MOA framework is useful for examining customer behaviour in the variety of contexts. Especially, as stated by Ramaswami et al. (2000), MOA is an effective framework in capturing the activities of buying financial products and searching for online information.

Following MOA theory, motivation is defined as “an inner state of arousal” which arouses energy directed to achieving a goal (MacInnis et al., 1991). MacInnis argued that motivation encompasses readiness, desire, willingness, and interest to be involved in information processing (MacInnis et al., 1991). Customers can be motivated to engage in behaviours, make decisions, or process information. Hoyer and MacInnis (2001) stated that motivation is influenced by the things that are personally relevant to customers; those things will be relevant to customers when they are consistent with their values, goals and needs. Moreover, customer motivation is affected by perceived risk. This means that motivation will depend on the extent to which customers are uncertain about their decision-making. Furthermore, motivation is affected if events are inconsistent with their prior attitudes.

Ability is defined as the extent to which customers have the necessary resources to generate an successful outcome (Hoyer, 2001). Ability refers to consumers' skills or proficiencies (MacInnis et al., 1991), and is affected by knowledge, experience, cognitive style, intelligence, education and money (Hoyer, 2001).

Opportunity is closely linked to the extent to which a situation potentially achieves a targeted outcome (MacInnis and Jaworski, 1989) or there are no boundaries in gaining a targeted outcome (MacInnis et al., 1991). Opportunity enables motivation to result in action. Customers can have enough ability to make a decision but no opportunity, and therefore no motivation, to act. Opportunity can include distraction, time, amount of information, repetition of information, and complexity of information (Hoyer, 2001).

The components of MOA theory are associated with three significant outcomes of customer behaviour. Firstly, when the motivation of the customer is high, they will be willing to engage in behaviour relevant to their goal. For example, when customers are motivated to switch their financial service, they will contact financial service providers, search information, and/or ask friends for advice.

Secondly, MOA explains how customers process information and make decisions. For instance, when motivation to achieve a goal is high, customers will pay more attention to search to understand more about the goal.

Thirdly, MOA can evoke involvement, which is a psychological state in customers. Researchers use the term "felt involvement" to describe the psychological experience of the motivated customer, and list four types of involvement. Enduring involvement means customer show their long-term interest in an offering or activity. Situational involvement is a temporary state in which customers are interested in an offering or activity. For example, the situational involvement of customers who wish to buy a car will decrease after the car is purchased. Cognitive involvement refers to customers processing information regarding their goal. Lastly, affective involvement is the emotional feelings of customers toward an offering or activity.

In the social psychology literature, the MOA theory originates from the development of dual processing models. The ELM suggests that within the strategies people use in information processing, topic-relevant involvement is highly important. While Petty and Cacioppo (1986) combined dimensions of ability and opportunity in their original concepts, other studies distinguish between the two such as the MOA theory adding opportunity that can help customer behaviour to be understood fully.

Based on factors of the MOA framework, customer behaviour is more deeply understood by considering the mechanism of information process from ELM theory.

2.10 Chapter summary

This chapter presented literature related to variables in the current study. In addition, MOA theory used in the study also had been introduced. The chapter commenced with the introduction of the satisfaction construct, pointing out that satisfaction is a crucial construct in explaining customer behaviour. The antecedents and outcomes of satisfaction also had been discussed. The next parts of this chapter discussed variables regarding customer switching behaviour consisting of customer loyalty, customer retention, customer defection and customer switching. This was followed by the discussion of switching cost, customer knowledge and customer confidence. These factors have been considered as important factors in explaining customer switching behaviour. Finally, MOA theory has been presented.

This chapter indicated that the antecedents for switching intention may vary depended on the research contexts. Among the variety of antecedents of customer switching, the current research proposes that satisfaction, customers' confidence, customer knowledge, switching cost and information search are important variables in explaining switching intention. However, there is still a lack of studies which examine the relationship among these antecedents in explaining switching behaviour. Moreover, there is no consensus model which dominated literature in switching financial services. Thus, the current research aims to apply MOA theory to examine the relationship among variables above in explaining customer switching.

The next chapter will present research questions and hypotheses for the current study. A theoretical framework based on MOA theory also has been developed for the study.

CHAPTER 3: RESEARCH QUESTIONS AND HYPOTHESES

3.1 Introduction

The previous chapter consisted of a literature review that aided in the identification and explanation of appropriate constructs which form the basis for solving the research problems. This chapter presents the conceptual framework and hypotheses that were used in the quantitative phase of this research. The main objective of the quantitative phase was to examine the relationship between satisfaction and switching intention. Moreover, it was designed to test the moderating effect of several variables on the relationship between satisfaction and switching intention. Data was collected using experiments with an online questionnaire and an information search task.

This chapter commences with a description of the conceptual framework, followed by the hypotheses. The conceptual framework, based on MOA theory, predicts the relationships between variables in the study. The hypotheses are based on the conceptual framework and the marketing literature.

3.2 Conceptual framework

The constructs and framework developed in this research are based on MOA theory, in which motivation, ability and opportunity are regarded as key determinants of customer behaviour. As mentioned in chapter 2, MOA theory defines motivation as an inner state of arousal that arouses energy directed to achieving a goal (MacInnis et al., 1991). Ability refers to consumers' skills or proficiencies (MacInnis et al., 1991). Opportunity is closely linked to the extent to which customers achieves a targeted outcome (MacInnis and Jaworski, 1989). In other words, opportunity is a level of advantage that facilitates customers' decisions.

This research proposes specific variables for each element of MOA theory as follows.

For *motivation constructs*, this study considers satisfaction as a motivation element, as in some previous studies (Ramaswami et al., 1998). I also examined whether satisfaction was the main motivation construct that explained switching intention in financial services.

As mentioned in chapter 1, customer knowledge and confidence in decision-making can be understood as *ability constructs* (Ramaswami et al., 2001). Moreover, following Koellinger et al. (2007), "overconfidence is often defined as an overestimation of one's own ability to make accurate forecasts" (p. 501), I proposed that overconfidence was an ability construct under MOA theory.

Customer knowledge has a strong effect on customer confidence in decision-making. Moreover, customer knowledge – including objective knowledge and familiarity (experience) – also has strong effects on overconfidence. Therefore, my research did not examine the effects of customer knowledge on the relationship between satisfaction and switching intention directly, but via confidence in decision-making and overconfidence.

Previous scholars who studied overconfidence in financial behaviour presented two main findings: the hard–easy effect and the familiarity effect (Skala, 2008). The hard–easy effect means that customers tend to be overconfidence when they answer harder objective questions (Fischhoff et al., 1977). In other words, it can be stated that the difficulty of objective knowledge questions will affect customer overconfidence. The familiarity effect means that customers become more confident when they are less familiar with the subject (Pitz, 1974). In other words, customer overconfidence is negatively related to familiarity (or experience) and objective knowledge. These effects are robust findings in the overconfidence literature, however they are not widely confirmed in the context of financial services. Thus, I sought to test the hard–easy effect and the familiarity effect before examining the effect of overconfidence in the relationship between satisfaction and switching intentions.

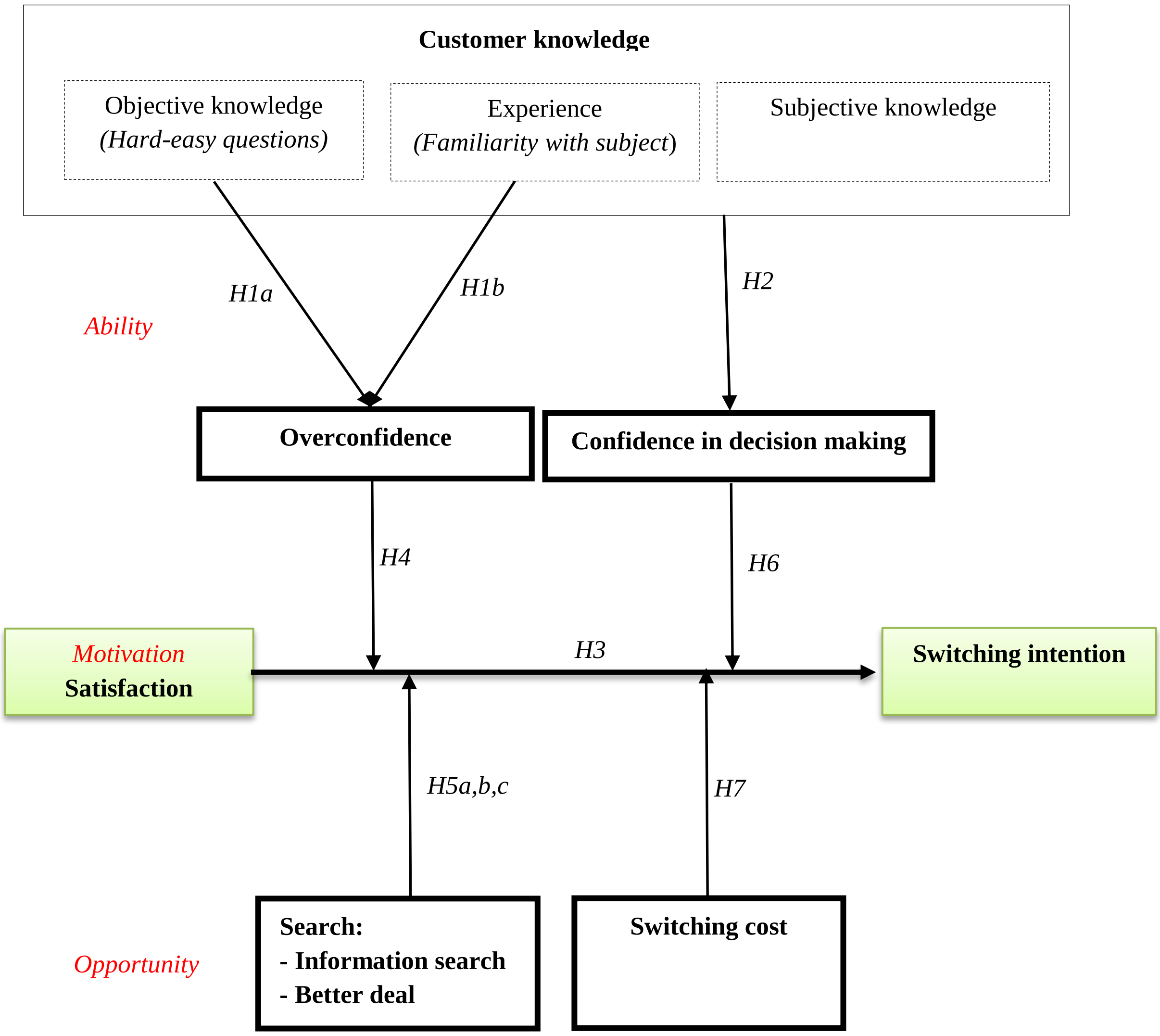
Information search, better deals and switching costs were considered as *opportunity constructs*. Information search can be represented for opportunity of customer (see, for example, Ramaswami et al., 2001, Ucbasaran et al., 2008). It is obvious that information has strong effects in decision-making; thus, whether customers have the opportunity to search will affect their switching intention. However, there are many sources of information and each may have different effects on customer switching. For example, customers who obtain information from a brochure and customers who obtain information from friends might exhibit different switching behaviour. Because of diversity of information, I could not examine the effects of all types of information search on customer switching, so focused on the effects of information search via the internet.

In my study I not only examined the effect of information search on switching intention, but also the effect of results from information search on customer switching behaviour. One of the main outcomes of information search is whether customers find a better deal. I proposed that finding a better deal will influence switching decisions about financial services. The reason is that when customers find a better deal, this represents an advantage in making a switching decision. In contrast, if they cannot find a better deal, they are likely to be relatively indecisive.

I examined switching cost because it can be a barrier to switching. High switching cost deters customers who want to switch, and when switching cost is low, customers will make the decision to switch more readily.

Under MOA theory, customer behaviour had been affected by three elements: Motivation, ability and opportunity (MacInnis et al., 1991). Moreover, these elements have different effects on customer behaviour. Following MOA theory, satisfaction is considered the main element, with direct and strong influence on customer behaviour. Meanwhile, ability and opportunity are moderators that have strong influence on the relationship between motivation and customer behaviour. Based on MOA theory and my arguments for variable categories above, I developed a conceptual framework for my study in which satisfaction is in the motivation category; customer knowledge, customer confidence and overconfidence are in the ability category; and searching, better deals and switching costs are in the opportunity category (see Figure 3.1).

Figure 3.1: Conceptual framework



3.3 Research questions

Based on the conceptual framework above, I proposed three research questions:

1. Can MOA theory explain why some dissatisfied customers defect and why other dissatisfied customers stay loyal?
2. How does customer knowledge and confidence relate to customer satisfaction, switching cost and customer switching intention?
3. How does online searching behaviour affect switching intention?

3.4 Hypotheses

3.4.1 Overconfidence

Confidence has been investigated over several years in a variety of domains, including psychophysics and perception (Baranski and Petrusic, 1994), memory (Busey et al., 2000, Chandler, 1994, Kelley and Jacoby, 1996) decision-making and choice (Klayman et al., 2006) and eyewitness testimony (Bothwell et al., 1987, Read et al., 1998). A consistent and important finding is that people tend to be overconfident in their knowledge (Fischhoff et al., 1977). In addition, Paese and Feuer (1991) showed that the more confident people are, the more overconfident they are likely to be, and, overall, confidence exceeds accuracy. These findings are in line with those of Kaustia and Perttula (2012); in their study, both bankers and students were overconfident in their knowledge about financial services.

As described earlier, the hard–easy effect and the familiarity effect are two main effects of overconfidence literature. For the hard and easy effect, researchers show that overconfidence increases when people answer more difficult questions (Fischhoff et al., 1977), and subjects tend to underestimate the accuracy of their responses for easy decisions and overestimate it for difficult decisions (Heereman and Walla, 2011). Although many studies have confirmed the existence of the hard-easy effect in different contexts, this has not been done widely in the context of customer behaviour in financial services. In fact, people may do not know exactly their actual knowledge about financial product. Thus, understand difficulty is the clarity of consumers knowing what the issues are. Bloomfield (2006) also indicated that financial outcomes are difficult to predict, so people are more likely to be overconfident rather than underconfident. However, Bloomfield (2006) did not confirm the existence of the hard-easy effect in financial service. Because the level of difficulty of financial service knowledge differs, the current study proposes that customers can be overconfident with respect to complex services such as mortgages, and typically make decisions that exceed their understanding. This explains why some customers are still in uncomfortable financial situations due to securing a loan that is over the limit of their ability to pay off. This situation can reflect the hard-easy effect in financial service. Thus, the current research argues that the hard-easy effect still exists in financial context. In particular, I hypothesised that:

Hypothesis 1a: Customers' overconfidence in financial knowledge increases with difficult tasks.

The familiarity effect correlates with overconfidence. Many studies conclude that people are overconfident when they are unfamiliar with tasks. Pitz (1974) found that overconfidence abounded with unfamiliar questions and vice versa. In financial behaviour, according to Nofsinger (2011), socialisation among investors reflects behavioural biases such as the familiarity effect and overconfidence. Tourani-Rad and Kirkby (2005) indicated that familiarity effects exist among investors, meaning that investors invest more in stocks with which they are unfamiliar.

In line with the literature on the familiarity effect, I argue that customers tend to be overconfident with financial services with which they are unfamiliar. In particular, customer confidence will exceed their accuracy when they answer questions about unfamiliar financial services. Examining familiar effect in fiancial knowledge helps to understand how familiarity can affect their confidence. Thus, the current study proposes that when customers in financial services face objective questions of unfamiliar services, they tend to become more overconfident:

Hypothesis 1b: Customers' overconfidence in financial knowledge increases with unfamiliar tasks.

3.4.2 The relationship between knowledge and confidence in decision making

Knowledge can be divided into objective knowledge, subjective knowledge and experience (Raju et al., 1995). The effects of knowledge on confidence in decision-making have been confirmed by several researchers (see, for example, Fabrigar et al., 2006, Biswas and Sherrell, 1993).

Research shows that all three types of knowledge have positive effects on customer retention. For example, Laroche et al. (1996) indicated that brand familiarity affects a consumer's confidence toward the brand, which in turn influences his/her intention to purchase the same brand. Bearden et al. (2001) concluded that consumer confidence measures were positively related to subjective product knowledge. Others showed that customers with high objective knowledge had higher confidence in their price estimation (Biswas and Sherrell, 1993). Thus, I proposed that knowledge affects customer's confidence positively:

Hypothesis 2: Customer knowledge has a positive effect on customer confidence in decision-making

3.4.3 The effect of satisfaction on switching intention

Customer satisfaction is a critical issue for managers. There is a widespread agreement that customer satisfaction earns long-term benefit (Anderson et al., 1994, Anderson et al., 1997, Bearden and Teel, 1983, Bolton and Drew, 1991), and the link between customers' satisfaction and loyalty has been acknowledged (Nguyen and LeBlanc, 1998). Although some researchers detected no relationship between customers' satisfaction and defection – for instance, showing that customers defect even with high satisfaction levels (Hennig-Thurau and Klee, 1997) – several researchers have concluded that satisfaction leads to both repurchase (Anderson and Sullivan, 1993, Cronin and Taylor, 1992, Frederick and Sasser, 1990) and repurchase intention (Bolton, 1998, LaBarbera and Mazursky, 1983, Newman and Werbel, 1973). The view that satisfaction has a strong influence on customer retention (see, for example, Liu and Wu, 2007, Cronin et al., 2000, Ranaweera and Prabhu, 2003b, Nguyen and LeBlanc, 1998, Shirin and Puth, 2011) is dominant in the literature.

I argue that satisfaction is pivotal in explaining switching intention in the financial services context. In particular, when customers are satisfied they are more likely to stay with a financial service provider, and if dissatisfied they are more likely to switch. Thus, I proposed that:

Hypothesis 3: Satisfaction has negative influence on customer switching intention.

3.4.4 The effect of overconfidence in the relationship between satisfaction and switching intention

Under the MOA framework, motivation is defined as the main driver of customer behaviour (MacInnis and Jaworski, 1989, Gruen et al., 2007), affecting both the direction and intensity of behaviour. Gruen et al. (2007) also stated that whereas opportunity and ability are fundamental elements in understanding customer behaviour, motivation is obviously the principal factor.

Satisfaction is an important construct of motivation (Ramaswami et al., 2000), and hence affects customer behaviour. However, as mentioned above, while customer satisfaction plays an important role in explaining customer retention it does not account for it completely. Therefore, understanding of factors affecting the link between satisfaction and customer retention is crucial. Ability typically moderates the influence of motivation on behaviour

(MacInnis et al., 1991, MacInnis and Jaworski, 1989), and as previously noted, customers' confidence has a strong influence on decision-making (Strader and Hendrickson, 1999, Ramaswami et al., 1998).

It appears that customers' confidence plays an important role in explaining behaviour of customers. Petty et al. (2002) show that the confident level of people plays an important role in the persuasive process. Meanwhile, Paese and Feuer (1991) show that the more confident people are, the more overconfident they would be. This means that confidence and overconfident are very close constructs. Meanwhile, confidence is one of the the main drivers for customer decision so it can be expected that overconfidence will play an important role in explaining customer decision-making. In general, customers with high overconfidence usually feel they are more knowledgeable so they therefore will think they can make decision properly. I proposed that the effect of satisfaction on customer retention is dependent on customers' confidence in their knowledge. This means that overconfident customers will be more likely to defect, because they feel that they have enough knowledge to understand their alternatives. Customers with low confidence will be less likely to defect because they feel they have insufficient knowledge to make decisions. Thus, unsatisfied customers are more likely to switch if they are overconfident.

Hypothesis 4: Overconfidence in product knowledge positively moderates the relationship between customer satisfaction and switching intention.

3.4.5 The effects of information search on customer switching intention

The financial system has grown rapidly and become more complex, and customers have to be more actively involved in managing their financial affairs. Because of these changes, many customers have struggled to assess their options and make financial decisions (Lyons et al., 2006). To evaluate alternatives, customers need information; therefore, searching for information about alternatives is one of the most important ways to assist customers to make decisions (Punj and Staelin, 1983, Buhalis and Law, 2008, Jang, 2005).

In modern economies customers have many information sources and can easily be overloaded with information (Dincer and Dincer, 2015) . An abundance of information has various effects on customer decision-making. For example, Keller and Staelin (1987) showed that additional information leads to a decline in the quality of customer choice. Other authors have found that additional information reduces the likelihood of purchase (Iyengar and Lepper, 2000). Although in general, more information can lead to information overload, the question is whether these effects still occur when the consumers are less satisfied and they are motivated to search.

As previously noted, satisfaction has a strong positive effect on customer retention (see, for example, Liu and Wu, 2007, Cronin et al., 2000, Ranaweera and Prabhu, 2003b, Nguyen and LeBlanc, 1998, Shirin and Puth, 2011), meaning that when satisfaction increases, customer are more likely to stay loyal. I presume as well that satisfied consumers do not normally engage in search. In contrast, when customers are dissatisfied, they tend to search in order to switch. However, scholars have also indicated that searching has a positive influence on switching intention (Suk et al., 2011). Regardless of whether or not one is satisfied, just having options laid out for them can lead to more switching. Therefore, while dissatisfied customers tend to switch, their switching intention also depends on whether they have opportunities to search. In other words, provide them an opportunity to switch, and they will do so. However, those who are satisfied may act more like overloaded consumers and not change or even decrease their likelihood to switch. In other words, it was predicted that searching negatively moderates the relationship between satisfaction and switching intention:

Hypothesis 5a: Information search has a negative moderating significant effect on the relationship between satisfaction and customer switching intention.

The relationship between satisfaction and switching intention can be moderated by factors such as information search (Suk et al., 2011). However, I argue that customer switching intention does not only depend on information search activity but also on search results. The result of a search here is a customer finding a better deal or not.

In the financial services market, there is little or no difference in service features among providers. For example, many authors have noted that most banks provide similar services (see, for example, Lu et al., 2010, Hiltunen et al., 2004). Because financial services differ little, customers stay with providers because they cannot find a better deal (Matthews et al., 2008). This means that whether customers can find a better deal is important for their switching decision.

Few researchers have examined the moderating role of ‘a better deal’ on the relationship between satisfaction and switching intention (see, for example, Reinchheld, 1996, Bowen and Chen, 2001, McIlroy and Barnett, 2000, Jayasankaraprasad and Kumar, 2012). These studies indicate that even satisfied customers switch if they can find a better deal from other providers. Conversely, I argue that unsatisfied customers might stay with their current provider because they cannot find a better deal, but if they can find a better deal they will consider switching. Therefore, whether customers find a better deal positively moderates the relationship between satisfaction and switching intention.

Hypothesis 5b: A better deal positively moderates the relationship between satisfaction and switching intention.

Information technology has rapidly developed, thus, online information search is increasingly significant to customers in their decision making (Jang, 2005). Moreover, a number of scholar concluded that information search was strongly associated with switching intention (Gärling et al., 2008). However, scholars indicated that information has different effects on switching intention, meaning that the relationship between information search and switching intention is unclear (Lymperopoulos et al., 2013). For example, Gamble et al. (2009) indicated that if customers have more opportunity to search for information, their switching intention will increase. Suk et al. (2011) concluded that searching has a positive influence on switching intention. However, other authors concluded that information search makes customers less willing to change their choice, more confident about their decision, thus less inclined to switch (Oliver, 1993, Bennett et al., 2005). It can be seen that the studies above just focus on explaining the effects of search on switching intention after search, but ignore the extent of switching intention before search to explain the switching intention changes.

In my study, customers had been divided in two types, with high and low initial switching intention. I argued that if their switching intention is high, they are motivated to search more information. After intensive information search, they may feel overloaded with information of alternatives. Also, they may realise that there is not much difference among providers and that they may have a good service already. Thus, their switching intention will decrease. In contrast, if their initial switching intention is low, they are not motivated to search. However, if they have opportunity to search, they may recognise the benefits from other providers, then their switching intention will increase. Thus, I propose:

Hypothesis 5c: Information search moderates switching intention, reducing it when it is high, but increasing it when it is low.

3.4.6 The effect of self-confidence in the relationship between satisfaction and switching intention

Empirical and theoretical propositions about the role of a psychological construct have been labelled 'confidence' in the formation of buyers' intention to buy brands and their attitudes toward brands (Bennett and Harrell, 1975). Self-confidence or confidence in decision-making, which is the feeling that someone has done something correctly or incorrectly, is an important aspect of subjective experience which can increase for correct decisions and decrease for error decisions (Insabato et al., 2010)

The marketing literature shows that confidence has a strong influence on customer decision-making. For example, Laroche et al. (1996) found that confidence was a significant determinant of purchase intention, as did Berger and Mitchell (1989). Confident customers will engage in more information searching (Loibl et al., 2009). Berger and Mitchell (1989) indicated that confidence will affect customer retention.

In the context of a complex service such as financial products, most customers express a lack of confidence in regard to decision-making (Antony et al., 2000). Consumers who lack confidence find themselves in a state of indecision arising from their inability to choose among rival alternatives (Ramaswami et al., 2001). Hence, I proposed that confidence affects customer switching intention. In particular, confident customers will tend to switch when dissatisfied or when they can find a better alternative. The reason is that they believe that they can make the right decision if they switch. In contrast, unconfident people tend to think they are unlikely to make a good decision if they switch, and therefore stay. Thus:

Hypothesis 6: Confidence in decision-making positively moderates the relationship between satisfaction and customer retention.

3.4.7 The effect of switching cost in the relationship between satisfaction and switching intention

Burnham et al. (2003) defined switching costs as "the one time costs that customers associate with the process of switching from one provider to another" (p. 110). This definition suggests that switching cost is not only limited to economic costs. When customers switch or consider switching providers, they face impediments such as " search costs, transaction costs, learning cost, loyalty customer discount, customer habit, emotional cost and cognitive effort, coupled with financial, social, psychological risk on the part of the buyer" (Fornell, 1992, p.10).

Under the MOA framework, opportunity can be viewed as a situational element that complicates and impedes the customer's desired outcomes (MacInnis et al., 1991, MacInnis and Jaworski, 1989). Meanwhile, switching cost can be understood as the difficulties that customers face when they want to switch. Thus, it can be concluded that switching cost is a construct of opportunity.

Burnham et al. (2003) concluded that the influence of satisfaction on retention decreases when switching costs rise. Several other studies show that switching cost and satisfaction have negative interactions in driving customer intentions (Jones and Sasser, 1995b, Jones et al., 2000, Oliva et al., 1992).

Switching cost can be divided into six types consisting of lost performance costs, uncertainty costs, pre-switching search and evaluation costs, post-switching behavioural and cognitive costs, setup costs and sunk costs (Jones et al., 2002). All these types of switching costs reduce customer retention. Moreover, Jones et al (2002) discovered that in the banking industry pre-switching search and evaluation costs and setup costs were not significantly associated with repurchase intentions. Therefore, I proposed that four types of switching costs – lost performance costs, uncertainty costs, post-switching behavioural and cognitive costs, and sunk costs – are important in the financial context. Moreover, when customers are dissatisfied but recognise the high switching cost, they will not switch. In other words, it can be stated that switching cost has a negative influence on the relationship between satisfaction and switching intention. Thus:

Hypothesis 7: The influence of satisfaction on customer switching intention is negative with the increase of sunk costs, lost performance costs, uncertainty costs and lost performance costs.

3.5 Chapter summary

In this chapter I outlined the development of my theoretical framework and nine hypotheses. The conceptual framework was developed from MOA theory. In this conceptual framework, all variables were aligned with three categories: motivation, ability and opportunity. Satisfaction was identified as a motivation construct. Customer knowledge, customer confidence and customer overconfidence were identified as ability constructs. Information search, better deal and switching cost were considered opportunity constructs. I developed nine hypotheses to examine the relationship among these variables and test the moderating role of ability constructs and opportunity constructs in the relationship between satisfaction and switching intention for financial services.

In the next chapter I present my research methodology.

CHAPTER 4: RESEARCH METHODS

4.1 Introduction

In this chapter I discuss the methods employed in my research. The chapter commences with a discussion of the research paradigm and provides a rationale for the selection of a pragmatic ontology that involves a mixed methodology (qualitative and quantitative data collection). The unit of analysis is identified and discussed, as this provides the foundation for the data collection method (Sekaran and Bougie, 2010).

The data collection in this research consists of two studies; study one utilised in-depth interviews to obtain qualitative data, whereas study two involved experiments in which quantitative data were collected.

The development of the constructs which are used in the study is described. Then, the justification and source for items used to operationalise each construct is provided, followed by a description of research designed encompassing of interview phase and experiment phase. The steps undertaken to pre-test and modify the survey instrument are also presented.

4.2 Construct definitions and measures

The following section introduces the constructs and variables of interest for this research. It begins with satisfaction, then it describes customer knowledge constructs, followed by switching cost, confidence in decision making, and switching intention.

4.2.1 Satisfaction

Customer satisfaction is critical for explaining customer retention in financial services (Levesque and McDougall, 1996). Several studies have measured satisfaction on a multiple-item scale (i.e., Jamal, 2004, Liu and Wu, 2007); however, I used a single item to measure satisfaction. The reason is that not all customers use the same set of financial services so I do not ask questions about satisfaction in general for all services, but participants have been asked in specific financial services such as bank accounts, mortgage, car insurance. However, when participants need to answer their satisfaction for every specific financial service, it is more convenient if a single question about their satisfaction has been asked for each service. This is in line with Lassar et al. (2000), who used a single item to measure customer satisfaction with different aspects of a financial service. In my research, satisfaction was measured by asking respondents a question about six different financial services. Customers were asked to indicate their satisfaction in using the following services: credit cards, bank accounts, mortgage, superannuation, car insurance, and private health insurance. A five-point scale was used to capture responses, with response options ranging from “very dissatisfied (1)” to “very satisfied (5)”.

4.2.2 Knowledge

From the literature, no consensus about components of knowledge exists within marketing. Some researchers have measured knowledge as objective knowledge and subjective knowledge (see, for example Pieniak et al., 2010), others as objective knowledge only (see, for example Capraro et al., 2003). Meanwhile, several studies examine knowledge as the combination of subjective knowledge, objective knowledge and familiarity/experience (Brucks, 1985, Raju et al., 1995). My own study adapted a knowledge framework from Raju et al.(1995): subjective knowledge, objective knowledge and familiarity.

4.2.2.1 Subjective knowledge

Subjective knowledge was measured in the current research by asking respondents how they perceived their financial knowledge. In the financial context, subjective knowledge has mostly been measured by multi-item scales (see, for example Chiou et al., 2002). I measured subjective knowledge on five-point Likert scales from “strongly disagree (1)” to “strongly agree (5)” for the following items:

- Compared to the average person, my knowledge about financial services is very extensive;
- Compared to the average person, I know more about how to use financial services;
- I have accessed different aspects of financial services information; and
- I completely understand financial services.

4.2.2.2 Objective knowledge

Financial objective knowledge was measured using 30 questions about specific financial services (see Appendix 6 for the full list of questions). Questions focus on the six financial services mentioned earlier with respect to satisfaction (credit card, bank account, mortgage, superannuation, car insurance and health insurance). For each service, respondents were asked five binary-response (true-false) questions.

For credit cards, Bowen (2002) used four questions to measure the objective knowledge of customers about credit cards. Two of Bowen's four questions were modified for use in the current study. Two questions relevant to interest rate and time for payment of credit cards were drawn from Robb and Sharpe (2009) research, and the one remaining question were adapted from Hilgert et al. (2003). Respondents were asked five binary-response (true-false) questions as shown in the following page:

Figure 4.1: Objective knowledge questions for credit cards

To the best of your knowledge, please answer the following questions regarding credit cards	**Please tick your choice**	
	True	**False**
1. The owner of a credit card that is lost or stolen is never legally responsible for all unauthorized charges.		
2. Carrying a credit card balance from month to month is likely to have a higher interest rate than card loans and home loans.		
3. Someone who only pays the minimum amount each month (%) is likely to pay more in finance charges per year compared to someone who charges the same amount but pays off the card every month.		
4. The days between the billing date and the due date on a credit statement are called the interest period.		
5. The finance charge on your credit card statement is what you pay to use credit.		

For questions regarding bank accounts, I adapted four questions from Hilgert et al. (2003) and one from Robb and Woodyard (2011). Respondents were asked five binary-response (true-false) questions as follows:

Figure 4.2: Objective knowledge questions for bank accounts.

To the best of your knowledge, please answer the following questions regarding bank accounts	**Please tick your choice**	
	True	**False**
1. Suppose you had $1,000 in a savings account and the interest rate was 5% per year. After 5 years, you will have $1,250 in the account if you left the money to grow.		
2. If you have a savings account at a bank, you may have to pay taxes on the interest you earn.		
3. If you buy certificates of deposit or Australian government bonds you can earn higher returns than on a savings account, with little or no added risk.		
4. With compound interest, you earn interest on your interest, as well as on your principal.		
5. Using extra money in a bank saving account to pay off credit card debt is a bad idea.		

For mortgage-related questions, I used three questions from Hilgert et al. (2003), one from Robb and Sharpe (2009) and one from (Robb and Woodyard, 2011) as follows:

Figure 4.3: Objective knowledge questions for mortgages.

To the best of your knowledge, please answer the following questions regarding mortgage.	**Please tick your choice**	
	True	**False**
1. 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.		
2. A house financed with a fixed-rate mortgage protects a family’s purchasing power in the event of a sudden increase in inflation.		
3. When you use your home as collateral for a loan, there is no chance of losing your home.		
4. If the interest rate on an adjustable-rate mortgage loan goes up, your monthly mortgage payments will also go up.		
5. Repeatedly refinancing your home mortgage over a short period of time rarely results in added fees and points that further increase your debt.		

Five questions about superannuation were adapted from Hilgert et al. (2003) and Worthington (2008) as follows:

Figure 4.4: Objective knowledge questions for superannuation.

To the best of your knowledge, please answer the following questions regarding superannuation	Please tick your choice	
	True	False
1. The earlier you start saving for retirement, the more money you will have because the effects of compounding interest increase over time.		
2. Employers are responsible for providing most of the funds that you will need for retirement.		
3. Superannuation is taxed at a lower rate than other investments for all Australians.		
4. Employees can make superannuation payments additional to any payments made by their employer.		
5. Government will make up the gap from not planning for retirement.		

Objective questions about car insurance are modified versions of questions from Olapade and Frölich (2012) and Chen and Volpe (1998). Respondents were asked five binary-response (true-false) questions as follows:

Figure 4.5: Objective knowledge questions for car insurance.

To the best of your knowledge, please answer the following questions regarding car insurance	Please tick your choice	
	True	False
1. If you have comprehensive car insurance and you are late with your payments or do not pay, the insurance usually does not help you when you want to make a claim.		
2. If you restrict the use of your car to a nominated driver or those over a certain age, sometimes you can get a premium discount.		
3. Car insurance companies determine your premiums based on your age, driving record, postcode, gender and ethnicity.		
4. Shopping around for lower premiums from other companies is NOT a good way to lower the costs of your car insurance.		
5. Coverage for thief of a car is provided for under a comprehensive automobile insurance.		

Objective questions relating to health insurance were developed from information on Australian government websites, including websites of the Federal Department of Health, Australia (http://www.ato.gov.au), Australian Taxation Office (http://www.ato.gov.au), and the Commonwealth Respite and Carelink Centres (http://www.commcarelink.health.gov.au). The current study needs to create new objective knowledge questions regarding health insurance based on information from official Australian government websites because most health insurance objective knowledge questions in the literature were developed in a US context, and are not suitable for Australian research. For example, in US health insurance service, the term "deductible" has been used widely but it is not used in the context of Australian health insurance. Respondents were asked five binary-response (true-false) questions as follows:

Figure 4.6: Objective knowledge questions for private health insurance

To the best of your knowledge, please answer the following questions regarding private health insurance	**Please tick your choice**	
	True	**False**
1. The private health insurance rebate (or premium reduction) is an amount that the government contributes towards the cost of your private health insurance premiums.		
2. The private health insurance rebate is not income tested.		
3. The amount of private health insurance rebate that Australians receive from the Australian government will depend on their age and income.		
4. Private health insurance offers both hospital and general treatment policies.		
5. Compared to Medicare, you will have less choice of doctors when you use private health insurance.		

4.2.2.3 Familiarity

Following Yu et al. (2007), familiarity was measured on a five-point scale with "very unfamiliar"=1 and "very familiar"=5. Participants were asked "How familiar are you with each of these services (whether you use them or not)?" The response format is shown in Figure 4.7.

Figure 4.7: Questions about familiarity.

How familiar are you with each of these services (whether you use them or not)?

	Very unfamiliar (1)	Unfamiliar (2)	Neutral (3)	Familiar (4)	Very familiar (5)
Credit cards (1)	❍	❍	❍	❍	❍
Bank accounts (2)	❍	❍	❍	❍	❍
Mortgage (3)	❍	❍	❍	❍	❍
Superannuation (4)	❍	❍	❍	❍	❍
Car insurance (5)	❍	❍	❍	❍	❍
Private health insurance (6)	❍	❍	❍	❍	❍

4.2.3 Overconfidence

Various definitions and different methodologies have been used to examine overconfidence in the economic and psychological literature. The most popular definition of over/underconfidence is the difference between the mean of the probability response and the proportion of correct answers (Lichtenstein and Fischhoff, 1977). In other words, the overconfidence effect occurs when the confidence judgements are larger than the relative frequencies of the correct answers (Gigerenzer et al., 1991).

Following Pulford (1996), overconfidence can be measured by the following equation:

$$\text{Over/underconfidence} = \frac{1}{N}\sum_{t=1}^{T} n_t(r_t - c_t)$$

Where T = total number of response categories used, n_t = the number of times the response r_t was used and c_t is the proportion correct for all items assigned probability r_t, which can be further simplified as it equals the difference between the mean proportion correct c (accuracy) and the mean confidence score x.

$$\text{Over/underconfidence} = x - c$$

Two types of measurement scales, full- and half-range scales, are typically used to measure confidence in knowledge. Following Pulford (1996), when a subject is required by the judgement task to generate an answer and then rate their confidence in whether the answer is true, we can use a full-range scale (0-100%). When a subject can choose between two mutually exclusive answers, such as a yes/no option, we can then utilize a half-range scale of 50-100%, because, for example, 55% confidence in answer X equals 45% confidence in Y.

In the current research, a full-range scale was applied because participants were asked to evaluate their confidence that their answers were true. In particular, to measure each individual's overconfidence, demonstrated in a test of general knowledge, they were asked for answers and related confidence in those answers. For each financial service, the participant was asked to answer "true" or "false" to five statements (for example: "If you restrict the use of your car to a nominated driver or those over a certain age, sometimes you can get a premium discount"). Subjects then were asked to rate the level of confidence they hold to the correctness of their answers, to within 10% of the correct answer. They did this by choosing a number on an 11-point rating scale from 0% (*not confidence*) to 100% (*total confidence*), with 10% intervals (see Appendix 6). The mean accuracy and percentage confidence were calculated for each subject across all items, and then the percentage overconfidence was determined for each subject by the following equation:

$$\textbf{Over/underconfidence} = \textbf{Mean}_{\textbf{confidence}} - \textbf{Mean}_{\textbf{accuracy}}$$

4.2.4 Switching intention

Switching intention can be measured by multi-response items (Pizzutti dos Santos and Basso, 2012, Antón et al., 2007). For example, Antón et al. (2007) use three following items to ask about switching intention:

- "I have considered changing companies
- I have no intention to renew with this company
- I intend to insure my automobile with another company in the future" (Page 157)

In the current research, switching intention was measured twice, before and after customers searched for information in experiments. Therefore, it is better to reduce the number of items to avoid confusion when participants have to answer switching intention two times. For this reason, I used a single switching question derived from a bipolar adjective scale tested by Bansal et al. (2005) and Zeithaml et al. (1996). In particular, before searching for alternatives participants were asked: “Do you intent to switch to other financial service providers?”. After searching for alternative, participants were asked “Now you already searched for better deal, do you switch to other providers”. For both these questions, a five-point scale was offered, with responses from “definitely yes (1)” to “definitely no (5)”.

4.2.5 Confidence in switching decision (self-confidence)

Confidence in decision making, or self-confidence, has been identified as an important factor in explaining customer decisions. Most scholars use a single scale to measure self-confidence (see, for example, Wu et al., 2012, Hoffman and Elwin, 2004, Häubl and Trifts, 2000). My study used a single item: “I am confident that I made the right decision about whether or not to switch”. Participants indicated their confidence level on a five-point scale from “not at all confident (1)” to “very confident (5)”.

4.2.6 Switching cost

In general, switching costs can be defined as “the perceived economic and psychological costs associated with changing from one alternative to another” (p. 441), which means that switching costs can be considered as hindrances that hold customers in service relationships (Jones et al., 2002). Several studies examine switching costs in different contexts (see, for example, Weiss and Anderson, 1992, Morgan and Hunt, 1994, Burnham et al., 2003, Jones et al., 2002). Jones et al. (2002) proposed six types of switching cost that cover both economic and psychological aspects: uncertainty costs, lost performance costs, pre-switching search and evaluation costs, post-switching behavioural and cognitive costs, sunk costs and setup costs. However, Jones et al. (2002) suggested that in the banking industry, pre-switching search and evaluation costs and setup costs were not significantly associated with repurchase intentions. My research focused on switching intentions in financial services, including banking services. Thus, four types of switching costs were chosen: sunk costs, uncertainty costs and post-switching behaviour, lost performance costs, and cognitive costs. Sixteen items of switching cost were used in the current research. For each item, participants were asked to indicate their agreement on a five-point Likert scale ranging from "strongly disagree (1)" to "strongly agree (5)".

Switching costs were measured for the six different financial services. Table 4.1 shows switching cost measurement items for private insurance; switching cost questions for the remaining financial services in this study were asked in the same manner.

Table 4.1: Switching cost items

Switching cost types	*Question: How much do you agree or disagree with the following statements about private health insurance* *(Scale range: 1=strongly disagree, 3=neutral, 5=strongly agree)*
Sunk cost	A lot of energy, time, and effort has gone into building and maintaining the relationship with this private health insurance provider.
	Overall, I have invested a lot in my relationship with my current private health insurance provider.
	All things considered, I have put a lot into previous dealings with my current private health insurance provider.
	I have spent a lot of time and money with this private health insurance provider.
	I have not invested much in the relationship with my current private health insurance provider.
Loss of performance cost	My current private health insurance provider provides me with particular privileges I would not receive elsewhere.
	I would lose preferential treatment if I changed private health insurance providers.
	There are certain benefits I would not retain if I were to switch my current private health insurance provider.
	By continuing to use the same private health insurance provider, I receive certain benefits that I would not receive if I switched to a new one.
Uncertainty cost	If I were to switch private health insurance providers, I would have to learn how things work at a new one.
	I would be unfamiliar with the policies of a new private health insurance provider.
	If I changed private health insurance providers, I would have to learn how the "system works" at a new one.
	Changing private health insurance providers would mean that I would have learned about the policies of a new one.
Post-cognitive and behaviour cost	I am not sure what the level of service would be if I switched to a new private health insurance provider.
	If I were to change private health insurance providers, the service I might receive at the new provider could be worse than the service I now receive.
	The service from another private health insurance provider could be worse than the service I now receive.

4.3 Research procedure

The study was divided into qualitative (interview) and quantitative (experimental) stages. The research procedures are described in the following sections.

4.3.1 Qualitative study: Interview

To deeply understand and finalise the variables using in the quantitative phase of the current study, interviews were conducted in Australia in the early stage of the study. The interviews were oriented to customers who had used financial services. They were designed to reveal how customers evaluate financial services in Australia, which factors they consider to most strongly affect customers' retention in financial services, why they defect and why they stay loyal to their current financial services providers.

This qualitative phase of research involved purposeful and snowball sampling techniques. Purposeful sampling was applied in the current study because this technique focuses on the "depth" of information that can be generated by individual cases which tend to be addressed in our research. This sampling technique also has more specific purposes rather than random sampling (Teddlie and Tashakkori, 2003). Purposeful technique can help us to focus on customers who use financial services. Snowball sampling uses recommendations from existing recruits to find additional subjects with the specific range of competences determined as being useful (Kemper et al., 2003). This technique helps to find eligible participants quickly.

A critical incident methodology was employed within the interview process in this exploratory stage to investigate, collect, analyse and classify observations of customers' behaviour. In particular, during interview, participants not only answered questions, but also were encouraged to talk about their experiences with financial services. They are also asked about the reasons for their satisfaction with financial service. A critical incident technique was essential to this study as it allows investigation from the respondents' perspective

(Edvardsson, 1992), a free range of responses within a broad theoretical framework (Gabbott and Hogg, 1996); is reflective of a normal way of customer thinking, providing vivid illustrative insights (Gabbott and Hogg, 1996). This technique is also recommended when the exploration relates to a little-known research phenomenon, as was the present case.

The present study involved a ‘laddering’ interview approach. I recruited 16 participants, eight women and eight men (aged over 18 years, and at least two aged 20-30, 31-40, 41-50, 51-60, 61-70 and 71-80) from different professional backgrounds and socioeconomic status.

The current research applied semi structured interview, the advantage of this method is to allow participants the freedom to express their views, their ideas. Semi structured interviews also can provide reliable, comparable qualitative data (Doody and Noonan, 2013).

Sampling procedures for qualitative study

Samples for qualitative studies are invariably smaller than those used in quantitative studies. The reason is that qualitative research is very labor-intensive, and analyzing data from a large sample can be extremely time-consuming and often simply impractical. In addition, Ritchie et al. (2003) state that there is a point of diminishing return to a qualitative sample: as the study progresses, more data does not necessarily lead to more information. This is because one occurrence of a piece of data, or a code, is all that is required to validate it becoming part of the analysis framework.

Guest et al. (2006) indicated that several scholars explain how to select participants. However, only few of them provided guidelines for actual sample sizes. For example, Betraux (1981) concluded that the smallest acceptable sample size in qualitative research is fifteen, while Cresswell (1998) recommended between twenty-thirty for a grounded theory study and five and twenty-five interviews for a phenomenological study. None of these works provides evidences for their recommendations. However, Baker and Edwards (2012) provided evidences to demonstrate that sample sizes between twelve and sixty are adequate for qualitative studies. Therefore, the current study intends to approach sixteen participants to conduct the interviews

To recruit participants for the interview phase in the current study, purposeful and snowball technique has been adapted. Firstly, I asked my friends whether they can introduce some that eligible for my study. Based on my friends' suggestions, I had a list of three people who lived in Sydney and used several financial services. These people also were interested in attending the interview. Then I made the phone calls to arrange meeting time with each of these people. In the meeting time, participant was asked whether she had used financial services, including banking services and insurance services. After they confirmed that they used a variety of financial services, I arranged an interview. At the beginning, participants were asked to read and sign the consent form which was approved by the ethics committee, Macquarie University. Then interviews were conducted. The interview took around an hour, in which I asked 12 questions about participant's behaviour and opinions with respect to financial services in Australia (see Appendix 5). I focused on their satisfaction, switching and information searching behaviour. Also, I encouraged them to talk about their experience in using financial services in Australia. When the three first interviews with three participants finished, I asked participants to introduce another person who could be eligible for interview. The first three participants made the phone calls to ask other people to attend my interview. Then they give me the phone numbers of people who were eligible and willing to attend my interview. After that, I made the phone calls to check whether the potential respondents were eligible for interview and willing to participate. If so, I arranged a time to conduct the interview with him/her. Once I finished the interview with these next participants, I continued the process as with the previous participants. Each participant who attended in my study received a gift card 50 AUD as my appreciation for their help.

One of the main interview's outcomes is actual information search of partitcipants. Participants talk about their search for financial services; however it is unclear whether they are good searchers. This also raises the questions how participants'search affect their switching. To ansewer these questions, observing real search of participant has been implemented in the experiment's phase of the current study.

The ethics application, reference No.:5201300019, for qualitative phase for the current study had been approved by the Faculty of Business & Economics Human Research Ethics Sub Committee, Macquarie University, Australia for a period of five years from 11 February 2013. The interview phase of the current study commenced on 15th March 2013 and finished on 12th April 2013.

4.3.2 Quantitative study: Experiments

In this phase, experiments were conducted to learn about customer behaviour in using financial services. The aims of this stage were twofold.

The first aim was to examine how variables in the research affect customer retention. In particular, I was interested in the relationships between confidence, switching cost, satisfaction and retention. Also, I wanted to establish how customer confidence in decision-making, customers' knowledge, and customer satisfaction affects customer retention.

The second aim was to determine customers' searching behaviour. For example, what customers are looking for in the internet for the better offers? Which factors motivate their searching? How does their searching affect their confidence and their intentions?

To achieve these aims, I designed an experiment which consisted of online questionnaire and searching tasks.

Online questionnaire was hosted by Qualtrics (a private research software company, based in Provo, Utah, US.) to collect data for examining the relationships among variables as well as the effects of variables on customer retention. The questionnaire consisted of 66 questions covering customer knowledge, customer confidence in decision-making, customer satisfaction, switching costs, customer retention, and demographics.

Searching tasks were designed to reveal customers searching behaviour on the internet. In particular, I asked participants to search for better offers of financial services via the internet, and used eye tracker to record participants' eye movements. Eye tracker is a device that allows to record eye movement of customers. Basically, there are two types of eye tracker. One is glasses which allow recording the eye movements when customers are moving. This type of eye tracker is appropriate for research in the field such as store or outside activities. Another is desktop eye tracker which is appropriate for web based studies such as the current study. After trying some versions of the eye tracker, eye tracker X-30 from Tobii (a Swedish high-technology company) was selected for this study. The size of Tobii X-30 eye tracker is as small as a pencil case. This can easily stick on the computer screen and is convenient to bring to participants venues to conduct experiments. During experiment, participants were asked to search for better deal for their financial service. Their eye movements were recorded and saved in Tobii software. Then data were extracted to video files for data coding purpose. The data from eye movements allows researcher to observe the positions that customers have looked at as well as the patterns of eye movements. This allows researcher to find out customer searching behaviour as well as to evaluate the effects of eye movements on other variables such as customer switching behaviour in the current research.

Sampling procedures for quantitative study

In practice, if participants answer the questionnaire with low motivation the data will not be good. The reason is that within a time constraint and low motivation to complete the survey, participants may try to finish the questionnaire as soon as possible. They therefore may not spend time to think about the questions carefully and this results in the situation that they may tick the answers without paying any attention to the questions. To avoid this situation, I considered to apply the effective way to find potential participants. In so doing, I planned to approach community groups in which participants were motivated to attend experiments as charity activities.

I began the recruitment process by approaching presidents of community groups including churches, schools and sporting clubs through invitation letters or phone calls. I also visited some organisations to talk to their presidents in person. I obtained the addresses and contacts of presidents of these community groups from their websites. Besides that, I contacted some presidents of these organisations through my friend's introduction. All these community groups are located in Sydney, Australia. In my research introductions given to presidents of these organisations, I mentioned that I would donate AUD30 (about USD$27 in August 2014) to each organisation for each participant who attended the experiment. Participants must be adults aged over 18 years. They also had to live in Australia more than five years and used a variety of financial services that the current study is interested. If presidents of these organisations agreed, they sent an announcement to recruit eligible participants from their members.

In total, 32 churches, 21 schools and eight sport clubs were contacted, and finally I received approvals from one ice skating club, three churches and one school to conduct our experiment in their venues. In the ice skating club, the participants were parents. They attended the experiments during the time they were waiting for their children at the rink. In churches, the participants were churchgoers. In the school, the participants were parents and teachers. The experiments were conducted in a room in each organisation's venue between 16th August 2014 and 8th February 2015.

All participants were motivated to attend our experiment because they were raising funds for their organisations; my observations were that participants paid considerable attention during the experiments. They also were excited with the eye tracker technology in the experiments. We therefore expected data quality to be high.

A 2x2 experimental design was applied (Figure 4.8). Firstly, participants were divided into two groups with respect to information search: one group was asked to search for information via the internet, the other was not. At the beginning of the questionnaire I asked participants about their satisfaction with the financial services they were using, then I asked them to choose the service with which they were most satisfied and that with which they were least satisfied. Each respondent was then randomly assigned one of the four experiments. Figure 4.8 summarises the experiment design and the following paragraphs detail the procedures of each treatment.

Figure 4.8: Experiment design 2x2

		Dissatisfied service	
		Asked to search	*Asked to not search*
Satisfied service	*Asked to search*	**Treatment 1**	**Treatment 2**
	Asked to not search	**Treatment 3**	**Treatment 4**

Treatment 1: At the beginning, participants answer a part of the online questionnaire (hosted by Qualtrics), then in the middle of the questionnaire they are asked to search for better offers for *one financial service that they are most satisfied with and one financial service that they are most dissatisfied with*. After that, they are asked to finish the rest of questionnaire. For this treatment, participants need to complete the online questionnaire and spend 30 minutes for both searching tasks. The procedures for this treatment are expressed in Figure 4.9.

Treatment 2: At the beginning, participants answer a part of the online questionnaire. Then, in the middle of questionnaire they are asked to search for better offers for *one financial service that they are most satisfied with*. After that, they are asked to finish the rest of questionnaire. For this treatment, participants need to complete the online questionnaire and spend 15 minutes on the one searching task. The procedures for this treatment are expressed in Figure 4.10.

Treatment 3: At the beginning, participants answer a part of the online questionnaire. Then, in the middle of questionnaire they are asked to search for better offers for *one financial service that they are most dissatisfied with*. After that, they are asked to finish the rest of questionnaire. For this treatment, participants need to complete the online questionnaire and spend 15 minutes on the one searching task. The procedures for this treatment are expressed in Figure 4.11

Treatment 4: Participants answer the online questionnaire only, they are not asked to search information. The procedures for this treatment are expressed in Figure 4.12

In experiments, two key constructs are manipulated differently. Search is explicit manipulated. Ideally, satisfaction should be manipulated as well, but this was not possible due to the time constraints on the experiment. Thus, participants were asked about their satisfaction with six financial services and to identify those with which they were most and least satisfied. Then, they are allowed to use any search engine in searching for financial service that they are most satisfied/dissatisfied with.

The ethics application, reference No.: 5201300721, for the quantitative phase for the current study had been approved by the Faculty of Business & Economics Human Research Ethics Sub Committee, Macquarie University, Australia for a period of five years from 19 December 2013.

Figure 4.9: Procedure for treatment 1

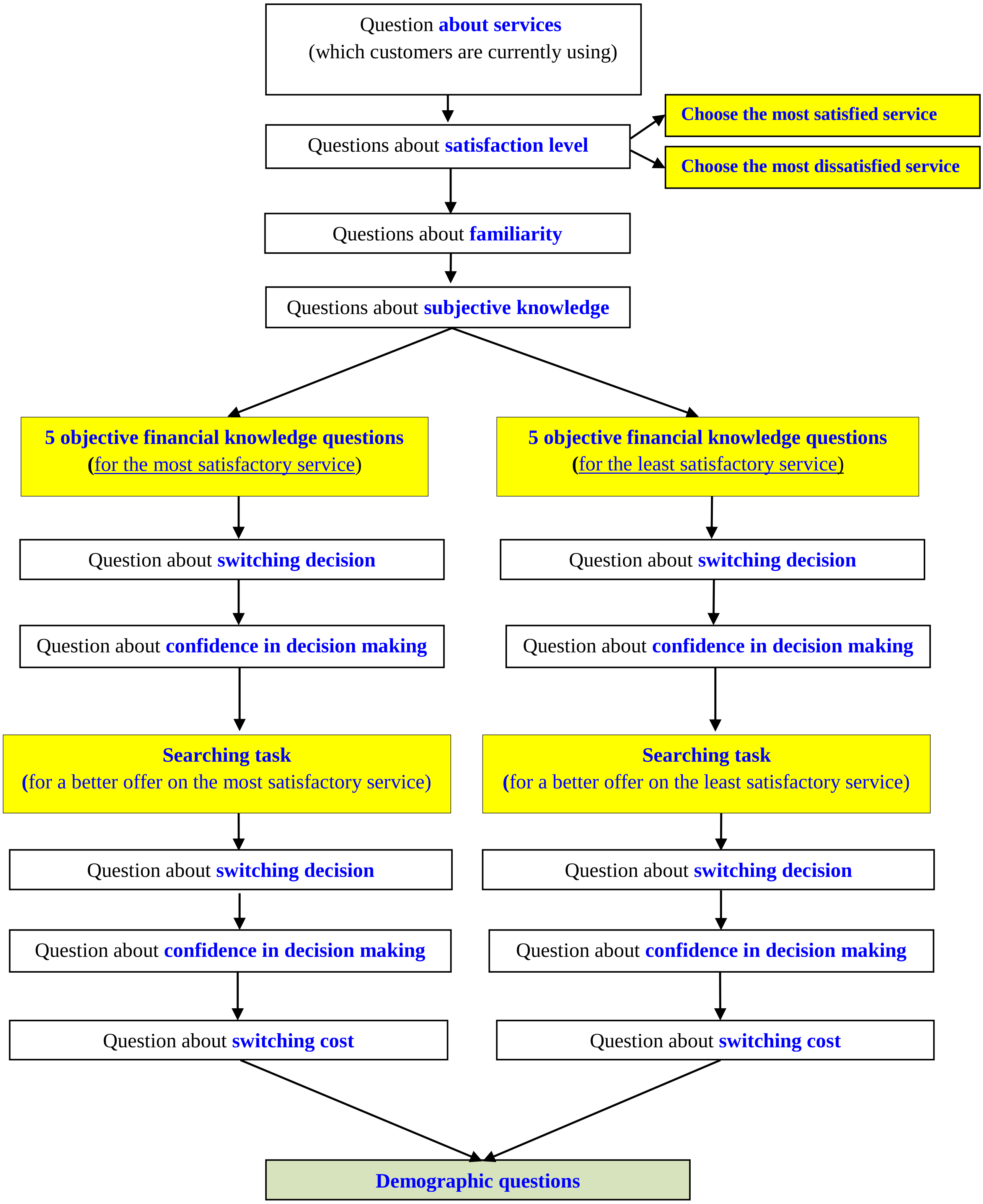


Figure 4.10: Procedure for treatment 2

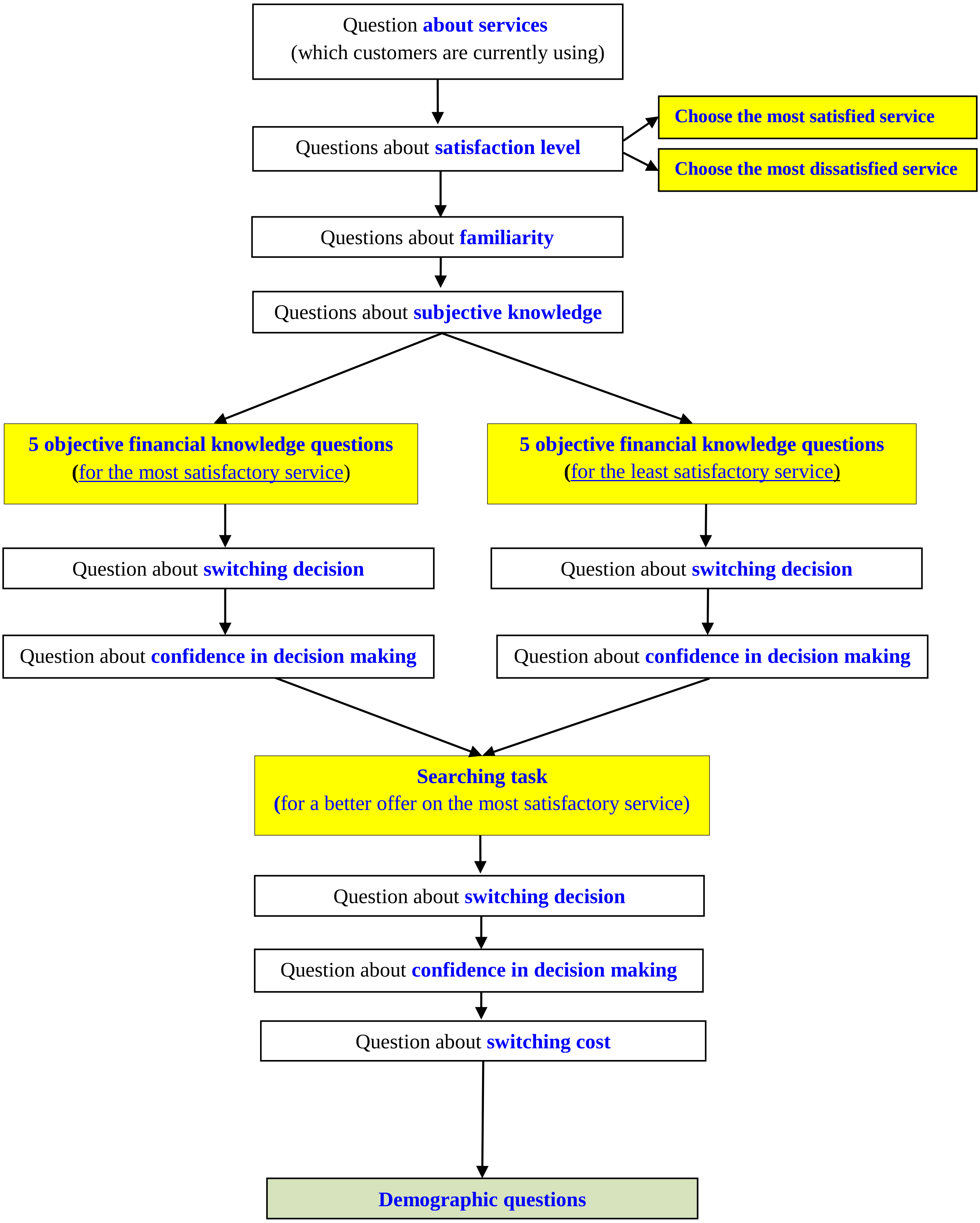


Figure 4.11: Procedure for treatment 3

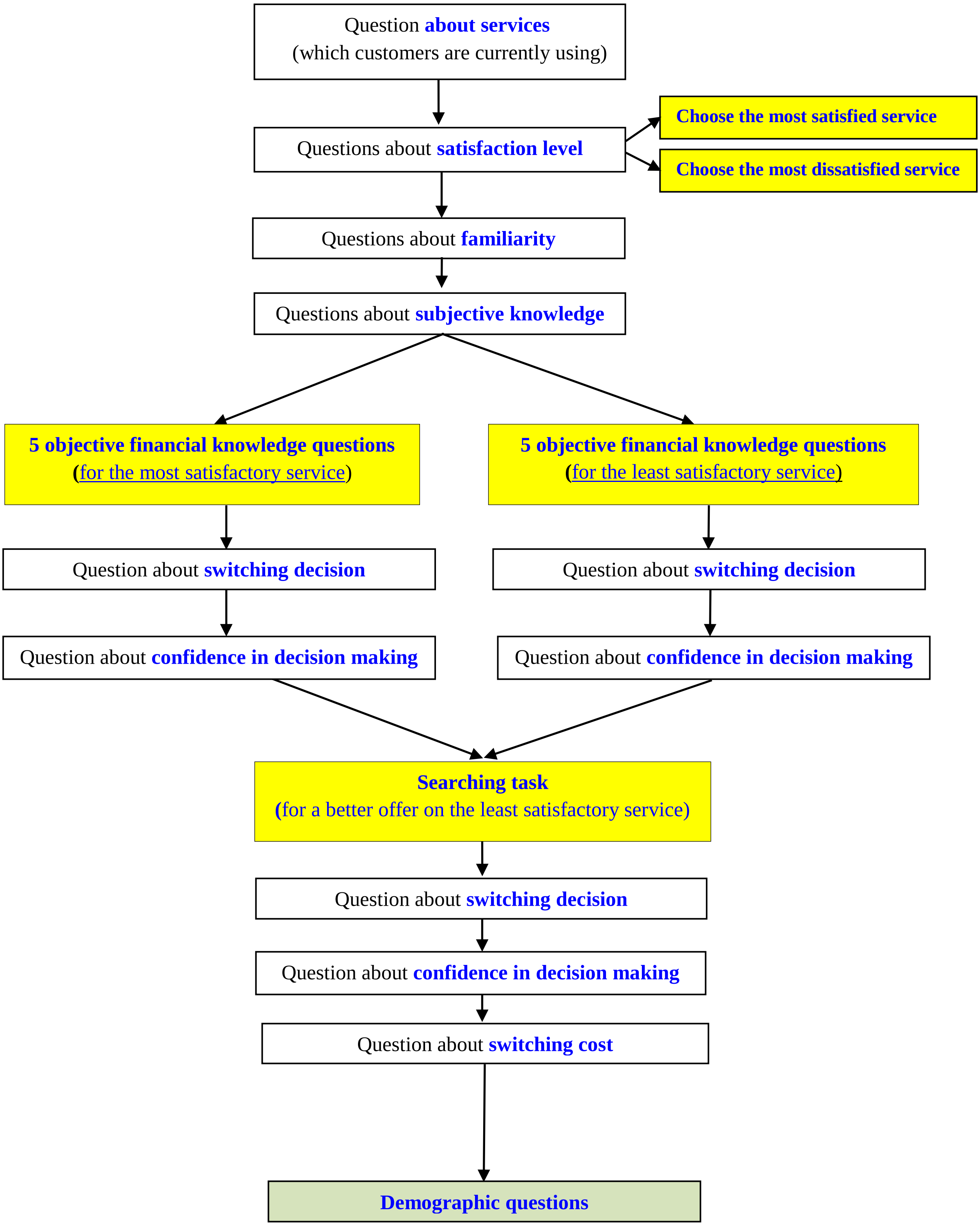
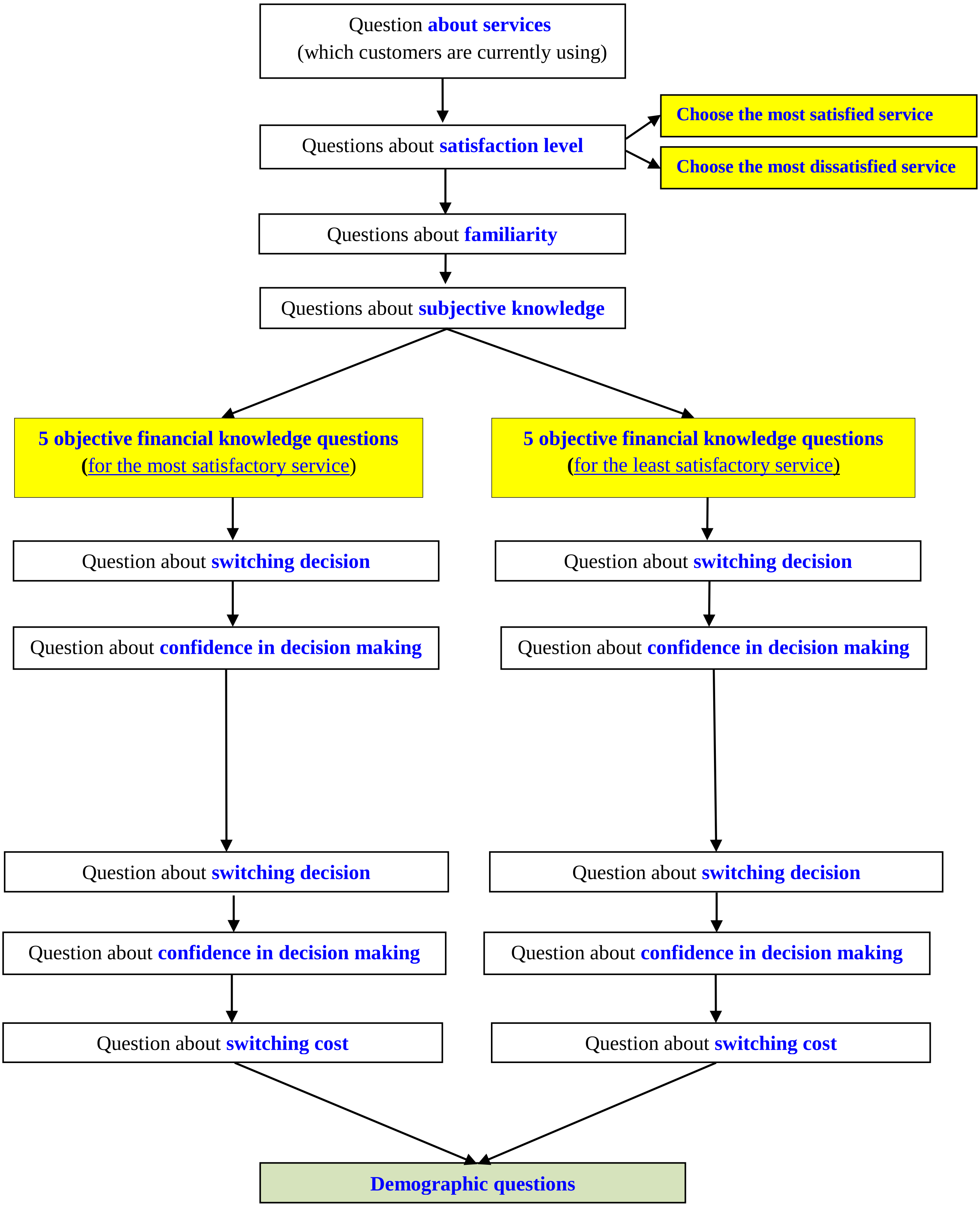


Figure 4.12: Procedure for treatment 4



4.4 Pre-tests

Pre-tests were conducted before the formal experiment was launched. Both the questionnaire test and experiment were piloted.

4.4.1 Questionnaire test

I designed an initial questionnaire using the constructs and variables confirmed (including satisfaction, customers' confidence in decision making, customer knowledge, switching cost and customer switching intention) as important (in explaining customer switching behaviour in financial services) in the interview phase. To gain information about the data collection process and to identify any problems in the questionnaire, a pilot study was conducted between May and July 2014.The main purpose of this activity was to test the validity of the questionnaire. Following Czaja (1998) the questionnaire test helps to check a number of issues such as whether respondents understand the questionnaire, whether sentence structure is easy to answer. Moreover, this helps to make sure that respondents understand the questions as the researcher intends. 28 respondents consisting of my friends / colleagues living in Sydney agreed to complete the questionnaire test and the links for the online questionnaires were sent to them via email; after these respondents completed the questionnaire, I asked for comments on the research design and measurements. Based on those comments, some questions had been re-worded in order to convey clear meaning to participants. I also recognised that the question order needed to be changed to improve the ease of completion. In particular, demographic questions had been moved to the end of questionnaire. The reason was that demographic question was easy to answer; thus, moving them to the end of questionnaire can make participants feel comfortable to finish the questionnaire after answering many other questions. Moreover, in the original version of the questionnaire, only self-confidence after search had been asked. After the questionnaire test, questions about self-confidence before searching had been added to examine the change of self-confidence before and after search.

4.4.2 Experiment test

After the questionnaire was finalised, the experiment (as described above) was tested. In total, 19 participants completed the test. All of them had used a variety of financial services in Australia and lived in Australia more than five years. In the searching tasks, participants were asked to search information from the Internet and their eye movements were recorded by the eye trackers. Different versions of the Tobii eye tracker have been used, including Tobii glasses and Tobii X-30, but only Tobii X-30 was appropriate for the research context. The reason is that Tobii X-30 was appropriate for web based research such as the current study context. Moreover, it is portable so it is easy to carry on to participant's venues.The results of tests showed that customer eye movements were captured accurately. Participants also gave feedback that helped to improve the instruction before they search for information. They also reported some minor issues regarding wording in the questionnaire. In response, relevant changes were made to the questionnaire before the main data collection phase.

4.5 Chapter summary

This chapter provides a description of the methods I employed in my research. It commenced with a discussion of various research philosophies and explained why a pragmatic ontology was the most appropriate approach. Mixed methods were employed in data collection and analysis.

The remainder of the chapter focused on the in-depth interviews, the development and content of the quantitative survey instrument the experiment design, and participant recruitment.

In the qualitative phase, in-depth interviews were applied. The purposeful and snowball technique were used to recruit participants.

In the quantitative phase, experiments were conducted. Experiment consisted of online questionnaire and a searching task. Eye trackers were used to record eye movement when they search information from the internet. Participants in this phase were recruited from community groups including churches, school and ice skating clubs.

The next two chapters provide the detailed findings from the two research phases, with Chapter 5 presenting the results of the qualitative phase while Chapter 6 presents the findings from the online questionnaire.

CHAPTER 5: RESULTS FROM INTERVIEWS

5.1 Introduction

This chapter presents the results from the qualitative phase in which in-depth interviews were conducted to explore the research topic and to confirm the variables and constructs proposed to be used in the study. It begins with a detailed description of the interview respondents. This is then followed by the key findings from the interviews which include factors affecting customer retention and customer satisfaction in financial services, effects of confidence in decision-making and information search on customer switching behaviour in financial services.

5.2 Sample descriptions

In total, there were 16 attended in-depth interviews. This number was enough for exploratory research (Ritchie et al., 2003) . All 16 participants were aged between 19 and 73 years, and were Australian residents who have lived in Australia for more than 10 years. During the interview, participants' responses indicated that all of them were familiar with financial services in Australia.

The participants reported a variety of jobs and levels of experience with financial services. Some participants had less experience with financial services (such as the student), whereas other participants had rich experience (such as the retired people).

The sample consists of eight women and eight men, ensuring no gender bias, nearly evenly distributed across six age groups (18-30, 31-40, 41-50, 51-60, 61-70, 71-80) (see Table 5.2)

Table 5.1: Demographics of interviewees

Participants	Gender	Age	Career/position
1	Female	51	Manager/Teacher
2	Female	72	Retired
3	Female	61	Retired
4	Female	59	Financial administrator
5	Female	49	Teacher
6	Female	21	Student
7	Female	24	Teacher
8	Female	31	Shop owner
9	Male	34	Salesperson
10	Male	73	Retired
11	Male	52	Teacher
12	Male	42	Salesperson
13	Male	19	Student
14	Male	62	Retired
15	Male	38	IT manager
16	Male	45	Council employee

Table 5.2: Numbers and genders of interviewees in each age group

Age	Male respondents	Female respondents	Total
18-30	1	2	3
31-40	2	1	3
41-50	2	1	3
51-60	1	2	3
61-70	1	1	2
71-80	1	1	2
	8	*8*	*16*

5.3 Results from in-depth interviews

5.3.1 Key findings

Results from interviews revealed that participants in the study have used a wide range of financial products. All participants had bank accounts, credit and debit cards. Participants used services supplied by the big four Australian banks and by a diversity of other financial service providers. The list of financial services and name of providers that participants have used can be seen in Table 5.3.

Table 5.3: Financial services and providers participants reported using

	Banking services	Insurance services
Services	- Credit card, debit card - Personal loan - Home loan, mortgage - Saving account, term deposit	- Car insurance - Life insurance - Private health insurance - Home insurance
Services providers	- Four big banks: NAB, ANZ, CBA, Westpac - Others: HSBC, St George, Suncorp, ME bank (members equity), Sydney credit union, GE money (General Electric company)	- NRMA, AAMI, HCF, Medibank, GIO, AHM, QBE, Allianz, REST, First state superannuation,

The financial services participants used cover all the financial services mentioned in the current study, ensuring the information collected from participants is appropriate in the research context. The variety of providers and products that participants reported enables a comprehensive overview of financial providers in Australia.

During the interviews, participants were asked questions regarding the variables used in the current study. The main variables/constructs had been mentioned in the interviews including satisfaction, service quality, customer services, variety seeking behaviour, customer knowledge, confidence in decision making, information search, switching intention. In general, most participants gave positive feedback about financial services in Australia. However, they believed that service quality varies; for example, participants held different opinions about services from the same bank. With bank X, participant 3 complained that *"I also have problems with customer officers and I think they need to improve customer services. Especially on phone, very frustrating",* but participant 11 said *"They always have great customer service. Very happy with them. They mainly do on the phone, very specific. If they need the time to consider your problem, they will call you back within 30 minutes"*.

When participants were asked to evaluate the important role of variables used in the current study context, all of them indicated that confidence in knowledge, confidence in decision making, switching cost, information search and satisfaction were significant in explaining customer retention. However, nobody agreed that variety seeking behaviour was important in customer switching in financial service. Thus, variety seeking behaviour was eliminated from further research. The reason is that all participants stated that they never sought variety in financial services. Moreover, they thought that it was very inconvenient to switch financial services. They might seek new features of a financial service from the same provider, but are very reluctant to switch providers, as a quote from a participant demonstrates: *"If I am interested in new features of product, I will ask the current provider. I am not looking for the variety from new providers".* Because of those reasons, seeking variety in financial service is not considered an important factor in explaining customer retention.

5.3.2 Factors affecting retention and satisfaction

When participants were asked *"Which factors affect your retention in a financial service?"* they gave several answers from different aspects and their answers can be sorted out in the following categories (Table 5.4):

After answering the question about retention, participants were asked *"Which factors affect your satisfaction?"* Most repeated the answers they gave to the question regarding retention. This suggests that in most of cases, customer will stay with the current provider if they feel satisfied.

Table 5.4: Factors affecting customer retention in financial services

Categories	Factors affecting customer retention in financial services
Satisfaction	Satisfaction
Employee involvement	Knowledge of staff; participants have longstanding relationships with staff; customer service
Monetary involvement	Fees; bonus; interest rate; price flexibility
Facilities involvement	Branches convenience; Large ATM network; easy to access
Operational involvement	Recovery of service mistakes; response to individuals; term of loan; follow-up activities
Switching cost	Time-consuming
Reputation	Big banks
Information	Information accessibility; Information ability
Others	There is no difference among providers

5.3.4 Switching behaviour in financial services in Australia

Banking services

Among the variety of factors that participants determined as major influences on satisfaction and retention was switching cost. When participants were asked the question *"Have you thought about switching?"* eight of 16 said that they never thought about switching. Three reasons were given: some people thought they received good services from their provider; some worried about the amount of time and inconvenience involved in switching; some saw no differences between providers so no point in switching. Three participants had thought about switching, but never switched because they did not want to disrupt bill payments connected to their bank accounts (direct debits), and were worried about the time required and inconvenience. Five participants had switched financial service providers to find a better deal or because they had become dissatisfied with their current provider:

I switched from NAB to St George bank and then I switched from St George to NAB. The reason for my switching is interest rate.

Six years ago I switched from Victorian teacher credit union to NAB. The reason is that I felt their customer service was not good. I had a car loan in this institution and I just paid two days late. However, they still charged me even I used services from this institution over twenty years and I also called and sent them email in advance to explain about reasons. Then I decided to switch.

The number of participants who had never switched was high: eleven of 16 (68%). This is in line with the results from previous studies showing that the defection rate of customers in retail banking service is low (Garland, 2002). However, the results show that some customers think about switching but never do. This suggests further research is needed to discover *why customers do not/cannot switch although they want to switch.*

Table 5.5: The number of participants regarding switching activity in banking services

Responses	Have you ever thought about switching?	Reasons
8/16	Never thought about switching	- Good services; Time consuming - No differences among providers
3/16	Ever thought about switching but never switched	- There is some difficulties - Time consuming
5/16	Already switched	- To get lower fee; To get better offer - To be charged because of late payments

Insurance services

The number of people who never thought about switching in insurance services was the same as in banking services: eight out of 16. Participants gave three important reasons for not switching, as shown in Table 5.6 below.

Table 5.6: The number of participants considering switching insurance services

Responses	Switching	Reasons
8/16	Never thought about it	- Time-consuming - Financial companies provide similar services - Have no trouble with current provider
4/16	Ever thought about it, but never switched	- Experienced some difficulties - Negotiate with current providers to get better offers
4/16	Already switched	- Bonus - Individual service - High price of current provider - Mistake of broker, lack of information

5.3.5 The relationship between satisfaction and retention in financial services

To find out customer switching intentions when satisfied/dissatisfied with a financial service, participants were asked *"Would you switch if you were satisfied/dissatisfied?"* Most customers satisfied with financial services do not intend to switch (Table 5.7). However, two participants said that it depends on other variables or situation. For example, a participant revealed that *"I am satisfied with current provider, but if another provider gives me a really better deal, I will consider to switch".* This demonstrates that customer satisfaction does not ensure customer retention; in other words, some customers still defect despite being satisfied.

Even when customers are dissatisfied with financial products, only five of 16 stated that they would switch, while the remainder answered that it would depend on what happens with the current providers. If the problem is not really serious or providers can provide an effective solution, they will stay with their current provider. The participants agreed that normally, when they have problems with providers, they look for a solution before considering switching, as can been seen from this response *"It depends. Firstly, if I have troubles with providers, I will contact them to ask them solutions. Then, if I feel happy, I will stay. If not, I will switch."*

Those findings suggest that the relationship between satisfaction and retention is not straightforward. In other words, some variables moderate this relationship, such as switching cost, customer confidence or customer knowledge. However, how such moderators explain the link between satisfaction and retention is not clear. The following sections focus more on this link.

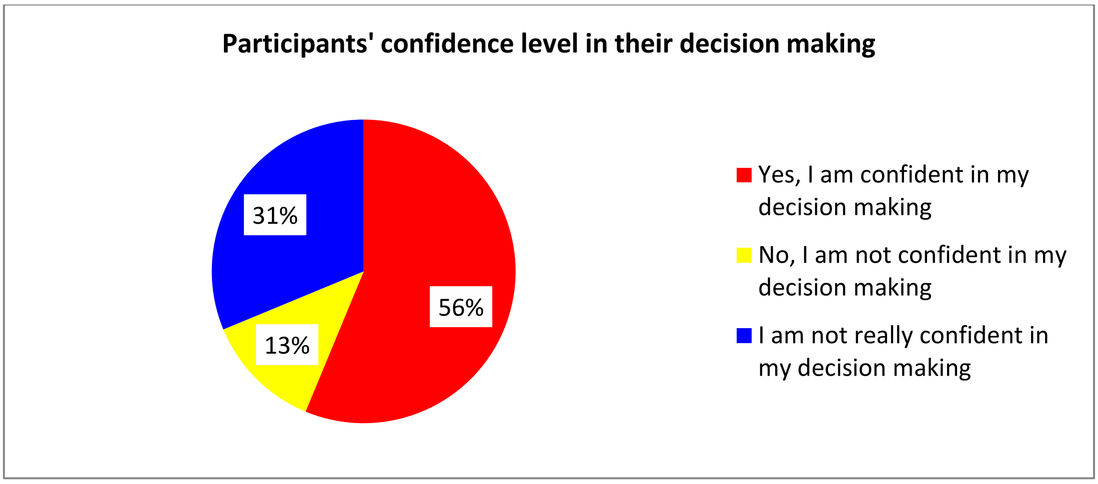
Table 5.7: The number of customers switching financial services when satisfied/dissatisfied

	If satisfied	**If dissatisfied**
I will switch		**5/16**
I will not switch	**14/16**	
It depends	**2/16**	**11/16**

5.3.6 Confidence in decision-making

Participants were asked whether they are confident in their decision-making. Then, they were asked the reasons for their answer. The results of these questions are illustrated by Figure 5.1. As can be seen from the figure, nine people answered that they were confident in their decision making. However, they may still need more information to make decisions, as one participant said: *"I am confident person. But I need to do research, a lot of reading"*. This suggests that information search can be an important factor affecting customer decision-making. Of the 16 participants, five (31%) reported they were not confident in decision-making and two (13%) answered that they were "not really" confident in their decisions regarding financial services. It appears that people tend to be confident in switching financial services despite the fact that those seem to be complex services.

Figure 5.1: Participants' confidence in their decision-making



Factors affecting confidence in decision-making

Participants listed factors affecting their confidence in decision-making, including company reputation, information availability, words of mouth (WOM), product knowledge, media and trust. However, most participants commented that product knowledge and information were the main factors affecting their confidence in decision-making. One participants said *"I think product knowledge has strong influence on confidence in decision making"* and another *"I will feel confident if I have clear and available information from providers"*.

Outcomes of confidence in decision-making

When participants were asked about the outcomes of confidence in decision-making, they indicated that confidence can positively affect their information search and their decision-making:

- reduce time devoted to searching for information: " *if I am confident I do not need to spend much of time on information search"*
- reduce time allocated to making a decision: *"if I am confident I will make decisions quickly"*
- increase quality of decision-making: *" if I am confident I will have higher quality of decision-making"*
- reduce methods of searching for information: *" if I am confident I do not need to use many ways to search information"*

5.3.7 Information search

5.3.7.1 Methods of searching for information

Participants were asked which methods they used to search for information. All of them mentioned online and offline searching methods. The ways they searched for information online differed. Some of them went directly to the websites of providers; others went to a search engine to start searching. Offline searching was implemented by talking to people such as their family members, their friends or contacting companies directly. In addition, they looked for information by reading newspapers or brochures. To sum up, participants tend to use four strategies to search for information as follows:

1. Contacting companies directly
2. Searching online
3. Reading brochures, advertising
4. Talking to people (family members, friends, partners…)

Participants reported using various combinations of these methods, but the order of searching method differs. Some participants try to contact a company first; others want to search for information on the internet in advance. Because participants used different methods to search for information, it is suggested that their searching quality may differ. In addition, most participants do not have any strategy to search for information. This means that they just mentioned that they searched for information without mentioning whether they focus on searching for general information or specific information first. Only one participant reported using a strategy to narrow down the information. Initially, he tries to get general information by watching and reading advertisements. Then he finds more specific information from the internet and brochures. Finally, when he really wants to use a service, he will speak to a staff member.

The participants reported a variety of searching behaviour for financial services. They were asked "*If you wanted to switch financial providers, how would you search for information using the internet?"* Although participants gave different answers, there were some patterns in their responses. Common strategies included:

- Searching using keywords for services. For example "credit cards", "car insurance"
- Searching using keywords relating to the benefits of services, such as " low rate" " low interest"
- Going to comparison websites
- Going directly to providers' websites by entering their names into a search engine.

It is quite obvious that with different search strategies, participants will have different results and this will affect their decision-making.

5.3.7.2 Switching behaviour after information search

I asked participants about their switching intentions after searching for information. Confident people said they would consider switching after searching for information. However, less confident people reported needing to discuss switching with others first, for example: *"After searching information from the Internet, if I still do not feel confident I need to confirm with people in my family".*

In general, people think *"if I cannot find out much information, I will not switch".* This explains why some customers do not switch after they search for information. When participants were asked *"Are you confident after searching for information?",* most agreed. This suggests that information searching can increase customer confidence in decision-making.

5.4 Chapter summary

This chapter presents the results from the in-depth interviews. There were 16 participants attending the interviews. All of them are Australian and have used a variety of financial services in Australia. The results of interviews indicated that most variables used in the current study were important in explaining switching behaviour in financial services. Only one variable, variety seeking behaviour, was eliminated in the current study because all participants thought that variety seeking behaviour was not important in financial services.

The next chapter will present the result from the online questionnaire experiment.

CHAPTER 6: QUESTIONNAIRE RESULTS FROM EXPERIMENTS.

6.1 Introduction

In the experiment study, participants were asked to answer the online questionnaires. They also were asked to search information for better deal for their financial service via the Internet. Therefore, for experiments, two sets of data were analysed: Data from the online questionnaire and data from the searching tasks which was observed by the eye tracker.

This chapter will introduce the analyses from the online questionnaire. It commences with the sample description. Then scale establishment has been introduced. The next section will present the data analysis approach which is employed in the current study. The results will be introduced next, followed by hypotheses evaluation, and finally the chapter summary.

6.2 Sample description

The experiment proposed in chapter 4 has been conducted with four groups of participants, each group a separate treatment. 24 people completed treatment 1 in which they are asked to answer an online questionnaire and search the alternatives for their both satisfied financial service and least satisfied financial service. 30 people completed treatment 2 in which they had to answer an online questionnaire and search for the alternative for their most satisfied financial service. It is noted that participants chose the case of the most/least satisfactory service among services. It did not mean that the most/least satisfactory service was chosen among financial institutions. Therefore, if customer used financial services from only one financial institution, they still can choose financial serive which they are most/least satisfied with within this financial institution. 29 people attended treatment 3 in which they had to answer an online questionnaire and search alternatives for their least satisfied financial service, whereas 30 people completed treatment 4 in which they just answered an online questionnaire and did not search for the alternative. For the first three treatments, participants needed to answer the online questionnaire and search for the alternative (s) for their financial services from the Internet. For the last treatment, participants just needed to answer the online questionnaire and were not asked to search for any financial service.

In total, online questionnaire data were collected from 113 respondents, but one questionnaire was unusable. The reason is that participants were asked to choose one financial service that they were most dissatisfied with and one financial service that they were most satisfied with from the online questionnaire. However, one participant chose only one financial service that he was most dissatisfied with. Thus, this respondent was eliminated from data analysis. The final sample size for the number of participants was 112.

Table 6.1 shows the demographic breakdown of the participants. Note the high percentage of participants in the age range 36-65 years; this is important in financial research, because people in that age range tend to use more financial services than younger and older people. Over 80% of participants reported tertiary education; over a third held a bachelor's degree and nearly 20% a postgraduate degree.

It also can be reported in the study that the sample had a high household annual gross income. 61% of the sample have annual gross income greater than $75,000, with 22.3% exceeding $150,000. Respondent whose family earning is less than $25,000 are 3.6%. With regard to marital status, 68.8% of participants are married and only 10.5% never married.

Most participants were born in Australia (65.2%) and over 80% of participants spoke English as their mother language. In addition, nearly all have lived in Australia for more than 10 years. These figures suggest that most participants were familiar with financial services in Australia.

Table 6.1: Quantitative sample demographics

Demographic variable	Levels	Frequency	Percent
Gender	Male	40	35.7
	Female	72	64.3
Age	18-25	4	3.6
	26-35	4	3.6
	36-45	25	22.3
	46-55	34	30.4
	56-65	23	20.5
	65+	22	19.6
Marital status	Never married	12	10.7
	Married	77	68.8
	Divorced	10	8.9
	Separated	4	3.6
	Widowed	4	3.6
	De facto/partnered	5	4.5
Highest level of education	Year 8 or below	1	0.9
	Year 9, 10 or 11	12	10.7
	Year 12	8	7.1
	Certificate or diploma from TAFE[1], RTO[2]	25	22.3
	Bachelor's degree	43	38.4
	Postgraduate degree	22	19.6
	Other	1	0.9
Household annual gross income	Less than AUD25,000	4	3.6
	25,001- AUD50,000	21	18.8
	50,001- AUD75,000	18	16.1
	75,001- AUD100,000	23	20.5
	100,001- AUD150,000	21	18.8
	150,001- AUD200,000	10	8.9
	Over AUD200,000	15	13.4
Country of birth	Australia	73	65.2
	United Kingdom	10	8.9
	New Zealand	3	2.7
	Italy	2	1.8
	China	6	5.4
	Philippines	2	1.8
	Other	16	14.3
Time of living in Australia	1 year or less	1	0.9
	2-3 years	2	1.8
	4-5 years	1	0.9
	6-10 years	4	3.6
	More than 10 years	104	92.8
First language	English	94	83.9
	Other	18	16.1

[1] TAFE stands for Technical and Further Education. TAFE is Australia's largest provider of vocational education and training. See http://www.bhtafe.edu.au/International/international-students/australian-education/Pages/what-is-TAFE.aspx

[2] RTO stands for registered training organisation in Australia. See http://www.asqa.gov.au/about-vet/about-rtos/about-rtos.html

6.3 Scale establishment

6.3.1 Confirmatory use of factor analysis

6.3.1.1 Subjective knowledge and familiarity

To confirm the quality of the measure, a principal component analysis (PCA) was conducted on 10 items (four items for subjective knowledge measurement and six items for familiarity measurement) with an orthogonal rotation (VARIMAX). The Kaiser–Meyer–Olkin measure verified the sampling adequacy for the analysis (KMO = 0.816) and all KMO values for individual items were greater than 0.55, above the acceptable limit of 0.5 (Field, 2013). Bartlett's test of sphericity χ^2 (45) = 887.2, p < 0.001, indicated that correlations between items were sufficiently large for PCA (Field, 2013). An initial analysis was run to obtain eigenvalues for each component in the data. Two components had eigenvalues over Kaiser's criterion of 1 and in combination explained 58.6% of the variance. The scree plot was slightly ambiguous and showed inflexions that would justify retaining both components 2 and 4. Given the sample size, and the convergence of the scree plot and Kaiser's criterion on four components, both components were retained in the final analysis. Table 6.2 shows the factor loadings after rotation. The item clusters suggest that component 1 represents subjective knowledge, component 2 familiarity.

Table 6.2: Factor model of subjective knowledge and familiarity

	Familiarity	Subjective knowledge
Compared to the average person, my knowledge about financial services is very extensive.	.168	**.847**
I have accessed different aspects of financial service information.	.338	**.550**
Compared to the average person, I know more about how to use financial services.	.152	**.879**
I completely understand financial services.	.177	**.759**
How familiar are you with credit cards?	**.673**	.343
How familiar are you with bank account?	**.641**	.280
How familiar are you with mortgages?	**.637**	.196
How familiar are you with superannuation?	**.654**	.273
How familiar are you with car insurance?	**.773**	.113
How familiar are you with private health insurance?	**.779**	.022
Eigenvalues	4.322	1.467

Note: Principal components factor analysis used, with VARIMAX rotation

6.3.1.2 Switching cost

It is noted that there were 112 participants; however, each participant who did treatment 1 (n=23) and 4 (n=30) answered the switching costs questions twice. That is, once before the search, then again after the search. Hence, the units of analysis for switching costs measurements are 165. To investigate the underlying structure of the 16-item assessing switching costs for financial services, data collected from 165 observations were subjected to principal component analysis with VARIMAX rotation.

The Kaiser–Meyer–Olkin measure verified the sampling adequacy for the analysis (KMO = 0.822) and all KMO values for individual items were > 0.57, above the acceptable limit of 0.5 (Field, 2009). Bartlett's test of sphericity χ^2 (120) = 1467.0, $p < 0.001$ indicated that correlations between items were sufficiently large for PCA (Field, 2013).

Four factors (with eigenvalues exceeding 1) were identified as underlying the 16 questionnaire items (see Table 6.3). These factors accounted for 68.6% of the variance in the questionnaire data. The item clusters suggest that component 1 represents sunk cost, component 2 loss of performance, component 3 uncertainty cost, and component 4 post-cognitive and behaviour cost.

Table 6.3: Factor model of switching cost

	Sunk cost	**Loss of performance cost**	**Uncertainty cost**	**Post- cognitive and behaviour cost**
A lot of energy, time, and effort have gone into building and maintaining the relationship with this private health insurance provider.	**.853**	.193	.029	.140
Overall, I have invested a lot in my relationship with my current private health insurance provider.	**.899**	.192	.035	.127
All things considered, I have put a lot into previous dealings with my current private health insurance provider.	**.905**	.172	.009	.193
I have spent a lot of time and money with this private health insurance provider.	**.637**	.259	.144	-.012
I have not invested much in the relationship with my current private health insurance provider.	**-.740**	-.186	-.090	.075
My current private health insurance provider provides me with particular privileges I would not receive elsewhere.	.339	**.656**	.089	.149
I would lose preferential treatment if I changed private health insurance providers.	.416	**.733**	-.037	.141
There are certain benefits I would not retain if I were to switch my current private health insurance providers.	.169	**.770**	.022	.294
By continuing to use the same private health insurance provider, I receive certain benefits that I would not receive if I switched to a new one.	.209	**.842**	.149	.109
If I were to switch private health insurance providers, I would have to learn how things work at a new one.	.073	-.031	**.850**	.200
I would be unfamiliar with the policies of a new private health insurance provider.	.079	.360	**.698**	-.050
If I changed private health insurance providers, I would have to learn how the "system works" at a new one.	.071	.022	**.894**	.165
Changing private health insurance providers would mean that I would have learned about the policies of a new one.	.049	-.062	**.565**	.538
I am not sure what the level of service would be if I switched to a new private health insurance provider.	.033	.126	.072	**.723**
If I were to change private health insurance providers, the service I might receive at the new provider could be worse than the service I now receive.	.151	.176	.071	**.806**
The service from another private health insurance provider could be worse than the service I now receive.	.047	.252	.219	**.580**
Eigenvalues	**5.680**	**2.562**	**1.536**	**1.193**
Note: Principal components factor analysis used, with VARIMAX rotation				

6.3.1.3 Confirmatory factor analysis using AMOS

The SEM results for CFA of subjective knowledge, familiarity and switching cost are in the figure 1. The results indicate the resonable fit of three models.

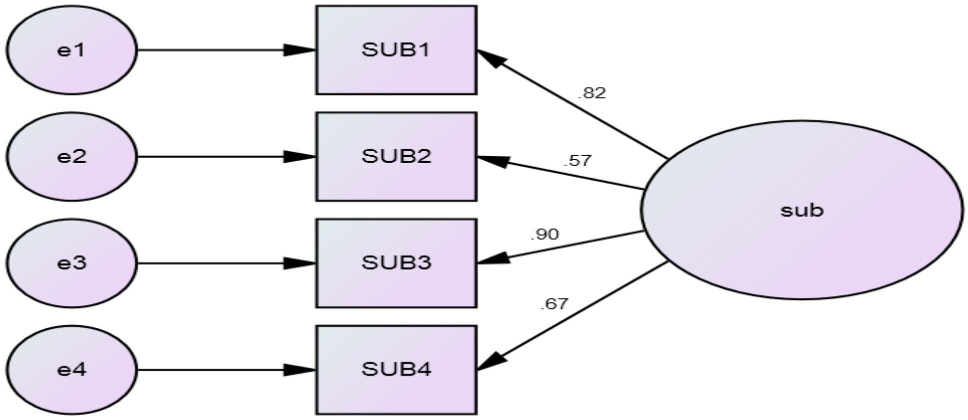
Figure 6.1: SEM results for model fit of confirmatory factor analysis

GOT Indices	Criterion Guidelines	SEM results Subjective knowledge	SEM results Familarity	SEM results Switching cost
Chi-square (χ 2)		14.154	55.253	34.747
Degree of freedom		2	9	2
Probability	P<0.05	0.001	0.000	0.000
Absolute fit measures				
GFI	>0.8	0.968	0.917	0.922
RMSEA	>0.1	0.165	0.152	0.271
RMR	<0.05	0.037	0.035	0.043

Subjective knowledge has been measured by four items. The data collected was analyzed using AMOS softwares. The factor loadings of three measures indicate that internal consistencies of the latent variables are adequately above 0.67 as presented in Figure 1. Only factor loading for sub3 is relative low (0.57). However, this item has been addapted from literature; therefore factor loadings for subjective knowledge are acceptable.

Figure 6.2: Factor loadings for subjective knowledge measurement

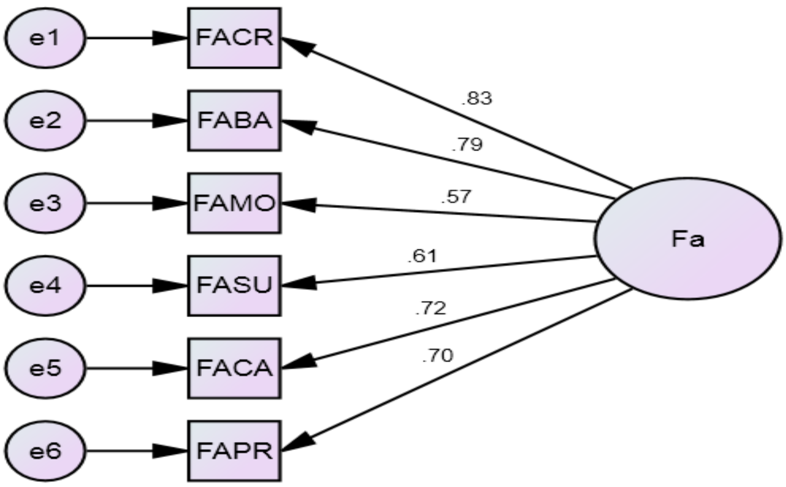
Subjective knowledge	Items	Factor loadings
Compared to the average person, my knowledge about financial services is very extensive	Sub1	**.818**
Compared to the average person, I know more about how to use financial services	Sub2	**.570**
I have accessed different aspects of financial service information	Sub3	**.895**
I completely understand financial services	Sub4	**.673**



Familiarity had been measured by six items regarding six financial services. The results of factor analysis from AMOS indicated that the factor loadings are acceptable as can be seen in fugure 2:

Figure 6.3: Factor loadings for familiarity measurement

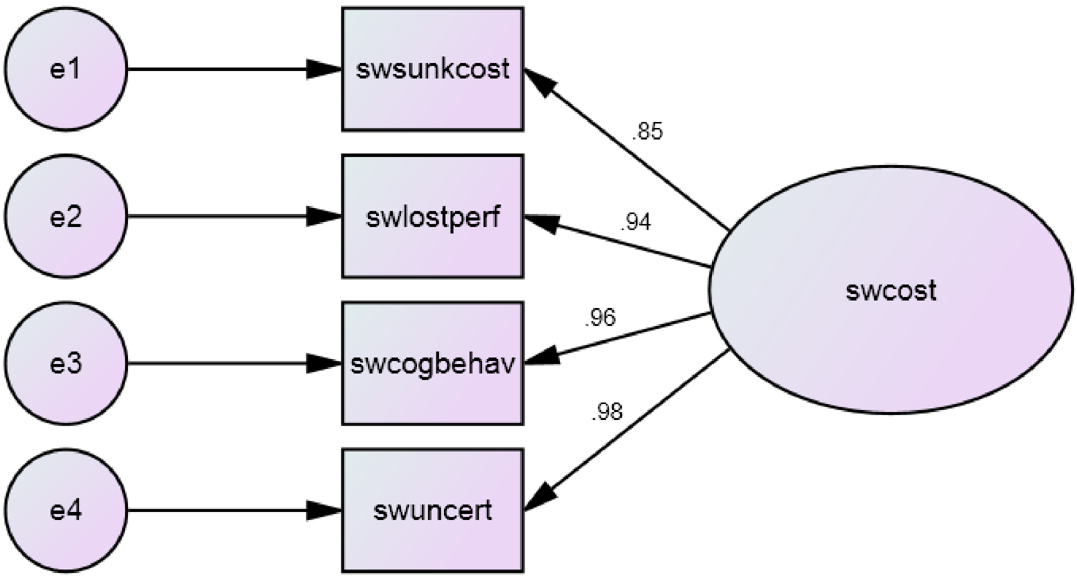
Familiarity	**Items**	**Factor loadings**
How familiar are you with credit cards	FACR	**.834**
How familiar are you with bank accounts	FABA	**.791**
How familiar are you with mortagage	FAMO	**.568**
How familiar are you with supperannuation	FASU	**.609**
How familiar are you with car insurance	FACA	**.717**
How familiar are you with private insurance	FAPR	**.696**



Switching cost has been measured by four types of switching; Post-switching behavioral and cognitive costs (swcogbehav); Costs of lost performance (swlostperf); Sunk cost (swsunkcost); Uncertainty costs (swuncert). Data was analysed by AMOS. The result indicated that the switching cost measurement is acceptable, as can be seen in figure 3.

Figure 6.4: Factor loadings for familiarity measurement

Switching cost	**Items**	**Factor loadings**
Sunk cost	swsunkcost	.849
Costs of lost performance	swlostperf	.944
Post-switching behavioral and cognitive costs	swcogbehav	.956
Uncertainty costs	swuncert	.976



6.3.2 Scale reliabilities

Subjective knowledge was measured using a four-item scale. Reliability analysis using the coefficient alpha method showed that Cronbach's alpha = 0.809, meaning that the subjective knowledge scale has acceptable reliability (Field, 2013).

Familiarity was measured using one item for six different financial services. The scale has acceptable reliability (Table 6.4).

The *switching cost* measure consisted of 16 items divided into four categories. Five Cronbach's alpha values were greater than 0.8. Only of uncertainly was slightly less than 0.7. However, this is acceptable because the measurement of uncertainty cost had been validated in the study of Jones et al. (2002). Thus, Cronbach's alpha indicates that the overall switching cost scale is reliable, as are the scales for the four categories (Table 6.4).

Table 6.4: Summary of independent measures

Construct	Mean	Standard deviation	Minimum	Maximum	Cronbach's alpha
Subjective knowledge	11.26	2.81	5.00	20.00	.81
Familiarity	22.00	4.05	12.00	30.00	.80
Sunk cost	15.24	3.20	6.00	22.00	.90
Uncertainty cost	10.76	1.92	5.00	15.00	.66
Loss of performance cost	11.98	3.51	5.00	20.00	.85
Post-behaviour and cognitive cost	14.86	2.58	8.00	20.00	.80

6.4 Analytical approach

The data from survey was analysed using SPSS (version 22 for Windows). The data was exported from Qualtrics to SPSS for analysis.

To examine the relationships among variables, two main analyses were performed. First, correlations between variables were examined. This is then followed by regression analyses.

Stepwise linear regression was used to measure the relationships and interactions among variables. Stepwise regression is the technique that essentially does multiple regression a number of times, each time removing the weakest correlated variable. At the end we are left with the variables that explain the distribution best.

In the first step, the dependent and dependent variables were determined from conceptual framework and hypotheses. Then, the independent variables were regressed against the dependent variable to determine whether the independent variables had significant effect on the dependent variable. In the second step, if significant effects were discovered, stepwise analysis was applied. In so doing, in the first box of multi regression in SPSS, all significant variables have been put, followed by second box with other variable and the interaction.

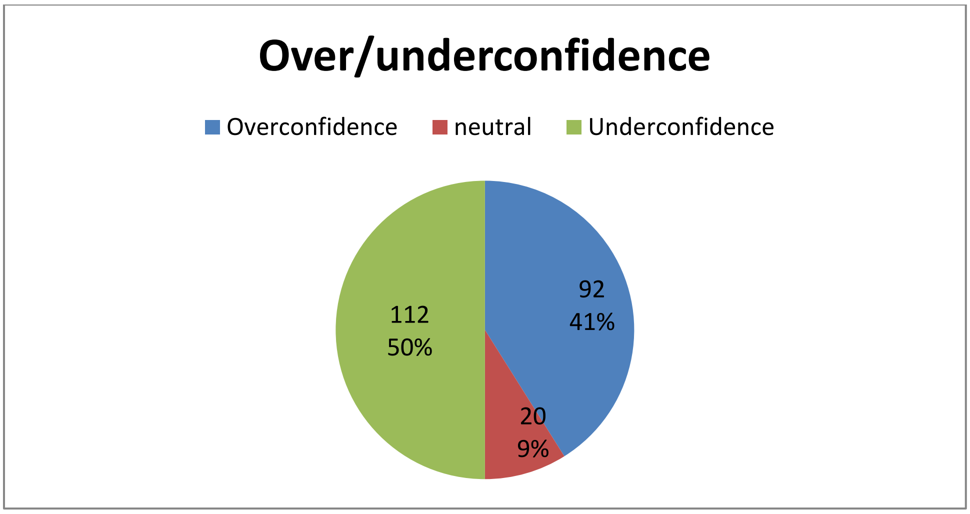
6.5 Questionnaire results from experiments

Although data was collected from 112 participants, for some questions such as the question about satisfaction, participants were asked two questions about satisfaction with different financial services. Therefore, some analyses reported below involve 224 units of analysis.

6.5.1 Under/overconfidence

The result reveals that, overconfidence phenomenon does not exist for all observations. Of the 224 usable units analysis, 92 (41%) indicated overconfidence, 112 (50%) indicated under-confidence and 20 responses (9%)) were neutral (see Figure 6.5). This indicated that not all observations are overconfident.

Figure 6.5: Over/underconfidence



6.5.1.1 Hard and easy effects

Overconfidence was regressed against correctness. Correctness was measured by the percentage of correct answers when participants answer objective knowledge questions. The result shows that correctness is significant with overconfidence. Moreover, correctness also explains a high percentage of the variance in overconfidence, 35.4%. However, this relationship is negative, meaning that when correctness decreases, overconfidence increases. Meanwhile, if correctness decreases, this means that the question is harder. Therefore, it can be concluded that when questions became harder to the participants, they became more confident, in line with literature about the hard-easy effect (Fischhoff et al., 1977, Merkle, 2009).

Table 6.5: Hard and easy effects

	b	p	Mean	SD
Constant	.541	.000		
Correctness	-.701	.000	.79	.189

Model fit: R Square = 0.354; $p < 0.05$

Dependent variable: Over/underconfidence in decision making

6.5.1.2 Familiarity effects

Overconfidence was regressed against familiarity. The results in Table 6.6 show that familiarity has a significant association with overconfidence. Moreover, this relationship is positive. This means that when familiarity increases, overconfidence increases. Therefore, when participants are more familiar with financial services, they tend to become more overconfident. This contradicts the literature about familiarity effect, in which researchers concluded that people tend to be more overconfident with unfamiliar objects (Tourani-Rad and Kirkby, 2005).

Table 6.6: Familiarity effects

	b	p	Mean	SD
Constant	-.013	.385		
Familiarity	.032	.034	3.68	.872

Model fit: R Square = 0.02; p = 0.034

Dependent variable: Over/underconfidence in decision making

6.5.2 Relationship between knowledge and self-confidence

There is a common belief that customers' confidence in their decision-making will depend on how much knowledge they have (see, for example, Fabrigar et al., 2006, Biswas and Sherrell, 1993). However, customer knowledge includes objective knowledge, subjective knowledge and experience (or familiarity); it is important to find out that which type of knowledge has the greatest influence on customer confidence in decision-making. Table 6.7 shows the tests for the effect of the three types of knowledge and their interactions on customer confidence in decision-making.

Table 6.7 shows that knowledge has very little influence on confidence in decision making (R^2 = 0.096). In particular, all three types of knowledge have small positive influences on confidence in decision making (b values are positive, but R^2 values are small). Only familiarity has a significant effect on confidence in decision-making, this finding is in line with those in Laroche et al. (1996). No interactions among the three types of knowledge have significant effects in explaining customer confidence in decision-making (Table 6.7).

Table 6.7: Relationship between knowledge and confidence in decision-making

	b	**p**	**Mean**	**SD**
Subjective knowledge	.121	.103	.00	1.000
Objective knowledge	.065	.315	.79	.189
Familiarity	.282	.000	3.68	.872
Subjective knowledge x Objective knowledge	.138	.062		
Objective knowledge x Familiarity	-.085	.778		
Familiarity x Subjective knowledge	-.069	.311		
Model fit: R Square = .096; p < 0.05				
Dependent variable: Confidence in decision making				

6.5.3 Relationship between satisfaction and switching

6.5.2.1 Satisfaction and switching before search

Understanding the relationship between satisfaction and switching intention was one of the main aims of the study. A simple regression was performed to test this relationship. Table 6.8 shows that a negative linear relationship exists between satisfaction and switching intention before searching for information, in line with previous research (Hennig-Thurau and Klee, 1997). This result implies that switching intention before search depends on the satisfaction level of customers. When more satisfied, they tend to stay with providers; when dissatisfied, they have a higher tendency to switch.

Table 6.8: Satisfaction and switching before search

	b	p	Mean	SD
Constant	.750	.000		
Satisfaction	-.115	.000	3.75	1.003
Model fit: R Square = .175; p <0.05				
Dependent variable: switching intention before search				

6.5.2.2 Satisfaction and switching after search

Another regression was performed to test the relationship between satisfaction and switching intention after information search. The result in Table 6.9 indicates a negative relationship between satisfaction and switching intension after search.

Table 6.9: Satisfaction and switching after search

	b	p	Mean	SD
Constant	.691	.000		
Satisfaction	-.088	.001	3.75	1.003
Model fit: R Square = .093; p <0.05				
Dependent variable: switching intention after search				

6.5.4 Effect of overconfidence on the relationship between satisfaction and switching intention

Regression was performed to test the effect of overconfidence on relationship between satisfaction and switching intention before information search. The result in Table 6.10 indicates a positive relationship between overconfidence and switching intention before search. However, overconfidence did not moderate the relationship between satisfaction and switching intention before search (see Table 6.10).

Table 6.10: Effect of overconfidence on the relationship between satisfaction and switching intention

	b	p	Mean	SD
Constant	. 786	.000		
Satisfaction	-.124	.000	3.75	1.003
Overconfidence	.586	.038	-.01	.223
Satisfaction x Overconfidence	-.128	.070		
Model fit: R Square = .193; *p <0.05*				
Dependent Variable: Switching before search				

6.5.5 Effects of information search on switching intention

6.5.5.1 Effect of information search on the relationship between satisfaction and switching after search.

Another regression was conducted to examine the moderating effect of information search on the relationship between satisfaction and switching intention after search. The result in Table 6.11 indicates that the interaction between satisfaction and information search is not significant with switching intention after search. This means that information search is not a moderator for the relationship between satisfaction and switching intention after search.

Table 6.11: Effect of information search on the relationship between satisfaction and switching after search

	b	p	SD
Constant	.714	.000	.095
Information search	-.023	.868	.129
Satisfaction	-.104	.000	.025
Information search x satisfaction	0.016	.661	.036
Model fit: R Square = .120; p<0.05			
Dependent Variable: Switching after search			

6.5.5.2 The effect of better deal on the relationship between satisfaction and switching intention

Switching was regressed against satisfaction and better deal. Table 6.12 shows that satisfaction and better deal do not have any significant effect on switching intention after search. Moreover, better deal is not a moderator in the relationship between satisfaction and switching intention after search.

Table 6.12: The effect of better deal on the relationship between satisfaction and switching intention

	b	p	Mean	SD
Satisfaction	-.012	.831	3.79	1.010
Better deal	-.123	.098	2.96	1.243
Satisfaction x better deal	-.005	.791		
Model fit: R Square = .645; p <0.05				
Dependent variable: Customer switching intention after searching information				

6.5.5.3 The effect of information search on the relationship between switching intention before and after search

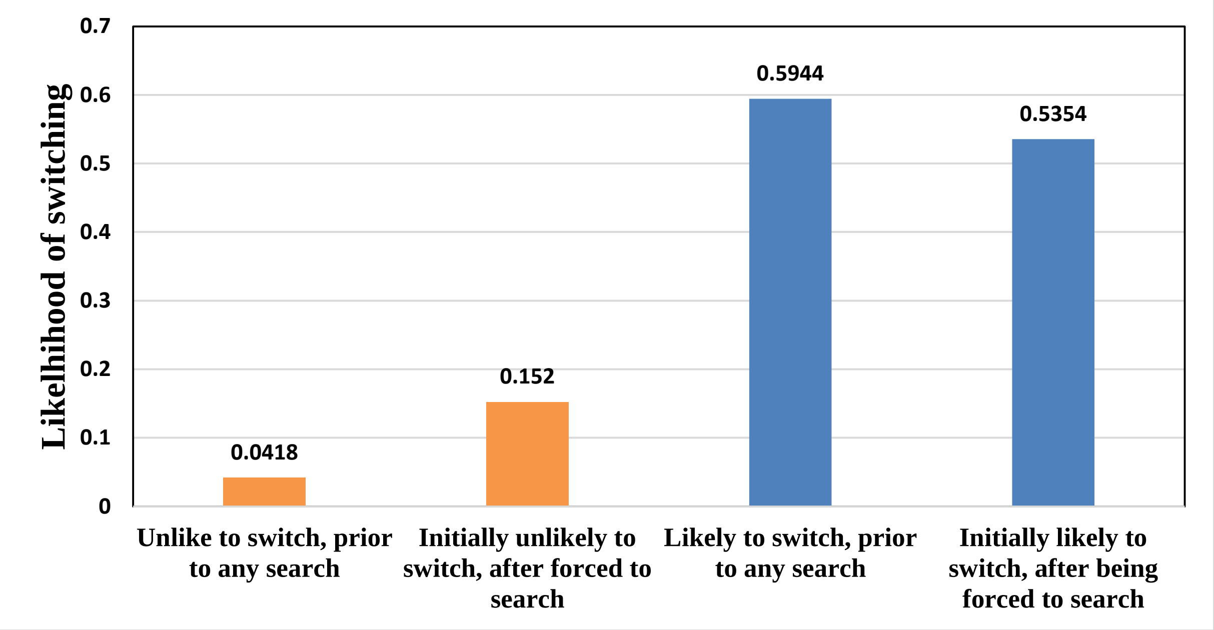
To test the relationship between information search on switching intention, switching intention was regressed against independent variables information search (information search was coded by 0 and 1, with searched =1 and did not search = 0), switching intention before search and their interaction. Results in Table 6.13 indicate that information search and switching intention before searching and their interaction have significant effects on switching intention after searching information.

Table 6.13: Effect of information search on switching intention

	b	**p**	**Mean**	**SD**
Information search (searched=1; did not search=0)	.168	.000	1.00	.000
Switching intention before search	1.000	.000	.31	.278
Information search x Switching intention before search	-.382	.000		
Model fit: R Square = .670; p <005				
Dependent variable: Switching intension after search				

The interaction between information search and switching intention before search has a significant negative effect on switching after searching. Being forced to search modified people's estimates that they would switch service providers. In this analysis, I set up an interaction between initial estimates of switching and later estimates. I find that prior to any searching some respondents were keen to switch, but others were not. The spread between the high and low likely to switch was high, with those one standard deviation less than average reported a 4.2% chance of switching. Half of these individuals were then forced to search, and then asked again whether or not they would switch. Their reported switching rate rose to 15.2%. Other individuals initially reported they were likely to switch, and those who were more likely to switch by one standard deviation above the mean reported their switch likelihood at 59.4%. However, half of these individuals were forced to search, then their reported switching rate after being forced dropped 5.9%. The Figure 6.6 below illustrates the differences.

Figure 6.6: Effect of information search on switching intention



6.5.6 Customer switching intention before searching information.

A number of stepwise regressions had been conducted to discover the important factors affecting customer switching intention before search. However, the result indicated that only self-confidence has significant effect on the relationship between satisfaction and switching intention before search.

Table 6.14 shows significant effects of satisfaction and confidence before search on switching intention before search. Moreover, the association between switching before search and the interaction between satisfaction and confidence is significant at 0.05 level (p= 0.036)

$$\textbf{Model 1: } Y = 0.495 + 0.049X_1 + 0.036X_2 - 0.034\, X_1 \times X_2$$

Y: Switching intention before search

X_1: Level of satisfaction

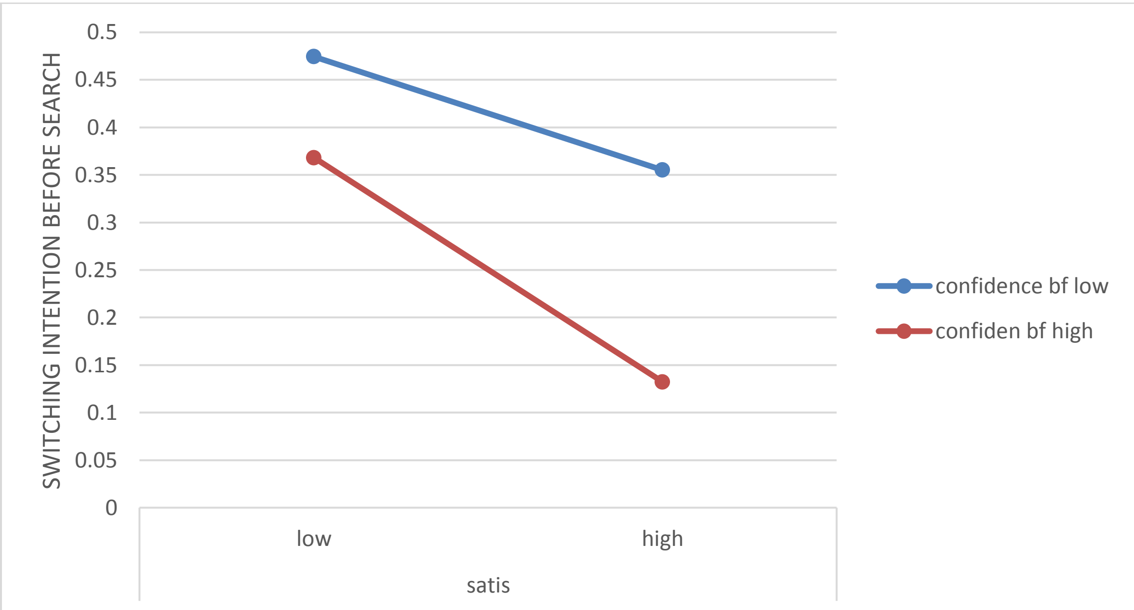
X_2: Switching confidence before search

Table 6.14: Effect of self-confidence on the relationship between satisfaction and switching intention before search

Model 1	**b**	**p**	**Mean**	**SD**
Satisfaction	.049	.455	3.75	1.003
Switching confidence before search	.036	.552	3.83	.904
Level of satisfaction x Switching confidence before search	-.034	.036		
Model fit: R Square = .258; $p < 0.05$				
Dependent variable: Customer switching intention before searching information				

Based on the result from the regression reported in Table 6.14, the relationship among satisfaction, confidence and switching intention is described in Figure 6.7. The main effects are not significant, but that the interaction is significant. If participants were satisfied but not confident, their intention to switch was higher than participants with high confidence. With less satisfied participants, their intention to switch was higher if they were not confident. In other words, low satisfied customers tend to switch more than high satisfied customers. However, this switching intention would be reduced if customers' confidence increases.

Figure 6.7: Switching intention before searching



6.5.7 Customer switching intention after searching information

Multiple regressions have been implemented to examine which factors affecting customer switching intention after search.

The results in Table 6.15 indicate that switching intention before search, better deal and sunk cost have significant effects on switching intention after search. Moreover, those variables explain 62% of switching intention after searching. Switching intention before search has significant positive influence on switching after search (b=0.259, p= 0.003). Meanwhile, better deal and sunk cost are significant predictors for switching after search, but have negative relationships with switching after search. Interestingly, both interactions between sunk cost and better deal; sunk cost and switching intention before search have significant associations with switching after search.

Model 2: $Y = 0.749 + 0.259\ Z_1 - 0.146\ Z_2 - 0.327 Z_3 + 0.063 Z_2 \times Z_3 + 0.286\ Z_1 \times Z_3$

Y: Switching intention after search

Z_1: Switching intention before search

Z_2: Better deal

Z_3: Sunk cost

Table 6.15: Relationship between switching before search and after search

Model 2	**b**	**p**	**Mean**	**SD**
Constant	.749	.000		
Switching intention before search	.259	.003	.31	.278
Better deal	-.146	.000	2.96	1.243
Sunk cost	-.327	.000	.45	.788
Sunk cost x Better deal	.063	.002		
Sunk cost x Switching intention before search	.286	.006		

Model fit: R Square = .620; p <0.05

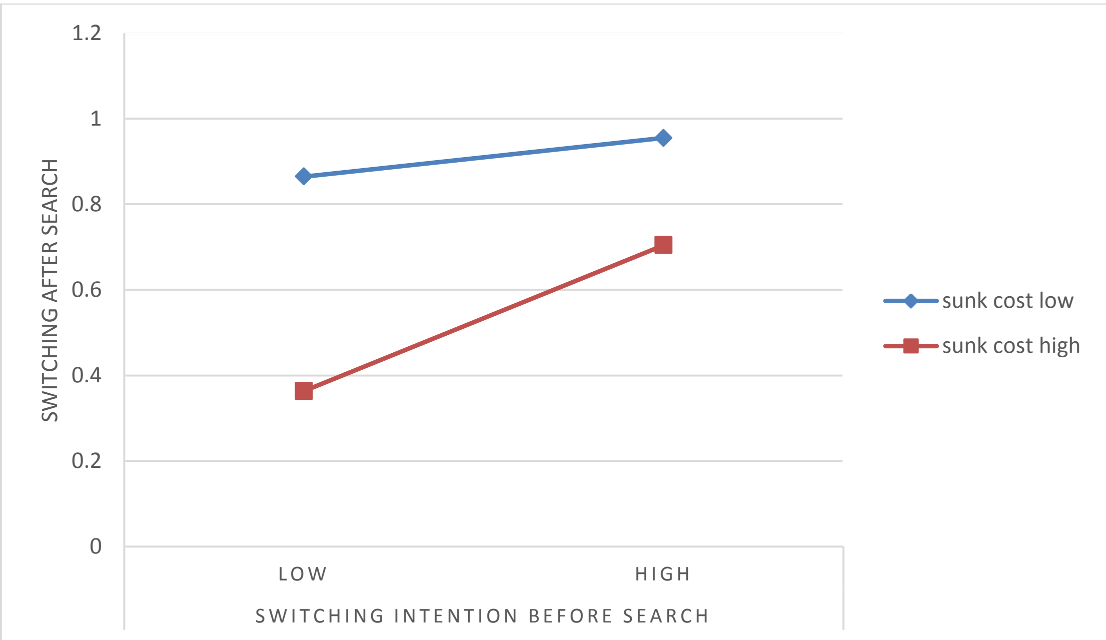
Dependent Variable: Switching after search

6.5.7.1 The effect of sunk cost on the relationship between switching intention before and after search

The results presented in Table 6.15 show that sunk cost plays an important role in explaining customer switching behaviour in financial contexts. It is widely acknowledged that switching cost is a barrier to switching. In other words, when switching cost is high, switching intention is low.

My research goes further than previous researchers by examining which factors affect customer switching intention after they search for information. Is is common belief that the switching intention before and after search may not changed. However, the results indicate that after searching, if customers perceive that sunk cost is high, their switching intention will be low. In contrast, if they think sunk cost is low, they will have higher intention to switch. These interaction effects can be seen in Figure 6.8.

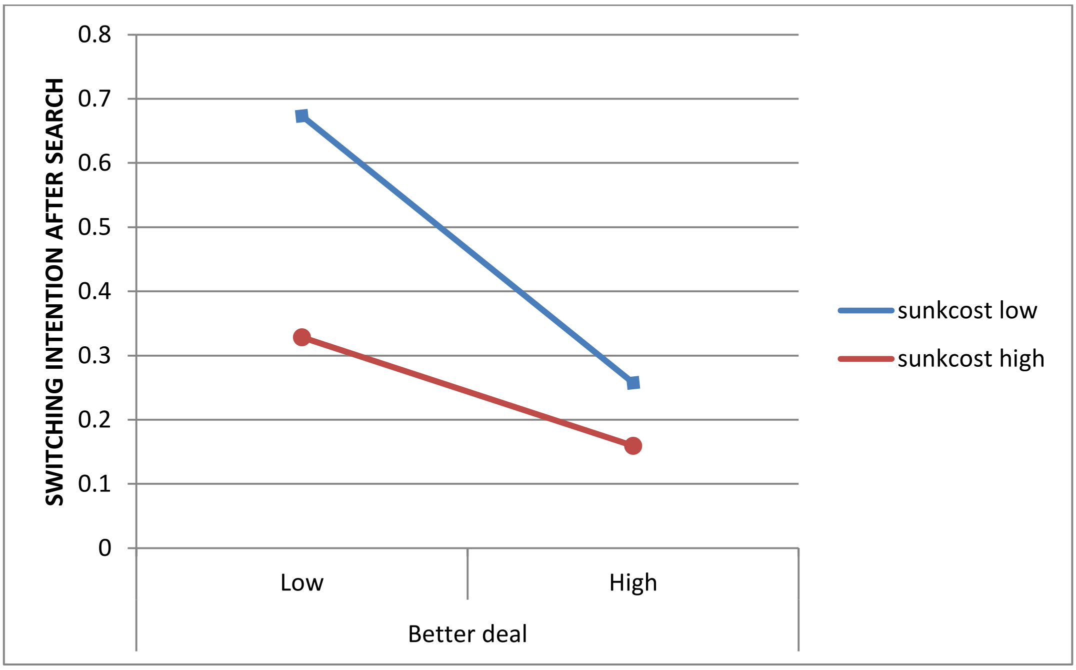
Figure 6.8: The effect of sunk cost on the relationship between switching intention before and after search



6.5.7.2 The effect of sunk cost on the relationship between better deal and switching intention after search

Whether customers find a better deal through searching for information is important in explaining switching intention. It can be predicted that if customers find a better deal, they will intend to switch. It is common belief that when a customer finds a better deal (s) he is more likely to switch than if there is no better deal. However, Table 6.15 shows that this relationship is not straightforward. In particular, the research shows that when a customer finds a better deal (s) he is less likely to switch than if there is no better deal. This is counterintuitive because of the effects of sunk cost on switching intention. In particular, when sunk cost is high, customers have lower intention to switch even if they have found a better deal (see Figure 6.9).

Figure 6.9: The effect of sunk cost on the relationship between better deal and switching intention after search



6.6 Evaluation of hypotheses

A considerable amount of research has focused on understanding the process by which customers make decisions. However, few researchers have examined how customers switching intention changes after they have information about alternatives. My research focused on the differences in customer behaviour before and after searching for information on the internet. The results of this study indicated that information search moderates switching intention, reducing it when it is high, but increasing it when it is low. Moreover, my results imply that satisfaction, customer confidence and switching cost are the main drivers of customer switching behaviour. The following section summarises the results of hypotheses testing.

6.6.1 Overconfidence

6.6.1.1 Hard-easy effects

Although the overconfidence phenomenon has not been observed by all people in the current study, the hard -easy effect regarding overconfidence has been confirmed.

A linear negative relationship exists between answer correctness and customer overconfidence in knowledge. When correctness increases, overconfidence decreases; when questions are harder, people become more overconfident. Hypothesis 1a which proposed that customers' overconfidence in knowledge increases with difficult tasks is therefore supported.

6.6.1.2 Familiarity effect

Many studies conclude that people will be overconfident when they are unfamiliar with tasks (see, for example, Beach and Mitchell, 1978, O'Connor, 1989, Tourani-Rad and Kirkby, 2005). In this research, familiarity had a significant positive effect on overconfidence. This means that when familiarity increases, overconfidence increases. In other words, when people are more familiar with financial services, they become more overconfident. Meanwhile, hypothesis 1b states that customers' overconfidence in knowledge increases with unfamiliar tasks; therefore it is not supported.

6.6.2 The relationship between knowledge and self-confidence

Hypothesis 2 predicts that product knowledge has positive significant effects on self-confidence. In the experiment, respondents were asked about their subjective knowledge, objective knowledge and familiarity, then about their confidence. Product knowledge explains very little of the variance in confidence in decision-making, but the relationship is statistically significant. Therefore, hypothesis 2 is supported.

6.6.3 The relationship between satisfaction and switching intention

Hypothesis 3 suggests that satisfaction negatively influences customer switching intentions. During data collection, participants were asked about their satisfaction with their financial services, then whether or not they intended to switch. The results presented earlier reveal that satisfaction is significant in explain switching intention, and therefore hypothesis 3 is supported.

6.6.4 Effect of overconfidence in the relationship between satisfaction and switching intention

It was hypothesised that overconfidence in product knowledge positively moderates the relationship between customer satisfaction and switching intention. During data collection, respondents' objective knowledge was tested and their confidence in their answers measured. Satisfaction and overconfidence were significantly associated with switching intention, but the interaction between satisfaction and overconfidence was not ($p=0.07$). Therefore, hypothesis 4 is not supported.

6.6.5 Effects of information search on customer retention after search.

6.6.5.1 Effect of information search on the relationship between satisfaction and switching intention.

Hypothesis 5a predicted that information search has significant effect on the relationship between satisfaction and customer switching intention. Multiple regression had been performed to examine the interaction of switching cost on the relationship between satisfaction and switching intention. However, the result indicated that information search did not affect the relationship between satisfaction and switching intention. Therefore hypothesis 5a is not supported.

6.6.5.2 Effect of better deal on the relationship between satisfaction and switching intention

It was hypothesised that better deal positively moderates the relationship between customer satisfaction and switching intention. During data collection, respondents' objective knowledge was tested and their confidence in their answers measured. Better deal was not significantly associated with switching intention after search. Moreover, the interaction between satisfaction and better deal was not significant (p=0.791). Therefore, hypothesis 5b is not supported.

6.6.5.3 Effect of information search on the relationship between switching intention before search and after search

Hypothesis 5c predicted that information search moderates switching intention, reducing it when it is high, but increasing it when it is low. The results presented earlier show that interaction between satisfaction and confidence in the relationship with switching before search is significant at 0.05 level (p= 0.000). Moreover, the interaction graph indicated that when customer initial switching intention is high, after search their switching intention decreases. In contrast, when initial switching intention is low, after customer search their switching intention increases. Thus, hypothesis 5c is supported.

6.6.6 Effect of self-confidence in the relationship between satisfaction and switching intention before search

Confidence in decision-making was hypothesised to be a moderator in the relationship between satisfaction and switching intention. The results presented earlier show that interaction between satisfaction and confidence in the relationship with switching before search is significant at 0.05 level (p= 0.036), and confidence in decision-making and the interaction between them are significant in explaining switching intention. Thus, confidence in decision making positively moderates the relationship between satisfaction and switching intention, and hypothesis 6 is supported.

6.6.7 Effect of switching cost in the relationship between satisfaction and switching intention

Hypothesis 7 predicts that four types of switching costs negatively moderate the relationship between satisfaction and switching intention. Multiple regression had been conducted to examine the effect of each type of switching costs on the relationship between satisfaction and switching intention. However, results showed that the interaction of all types of switching cost was not significantly related to the relationship between satisfaction and switching intention (p>0.05). Hypothesis 7 is therefore not supported.

6.6.8 Summary of hypotheses testing

The hypotheses and the results of testing them are presented in Table 6.16.

Table 6.16: Summary of hypothesis testing

	Hypothesis	Supported
H1a	Customers' overconfidence in financial knowledge increases with difficult tasks	**Yes**
H1b	Customers' overconfidence in knowledge increases with unfamiliar tasks	No
H2	Customer knowledge has positive effect on customer confidence in decision-making	**Yes**
H3	Satisfaction has negative influence on customer switching intention	**Yes**
H4	Overconfidence in product knowledge positively moderate the relationship between customer satisfaction and switching intention	No
H5a	Information search has a significant effect on the relationship between satisfaction and customer switching intention.	No
H5b	Better deal positively moderates the relationship between customer satisfaction and switching intention	No
H5c	Information search moderates switching intention, reducing it when it is high, but increasing it when it is low.	**Yes**
H6	Confidence in decision making positively moderate the relationship between satisfaction and customer retention	**Yes**
H7	The influence of satisfaction on customer switching intention is negative with the increase of sunk costs, lost performance costs, uncertainty costs and lost performance costs	No

6.7 Chapter summary

This chapter presents questionnaire results from the experiment of the research. The experimental phase produced numerous valuable findings. The overconfidence phenomenon was not detected, although the hard and easy effect was captured. Satisfaction has a significant effect on both switching intention before and after customers search for information. Searching for information has a strong effect on the change of switching intention before and after search. In particular, if customers have low initial switching, after searching for alternative, their switching intention increases. In contrast, if customers have high initial switching, after searching for alternative, their switching intention decreases. Confidence in decision-making moderates the relationship between satisfaction and switching decision before searching for information. Finally, customers finding a better deal and sunk cost moderate the relationship between satisfaction and switching intention after information search.

The results of this chapter indicate the important roles of satisfaction and information searching. However, the effects of information searching on switching intention depend on how much customer want to switch before searching for information. Information search has different effects between customers with high switching intention before search and customers with low switching intention before search. Therefore, managers should pay much attention on the level of customers' switching intention before they search for information. Furthermore, customer finding a beter deal does not mean that they will switch. Managers need to control sunk cost because it moderates the relationship between finding a better deal and switching intention.

CHAPTER 7: DISCUSSION AND CONCLUSIONS

7.1 Introduction

The main objective of this study was to produce new knowledge about the roles of important constructs of consumer decision-making, namely customer confidence, customer satisfaction, switching cost, customer knowledge and information search in explaining switching intentions in a financial services context. Although much research has examined the relationship between satisfaction and switching behaviour, there is relatively little research explaining this relationship using customer knowledge, customer confidence and information search as moderators. Moreover, many studies of factors affecting customer switching intention make their conclusions based on survey data (see, for example, Antón et al., 2007, James and Denny, 2002, Bell et al., 2005, Keaveney, 1995). Such studies ignore the importance of information search in explaining customer switching behaviour, an omission that I have gone to great lengths to rectify.

In this chapter, firstly I discuss the findings of my study and their implications for both theory and practice. Then I will present the contribution of the study as well as the limitations of the study. Recommendations for further research are discussed next. Finally, the conclusions are presented.

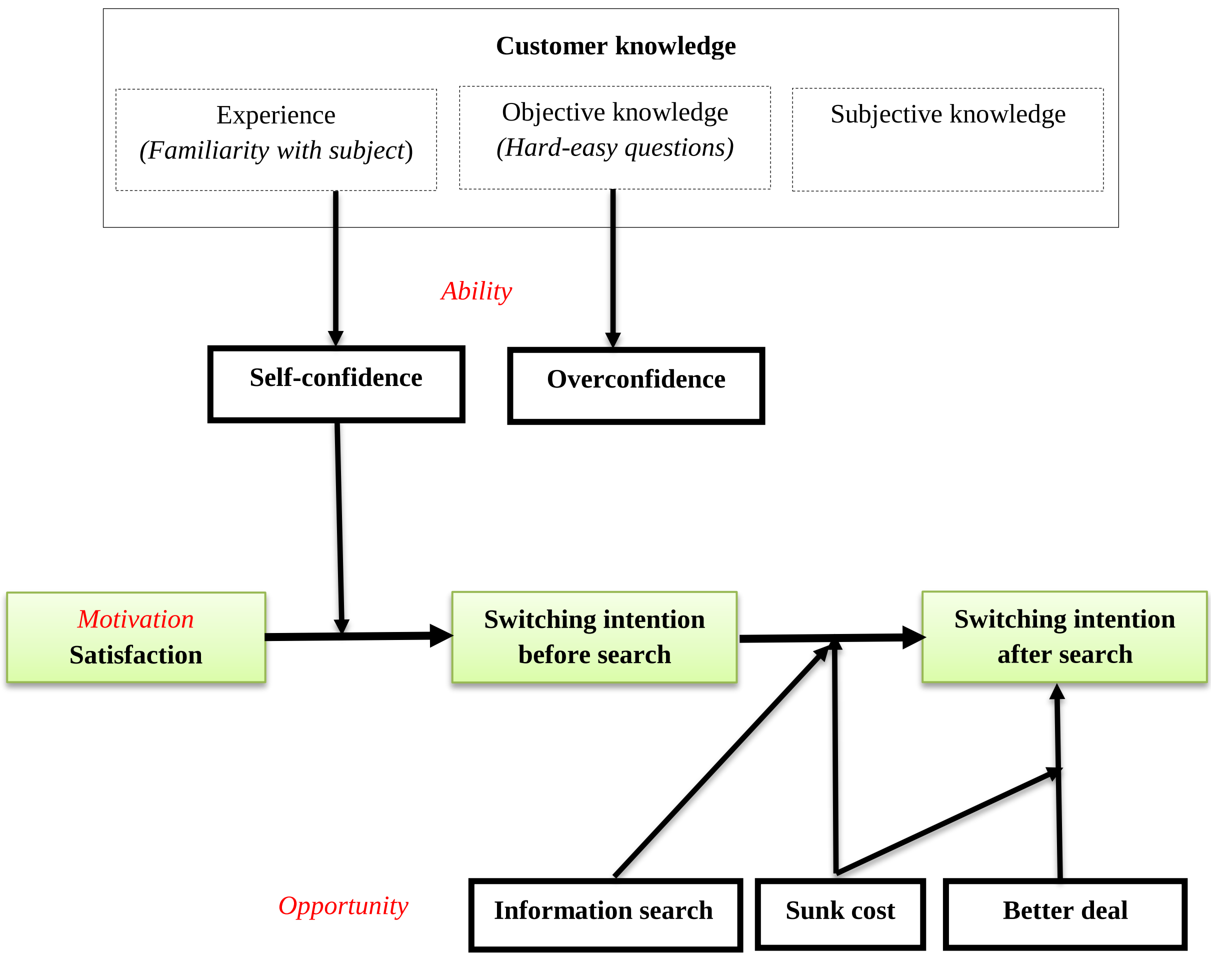
7.2 Discussion of findings with reference to the literature

7.2.1 Conceptual framework revised and MOA theory confirmation

7.2.1.1 Conceptual framework revised

Based on the supported hypotheses as well as other results from analyses in chapter 6, a revised conceptual framework was developed in Figure 7.1.

Figure 7.1: Revised conceptual framework



As can be seen from the relationships among variables in figure 8.1, satisfaction was confirmed as the main driver of switching intention. This is in line with several studies which indicated that customer's satisfaction is a significant predictor for switching intention (Bansal and Taylor, 2015, Nagengast et al., 2014, Rego et al., 2013). Self-confidence negatively moderates the relationship between satisfaction and switching intention before search. Information search and sunk cost have strong effect on the relationship between switching intention before search and switching intention after search. In particular, information search moderates switching intention, reducing it when it is high, but increasing it when it is low. Sunk cost negatively moderates the relationship between switching intention before search and switching intention after search. If customers perceive that sunk cost is high, their switching intention will be low. In contrast, if they think sunk cost is low, they will have higher intention to switch. Moreover, sunk cost negatively moderates the relationship between better deal and switching intention after search. When sunk cost is high, customers have lower intention to switch even if they have found a better deal.

7.2.1.2 MOA theory confirmation

MOA was the main theory employed to explain customer switching behaviour in this study. The results indicated that MOA partially explains customer behaviour in the financial services context. In particular, variables such as satisfaction, self-confidence, sunk cost and information search fit perfectly with MOA theory in explaining customer switching intention. Nevertheless, variables such as overconfidence, switching cost, and finding a better deal did not fully fit within the MOA framework. Overconfidence may fit MOA because they can express for ability construct, but it is not fit in terms of a moderator for the relationship between motivation and behaviour. Similarly, better deal presented for customer opportunity; however, it did not fit MOA when it was not a moderator for the relationship between satisfaction and switching intention.

Consistent with MOA theory (MacInnis et al., 1991, MacInnis and Jaworski, 1989), customer motivation was the main driver of customer behaviour in my study. Customer opportunity and ability are moderators of the relationship between customer motivation and customer behaviour. An earlier theory, ELM, can be seen as previous version of MOA theory (Shih et al., 2013), in which information search is considered as customer opportunity. Based on this, I integrated information search as an opportunity construct of MOA in my study.

My results indicated that satisfaction, representing customer motivation, has a negative and significant effect on switching intention (Hypothesis 3 supported), in alignment with MOA

(MacInnis et al., 1991, MacInnis and Jaworski, 1989) theory and other studies (Ramaswami et al., 1998, Ramaswami et al., 2000).

For ability constructs, self-confidence moderates the relationship between customer satisfaction and switching intention (hypothesis 6 was supported). However, overconfidence did not have any effect on the relationship between satisfaction and switching intention (hypothesis 4 was not supported). These findings suggest that not all variables in the ability category of MOA theory moderate the relationship between satisfaction and switching intention.

For the opportunity category, which includes switching cost, information search and finding a “better deal”, information search has a significant effect on the relationship between switching intention before search and switching intention after search. The hypotheses H5b and H7 were not supported, meaning that switching cost and better deal did not moderate the relationship between satisfaction and switching intention; however, sunk cost has a significant negative influence on the relationship between switching before search and after search. Sunk cost also moderates the relationship between finding a better deal and switching after search. In addition, information search has negative effect of the relationship between switching intention before search and switching intention after search. Similar to the results relating to the ability construct, not all variables in the opportunity category moderate the effect of satisfaction on switching intention. However, sunk cost and information search moderate the effect of switching intention before search on switching intention after search.

Although not all variables in the current research fit with MOA theory, important variables such as self-confidence, information search, sunk cost and finding a better deal, which do align with MOA theory, help to explain switching behaviour. Therefore, my study confirms that MOA theory can be used to explain customer switching behaviour in a financial services context.

7.2.2 Overconfidence issues

7.2.2.1. Overconfidence

Overconfidence has been measured by comparing the level of confidence the respondents have towards the answers they provided and their actual correct answers. In psychology research, binary choices of general knowledge question have been applied widely to examine knowledge level of people. In other fields such as marketing, overconfidence can be measured by specific knowledge (Kaustia and Perttula, 2012). In financial decision making, overconfidence also has been examined in many research studies, especially in the research of investors' behaviour. The results show that investors are overconfident (Park et al., 2010); venture capitalists are indeed overconfident (Zacharakis and Shepherd, 2001). Although these studies show that investors are overconfident, whether customers are confident in financial knowledge regarding banking and insurance has still not been confirmed yet. In a financial service context, one of the results from my study was that overconfidence was only observed in some, not all respondents. The probable reasons that overconfidence results in my study were different than the findings about overconfidence in psychology and other research are as follows:

Firstly, customers in financial services have not only been affected by individual psychology, but also by social psychology. For instance, investors' decisions are affected by interaction and conversation with other investors and the media (Tourani-Rad and Kirkby, 2005). Thus, the finding of overconfidence in psychology may be different than in other social fields such as financial services context.

Secondly, overconfidence depends on how and what questions are asked (Tsai et al., 2008). In psychology research, general knowledge question such as "What is the biggest city in X" or "Who is the president of Y" etc. were asked. However, in my study, participants were asked about specific financial service knowledge. When overconfidence was measured by specific knowledge such as financial services knowledge in my study, the results of overconfidence may be different with common findings in the psychology literature which usually finds that people are overconfident. It seems that the findings of overconfidence in psychology and in the specific context such as the current study are different. Thus, it can be argued that the way we ask participants will affect the measure of overconfidence. This is in line with Klayman et al. (1999). Even though overconfidence is a pervasive finding in psychology, it is not captured in financial service such as the current research. Moreover, even in the same context such as financial decision making, the overconfident findings may be different, for example, Park et al. (2010) concluded that the investor is overconfident. However, overconfidence is not confirmed by my study. Further studies should try to examine to make a conclusion of whether overconfidence exists in financial service in general.

Thirdly, overconfidence depends on which scale has been used to measure confidence (Klayman et al., 1999). Thus, when customer confidence was measured by different scales, this could generate the different results of overconfidence. Typically, the half-range scale (50% to 100%) has been used to evaluate customer confidence in several previous studies. However, this scale was criticised by Klayman et al.(1999), who argued that using a half-range scale could lead to bias because the confidence level is always greater than 0.5, while the probability of obtaining the right answer is smaller than 0.5. Thus, my study used the full-range scale (0% to 100%) to measure confidence. The use of a different scale could be a reason why overconfidence is not calibrated for all participants.

My study found that 41% of observations were overconfident about their level of financial knowledge. Meanwhile, 9% of observations were confident and 50% of observations were under-confident in a financial services context. The high percentage of observations who were under-confident in knowledge means that a high percentage of customers had good knowledge of financial services but they still were not confident in financial services knowledge. This suggests that managers should pay attention to increasing customer confidence in knowledge.

Theoretically, the finding that not all customers are overconfident in their knowledge such as in my study challenges the conviction with which scholars have espoused the case for overconfidence. Future researchers on consumer knowledge calibration need to alter their frames of reference to take this into account. Also, this finding alludes to the interesting possibility that some of the results of research in psychology might not apply to consumer research. This calls for circumspection in deductive theory building efforts in consumer research that accepts established findings in related fields as points of departure.

In practical terms, the existence of a high percentage of under-confident customers represents a problem for financial companies. The reason is that under-confident people are (by definition) hesitant in making decisions, then this can make them more unlikely to switch from their existing provider. Moreover, Willis (2008) indicated that under-confident customers tend to avoid asking for help when they need to make decisions regarding financial services. In addition, they may not seek financial service information, meaning providers will have no chance to attract them into using their services. Therefore, to obtain more customers, financial service providers should try to build confidence in these under-confident customers. In doing so, engaging under-confident customers in searching for information is one way of building their confidence; however, this is not always easy because financial services are often viewed as boring in comparison with other services/products (Estelami, 2012). The strategy that financial companies should use to attract customers is providing information in simple but simultaneously interesting ways. Moreover, financial companies could launch promotional campaigns using simple tests (easy online questionnaires) and provide discounts for customers if they score highly. The discount will motivate customers to complete the test. In addition, when customers answer a simple questionnaire their confidence in their knowledge will increase. Moreover, a discount offered will encourage customers to search for more information about services. When customer confidence is higher and they have more information about alternatives, they may consider to choose the services when they need them. Moreover, if the customers are already existing ones, their reluctance to search for information seems to be advantageous to the current providers.

7.2.2.2 The hard–easy effect

The hard–easy effect is a common finding in confidence research, in which judges express greater overconfidence for more difficult questions (Merkle, 2009). Even though in my study not all customers were overconfident, the hard-easy effect was found to exist, as customers were more overconfident with harder questions. The results presented in chapter 6 indicated a negative relationship between correctness scores of the answers and overconfidence, in line with previous research (see, for example, Merkle, 2009, Suantak et al., 1996). In contrast, if the questions become easier customers will be less confident.

Bloomfield (2006) indicated that financial outcomes are difficult to predict, so people are likely to be overconfident rather than underconfident. This finding is consistent with the hard–easy effect outcomes in my research. In particular, the questions about complicated services such as mortgage or superannuation were harder than those about simple services such as bank account and credit cards. Accordingly, customers are overconfident with respect to complex services such as mortgages, and typically make decisions that exceed their understanding; this explains why some customers are still in uncomfortable financial situations due to securing a loan that is over the limit of their ability to pay off. This situation can sometimes be disastrous for both banks and customers, therefore, bank managers should find ways to reduce customer overconfidence in complex services to avoid such problems. Customers need improved financial knowledge to control their debt better, especially for complicated financial services such as mortgages or superannuation.

7.2.2.3 Familiarity effects

Familiarity is one of the most important topics in relation to the overconfidence phenomenon. The literature shows that there are strong interactions between product familiarity and overconfidence. When customers have rich experience in using a product, they are less overconfident; in contrast, if a customer has less familiarity with a product, they tend to be more overconfident. However, my results indicated that the familiarity effect does not exist in the context of financial services – in particular, that there is no significant relationship between familiarity and overconfidence. In other words, overconfidence is not affected by familiarity with respect to financial services.

Familiarity is an important factor affecting customer decision-making. Customers tend to purchase the products with which they are familiar. For example, when customers are familiar with a brand or advertisement, they will easily make the decision to choose the products (Arora and Stoner, 1996). Customers also invest more in stocks they are familiar with (Massa and Simonov, 2006). However, my research did not examine the direct effect of familiarity on customer behaviour, but via overconfidence. My study contradicts the common finding in the psychology literature that overconfidence is affected by familiarity. The practical implication of my finding is that financial companies do not need to pay attention to customer familiarity in relation to overconfidence. However, as mentioned above, familiarity still has a significant effect on customer decision-making. Therefore, financial companies still need to implement marketing strategies that aim to enhance the familiarity of customers with their brand and products/services offered.

7.2.3 Customer knowledge and confidence in decision-making

In my research, I examined the relationship between customer knowledge and self-confidence. The results in chapter 6 indicate that knowledge had a strong positive influence on self-confidence. This is in line with the results of several previous studies (see, for example, Fabrigar et al., 2006, Biswas and Sherrell, 1993).

The literature demonstrates that customer knowledge, consisting of familiarity, subjective knowledge and objective knowledge, has strong influence on customer behaviour. For example, Capraro et al. (2003) concluded that knowledge has a strong negative influence on switching behaviour in financial services. Knowledge is also important for customers in choosing and using financial services. Cole et al. (2011) indicated that if customers have more knowledge in financial services, they will use more bank accounts. Robb (2011) showed that more credit cards have been used more when customers have more knowledge in financial services.

Results from the current study also indicated that self-confidence is a robust factor in explaining the relationship between satisfaction and switching behaviour. Meanwhile, knowledge has a strong effect on self-confidence. Thus, it can be stated that knowledge has a strong indirect effect on the relationship between satisfaction and switching behaviour via self-confidence.

The findings above suggest that customer knowledge in financial services is crucial for customer behaviour, including customer decision-making and confidence in decision-making. Cole et al. (2011) stated that the benefits of financial literacy are great, particularly on a personal level; knowledgeable individuals save more and manage risk better. General equilibrium effects may also exist: risk-sharing may be enhanced, intermediation may be improved, and overall financial development may be accelerated, and economic volatility may be reduced, by an increase in demand by households for financial services. The competition in the sector of financial services could in turn be facilitated, and the allocation of capital within society will ultimately be more efficient.

It is obvious that enhancing customer knowledge is one of the most important strategies in the marketing activity of financial companies. However, as noted previously, financial services are viewed as “boring” and it is difficult to motivate customers to find out more information (Estelami, 2012). In addition, many financial services, such as health insurance and mortgages, are complicated; consequently, not every customer can easily understand them. Therefore, to educate customers, financial companies must provide knowledge in ways customers can understand via diverse channels including social media and mass-media advertising. In addition, financial companies should find interesting ways to convey knowledge.

Financial literacy has received increasing attention around the world in both developed and developing countries. For example, from 2007 to 2011 the Indonesian government launched a series of financial literacy programs with a stated goal of improving access to and use of financial services.[3] In January 2010 the United States government launched the President's Advisory Council on Financial Literacy, which is responsible for promoting programs aiming to increase access to financial services and to promote financial education at all levels of the economy.[4] Similarly, in Australia, financial literacy programs have been conducted by both government and financial institutions. The National Financial Literacy Strategy 2014-17, which is led by the Australian Securities and Investments Commission, maps a national plan for financial literacy and proposes a practical action framework for community and education sectors, business and the government. The overall goal of the Strategy is to enhance the financial wellbeing of Australians by improving their literacy in finance. Bringing about a noticeable change in Australians' levels of financial literacy is a long-term journey requiring an approach that involves sustained actions by multiple stakeholders and coordination on a national scale[5]. Australian financial institutions also provide financial literary programs. For example, between 2004 and 2008, more than $1.75 million was invested by the Commonwealth Bank Foundation

[3] See http://www.oecd.org/daf/fin/financial-education/4%20WIBOWO%20Pungky%20Purnomo%20FI_Cebu%2007092012%20rev.pdf (accessed 23th July 2015)

[4] See http://www.treasury.gov/resource-center/financial-education/Pages/Advisory.aspx (accessed 23th July 2015)

[5] See http://www.financialliteracy.gov.au/strategy-and-action-plan/strategy-2014 (accessed 23th July 2015)

in Financial Literacy Grants to Australian secondary schools, distributing for free a set of educational materials that assist teachers in improving their students' financial management.[6]

Some observers may consider it obvious that financial literacy programs should improve customer knowledge and enhance self-confidence. However, the extent to which financial literacy programs improve customer knowledge has not been examined carefully. Cole et al. (2011) indicated that despite the potential benefits of financial literacy, to date there is no credible evidence on the effects of financial literacy programs. This suggests that future studies should evaluate the effects of financial literacy programs, enabling authorities to design subsequent programs more effectively.

7.2.4 Self-confidence and switching intention

Self-confidence (the feeling of making the right decision) is considered one of the most important factors that explains customer switching intention. The results from chapter 6 indicate that self-confidence moderates the relationship between satisfaction and switching intention. In particular, dissatisfied customers have low intention to switch if their self-confidence is high, and have high switching intention if their self-confidence is low. Satisfied customers, on the other hand, have high switching intention if their self-confidence is low and low switching intention if their self-confidence is high. These findings mean that customers with low self-confidence tend to have high probability of switching. In contrast, customers with high self-confidence have lower propensity to switch regardless of their satisfaction. These findings support the real-world observation that many satisfied customers defect to other suppliers (Jones and Sasser, 1995). Satisfaction itself does not ensure customer retention; other variables such as customer self-confidence moderate this relationship. The finding also suggests that enhancing customer self-confidence can help to reduce customer switching intention.

[6] See https://www.commbank.com.au/about-us/in-the-community/understanding-money/commonwealth-bank-foundation/financial-literacy-teaching-resources.html (accessed 23th July 2015)

The reasons why self-confident customers have low switching intention is that they believe they made the right decision initially; thus they are not attracted by other offers in the market and tend to remain with their current providers. However, customers with low self-confidence do not know whether they have made the right decision, so they will easily be attracted by other offers in the market and tend to switch more often.

There are various ways to enhance customer self-confidence. One is to improve customer knowledge, as discussed in the previous section. Another is to provide more information to customers, because confidence changes when people have more information (e.g., Tsai et al., 2008).

The results of my study suggest that companies should encourage both low- and high-confidence customers to search for information. For highly self-confident customers, information search reinforces their confidence so they will be more loyal. For customers with low self-confidence, searching for information will increase self-confidence and give them stronger belief that they made the right decision; thus, they will tend to stay with their current provider. However, in most cases, whether customers search for information or an alternative provider will depend on customer's motivation, not on company intentions. Therefore, if companies want to encourage customers to search for information, they should develop and promote effective means of doing so. For example, companies can create interesting advertisements that present links for customers to follow. Alternatively, companies can send letters to customer or emails to encourage them to search.

7.2.5 Information search, switching costs and switching intention

The literature shows that switching costs and information search play important roles in explaining consumer's switching (see, for example, Anderson, 1994, Fornell, 1992, Honka, 2014, Nagengast et al., 2014). The results of my research confirm that both information search and switching costs have significant effects on customer switching behaviour.

Switching costs are important for switching behaviour, especially when they face a switching decision (Nagengast et al., 2014). Theoretically, switching costs are predictors of customer switching (see, for example, Anderson, 1994, Fornell, 1992, Nagengast et al., 2014). As such, managing switching costs enables managers to create an effective customer loyalty program (Fornell, 1992). Information search also has a significant effect on customer decision-making (Honka, 2014). For example, if customers do not search for information, incomplete information about alternatives can lead to customers switching to other providers (Honka, 2010).

Information search and switching cost should be important for customer switching. However, most of the research in empirical literature examined them separately in relation to customer switching (Honka, 2010). The current study is one of few to examine the effect of both switching cost and information search on customer switching.

As expected, my research showed that switching cost has a strong effect on customer switching behaviour. However, among the four types of switching cost only one, sunk costs, has an effect on switching intention in a financial services context. Sunk costs refer to customer perception of time, money and effort invested in building and maintaining a relationship with providers (Jones et al., 2002). Sunk cost is important to customers in the financial service context because financial service is relevant to fee, rate that customers paid and they can be lost if they switch. In addition, switching financial services creates paperwork and new bank procedures and this takes time and customer effort. The results from my study indicated that sunk costs moderate the relationship between switching intention before search and switching intention after search. If customers have high switching intention before search, they also will have high switching intention if they perceive sunk cost is low. On the other hand, if they perceive sunk cost is high their switching intention after searching for information will decrease. In a financial services context of the current study or in other contexts, sunk costs still was considered as the most important switching cost for customers despite the fact that it just is not rational for customers to include this. The reason is that when customers decide to use or purchase any financial service/product, they must pay some kind of fee; if they switch, they forfeit the fee. For example, when customers have to pay a monthly fee to maintain a bank account, if they switch they will lose the fee and they should not consider these fees in switching cost.

Results from this study also showed that searching for information has a significant effect on customer switching behaviour. In particular, the results indicated that if customers had opportunities to search for information, their switching intention was decreased. In contrast, if customers did not search their switching intention was higher. These findings contrast with the common belief that if financial services customers have more information after a search they are more likely to switch, especially when they are dissatisfied. These findings also raise the question why a customer does not switch after searching for alternatives. My study showed that customer switching will not only depend on whether customers search for information, but on whether customers find a better deal. However, the answer is not straightforward; because of switching costs, customers who find a better deal may not switch. This is shown in my finding that sunk cost moderates the relationship between finding a "better deal" and switching intention. If customers find a better deal, they consider switching only when sunk cost is low.

I expected that the quality of an information search would partially explain customer switching. In particular, I expected that customers who perform a high-quality search will be more likely to switch because they are more likely to find a better deal. Hence this study considered the quality of search to be equivalent to the quality of the searching process. This in contrast to most of the studies in literature, in which search quality is taken to be equivalent to the quality of the search result (Bailey et al., 2007, Ataullah and Lank, 2010). I established a new measurement, consisting of the quality of search content (search outcomes) and the quality of search strategy (search process), and conducted analyses of the relationship between search quality and important variables such as finding a better deal and switching intention. However, no significant effects were found. Therefore, I conclude that search quality has no any effect on finding a better deal or switching intention. This means that whether customers switch and find better deals does not depend on what customers search and how they search, at least as far as my experiment could show. Therefore, it is suggested that customer knowledge and customer switching intention before search are much more important than search quality in explaining how customers find a better deal and customer switching.

7.3 Contribution to theory

My study examined the abilities of several important variables – including satisfaction, overconfidence, self-confidence, knowledge, information search and switching costs – to explain customer switching behaviour. The contribution of my research to the field of marketing is described in the following sections.

7.3.1 Effects of self-confidence on switching intention

Many scholars have attempted to explain the relationship between satisfaction and switching intention. The most common belief is that satisfied customers will stay loyal (see, for example, Liu and Wu, 2007, Cronin et al., 2000, Ranaweera and Prabhu, 2003b, Nguyen and LeBlanc, 1998, Shirin and Puth, 2011). However, this relationship is not straightforward in many cases; in particular, satisfied customers still defect (Hennig-Thurau and Klee, 1997). This means that some variables moderate the relationship between satisfaction and switching, and one of the objectives of my study was to identify them. My results indicate that customer confidence moderates this relationship.

Loibl et al. (2009) indicated that consumer behaviour is often driven by the extent to which consumers feel confident about their decisions. They showed that self-confidence has significant positive effects on information searching, meaning that highly self-confident customers will search for information intensively. Howcroft et al. (2007) concluded that the majority of customers lack confidence when using financial products. Moreover, they indicated that customers tend to remain with the same provider primarily because of their low levels of confidence. In addition, customers with higher levels of confidence are more likely to switch financial providers. Thus, it can be argued that a lack of customer confidence is associated with low switching behaviour in financial services. The dominant belief about this relationship is that highly self-confident customers will have high switching intention.

However, my study found the opposite effect: customers with high confidence are less likely to switch regardless of whether their satisfaction level is high or low. Similarly, customers with low self-confidence will have higher switching intention, no matter whether their satisfaction level is high or low. Moreover, self-confidence negatively moderates the relationship between satisfaction and switching. In particular, the increase of self-confidence will lead to the decrease of switching intention when satisfaction is low. These interesting findings represent a significant contribution to the literature.

The significant effects of satisfaction and self-confidence on customer switching that I observed show that if satisfaction and self-confidence are examined separately in the relationship with switching intention, switching intention cannot be fully understood. For example, if only satisfaction is examined in the relationship with switching intention, one may conclude that a dissatisfied customer will have high intention to switch. However, this conclusion may not be true if this customer is highly self-confident. Thus, to understand switching behaviour deeply, the interaction of both satisfaction and self-confidence with switching behaviour must be considered. Moreover, the findings of the important role of self-confidence suggest that in financial services, the effect of self-confidence is even more important than the effect of satisfaction on customer switching.

7.3.2 Effect of information search on switching intention change

Many studies have concluded that searching for information is an important factor in customer decision-making (see, for example, Nelson, 1970, Punj and Staelin, 1983, Sparks et al., 2013, Aydin and Özer, 2005). However, most studies have examined the effect of information searching on a particular behaviour. For example, Shim et al. (2001) concluded that intention to search for information via the internet was the strongest predictor of purchase intention. Very few researchers have aimed to examine change of switching intention before and after searching for information, as was done in my study.

I found that information searching moderated the relationship between switching intention before search and switching intention after search. In particular, if customer switching intention before search is low, switching intention will increase after they search. If customer switching intention before search is high, their switching intention will decrease after they search. This finding is an entirely novel contribution to knowledge about customer switching behaviour.

7.4 Managerial implications

In the previous section (7.3) I discussed the theoretical implications of this study of service switching behaviours. The findings arrived in this research also make a contribution to policy and practice.

7.4.1 Customer motivation constructs and switching intention

In this study, I treated satisfaction as a motivation construct and the relationship between it and switching intention was examined. My results demonstrated that satisfaction has strong influence on switching decisions and needs to be considered as an important determinant of customer retention. The practical implication is that managers must devise and implement strategies to satisfy customers. In doing so, manager should understand the antecedents of customer satisfaction and how they affect customer satisfaction. These antecedents were reviewed in chapter 2 of this study; the three main antecedent categories are demographic (for example, customer age, income), affective (for example, happiness, disgust and joy) and cognitive factors (for example, customer expectation). As noted in chapter 2, excluding three main antecedents above, service quality was also considered an important antecedent for customer satisfaction.

Based on these antecedents, a number of solutions can be applied to increase customer satisfaction in financial services. However, the factors to which managers should pay most attention are C/D theory and service quality.

Firstly, among a variety of reasons that lead to satisfaction, service quality is one of the most important (Chen et al., 2012). This means that if companies provide high-quality services, customers will be satisfied. This is particularly important in the financial services context. The reason is that in financial services there is a lot of contact between customers and staff. Therefore, improving service quality will increase customer satisfaction. However, it is also true that customers not only interact with financial service staff in person, they spend time in online transactions. Traditional managers might pay most attention to service quality in the offline environment, but nowadays they need to recognise the important role of online service. In the Information Age, to satisfy customers, financial services must improve staff knowledge and communication skills as well as the ease and convenience of transactions via the internet. Many scholars agree that e-service quality has significant effects on customer satisfaction and loyalty (see, for example, Yen and Lu, 2008, Ibrahim et al., 2006).

Secondly, managers need to recognise the gap between what customers expect and what they receive. C/D theory indicates that customer satisfaction is based on a comparison between expectation and performance. One way to recognise this gap is to conduct consumer research, but the survey activities of financial services companies have several limitations. One of them is that many financial service providers still lack surveys to find out customer expectation as well as customer perception about the service of companies. Another limitation is that surveys are often conducted with inappropriate samples. For example, when a bank wants to understand customer expectations about mortgage services, they should try to approach customers who are potential for mortgage products. If they have a large sample of participants who are students or who have low income, the outcomes of the survey will not reflect the real demand for mortgages in the financial service market.

7.4.2 Customer ability constructs and switching intention

My results indicate that confidence in decision-making moderates the relationship between satisfaction and switching decision. In particular, for both satisfied and dissatisfied customers, customers with low self-confidence have higher switching intention. In contrast, highly self-confident customers have low switching intention. This explains why many dissatisfied customers do not switch. For example, a self-confident customer dissatisfied with her current financial service is unlikely to switch because she thinks she already made the right decision.

This result has implications for practice. Firstly, financial services companies should try to find ways to enhance customer self-confidence to boost customer retention through communicating with customers after they use its services. For example, after a customer has used a service from a bank, the bank should provide the customer with information that supports the belief that the right decision was made. Banks can demonstrate that they provide the lowest interest rate in the market, or they do not charge monthly account fees. Insurance companies use similar initiatives to increase customer self-confidence, including discounts for customers who use their service continuously, reinforcing customer belief that they choose the right provider. Then, if they ever feel dissatisfied with the provider, they will still stay because they hold the strong belief that they made the right initial decision. However, raising customer self-confidence by giving them positive information about the company or its products is not enough. Companies must provide customers with high-quality products and services to maintain customer self-confidence in the long term.

To sum up, my research shows that self-confidence is more important than satisfaction in keeping financial services customers loyal. Therefore, as well as working to enhance customer satisfaction, financial companies must implement strategies to enhance customer self-confidence. Maintaining high customer self-confidence is advantageous for a company when it wants to retain customers, especially when those customers are not satisfied.

7.4.3 Customer opportunity constructs and the switching decision.

In this study, customer opportunities included information searching, finding a better deal and switching cost. The research results indicated that all these variables had significant effects on customer switching. This has several practical implications.

Firstly, information searching alters switching intention. In particular, if a customer has high switching intention and searches for information, switching intention decreases. In contrast, if a customer has low switching intention and searches for information, switching intention increases.

Companies generally want to keep their customer loyal, but this is not always true. There are two kinds of customers: good customers, whom the company values and wants to keep, and bad customers, whom the company is happy to lose. For example, when a car insurance company realises that a customer has a history of frequent car accidents, they might not want to keep this customer as he/she will be a liability in the future. Banks do not want to keep customers who have a poor repayment history or demonstrate other high-risk behaviour. This suggests that financial companies should have different strategies with good and bad customers. The strategies can be devised based on the findings of effect of information search on customer switching, as outlined below.

If company realises that a good customer wants to switch, they should find a way to encourage them to search for information. This will help the customer understand that they already have a good deal and it is worth being loyal. Moreover, my results imply that after customers search for information their switching intention will decrease. A company can send emails suggesting that customers search for alternative providers and provide positive information about the company, reinforcing the customer's belief that they make the right decision. If a company realises that a customer has low switching intention, it should not encourage these customers to search for information, thereby avoiding an increase in their switching intention. It is not easy to recognise whether customers have low or high switching intention. Some customers can explicitly reveal their switching intention via email, phone or direct to staff, especially when they are dissatisfied. However, many others do not explicitly reveal their switching. To find out whether customers have high intention to switch, one method that can be applied is an online questionnaire which can be used to probe customer switching intention. In the questionnaire, there is a question whether customers will switch with different level of switching intention. If customers choose the high level of switching, the next question in the questionnaire would be the some suggestions for them to search information (such as some suggestion for alternatives), then the questionnaire is finished. If customers choose a low level of switching intention, the next question in the questionnaire will not suggest them to search for alternatives.

If bad customers have high intention to switch, companies should not do anything to encourage them to search for information or provide them with more information. Based on my results, customers' high switching intentions will decrease after they search for information. Thus, if they do not search, their switching intention will remain high and so will the chance they go to another provider.

Secondly, the results indicate that among the variety of switching cost types, sunk cost plays the most important role in switching intention. Sunk cost moderates the relationship between switching before and switching after search. Moreover, it also moderates between finding a "better deal" and switching after search. Managers who want to attract customers from their competitors should encourage them to switch by compensating them for their lost sunk cost. Some banks in the market already use this strategy; in particular, some banks will pay for the penalty (which applies to customers who pay off their loan before the end of the contract) if customers switch from other banks. In other cases, if managers recognise that their customers are dissatisfied or want to switch, they can increase switching costs, creating a higher financial barrier to switching. They can also try to encourage customers using more financial services. These methods make customers feel 'locked in' when they want to switch. This strategy can only be applied in the short term and is not a sustainable strategy. The reason is that when customers feel trapped, they can generate substantial negative publicity through WOM (Jones and Sasser, 1996) that will destroy a company reputation in the long term.

7.5 Limitations

The experiment, including the questionnaire and online searching task, was limited in the amount of time that participants could devote to it. Each participant had to spend 30 to 60 minutes to finish the experiment. The time allotted for each searching task was 15 minutes. Some participants had to search for two services, consuming 30 minutes. Some participants might not have enough time to search properly. Moreover, because of limited time, some participants may search in the way that is different with their real searching. For example, in experiments some participants may try to search as quickly as they can, but in their real searching, they may spend more time reading carefully some information they found.

The second limitation of my experiment was the privacy issue. The use of some financial services involves individual information that participants did not want to use during experiments.

For example, when searching for car insurance, participants had to enter their personal information to generate the quotes. Some participants did not want to do this in case the insurance company would contact them, and therefore tried to find other ways to search. In some cases, the result from eye tracker indicated that participants sometimes used a searching method that seems to not reflect their searching behaviour in real life. For example, customers who searched for a better deal for their car insurance may provide their car information first but when they are required to provide their contact details, they did not precede and move to another website.

7.6 Recommendations for future research

Two main aspects of my work would benefit from further research.

7.6.1 MOA theory

MOA theory was originally applied to explain the information processing of customers. However, it has been expanded to explaining customer behaviour in general. The advantage of MOA is that it covers three important aspects of customer behaviour: motivation, ability and opportunity. My study is one of very few studies that have applied MOA theory in explaining the relationship between satisfaction and customer switching behaviour in financial services.

My study confirmed that MOA can be applied to explain customer switching. In particular, my results indicated that satisfaction, customer self-confidence, sunk cost, information search and finding a "better deal" fit well within MOA theory in explaining switching behaviour. Overconfidence and other switching costs including uncertainty costs, post-switching behaviour, lost performance costs, and cognitive costs did not fit with MOA theory.

The original form of MOA does not mention customer behaviour before and after searching for information; future researchers could consider expanding MOA theory to apply to these phenomena. Moreover, researchers could explore other variables that might explain switching under MOA theory.

7.6.2 Eye tracker research

My research is the first to use an eye tracker to examine customers' information searching in relation to switching behaviour in the financial services context. Because of time constraints, my study just focused on examining effects of information search on switching intention. Further research could explore the search patterns (which can be observed from eye tracker results) of participants. In particular, measuring how long or how much time participants spend looking at price or service features would answer interesting questions about their effects on customer switching behaviour, and determine which search strategy most often enables searchers to find a better deal. Moreover, further research could involve an experiment in which websites and search engines were controlled, meaning that participants use a limited website and search engine to search. In this way, researchers can create clusters of similar websites for customers to study; this would allow meaningful comparisons between participants' behaviours. Then, the application of eye trackers such as heat map and fixations can be used.

My study indicated that the relationship between finding a better deal and customer retention was moderated by switching cost. In particular, sunk cost is an important factor in the relationship between finding a better deal and switching intention. However, switching cost is also a salient variable in explaining switching intention. Therefore, it is recommended that further research should explore other variables that can moderate the relationship between better deal and switching intention in an attempt to explain why customer do not switch or switch when they have already found a better deal. Such research should also establish how customers find that better deal.

7.7 Conclusion

In the Information Age, the internet has become a powerful search tool that many customers use to search for information before making their decisions. Therefore, the focus of customer behaviour is shifting from offline to online behaviour. This represents a major change for traditional marketing. Many researchers have explored online customer searching, but a solid understanding is some ways off.

Online searching is not easy to understand, because it does not depend on what the customer does but also depends on what customers observe. In other words, to understand the information search behaviour of customers, measurement of their eye behaviour is crucial. Thanks to the development of eye tracking technology, researchers today have tools to do just that. My study of the influence of information search on switching behaviour in financial services was conducted using an eye tracking approach.

My results showed that information search has a significant influence on customers' switching behaviour, specifically on confidence in decision-making and switching intentions. This work should inspire further research on online information-seeking behaviour using the eye tracker.

The main objectives of this study were to use MOA theory to explain switching behaviour within the context of financial services. To achieve this objective, three research questions were proposed. The first research question was whether MOA theory could explain the relationship between customer satisfaction and switching behaviour. The second research question was how customer knowledge and confidence relate to customer satisfaction, switching cost and customer switching intention. The third research question is related to the effects of information search on switching intention.

This study commenced with qualitative research (in-depth interviews) with 16 participants, who were asked about their switching behaviour in Australian financial services. This exploratory research helped to determine the variables used in the quantitative stage. In the next stage, 113 people participated in an experiment in which they had to answer an online questionnaire and search for information via the internet. This study focused on customer switching in financial services in Australia; therefore, all participants for both stages of research were Australian residents who had lived in Australia for more than 10 years.

For the quantitative study, ten hypotheses were developed regarding the variables proposed in this research. Five hypotheses were supported as follows.

Table 7.1: Supported hypotheses

	Hypothesis	Supported
H1a	Customers' overconfidence in financial knowledge increases with difficult tasks	**Yes**
H2	Customer knowledge has positive effect on customer confidence in decision-making	**Yes**
H3	Satisfaction has negative influence on customer switching intention	**Yes**
H5c	Information search moderates switching intention, reducing it when it is high, but increasing it when it is low.	**Yes**
H6	Confidence in decision making positively moderate the relationship between satisfaction and customer retention	**Yes**

To conclude, this study resulted in several useful contributions to marketing theory and practice. For theory, this study explained the effect of online information searching on switching intention. For practitioners, it showed that information search, finding a better deal and sunk cost play significant roles in explaining customer switching. It is hoped that these insights about customer switching behaviour will enable financial service managers to create effective strategies for attracting and retaining customers.

APPENDICES

Appendix 1: Ethics approval for qualitative research

Received from Mrs Yanru Ouyang , 11 Feb, 2013

To: Dr Scott Koslow, Dr Lay Peng Tan, Mr Hoai Nam Nguyen

Dear Dr Koslow,

Re: 'Committed or trapped? Exploring the link between customer satisfaction and retention in financial services.'

Reference No.:5201300019

The above application was reviewed by the Faculty of Business & Economics Human Research Ethics Sub Committee. Approval of the above application is granted, effective 11 February 2013 and you may now proceed with your research.

This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site: http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/e72.pdf.

The following personnel are authorised to conduct this research:

Dr Scott Koslow

Dr Jana Bowden

Mr Hoai Nam Nguyen

NB. STUDENTS: IT IS YOUR RESPONSIBILITY TO KEEP A COPY OF THIS APPROVAL EMAIL TO SUBMIT WITH YOUR THESIS.

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).

2. Approval will be for a period of five (5) years subject to the provision of annual reports.

Progress Report 1 Due: 11th Feb. 2014

Progress Report 2 Due: 11th Feb. 2015

Progress Report 3 Due: 11th Feb. 2016

Progress Report 4 Due: 11th Feb. 2017

Final Report Due: 11th Feb. 2018

NB. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:

http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child

protection and privacy laws).

4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:
http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms

5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at the following websites:
http://www.mq.edu.au/policy/
http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have final approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of Final Approval to an external organisation as evidence that you have Final Approval, please do not hesitate to contact the FBE Ethics Committee Secretariat, via fbe-ethics@mq.edu.au or 9850 4826.

Please retain a copy of this email as this is your official notification of
final ethics approval.

Yours sincerely

Parmod Chand
Chair, Faculty of Business and Economics Ethics Sub-Committee

Appendix 2: Ethics approval for quantitative research

Received from Mrs Yanru Ouyang , 19 Dec, 2013

To: Dr Scott Koslow, Dr Lay Peng Tan, Mr Hoai Nam Nguyen

Dear Dr Koslow,

Re: 'Seek and Ye shall 'Churn'? The Dynamics of satisfaction, knowledge and confidence in switching financial services.'

Reference No.: 5201300721

Thank you for your recent correspondence. Your response has addressed the issues raised by the Faculty of Business & Economics Human Research Ethics Sub Committee. Approval of the above application is granted, effective "19/12/2013". This email constitutes ethical approval for stage one of theproject only. If there is a need to call participants for stage 2, please submit a transcript for "cold calling". This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site: http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/e72.pdf.

The following personnel are authorised to conduct this research:

Dr Lay Peng Tan; Dr Scott Koslow; Mr Hoai Nam Nguyen

NB. STUDENTS: IT IS YOUR RESPONSIBILITY TO KEEP A COPY OF THIS APPROVAL EMAIL TO SUBMIT WITH YOUR THESIS.

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).

2. Approval will be for a period of five (5) years subject to the provision of annual reports.

Progress Report 1 Due: 19th Dec. 2014

Progress Report 2 Due: 19th Dec. 2015

Progress Report 3 Due: 19th Dec. 2016

Progress Report 4 Due: 19th Dec. 2017

Final Report Due: 19th Dec. 2018

NB. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:

http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in

an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).

4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:
http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms

5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University.
This information is available at the following websites:
http://www.mq.edu.au/policy/
http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of approval to an external organisation as evidence that you have approval, please do not hesitate to contact the FBE Ethics Committee Secretariat, via fbe-ethics@mq.edu.au or
9850 4826.

Please retain a copy of this email as this is your official notification of ethics approval.

Yours sincerely,

Parmod Chand
Chair, Faculty of Business and Economics Ethics Sub-Committee
Faculty of Business and Economics
Level 7, E4A Building
Macquarie University
NSW 2109 Australia
T: +61 2 9850 4826
F: +61 2 9850 6140
www.businessandeconomics.mq.edu.au/

Appendix 3: Information and consent form for qualitative research

Department of Marketing and Management
Faculty of Business and Economics
MACQUARIE UNIVERSITY NSW 2109
Phone: +61 (2) 9850-8495
Fax: +61 (2) 9850-6065
Email: nam.nguyen@ mq.edu.au

Chief Investigator's / Supervisor's Name: **Scott Koslow**
Chief Investigator's / Supervisor's Title: **Professor**

Information and Consent Form

Name of Project: **Committed or trapped? Exploring the link between customer satisfaction and retention in financial services.**

You are invited to participate the interview in a research regarding customers' behaviour in using financial services in Australia. The purpose of interviews is to find out and finalise variables used in our research. In particular, we would like to find out which factors affecting customer retention in banking and insurance services. Moreover, we tend to find out the relationship among variables such as customer knowledge, customer confidence, customer satisfaction, variety seeking behaviour, switching cost and perception of information accessibility in explaining customer retention. These factors will help us to explain why dissatisfied customers do not defect and why other unsatisfied customers still stay loyal in using financial services.

This research is being conducted by Nam Hoai Nguyen (Co-investigator) from the Department of Marketing and Management, (Tel: (02) 9850-8495, Email: nam.nguyen@mq.edu.au) to meet the requirements for his PhD degree under the supervision of Prof. Scott Koslow (Chief-investigator), (Tel: (02) 9850-8495, Email: scott.koslow@mq.edu.au) and Dr. Jana Bowden (associate investigator), (Tel: (02) 9850 1813, Email: jana.bowden-everson@mq.edu.au) from the Department of Marketing and Management. This research has been funded by the Macquarie University-Faculty of Business and Economics.

If you decide to participate, you will be asked to partake in an interview of about 30 to 45 minutes in length. With your consent, this interview will be tape recorded. Your participation in this study is completely voluntary and you will be given a small gift as appreciation for your participation. In addition, you can withdraw at any time without having to give a reason and without adverse consequence. The interview will be held at any place that suits you. You will be asked several questions about the customers' behavior toward financial service in Australia. You will not be asked to state your name or any individual information on the recording.

Your responses to the interview questions will be kept confidential. The recording will be erased as soon as it is transcribed. The transcripts with no name and the recordings (before being transcribed) will be kept securely at Macquarie University and only chief investigator and co-investigator will have access to them. No individual will be identified in any publication of the results. The only individuals with access to data collected will be the co-investigator, Nam Hoai Nguyen, and chief-investigator Prof. Scott Koslow. Results will be published aggregately without mentioning any individual information. The Publications will be in the format of a journal article and PhD thesis.

Participation in this study is entirely voluntary: you are not obliged to participate and if you decide to participate, you are free to withdraw at any time without having to give a reason and without consequence. If you would like to receive the result of this study, please provide your contact detail (email or mailing address) at the end of this form.

I, *(participant's name*) have read *(or, where appropriate, have had read to me)* and understand the information above and any questions I have asked have been answered to my satisfaction. I agree to participate in this research, knowing that I can withdraw from further participation in the research at any time without consequence. I have been given a copy of this form to keep.

Participant's Name:____

(Block letters)

Participant's Signature:___________________________ Date:____________________

Investigator's Name:____

(Block letters)

Investigator's Signature:_________________________ __ Date:____________________

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone (02) 9850 7854; email ethics@mq.edu.au). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

(INVESTIGATOR'S [OR PARTICIPANT'S] COPY)

Your contact detail (Optional):………………………………………………………………………

Appendix 4: Information and consent form for experiment phase

Department of Marketing and Management
Faculty of Business and Economics
MACQUARIE UNIVERSITY NSW 2109
Phone: +61 (2) 9850-8495
Fax: +61 (2) 9850-6065
Email: nam.nguyen@ mq.edu.au

Chief Investigator's / Supervisor's Name: **Scott Koslow**
Chief Investigator's / Supervisor's Title: **Professor**

Information and Consent Form

Name of Project: **Seek and Ye shall "Churn"?. The Dynamics of satisfaction, knowledge and confidence in switching financial services**

You are invited to participate in a study of examining customers' behaviour in using financial service in Australia. In particular, the purpose of the study is help to explain why dissatisfied customers do not defect and why other unsatisfied customers still stay loyal in using financial services. Moreover, this study aims to determine the consequences of causality regarding how customer knowledge types, customer confidence relate to customer satisfaction, switching cost in explaining customer retention in financial services.

This research is being conducted by Nam Hoai Nguyen (Co-investigator) from the Department of Marketing and Management, (Tel: (02) 9850-8495, Email: nam.nguyen@mq.edu.au) to meet the requirements for his PhD degree under the supervision of Prof. Scott Koslow (Chief-investigator) (Tel: (02) 9850-8495, Email: scott.koslow@mq.edu.au) and Dr. Lay Peng Tan (Co-investigator) (Tel: (02) 9850- 8505, Email: Laypeng.tan@mq.edu.au), from the Department of Marketing and Management. This research has been funded by the Macquarie University-Faculty of Business and Economics.

If you decide to participate, you will be asked to partake in an experiment of about 30 minutes in length. With your consent, the experiment will be recorded by eye tracker. Your participation in this study is completely voluntary and your organization will be given $30 after experiment has been completed as appreciation for your participation. In addition, you can withdraw at any time without having to give a reason and without adverse consequence. The experiment will be held at a room in Macquarie University, churches or schools. You will be asked a number of questions about your behavior toward financial service in Australia. Besides that, you will be asked to use the internet to find the better offers of financial services. You will not be asked to state your name or any individual information on the recording.

Your responses to the experiment will be kept confidential, except as required by law. The recording will be erased as soon as it is transcribed. The transcripts with no name and the recordings (before being transcribed) will be kept securely at Macquarie University and only chief investigator and co-investigators will have access to them. No individual will be identified in any publication of the results. The only individuals with access to data collected will be the co-investigators, Nam Hoai Nguyen, Lay Peng Tan and chief-investigator Prof. Scott Koslow. Results will be published aggregately without mentioning any individual information. The publications will be in the format of a journal article and PhD thesis.

Participation in this study is entirely voluntary: you are not obliged to participate and if you decide to participate, you are free to withdraw at any time without having to give a reason and without consequence.

I, *(participant's name*) have read *(or, where appropriate, have had read to me)* and understand the information above and any questions I have asked have been answered to my satisfaction. I agree to participate in this research, knowing that I can withdraw from further participation in the research at any time without consequence. I have been given a copy of this form to keep.

Participant's Name:____
(Block letters)

Participant's Signature:__________________________ Date:____________________

Investigator's Name:____
(Block letters)
Investigator's Signature:________________________ __ Date:____________________
The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone (02) 9850 7854; email ethics@mq.edu.au). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome. If you would like to receive the result of this study, please provide your contact detail (email or mailing address) at the end of this form.
Participant contact detail:…………………………………………………………

(INVESTIGATOR'S [OR PARTICIPANT'S] COPY)

Appendix 5: Questions for qualitative phase

General questions

1. Which financial services do you use in Australia (specific services)? Could you give me the name of some service providers that you are using? How long do you stay with them?
2. Could you tell me a little bit about what you think of these companies? (Customer service, information accessibility, price…)
3. Which factors affect your retention (with banks or insurance companies)?

Switching behaviour

4. Have you ever thought about switching banks or insurance companies? Have you done so recently? Could you give me the name of service providers that you already switched from? Tell me a little about why you did and what happened.
5. Which factors affect your dissatisfaction with financial service providers? Assuming that you are not satisfied with a bank or insurance company, would you switch? Why not?
6. Which factors make you satisfied with financial service providers? Assuming that you are very satisfied with a bank or insurance company, would you think about switching? Why?
7. In general, how easy is it to switch banks or insurance companies? Which factor can affect your switching behaviour? Can you give me examples and how these factors can affect your decision?

Confidence in decision making

8. Sometimes people don't feel confident in decisions making. How confident are you when making choices between financial services providers? Did it affect what you thought about, or what you did? What is different when you make decisions with high confidence and low confidence? (in real decisions or assumptions) (low confidence or high confidence is better for your decisions?)
9. Which factor affect to your confidence in decision making? In your opinion, how to enhance your confidence in decision making? How much you think product knowledge has influence on confidence in decision making? Why?

Information accessibility

10. Let’s say you want to switch banks or insurance companies, what do you do? How much information do you need? How many pages you have look at when you searching information online? How much time you spend on searching information? How many days you need to make your decisions?

- You tend to ask people first or searching online, advertisement or reading brochure first?
- If you find information online, e.g., using Google, what are key words you will type?
- What do you search online and what do you ask people? (the difference?) (what is type of questions you ask people?)
- Is it easy to find the information you need to make a good decision?
- Which information sources you would prefer to use in decision making?
- Are you confident to make decisions after searching information?
- What happens if you can’t find out much information?

(how do you search information from companies, internet, key words, how long to make decisions, how many times, how many companies…)

11. Information accessibility

- Do you feel easy to access information of financial services that you want to use? Examples?
- Do you think financial service providers provide accurate information to customers?
- Do you think financial service providers provide enough service information to customer?
- What additional information that you want to know?

Variables in the study

12. In my research, I suppose that satisfaction, confidence in decision making, switching cost, information search and variety seeking are important factors affecting to customer retention. I would like to ask you that:

- Which of those factors do you think is not important in the context of financial service in Australia? Why?
  - Which other factors do you think that need to be included more in the model? Why?

Appendix 6: Questions of objective knowledge and overconfidence

To the best of your knowledge, please answer the following questions regarding credit cards

	Please tick your choice		How confident are you that your answer is correct?										
	True (1)	False (2)	0% (1)	10% (2)	20% (3)	30% (4)	40% (5)	50% (6)	60% (7)	70% (8)	80% (9)	90% (10)	100% (11)
1. The owner of a credit card that is lost or stolen is never legally responsible for all unauthorized charges. (1)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
2. Carrying a credit card balance from month to month is likely to have a higher interest rate than card loans and home loans. (2)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
3. Someone who only pays the minimum amount each month (%) is likely to pay more in finance charges per year compared to someone who charges the same amount but pays off the card every month. (3)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
4. The days between the billing date and the due date on a credit statement are called the interest period. (4)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
5. The finance charge on your credit card statement is what you pay to use credit. (5)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍

To the best of your knowledge, please answer the following questions regarding bank accounts

	Please tick your choice		How confident are you that your answer is correct?										
	True (1)	False (2)	0% (1)	10% (2)	20% (3)	30% (4)	40% (5)	50% (6)	60% (7)	70% (8)	80% (9)	90% (10)	100% (11)
1. Suppose you had $1,000 in a savings account and the interest rate was 5% per year. After 5 years, you will have $1,250 in the account if you left the money to grow. (1)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
2. If you have a savings account at a bank, you may have to pay taxes on the interest you earn. (2)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
3. If you buy certificates of deposit or Australian government bonds you can earn higher returns than on a savings account, with little or no added risk. (3)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
4. With compound interest, you earn interest on your interest, as well as on your principal. (4)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
5. Using extra money in a bank saving account to pay off credit card debt is a bad idea. (5)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍

To the best of your knowledge, please answer the following questions regarding mortgage

	Please tick your choice		How confident are you that your answer is correct?										
	True (1)	False (2)	0% (1)	10% (2)	20% (3)	30% (4)	40% (5)	50% (6)	60% (7)	70% (8)	80% (9)	90% (10)	100% (11)
1. 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less. (1)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
2. A house financed with a fixed-rate mortgage protects a family's purchasing power in the event of a sudden increase in inflation. (2)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
3.When you use your home as collateral for a loan, there is no chance of losing your home. (3)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
4.If the interest rate on an adjustable-rate mortgage loan goes up, your monthly mortgage payments will also go up. (4)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
5.Repeatedly refinancing your home mortgage over a short period of time rarely results in added fees and points that further increase your debt. (5)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍

To the best of your knowledge, please answer the following questions regarding superannuation

	Please tick your choice		How confident are you that your answer is correct?										
	True (1)	False (2)	0% (1)	10% (2)	20% (3)	30% (4)	40% (5)	50% (6)	60% (7)	70% (8)	80% (9)	90% (10)	100% (11)
1.The earlier you start saving for retirement, the more money you will have because the effects of compounding interest increase over time. (1)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
2. Employers are responsible for providing most of the funds that you will need for retirement. (2)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
3. Superannuation is taxed at a lower rate than other investments for all Australians. (3)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
4. Employees can make superannuation payments additional to any payments made by their employer. (4)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
5. Government will make up the gap from not planning for retirement. (5)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍

To the best of your knowledge, please answer the following questions regarding car insurance

	Please tick your choice		How confident are you that your answer is correct?										
	True (1)	False (2)	0% (1)	10% (2)	20% (3)	30% (4)	40% (5)	50% (6)	60% (7)	70% (8)	80% (9)	90% (10)	100% (11)
1.If you have comprehensive car insurance and you are late with your payments or do not pay, the insurance usually does not help you when you want to make a claim. (1)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
2. If you restrict the use of your car to a nominated driver or those over a certain age, sometimes you can get a premium discount. (2)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
3. Car insurance companies determine your premiums based on your age, driving record, postcode, gender and ethnicity. (3)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
4. Shopping around for lower premiums from other companies is NOT a good way to lower the costs of your car insurance. (4)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
5.Coverage for thief of a car is provided for under a comprehensive automobile insurance. (8)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍

To the best of your knowledge, please answer the following questions regarding private health insurance

	Please tick your choice		How confident are you that your answer is correct?										
	True (1)	False (2)	0% (1)	10% (2)	20% (3)	30% (4)	40% (5)	50% (6)	60% (7)	70% (8)	80% (9)	90% (10)	100% (11)
1. The private health insurance rebate (or premium reduction) is an amount that the government contributes towards the cost of your private health insurance premiums. (1)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
2. The private health insurance rebate is not income tested. (2)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
3. The amount of private health insurance rebate that Australians receive from the Australian government will depend on their age and income. (3)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
4. Private health insurance offers both hospital and general treatment policies. (4)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
5. Compared to Medicare, you will have less choice of doctors when you use private health insurance. (6)	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍

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